



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

**COMMITTEE SUMMONS**

C Hanagan  
Service Director of Democratic Services & Communication  
Rhondda Cynon Taf County Borough Council  
The Pavilions  
Cambrian Park  
Clydach Vale, CF40 2XX

Meeting Contact: Jessica Daniel - Council Business Unit, Democratic Services  
(07385411807)

**YOU ARE SUMMONED** to a virtual meeting of **GOVERNANCE AND AUDIT COMMITTEE** to be held on **MONDAY, 12TH JULY, 2021** at **5.00 PM**.

Non Committee Members and Members of the public may request the facility to address the Committee at their meetings on the business listed although facilitation of this request is at the discretion of the Chair. It is kindly asked that such notification is made to Democratic Services by Thursday, 8 July 2021 on the contact details listed above, including stipulating whether the address will be in Welsh or English.

**AGENDA**

**Page  
No's**

**1. DECLARATION OF INTEREST**

To receive disclosures of personal interest from Members in accordance with the Code of Conduct

Note:

1. Members are requested to identify the item number and subject matter that their interest relates to and signify the nature of the personal interest: and
2. Where Members withdraw from a meeting as a consequence of the disclosure of a prejudicial interest they must notify the Chairman when they leave.

<b>2. APPOINTMENT OF CHAIR</b>	
To appoint the Chair of the Audit Committee for the 2021/22 Municipal Year.	
<b>3. APPOINTMENT OF VICE-CHAIR</b>	
To appoint a Vice-Chair of the Audit Committee for the 2021/22 Municipal Year.	
<b>4. MINUTES</b>	
To receive the minutes of the previous meeting of the Audit Committee held on 26 <sup>th</sup> April 2021.	
	<b>5 - 10</b>
<b>5. OVERVIEW OF ACCOUNTING POLICIES</b>	
<b>6. DRAFT STATEMENTS OF ACCOUNT 2020/21</b>	
	<b>11 - 296</b>
<b>7. COUNCIL ANNUAL GOVERNANCE STATEMENT 2020/21</b>	
	<b>297 - 348</b>
<b>8. HEAD OF INTERNAL AUDIT ANNUAL REPORT 2020/21</b>	
	<b>349 - 374</b>
<b>9. AUDIT COMMITTEE ANNUAL REPORT 2020/21</b>	
	<b>375 - 396</b>
<b>10. INTERNAL AUDIT ANNUAL PLAN 2021/22</b>	
	<b>397 - 414</b>
<b>11. TO CONSIDER PASSING THE FOLLOWING UNDER-MENTIONED RESOLUTION:</b>	
“That the press and public be excluded from the meeting under Section 100A(4) of the Local Government Act, 1972 (as amended) for the next item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 14 of Part 4 of Schedule 12A of the Act.”	
<b>12. ANTI-FRAUD ANNUAL REPORT 2020/21</b>	
	<b>415 - 430</b>
<b>13. URGENT BUSINESS</b>	
To consider any items, which the Chairman, by reason of special circumstances, is of the opinion should be considered at the meeting as a matter of urgency	

**Service Director of Democratic Services & Communication**

**Circulation:-**

County Borough Councillors:

Councillor G Davies, Councillor G Caple, Councillor J Cullwick, Councillor M Adams, Councillor K Jones, Councillor M Norris, Councillor D Owen-Jones, Councillor S Rees, Councillor S Powell, Councillor E Webster, Councillor M Griffiths, Councillor J Edwards, Councillor S Trask, Mr C Jones and Councillor R Williams

Lay Member: Mr C Jones

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## RHONDDA CYNON TAF COUNCIL AUDIT COMMITTEE

Minutes of the virtual meeting of the Audit Committee held on Monday, 26 April 2021 at 5.00 pm

### County Borough Councillors:

Councillor G Davies    Councillor M Adams  
Councillor D Owen-Jones    Councillor S Rees  
Councillor E Webster    Councillor R Yeo  
Councillor L De Vet

**Lay Member in attendance:-** Mr C Jones

### Officers in attendance:-

Mr A Wilkins, Director of Legal Services  
Mr P Griffiths, Service Director – Finance & Improvement Services  
Mr M Thomas, Head of Regional Audit Service  
Ms L Cumpston, Group Audit Manager  
Ms S Davies, Head of Finance  
Mr P Cushion, Head of Employee Relations

### Others in attendance:-

Carwyn Rees – Audit Wales  
Sara-Jane Byrne – Audit Wales  
Anwen Worthy – Audit Wales  
Amy Marshal – Audit Wales

#### 40    **Welcome and Apologies for Absence**

The Chair welcomed attendees to the meeting and apologies for absence were received from County Borough Councillors G. Caple, J. Cullwick, M. Norris, M. Powell, J. Harries and S. Powell.

#### 41    **Declaration of Interest**

In accordance with the Council's Code of Conduct, Lay Person, Mr C Jones declared the following personal interest in relation to Item 8 of the agenda: *'The report makes reference to the progress in implementing the Violence Against Women, Domestic Abuse and Sexual Violence Act. I am a Trustee Director of the Safer Merthyr Trust, which receives support from Rhondda Cynon Taf County Borough Council.'*

#### 42    **Minutes**

It was **RESOLVED** to approve the minutes of the 22<sup>nd</sup> March 2021 as an accurate reflection of the meeting.

#### **43 Matters Arising**

Minute No. 34 - The Chair confirmed that a letter of congratulations had been sent on behalf of the Audit Committee to the recipient of the National Career Leader of the Year.

#### **44 Audit Wales - 2021 Audit Plan Rhondda Cynon Taf County Borough Council**

Audit Wales provided Audit Committee with an update on the 2021 Audit Plan for Rhondda Cynon Taf County Borough Council. The report set out the planned work to be undertaken by Audit Wales for 2021 in line with the responsibilities of the Auditor General.

Members were provided with a summary of financial statement audit risks that have been identified for Rhondda Cynon Taf, with Audit Wales indicating that a number of the risks were applicable to the whole local government sector rather than specifically relating to Rhondda Cynon Taf. The financial statement audit risks highlighted for Audit Committee were the risk of management override and the impact of Covid-19 on the quality of the accounts, supporting working papers and the risk of material misstatements. Other audit risks were also highlighted in respect of City Deal and the Mccloud judgement.

Members were also provided with a summary of projects to be undertaken as part of the 2021/22 performance audit programme, these being:

- Wellbeing of Future Generation Act (Wales) 2015 Examinations;
- Improvement Reporting Audit;
- Assurance and Risk Assessment;
- Thematic Work – Springing Forward and Examining the Building Blocks for a Sustainable Future; and
- Local Work to be determined and discussed with the Council

Following the update from Audit Wales, Members were invited to ask questions

Referring to Exhibit 2 (Other Matters) of the report, one Member questioned whether the reference to 'leases' included land assets. Audit Wales advised that the main impact is anticipated to be around short term/operating leases but explained that where there is land attached to building leases, it would be included under the scope of the standards.

Referring to the planned work in respect of the Wellbeing of Future Generation Act (Wales) 2015, one Member acknowledged its wide remit and sought further details of the areas the project would cover. Audit Wales advised that the Well-Being of Future Generations Act will be integrated within all of its work during the year in line with information issued to local authorities in Wales by the Auditor General, and where specific areas of work are confirmed for Rhondda Cynon Taf these will be fed back to Audit Committee.

In respect of the risk identified in relation to the Cardiff Capital Region City Deal, one Member questioned why Audit Wales will be taking into account the scrutiny work undertaken by the HM Treasury on the effectiveness of the region's governance arrangements. Audit Wales advised that the review had been undertaken by HM Treasury on the basis of the significant financial contribution

being made by the UK Government to this area and will be a source of information for Audit Wales to have regard to as part of its work in 2021.

The Audit Committee **RESOLVED:**

1. To acknowledge the update.

#### **45 Audit Wales - 2021 Audit Plan Rhondda Cynon Taf Pension Fund**

Audit Wales provided Audit Committee with the 2021 Audit Plan for the Rhondda Cynon Taf Pension Fund and outlined the financial audit risks which included the risk of management override and also other areas of audit attention in relation to the Wales Pension Partnership, Other Investment Movements and the impact of Covid-19.

The Chair thanked Audit Wales for the update and the Audit Committee

**RESOLVED:**

1. To acknowledge the update.

#### **46 Finalised Audit Assignments**

The Group Audit Manager summarised the audit assignment completed between 10th March 2021 and 13th April 2021, namely, Refunds & Reimbursements.

The Group Audit Manager confirmed that following the audit assignment, it was the opinion of Audit that the overall control environment in relation to the processing of Refunds & Reimbursements had been effective, despite the challenges presented as a result of the pandemic. Members were informed that all three of the service areas examined had provided guidance to customers / members of the public in respect of the process for claiming refunds and all had introduced appropriate processes to allow all refunds and reimbursements to be issued in a timely manner.

Members were advised that a further seven audit assignments were currently at draft report stage with an additional seven in progress, which would be reported to Committee in due course.

Members gave positive feedback on the conclusion of the Audit Assignment reported and it was **RESOLVED** to acknowledge the finalised audit assignment relating to Refunds & Reimbursements.

#### **47 Whistleblowing Annual Report 2020/21**

The Head of Employee Relations presented to the Audit Committee an updated Whistleblowing Policy & Procedure and Whistleblowing Annual Report 2020/21 in accordance with the Prescribed Persons (Reports on Disclosures of Information) Regulation 2017 (the '2017 Regulation').

The officer advised that at its meeting held on 20<sup>th</sup> July 2020, the Audit Committee agreed for a review of the Whistleblowing Policy to be undertaken and the outcome reported to Audit Committee during 2020/21. Members were informed that a review of the document had since been undertaken and it had been concluded that the document is fit for purpose subject to the inclusion of the following proposed update at Section 5.1:

- *Any allegation made that could be deemed as an offence of a criminal nature (e.g. using a phone whilst driving), may be forwarded to the police for a decision on whether any further action may be taken.*

The officer advised that, subject to Audit Committee's approval, an updated Whistleblowing Policy & Procedure would be published on the Council's website and awareness raising undertaken across Council Services. Furthermore, the Whistleblowing Policy & Procedure would be kept under on-going review and where further updates are proposed, these will be reported to Audit Committee for consideration.

Members were then referred to the Whistleblowing Annual Report for the 2020-21 Municipal Year, which was attached at Appendix 2 to the report. The officer assured Members that all whistleblowing referrals had been fully investigated, and where appropriate, necessary action had been undertaken.

One Member emphasised the importance of ensuring all staff are made aware of the proposed amendment to the Whistleblowing Policy and questioned how it would be communicated. The officer advised that, if approved, the revised Policy would be sent to all staff and Members via a payslip insert, a method which had successfully been utilised in the 2019, along with the use of posters and staff/management inductions.

One Member noted that concerns or allegations that fall within the scope of specific procedures (for example, child protection or discrimination issues) would normally be referred for consideration under those procedures and questioned how the process is recorded. The officer explained that such allegations would be recorded within the appropriate Whistleblowing process and would be included within the Annual Report.

Another Member sought clarity on the Whistleblowing process and how malicious allegations are dealt with. The officer acknowledged that allegations of a malicious nature are received and advised that, in the first instance, an allegation would be referred to the specific service area for the manager to establish whether a formal investigation would need to be undertaken. The officer assured the Committee that each allegation is considered on its own merit, as part of determining next steps.

The Audit Committee **RESOLVED:**

1. To approve the proposed update to the Council's Whistleblowing Policy & Procedure (Appendix 1) and instruct the Director of Human Resources to publish and raise awareness of the updated document;
2. To approve the Whistleblowing Annual Report 2020/21 (Appendix 2) in line with the requirements placed upon the Council by the 2017 Regulation; and
3. To consider whether any other changes or improvements to the current whistleblowing arrangements are required.

## **48 The Local Government & Elections (Wales) Act 2021 - Update**

The Director of Legal Services provided the Audit Committee with the report, which sought to summarise the various elements of the Local Government & Elections (Wales) Act 2021, which received Royal Assent on the 20<sup>th</sup> January 2021, with specific reference to those provisions which affect the terms of reference including functions and responsibilities of the Audit Committee.



The Director advised that amongst the various other provisions of the Act, Part 6 deals with the performance and governance of Principal Councils including enhancing the remit and role of the Audit Committee. Members were referred to Section 7 of the report which outlined in detail the changes to the name, membership, and terms of reference (including functions and responsibilities) of the Committee moving into the new 2021-2022 Municipal Year and beyond.

One Member noted that as of 5th May 2022, two thirds of the members of a Governance and Audit Committee must be Members of the Local Authority and one third must be Lay Persons. The Member raised concerns about the accountability of the Lay Persons and questioned how they would be selected. The Director advised that there was an application process for the appointment of Lay Persons, which had previously been undertaken, involving a set criteria, a role description, an appointment panel and further ratification by Council. However, the process would be a matter for Council to determine. The Legal Officer explained that the only stipulation of the Act was that the membership must consist of one third Lay Persons. The Head of the Regional Internal Audit Service added that there was a possibility of the WLGA co-ordinating the recruitment process with draft job descriptions for the Chair and Vice-Chair being drafted to support Local Authorities in recruiting Members with the correct set of skills.

Referring to Section 7.6 of the report, one Member queried the definition of an assistant to the Executive. The Director advised that this was a new provision within the Act, which is essentially a Deputy Cabinet Member role. Following Members' queries, the Director explained that the role of 'Deputy Cabinet Member' had previously been introduced as part of an IRP recommendation but due to a lack of take up from the 22 Local Authorities, the role had been removed.

The Chair thanked the Director for the informative presentation and the Audit Committee **RESOLVED:**

1. To note the update provided in the report in respect of the coming into force of the Local Government & Elections (Wales) Act 2021; and
2. To note the relevant changes to the name, membership and terms of reference of the Committee, as detailed in the report, required by the Local Government & Elections (Wales) Act 2021.

#### **49 Audit Wales - Annual Audit Summary 2020 - Update**

The Service Director – Finance and Improvement Services provided the Audit Committee with the opportunity to consider the Audit Wales 'Annual Audit Summary 2020', which had been presented to Council on 10 March 2021, and the progress made to date by the Council in implementing proposals for improvement.

The Service Director drew Members' attention to Section 4 of the report, which summarised the Audit Wales reports published between September 2019 and January 2021. The Service Director highlighted Table 1 of the report that set out, amongst other things, details of four Audit Wales reports specifically issued to Rhondda Cynon Taf Council, none of which had recommendations for improvement. The Service Director added that this represents a positive position for the Council and on-going work will be undertaken to ensure the

continuation of robust arrangements.

In respect of the Audit of Rhondda Cynon Taf County Borough Council's 2019-20 Accounts, the Service Director advised that a separate management letter, which set out two specific recommendations, had been issued and considered by the Audit Committee in February 2021. Members were advised that the recommendations had been accepted by management and would be implemented in a timely manner.

Members attention was then drawn to the two reviews undertaken by other Inspectorates, namely Estyn and Care Inspectorate Wales. The Service Director advised that the findings had been accepted and were being used to inform service planning and delivery arrangements across the two areas.

Lastly, in relation to the National Studies for local consideration, the Service Director fed back that the recommendations had been considered by Council Services, agreed in principle and where relevant to Rhondda Cynon Taf, would be taken account of as part of service planning arrangements.

The Chair thanked the Service Director for the update and the Audit Committee

**RESOLVED:**

1. To consider whether there are any matters of a governance, internal control or risk management nature that require further action or attention by Audit Committee; and
2. To consider whether there are any matters of a performance nature that require review by the Council's scrutiny committees.

**This meeting closed at 6.05 pm**

**Councillor G Davies  
Chairman.**



## RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

### MUNICIPAL YEAR 2021/22

<b>GOVERNANCE &amp; AUDIT COMMITTEE</b>	<b>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 2021</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 the 2020/21 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 regard to the continued impact of COVID 19 on progress of 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 2020/21 (Appendix 1);

- (b) Consider the Rhondda Cynon Taf Pension Fund certified draft Statement of Accounts for the financial year 2020/21 (Appendix 2);
- (c) Consider the Central South Consortium Joint Education Service Joint Committee certified draft Statement of Accounts for the financial year 2020/21 (Appendix 3);
- (d) Consider the Llwydcoed Crematorium Joint Committee certified draft Annual Return for the financial year 2020/21 (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) Note the impact of COVID 19 on progress of the proposed plans for earlier production and audit of the Statements of Account and Annual Return in accordance with the requirements of the Accounts and Audit (Wales) (Amendment) Regulations 2018.

**3.0 ACCOUNTS AND AUDIT (WALES) (AMENDMENT) REGULATIONS 2018**

3.1 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

3.2 As can be seen from the table, the revised regulations required 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 the 2017/18 deadline.

3.3 To enable officers to work towards the earlier closure requirements, and prior to the COVID 19 outbreak, a draft timetable was prepared as follows:

Financial Year	Draft Statement of Accounts certification		Audited Statement of Accounts publication	
	Regulations	RCT CBC	Regulations	RCT CBC
2016/17	30 <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

- 3.4 Members will note that for 2017/18, draft accounts were certified by 31<sup>st</sup> May. This was three years ahead of requirements of the regulations. Similarly, the publication date of the 2018/19 audited accounts was 31<sup>st</sup> July 2019, two years ahead of the regulation requirements. Accordingly, we had managed to locally meet the new deadlines two years ahead of the regulatory requirement which positioned us extremely well.
- 3.5 The above timetable allowed officers to work with Audit Wales to streamline processes, learn from issues with early closure and address them on a timely basis.
- 3.6 The impact of COVID 19 however required the reprioritisation of resources to support key front line and essential support services to our residents and businesses which resulted in a necessary and managed change to our accounts preparation timetable for 2019/20 and 2020/21.

#### **4.0 IMPACT OF COVID 19 UPON THE STATUTORY APPROVAL PROCESS**

- 4.1 The regulations include a provision whereby if the Responsible Financial Officer does not certify the draft accounts by 31<sup>st</sup> May (15<sup>th</sup> June for 2019/20), there is a requirement to publish a statement setting out the reasons for non-compliance.
- 4.2 Welsh Government clarified their expectation for the timescales for the preparation and publication of 2020/21 statutory financial accounts, confirming there is no requirement to amend regulations and, in line with the revised 2019/20 timetable, would require preparation and certification of draft accounts by 31 August 2021 and publication of final audited accounts by 30 November 2021 for all local government bodies in Wales. However, the Welsh Government encourages Councils to approve earlier wherever possible.
- 4.3 Officers have maintained regular dialogue with Audit Wales with regard to timescales for the production and audit of the Statements of Account. Finance teams are currently working effectively (generally from home) and whilst the original timetable, pre Covid-19, was initially targeting the 31<sup>st</sup> May to prepare a draft Statement of Accounts (to be audited by July) this

target date was re-set to early July to enable focus and priority to continue to be afforded to supporting key front line and essential support services to our residents and businesses and to assessing the ongoing financial implications of COVID-19 on the Council.

- 4.4 In accordance with the requirements set out in paragraph 4.2, appropriate [notices](#) were published on the Council website.
- 4.5 The draft Statements of Account for Rhondda Cynon Taf County Borough Council and the Rhondda Cynon Taf Pension Fund have now been certified by the Director of Finance and Digital Services on the 2<sup>nd</sup> July 2021. Subject to ongoing prioritisation of resources and discussions with Audit Wales, we are currently targeting the completion of the audit process and submission to Council of the Rhondda Cynon Taf County Borough Council accounts in September 2021 with Pension Fund anticipated to be completed slightly later in the autumn.
- 4.6 The Council 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 27<sup>th</sup> May 2021 and were certified by the Director of Finance and Digital Services on that date. The audited accounts are scheduled to be presented for approval at the Joint Committee meeting on 22<sup>nd</sup> September 2021.
- 4.7 The Council also 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 Llwydcoed 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 28<sup>th</sup> May 2021 and was reported to and approved by the Joint Committee on 8<sup>th</sup> June 2021.

## **5.0 LOCAL GOVERNMENT MEASURE 2011**

- 5.1 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.*

5.2 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 the approval of its Statement of Accounts.

5.3 The Guidance (referenced as para 9.22 above) 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.

## **6.0 EQUALITY AND DIVERSITY IMPLICATIONS AND SOCIO-ECONOMIC DUTY**

6.1 There are no equality and diversity implications or socio-economic duty implications as a result of the recommendations set out in the report.

## **7.0 CONSULTATION**

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

## **8.0 FINANCIAL IMPLICATION(S)**

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

## **9.0 LEGAL IMPLICATIONS OR LEGISLATION CONSIDERED**

- 9.1 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.

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

- 10.1 This report evidences the progress made in delivering the Council's Corporate Plan 2020 – 2024 "Making a difference", in particular through supporting the 'Living within our means' cross-cutting theme by ensuring transparent financial reporting.

## **11.0 CONCLUSION**

- 11.1 Acknowledging the amendment to the planned timescales as a result of managing the impact of COVID 19, the certification of all draft Statements of Account and Annual Return demonstrates the continued effective financial management arrangements at the Council.
- 11.2 The role of the Governance and 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.
- 11.3 Officers will continue to work closely with Audit Wales to ensure the continuation of effective joint planning for the audit of the Statements of Account in accordance with the regulations during the pandemic.



**LOCAL GOVERNMENT ACT 1972**  
**AS AMENDED BY**  
**THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985**  
**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**  
**GOVERNANCE AND AUDIT COMMITTEE**

12<sup>th</sup> July 2021

**DRAFT STATEMENTS OF ACCOUNT FOR THE FINANCIAL YEAR ENDED  
31<sup>st</sup> MARCH 2021**

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

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

**Background Papers**

None.

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

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Draft  
Statement of  
Accounts  
2020/21



**Rhondda Cynon Taf County Borough Council****Statement of Accounts 2020/21**

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## Narrative Report

### 1. Introduction

Rhondda Cynon Taf is the third largest Council in Wales with a population of 241,264 (2019 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 2020/21 have been prepared in accordance with:

- Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 based on International Financial Reporting Standards (IFRS).
- Accounts and Audit (Wales) Regulations 2014 (as amended).

The accounts set out on pages 1 to 147 comply with the above.

### 2. Impact of Major Events

#### 2.1 Covid-19

The Council's financial and operational performance position throughout 2020/21 reflects the context of operating within a very challenging and unprecedented environment as a result of the on-going impact of Covid-19. This has required the Council, like all local authorities in Wales, to continue to adapt and change the way it provides services, many in partnership with others, to help meet the needs of residents and businesses.

The pandemic has resulted in widespread challenges in the delivery of Council services with significant additional cost and income losses that have, throughout 2020/21, been funded by Welsh Government. Specific financial assistance has been provided to local authorities for additional expenditure incurred as a result of Covid-19 (for example, additional costs incurred in respect of housing / homelessness, free school meal payments, Adult Social Services, staff cover due to absence / shielding and increased demand for the Council Tax Reduction Scheme) and also income loss where there has been a need to temporarily suspend or reduce service provision (for example, leisure centres and the provision of school meals).

On 21<sup>st</sup> May 2020, Cabinet received a [report](#) detailing the actions the Council had taken in response to the Covid-19 pandemic such as supporting vulnerable people, providing infection control support, developing a well-being helpline and counselling service, processing business grants, provision of free school meal support, emergency childcare and transforming the way the Council works with over 3,000 staff working from home. The report also identified the next steps, being:

- Contact Tracing;
- Recovery and Service Planning;
- Decision Making & Democratic Engagement;
- Counting the Cost (now and into the future); and
- Economic Resilience.

Cabinet was updated with the financial implications of Covid-19 for the Council on [25<sup>th</sup> June](#) where a number of emerging cost pressures were identified, such as:

- Supporting the sustainability of the social care sector;
- Council Tax Collection;
- Ongoing increases in Council Tax Reduction Scheme claimants;
- Contractual extension of time claims (capital);
- Waste Management costs as a consequence of increased volume and changing composition of kerbside waste;
- Increasing numbers of Children Looked After;
- Ongoing and longer term PPE requirements;
- Provision of support (e.g. food parcels) to the vulnerable;
- Ongoing cost of cover where staff are “shielding” or have caring responsibilities;
- Enabling and supporting different ways of working, including ICT costs associated with homeworking; and
- External / Grant Funding risks.

The report of the Chief Executive to the Council’s Cabinet on [28<sup>th</sup> July 2020](#) gave an update on the Covid-19 position in Rhondda Cynon Taf, setting out service recovery plans and the way forward.

In particular, the report set out:

- How the Council has responded to Covid-19 – this included:
  - Staff continuing to provide social care services and support to vulnerable adults, children and families (including homelessness, domestic abuse and substance misuse services);
  - Establishment of multi-agency regional and local command responses to coordinating the critical safeguarding activities of our partner agencies;
  - The Environmental Health, Procurement and the Social Care Commissioning teams working together to provide infection control support and guidance along with Personal Protective Equipment to the care sector;
  - Deployment of staff to a variety of service areas to build resilience e.g. social care; meals on wheels; food distribution centre;
  - Development of a Well Being helpline and Counselling Service for staff;
  - Processing the Covid-19 Business Grant (NDR) Payments, funded by Welsh Government, to help businesses through the pandemic;
  - Making weekly payments to over 9,000 families entitled to free school meals;
  - Setting up emergency childcare provision in school settings for vulnerable children and children of key workers; and
  - Working with contractors to continue to safely deliver major construction projects such as Llys Cadwyn.
- Next Steps – this covered the next few months, as the UK and Welsh Governments sought to phase the release of the lockdown measures, with the Council having 5 key tasks:
  - Contact Tracing - the Council playing a key role in leading on Contact Tracing across Cwm Taf Morgannwg in partnership with the local health board, Bridgend and Merthyr Tydfil Councils and Public Health Wales;



- Recovery and Service Planning - the Council's Senior Leadership Team preparing recovery plans that consider how the Council can begin to reopen services when the Welsh Government begins to lift the restrictions;
- Decision Making and Democratic Engagement - including making arrangements for virtual committee meetings;
- Counting the Cost (now and into the future) - putting in place arrangements to capture the additional costs to the Council of responding to the Covid-19 pandemic, together with loss of income that will be generated from a range of services; and
- Economic Resilience - recognising that more resilience is needed in terms of local supply chains and therefore more manufacturing in the UK. This will require the public sector in Wales to undertake a radical re-evaluation of our supply chains.

With regard to Procurement, at its meeting of [17<sup>th</sup> June 2021](#), Cabinet was updated with a summary of expenditure that was not on contract but was required in order to facilitate critical and timely support in respect of the Council's corporate responsibilities to both its residents and workforce, in addressing the Covid-19 pandemic risks.

During the financial year, regular Covid-19 updates have been reported to Members as part of full Council meetings. With specific regard to the financial impact of Covid-19, updates have been included within quarterly Performance Reports to Cabinet and the Finance and Performance Scrutiny Committee that have set out actual and projected additional costs and income losses for the year and accompanying Welsh Government Covid-19 funding received. The following table provides details of funding received (including funding received via the Furlough Scheme):

Service Area	Actual Additional Costs / Income Loss Recovered (Quarters 1 - 4)
	£'m
Education & Inclusion Services	(14.720)
Community & Children's Services	(22.890)
Chief Executive	(1.922)
Prosperity, Development & Frontline Services	(6.156)
Authority Wide	(5.305)
<b>TOTAL</b>	<b>(50.993)</b>

Please note the above table excludes additional costs incurred / projected in respect of Test, Trace and Protect, the funding for which is being made available by Welsh Government. It also excludes spend incurred and funded on Welsh Government schemes for which we acted as an agent.

Due to the impact of the Covid-19 pandemic, there have been a large number of new grants and financial support packages made available by Welsh Government.

Some of these grants are made directly to support local authorities with their additional costs or loss of income because of the pandemic. Others have been to enable local authorities to meet the additional costs related to the pandemic of their commissioned services.

There have also been a number of grants or areas of financial support that local authorities have been asked to administer on the Welsh Government's behalf.

In terms of accounting arrangements, risk based criteria was used to determine whether grants are to be accounted as income and expenditure through the Comprehensive Income and Expenditure Statement (Principal) or through the Balance Sheet (Agent). All administration fees are treated as Principal.

The table below details the main areas of financial support:

Grant Scheme	£m	Accounting treatment
Additional Expenditure and Loss of Income (Hardship Fund)	48.967	Principal
Furlough Scheme*	2.026	Principal
Social Care Bonus Scheme £500	2.807	Agent
Statutory Sick Pay Enhancement	0.167	Agent
Care Home Testing	0.100	Principal
Self Isolation Payments	0.510	Agent
NDR Rate Relief (Retail, Leisure & Hospitality)	15.920	Agent
Business Grants to Support Business During Closure	73.289	Agent
Start Up Grants	0.133	Agent

\*Furlough (Coronavirus Job Retention Scheme) (HMRC)

## 2.2 The Council's Response to Extreme Weather

A Strategic Flood Risk Management Board for Rhondda Cynon Taf has been established. The Board is chaired by Cllr Andrew Morgan, Leader of the Council and comprises senior representation from the Council, Welsh Government, Natural Resources Wales (NRW) and Dŵr Cymru. The Board's work-plan will include the management of investment opportunities and funding applications and the development of a comprehensive integrated emergency response. The first formal meeting of the Board took place on 9<sup>th</sup> February 2021.

The recommendations of the Cabinet report of [18<sup>th</sup> December 2020](#), "Review of the Council's response to Storm Dennis" will be monitored by the Council's Cabinet and scrutinised by the Council's Overview and Scrutiny Committee.

The financial implications of the Council responding to extreme weather events are significant. The Council triggered an application to Welsh Government's Emergency Financial Assistance Scheme (EFAS) on 25<sup>th</sup> February 2020 to provide financial support to part-contribute to the immediate recovery costs at that time. The Council has also experienced extreme weather events during 2020/21 and has claimed from the Welsh Government Hardship Fund. The total costs incurred and claimed are shown in the table below:

Extreme Weather Events	£		
	2019/20	2020/21	Total
Total Cost to Council	2,782,950	8,429,619	11,212,569
Less Welsh Government Support	(717,695)	(8,429,619)	(9,147,314)
<b>Net Cost to Council</b>	<b>2,065,255</b>	<b>0</b>	<b>2,065,255</b>
General Fund Allocation	(1,500,000)	0	(1,500,000)
<b>Balance funded in outturns</b>	<b>565,255</b>	<b>0</b>	<b>565,255</b>

It is estimated that the recovery costs linked to extreme weather events (including Storm Dennis and Storm Christoph), taking into account the need to replace highways infrastructure and drainage systems, will be in excess of £56m. To date we have had confirmation of funding from Welsh Government of £10.9m.

### 3. Impact of Economic Climate

On the 25<sup>th</sup> February 2020, the Minister for Housing and Local Government (Julie James AM) announced the 2020/21 Local Government Settlement. This included an overall increase in Revenue Support Grant (RSG) and Non-Domestic Rates funding of 4.3%, with an increase for Rhondda Cynon Taf of 4.5%. 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.

Given the continuing financial pressures the Council is working under, it remains the view of the Director of Finance and Digital Services (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. During financial year 2019/20, the reserves were used to support our residents and businesses in the immediate aftermath of Storm Dennis. The Director of Finance and Digital Services is satisfied that plans are in place to replenish General Fund Reserves to the minimum level over the period of our Medium Term Financial Plan.

### 4. Medium Term Financial Plan 2020/21 to 2023/24

As reported to Council on 21<sup>st</sup> October 2020, the Council has set out assumptions within its [Medium Term Financial Plan 2020/21 to 2023/24](#). 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 has faced a prolonged period of real term reductions in funding levels for a number of years and unprecedented challenges lie ahead for services across local government, not least as a result of the coronavirus pandemic. This position is also 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 over a long term period, linked to our priorities as set out in the Council's '[Corporate Plan – 2016 – 2020](#)' and more recently as part of the new Corporate Plan "[Making a Difference - 2020 – 2024](#)", in order to meet the changing needs of

our residents and communities. The significant 'additional' investment already agreed by Members during recent years is providing real improvements across many areas including Schools, Town Centres, Roads and Parks and Play Areas.

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 make difficult decisions to balance its ongoing revenue budget into the medium term.

The Council continues to focus on the budget gap position 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.

## **5. The Council's Corporate Plan 2020-2024 "Making a Difference"**

For 2020/21 the Council's Corporate Plan 2020-2024 was the key strategic plan, focusing on 3 priorities:

- Ensuring People are independent, healthy and successful;
- Creating Places where people are proud to live, work and play;
- Enabling Prosperity, creating the opportunity for people and businesses to be innovative, be entrepreneurial and fulfil their potential and prosper.

A set of key commitments sits underneath each core priority:

- People:
  - Supporting our residents who are older, vulnerable or who have disabilities, to remain independent and have a good quality of life
  - Encouraging all residents to lead active and healthy lifestyles and maintain their mental wellbeing
  - Integrating health and social care and providing support for those with mental health problems and complex needs
  - Improving services for children and young people and ensuring the needs of children are considered in everything we do
- Places:
  - Keeping RCT clean through efficient street cleaning services, minimising the amount of waste we send to landfill, achieving our recycling targets through weekly recycling and regular refuse collections, and reducing our carbon footprint
  - Keeping the County Borough moving, including improvements to roads and pavements and public transport, whilst also improving air quality
  - Ensuring the County Borough is one of the safest places in Wales, with high levels of community cohesion and where residents feel safe
  - Getting the best out of our parks by looking after and investing in our greenspaces

- Prosperity:
  - Investing in our town centres, bringing jobs and homes into our town centres to create vibrant, thriving places people wish to live, work and socialise
  - Delivering major regeneration and transportation schemes, maximising the impact of the new South Wales Metro, to create better places to live and work, whilst protecting and enhancing the County Borough
  - Ensuring we have good schools, so all children have access to a great education
  - Increase the number of quality homes available and affordable to provide greater housing choice for residents
  - Helping people into work and better paid employment

The delivery of the above priorities is underpinned within the Corporate Plan through an approach that, amongst other things, focusses on 'Living within our means' and being an 'Efficient and effective Council'.

During 2020/21, the Council's Cabinet received progress updates on the delivery of the three Corporate Plan priorities, these being reported as part of the Council's quarterly performance reporting arrangements and Cabinet confirmed that they were satisfied with the progress made. Following this, the Performance Reports were reported to the Council's Finance and Performance Scrutiny Committee for review and challenge for quarters 1, 2 and 3. The Council's Quarter 4 Performance Report (year-end) is scheduled to be reported to both Cabinet and the Finance and Performance Scrutiny Committee on the 20<sup>th</sup> July 2021.

The Council also publishes a Corporate Performance Report each year setting out an assessment of performance across its Corporate Plan priorities for the previous year and priority plans for the year ahead. The 2020/21 [report](#) was approved by Council on 21<sup>st</sup> October 2020. The publication of the Corporate Performance Report ensures the Council complies with its statutory responsibilities to assess its performance and set out plans for the year ahead in line with the Well-being of Future Generations Act 2015 and the Local Government (Wales) Measure 2009.

To guide the delivery of Corporate Plan priorities, in September 2017, Cabinet agreed that the Council will focus on five workstreams to improve the essential services provided:

- Digitalisation - in line with the Council's Digital Plan approved by Cabinet on 22nd June 2017:
  - Working with residents to improve their digital skills and access to technology to empower more people to interact digitally with the Council; and
  - Enabling more of the Council's workforce to be agile to help further boost productivity and reduce the need for office space.

- Commercialisation - creating the conditions within the Council in terms of capacity and capability to widen opportunities to trade with external organisations.
- Early Intervention and Prevention - investing in preventative services to support the delivery of savings in the medium term.
- 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:

- Regeneration Projects;
- Improving school buildings and facilities;
- Improving adult social care provision through a long term programme of creating new Extra Care facilities;
- Improving the condition of both roads and community assets such as parks and playgrounds; and
- A programme of flood alleviation works.

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.

## 6. 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 2020/21, two joint committees are consolidated:

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

## 7. Revenue Income and Expenditure 2020/21

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 2020/2021 Revenue Budget Strategy](#) were to:

- Support the delivery of our key strategic priorities (as set out in the new Corporate Plan "Making a Difference" 2020-2024):
  - People – Are independent, healthy and successful
  - Places – Where people are proud to live, work and play
  - Prosperity – Creating the opportunity for people and businesses to: be innovative; be entrepreneurial; and fulfil their potential and prosper;
- 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; and
- Take a responsible approach to the level of Council Tax.

The Council's services are managed and delivered by four groups:

- **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; Transportation; Strategic Projects; Streetcare (including Waste and Street Cleansing) and Parks Services; together with Regeneration, Housing, Planning Services and Marketing, Events, Tourism & Design.
- **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 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.

The following table details each of the service groups' actual net expenditure and budget during 2020/21. Further details were published on the Council's website within the year-end Performance Report for 2020/21.

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
Chief Executive	30,644	30,236	(408)
Community & Children's Services	159,852	160,351	499
Education & Inclusion Services	191,845	191,767	(78)
Prosperity, Development & Frontline Services	55,167	55,510	343
<b>Total</b>	<b>437,508</b>	<b>437,864</b>	<b>356</b>
Authority Wide Budgets	71,239	71,087	(152)
<b>Total</b>	<b>508,747</b>	<b>508,951</b>	<b>204</b>

	£'000
<b>Council Fund Reserves as at 31<sup>st</sup> March 2020</b>	<b>8,709</b>
Revenue Budget Out-turn (Variance as above)	(204)
<b>Council Fund Reserves as at 31<sup>st</sup> March 2021</b>	<b>8,505</b>

Expenditure on services amounted to £795m and this can be analysed over the following expenditure categories:



Type of Expenditure	£'m	%
Employees	352	44
Premises	31	4
Transport	18	2
Supplies and Services	101	13
Payments to Third Parties	118	15
Transfer Payments	93	11
Capital Charges	78	10
Other Operating Costs (e.g. Support Services)	4	1
<b>Total Gross Expenditure</b>	<b>795</b>	<b>100</b>

Income during the year totalled £892m and came from the following sources:

Income Analysis	£'m	%
<u>Direct Service Income</u>		
Specific Grants	233	26
Sales, Fees & Charges	24	3
Other Income	32	4
<b>Sub-Total Direct Service Income</b>	<b>289</b>	<b>33</b>
<u>Other Income</u>		
Council Tax	141	16
Non-Domestic Rates	75	8
Non-Ringfenced Government Grants	321	36
Capital Grants and Contributions	65	7
Other	1	0
<b>Total Income</b>	<b>892</b>	<b>100</b>

## 8. Capital Expenditure and Income 2020/21

During the year the Council incurred £102.3m of capital expenditure, as summarised below:

Group	£'000
Chief Executive	2,495
Prosperity, Development & Frontline Services	73,610
Community & Children's Services	5,223
Education & Inclusion Services	20,992
<b>Total</b>	<b>102,320</b>

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

Capital Expenditure	£'000
Tangible Long-Term Assets	90,255
Intangible Long-Term Assets	1,330
Revenue Expenditure Funded from Capital under Statute	10,735
<b>Total</b>	<b>102,320</b>

This expenditure was financed as follows:

<b>Capital Financing</b>	<b>£'000</b>
Revenue Funding	14,209
Capital Receipts	515
Borrowing	24,922
Grants	57,767
Third Party Contributions	4,907
<b>Total</b>	<b>102,320</b>

Significant expenditure was incurred on:

- Llys Cadwyn (Taff Vale) Development;
- Highways improvements;
- Mountain Ash Cross Valley Link;
- Fleet purchases;
- Tonyrefail School; and
- Hirwaun Primary School.

## 9. **Summary of Future Capital and Revenue Plans**

The priorities included within the Council's Corporate Plan 2020-2024 "Making a Difference" 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 2021-2024](#) agreed by Council in March 2021 is as follows:

<b>Group Expenditure</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Chief Executive	1,900	1,625	1,625	<b>5,150</b>
Prosperity, Development & Frontline Services	48,342	10,356	9,393	<b>68,091</b>
Education & Inclusion Services	24,735	4,217	4,015	<b>32,967</b>
Community & Children's Services	6,336	2,490	990	<b>9,816</b>
<b>Total</b>	<b>81,313</b>	<b>18,688</b>	<b>16,023</b>	<b>116,024</b>

Estimated resources required to fund the future Capital Programme are:

Estimated Resources Required to Fund Capital Programme	2021/22	2022/23	2023/24	Total
	£'000	£'000	£'000	£'000
Supported Borrowing	6,873	6,873	6,873	20,619
Unsupported Borrowing	12,409	37	0	12,446
Capital Grants	19,587	4,254	4,112	27,953
Third Party Contributions	1,141	44	0	1,185
General Fund Capital Resources	13,919	3,976	3,115	21,010
Revenue Contributions	27,384	3,504	1,923	32,811
<b>Total</b>	<b>81,313</b>	<b>18,688</b>	<b>16,023</b>	<b>116,024</b>

As at 31<sup>st</sup> March 2021, major capital commitments over the next three years (per the Capital Programme 2021-2024) include the following schemes:

Scheme	£'000
School Modernisation	5,184
Vehicles	5,227
Structures	5,590
Valleys Taskforce RCT and Empty Homes	6,000
Modernisation Programme (Adults)	6,083
Highways Improvements	9,004
Transportation Infrastructure	11,986
Disabled Facilities Grants/Adaptations (DFG)	12,200

A summary of the Council's [revenue budget for 2021/22](#) (agreed in March 2021) is outlined below:

Service Area	£'000
Authority Wide	72,575
Individual Schools Budget	163,784
Community & Children's Services	171,372
Prosperity, Development and Frontline Services	60,955
Chief Executive	26,809
Education & Inclusion Services	32,408
<b>Total</b>	<b>527,903</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:

The Authorised borrowing limit approved at the start of the year was £538.1m. The Council approved an amendment to this limit (to £532.0m) on 25<sup>th</sup> November 2020 as a result of changes to lease accounting.

The Council's borrowing totals £335.9m, of which £303.7m is long-term and £32.2m is short-term. This external borrowing is from the Public Works Loan Board (PWLB) £231.9m, £104.0m from market loans and other sources.

The Council is required to prepare a Treasury Management Strategy and a Capital Strategy for the forthcoming year, and these were approved by full Council on 18<sup>th</sup> March 2020 for the 2020/21 financial 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:

	£'000
Net Assets excluding Pensions Reserve	934,173
Net Assets as per Balance Sheet	225,475

## 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. This investment comprises £734m on a Metro scheme and £495m for Investment in infrastructure, housing, skills and training, innovation, business growth and "Metro plus" transport proposals. On 25<sup>th</sup> February 2021, Rhondda Cynon Taf Cabinet received a report [The Cardiff Capital Region City Deal – Five Years On](#). This report provides an update on the progress made by the Cardiff Capital Region Joint Cabinet in respect of the agreed commitments set out in the CCRCD. Some of the major investments in the last five years are:

- Compound Semi Conductor Foundry;
- Metro Plus Schemes, for example Porth Interchange;
- Metro Central, redevelopment of Cardiff Central Station; and
- Housing Investment Fund.

For 2020/21 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.

## 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.

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

### Presiding Officer

Rhondda Cynon Taf CBC  
The Pavilions  
Cambrian Park  
Clydach Vale  
Tonypany  
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 2020/21**

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 2021 and its income and expenditure for the year.

Signature:  Date: 02/07/21

**Barrie Davies**

**Director of Finance & Digital Services**

Rhondda Cynon Taf CBC

The Pavilions

Cambrian Park

Clydach Vale

Tonypandy

CF40 2XX

## **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 2020

	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	13.5			14.0	
<b>Balance at 1<sup>st</sup> April 2019</b>	10,498	63,707	41,867	3,007	3,343	16,966	391	<b>139,779</b>	56,267	<b>196,046</b>
<b>Movement in reserves during 2019/20:</b>										
Total Comprehensive Income and Expenditure	(24,333)	0	255	0	0	0	0	<b>(24,078)</b>	27,764	<b>3,686</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	11,343	0	0	0	0	0	0	<b>11,343</b>	(11,343)	<b>0</b>
Revaluation losses on property, plant & equipment	59,139	0	0	0	0	0	0	<b>59,139</b>	(59,139)	<b>0</b>
Movement in the fair value of Investment Properties	0	0	0	0	0	0	0	<b>0</b>	0	<b>0</b>
Amortisation of intangible assets	1,593	0	0	0	0	0	0	<b>1,593</b>	(1,593)	<b>0</b>
Revenue expenditure funded from capital under statute	20,297	0	0	0	0	0	0	<b>20,297</b>	(20,297)	<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	22	0	0	0	2,131	0	0	2,153	(2,153)	(0)
<b>Insertion of items not debited/ credited to CI&amp;ES:</b>										
Statutory provision for the financing of capital investment	(12,191)	0	0	0	0	0	0	(12,191)	12,191	0
Capital expenditure charged against the Council Fund Balances	(17,839)	0	0	0	0	0	0	(17,839)	17,839	0
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>										
Capital grants and contributions unapplied credited to CI&ES	(71,194)	0	0	0	0	71,194	0	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	(63,226)	0	(63,226)	63,226	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	(3,724)	0	0	(3,724)	3,724	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0	0	0	0	0	0	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	(86)	0	0	0	0	0	0	(86)	86	0
<b>Adjustments involving the Pensions Reserve:</b>										
Reversal of items relating to retirement benefits debited or credited to the CI&ES	72,590	0	307	0	0	0	0	72,897	(72,897)	0
<i>Continued Overleaf...</i>										

Employer's pensions contributions and direct payments to pensioners payable in the year	(40,610)	0	(80)	0	0	0	0	(40,690)	40,690	0
<b>Adjustment involving the Accumulated Absences Account:</b>										
Amount by which officer remuneration charged to the CI&ES on an accruals basis	1,189	0	1	0	0	0	0	1,190	(1,190)	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>	(80)	0	483	0	(1,593)	7,968	0	6,778	(3,092)	3,686
<b>Transfers to or from Earmarked Reserves</b>	(1,709)	5,909	(3,322)	(623)	0	0	(255)	0	0	0
<b>Increase or (decrease) in the year</b>	(1,789)	5,909	(2,839)	(623)	(1,593)	7,968	(255)	6,778	(3,092)	3,686
<b>Balance at 31<sup>st</sup> March 2020</b>	<b>8,709</b>	<b>69,616</b>	<b>39,028</b>	<b>2,384</b>	<b>1,750</b>	<b>24,934</b>	<b>136</b>	<b>146,557</b>	<b>53,175</b>	<b>199,732</b>

### Movement in Reserves Statement for the year ended 31<sup>st</sup> March 2021

	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	13.5			14.0	
<b>Balance at 1<sup>st</sup> April 2020</b>	8,709	69,616	39,028	2,384	1,750	24,934	136	146,557	53,175	199,732
<b>Movement in reserves during 2020/21:</b>										
Total Comprehensive Income and Expenditure	34,811	0	(118)	0	0	0	0	34,693	(8,950)	25,743
<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	28,566	0	0	0	0	0	0	28,566	(28,566)	0
Revaluation losses on property, plant & equipment	36,900	0	0	0	0	0	0	36,900	(36,900)	0
Movement in the fair value of Investment Properties	215	0	0	0	0	0	0	215	(215)	0
Capital Grants and Contributions applied	0	0	0	0	0	0	0	0	0	0
Amortisation of intangible assets	1,675	0	0	0	0	0	0	1,675	(1,675)	0
Revenue expenditure funded from capital under statute	10,735	0	0	0	0	0	0	10,735	(10,735)	0

*Continued Overleaf...*

Amounts of long-term assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	(358)	0	0	0	358	0	0	0	0	0
<b>Insertion of items not debited/ credited to CI&amp;ES:</b>										
Statutory provision for the financing of capital investment	(13,561)	0	0	0	0	0	0	(13,561)	13,561	0
Capital expenditure charged against the Council Fund Balances	(14,209)	0	0	0	0	0	0	(14,209)	14,209	0
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>										
Capital grants and contributions unapplied credited to CI&ES	(70,103)	0	(706)	0	0	70,103	0	(706)	706	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	(62,674)	0	(62,674)	62,674	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	1,512	0	0	1,512	(1,512)	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	0	(515)	0	0	(515)	515	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0	849	0	0	849	(849)	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	(88)	0	0	0	0	0	0	(88)	88	0
<b>Adjustments involving the Pensions Reserve:</b>										
Reversal of items relating to retirement benefits debited or credited to the CI&ES	72,460	0	295	0	0	0	0	72,755	(72,755)	0
<i>Continued Overleaf...</i>										

Employer's pensions contributions and direct payments to pensioners payable in the year	(35,120)	0	(52)	0	0	0	0	(35,172)	35,172	0
<b>Adjustment involving the Accumulated Absences Account:</b>										
Amount by which officer remuneration charged to the CI&ES on an accruals basis	123	0	7	0	0	0	0	130	(130)	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>	52,046	0	(574)	0	2,204	7,429	0	61,105	(35,362)	25,743
<b>Transfers to or from Earmarked Reserves</b>	(52,250)	7,213	35,337	9,651	0	0	49	0	0	0
<b>Increase or (decrease) in the year</b>	(204)	7,213	34,763	9,651	2,204	7,429	49	61,105	(35,362)	25,743
<b>Balance at 31<sup>st</sup> March 2021</b>	<b>8,505</b>	<b>76,829</b>	<b>73,791</b>	<b>12,035</b>	<b>3,954</b>	<b>32,363</b>	<b>185</b>	<b>207,662</b>	<b>17,813</b>	<b>225,475</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 2021

2019/20					2020/21		
Gross Exp	Gross Income	Net Exp		Note:	Gross Exp	Gross Income	Net Exp
£'000	£'000	£'000			£'000	£'000	£'000
128,546	(27,405)	101,141	Prosperity, Development & Frontline Services		109,676	(24,785)	84,891
34,885	(9,588)	25,297	Chief Executive		65,526	(10,109)	55,417
267,717	(55,736)	211,981	Education & Inclusion Services		257,439	(56,989)	200,450
247,613	(83,057)	164,556	Community & Children's Services		262,473	(81,609)	180,864
100,185	(72,546)	27,639	Authority Wide Budgets		98,130	(113,705)	(15,575)
1,711	(1,945)	(234)	Joint Committees		1,308	(1,758)	(450)
<b>780,657</b>	<b>(250,277)</b>	<b>530,380</b>	<b>Cost of Services</b>		<b>794,552</b>	<b>(288,955)</b>	<b>505,597</b>
			<b>Other Operating Expenditure</b>				
21,852	0	21,852	Precepts	28.3	23,230	0	23,230
11,949	0	11,949	Levies	28.3	12,406	0	12,406
22	0	22	(Gains) or Losses on Disposal of Non-Current Assets		0	(358)	(358)
			<b>Financing and Investment Income and Expenditure</b>				
11,505	0	11,505	Interest Payable and Similar Charges	7.2	11,397	0	11,397
13,657	0	13,657	Net Interest on Net Defined Liability	32.2	14,579	0	14,579
0	(652)	(652)	Interest Receivable and Similar Income	7.2	0	(597)	(597)
		0	Income, Expenditure and Changes in the Fair Value of Investment Properties		1,310	(324)	986
			<b>Taxation and Non-Specific Grant Income</b>				
0	(135,930)	(135,930)	Council Tax Income	26.0	0	(140,915)	(140,915)
0	(76,383)	(76,383)	NDR Distribution	25.0	0	(74,592)	(74,592)
0	(293,404)	(293,404)	Non-Ringfenced Government Grants		0	(321,312)	(321,312)
0	(58,951)	(58,951)	Capital Grants and Contributions		0	(64,987)	(64,987)
86	0	86	Corporation Tax - Joint Committees		0	(127)	(127)
<b>839,728</b>	<b>(815,597)</b>	<b>24,131</b>	<b>(Surplus) or Deficit on the Provision of Services</b>		<b>857,474</b>	<b>(892,167)</b>	<b>(34,693)</b>
13,344	(57,950)	(44,606)	(Surplus) or Deficit on Revaluation of Property, Plant & Equipment Assets		14,468	(18,999)	(4,531)
16,789	0	16,789	Remeasurement of the Net Defined Benefit Liability		13,481	0	13,481
<b>30,133</b>	<b>(57,950)</b>	<b>(27,817)</b>	<b>Other Comprehensive Income and Expenditure</b>		<b>27,949</b>	<b>(18,999)</b>	<b>8,950</b>
<b>869,861</b>	<b>(873,547)</b>	<b>(3,686)</b>	<b>Total Comprehensive Income and Expenditure</b>		<b>885,423</b>	<b>(911,166)</b>	<b>(25,743)</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 2021

31/03/20				31/03/21	
£'000			Note:	£'000	£'000
	<b>Long-Term Assets</b>	Property, Plant & Equipment:	6.0		
697,963		Other Land & Buildings		709,205	
451,333		Infrastructure		497,215	
8,262		Vehicles, Plant & Equipment		11,987	
4,850		Community Assets		5,074	
40,526		Assets Under Construction		1,983	
145		Heritage Assets		145	
3,805		Investment Properties		8,164	
3,548		Long-Term Intangible Assets		3,204	
4,250		Long-Term Investments	7.1	6,615	
3,017		Investment in Subsidiaries		3,035	
4,939		Long-Term Debtors		4,919	
<b>1,222,638</b>		<b>TOTAL LONG-TERM ASSETS</b>			<b>1,251,546</b>
	<b>Current Assets</b>	Short-Term Investments	7.1	23,479	
35,405		Assets Held for Sale		705	
623		Inventories		2,681	
717		Short-Term Debtors	8.0	123,020	
83,479		Cash and Cash Equivalents	9.0	14,533	
10,181					
<b>130,405</b>		<b>TOTAL CURRENT ASSETS</b>			<b>164,418</b>
	<b>Current Liabilities</b>	Cash and Cash Equivalents	9.0	(20,932)	
(14,905)		Short-Term Borrowing	7.1	(32,176)	
(60,776)		Short-Term Donated Assets Account		(1,515)	
0		Short-Term Provisions	11.0	(1,636)	
(1,749)		Short-Term Creditors	10.0	(111,146)	
(93,593)					
<b>(171,023)</b>		<b>TOTAL CURRENT LIABILITIES</b>			<b>(167,405)</b>
	<b>Long-Term Liabilities</b>	Long-Term Creditors		(6,770)	
(7,019)		Long-Term Provisions	11.0	(3,580)	
(2,649)		Long-Term Borrowing	7.1	(303,324)	
(314,278)		Other Long-Term Liabilities	12.0	(709,287)	
(658,219)		Long-Term Donated Assets Account		(123)	
(123)					
<b>(982,288)</b>		<b>TOTAL LONG-TERM LIABILITIES</b>			<b>(1,023,084)</b>
	<b>NET ASSETS</b>				<b>225,475</b>
<b>199,732</b>					<b>225,475</b>

Continued Overleaf...

8,709	<b>Usable Reserves</b>	Council Fund Balance	13.1	8,505	
		Earmarked Reserves:	13.2		
69,616		Capital, Treasury and Insurance Reserves	13.2	76,829	
39,028		Other Revenue Related Reserves	13.2	73,791	
2,384		Delegated Schools Reserve	13.3	12,035	
1,750		Usable Capital Receipts Reserve	13.4	3,954	
24,934		Capital Grant Unapplied Account	13.5	32,363	
136		MGCC Insurance Reserve		185	
<b>146,557</b>			<b>TOTAL USABLE RESERVES</b>		
209,318	<b>Unusable Reserves</b>	Revaluation Reserve	14.1	207,440	
1,272		Deferred Capital Receipts Reserve		423	
511,372		Capital Adjustment Account	14.2	529,843	
(5,487)		Financial Instruments Adjustment Account	14.3	(5,399)	
(657,634)		Pensions Reserve	14.4	(708,698)	
(5,666)		Short-Term Accumulating Compensated Absence Account		(5,796)	
<b>53,175</b>		<b>TOTAL UNUSABLE RESERVES</b>			<b>17,813</b>
<b>199,732</b>		<b>TOTAL RESERVES</b>			<b>225,475</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 2020/21

2019/20			2020/21	
£'000		Note:	£'000	£'000
24,131	Net (Surplus) or Deficit on the Provision of Services		(34,693)	
(115,595)	Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements	15.0	(96,422)	
61,082	Adjustments for Items Included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities	16.0	67,703	
<b>(30,382)</b>	<b>Net Cash Flows from Operating Activities</b>			<b>(63,412)</b>
73,629	Investing Activities	18.0	25,667	
(41,697)	Financing Activities	19.0	39,420	65,087
<b>1,550</b>	<b>Net Increase or Decrease in Cash or Cash Equivalents</b>			<b>1,675</b>
3,174	Cash and Cash Equivalents at the Beginning of the Reporting Period	9.0		4,724
<b>4,724</b>	<b>Cash and Cash Equivalents at the End of the Reporting Period</b>	9.0		<b>6,399</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 2020**

	2019/20		
	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
Prosperity, Development & Frontline Services	56,936	44,205	101,141
Chief Executive	25,614	(317)	25,297
Education & Inclusion Services	179,135	32,846	211,981
Community & Children's Services	153,543	11,013	164,556
Authority Wide Budgets	68,530	(40,891)	27,639
Joint Committees	0	(234)	(234)
<b>Cost of Services</b>	<b>483,758</b>	<b>46,622</b>	<b>530,380</b>
<b>Other Income and Expenditure</b>	(481,969)	(24,280)	(506,249)
<b>(Surplus) or Deficit</b>	<b>1,789</b>	<b>22,342</b>	<b>24,131</b>
Opening Council Fund at 31 <sup>st</sup> March 2019	(10,498)		
Less (Surplus) Deficit on Council Fund in Year	1,789		
<b>Closing Council Fund at 31<sup>st</sup> March 2020</b>	<b>(8,709)</b>		

**Expenditure and Funding Analysis Statement for the year ended 31<sup>st</sup> March 2021**

	2020/21		
	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
Prosperity, Development & Frontline Services	55,510	29,381	84,891
Chief Executive	30,236	25,181	55,417
Education & Inclusion Services	191,767	8,683	200,450
Community & Children's Services	160,351	20,513	180,864
Authority Wide Budgets	71,087	(86,662)	(15,575)
Joint Committees	0	(450)	(450)
<b>Cost of Services</b>	<b>508,951</b>	<b>(3,354)</b>	<b>505,597</b>
<b>Other Income and Expenditure</b>	(508,747)	(31,543)	(540,290)
<b>(Surplus) or Deficit</b>	<b>204</b>	<b>(34,897)</b>	<b>(34,693)</b>
Opening Council Fund at 31 <sup>st</sup> March 2020	(8,709)		
Less (Surplus) Deficit on Council Fund in Year	204		
<b>Closing Council Fund at 31<sup>st</sup> March 2021</b>	<b>(8,505)</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 2.1% in 2020/21 (2.3% in 2019/20).
- 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 Reporting Period**

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.

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 at 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.

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 (EUV) 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 valued on a fair value basis. 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 176 Surplus Assets with a recurring fair value of £4.5m. 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. 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	705
Carrying value	0
<b>Total value in Balance Sheet</b>	<b>705</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 Audit Wales, Balance Sheet values in relation to grants are included on an unaudited draft claim basis.

Due to the impact of the Covid-19 pandemic, there have been a large number of new grants and financial support packages made available by Welsh Government.

In terms of accounting arrangements, risk based criteria was used to determine whether grants are to be accounted as income and expenditure through the Comprehensive Income and Expenditure Statement (Principal) or through the Balance Sheet (Agent). All administration fees are treated as Principal. Please refer to the Narrative Report for more details on Covid-19.

### **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.

Based on materiality individually or collectively, the following Joint Committees have not been consolidated into the Council's financial statements:

- Glamorgan Archives
- Vale, Valleys and Cardiff Regional Adoption Collaborative (VVC)
- Coychurch Crematorium
- Llwydcoed Crematorium

### **1.17 Inventories**

Stock items are held on the balance sheet at latest price within Inventories if received but not used by the end of the financial year. Donated stock is valued at equivalent product latest price in the balance sheet with a corresponding credit held in a Donated Stock account and disclosed within Short-Term Donated Assets Account in the Balance Sheet. The value of stock in the balance sheet includes items which are held and distributed by the Council to both Council establishments and other external organisations and individuals.

### **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.

IFRS 16 Leases was due to be implemented during 2020/21. However, CIPFA/ LASAAC have agreed to defer the implementation until the 2022/23 financial year, this aligns with the governments Financial Reporting Advisory Board proposals.

The 2021/22 Code introduces changes arising from the accounting guidance in relation to:

- Definition of a Business: Amendments to IFRS 3 Business Combinations;
- Interest Rate Benchmark Reform; Amendments to IFRS 9, IAS 19 and IFRS 7; and
- Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS39, IFRS 7, IFRS 4 and IFRS 16.

These amendments should not materially affect this Council.

The Code requires implementation after 1<sup>st</sup> April 2021, there is therefore no impact on the 2020/21 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 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

#### **4.1 Pensions Asset and Liability (including GMP equalisation and indexation, McCloud/Sargeant Judgement and Cost Management process)**

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 is engaged to provide the Council 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.

### GMP equalisation and indexation

The disclosures allow for full CPI inflation pension increases to be paid on Guaranteed Minimum Pension (GMP) for those reaching State Pension Age on or after 6th April 2016. This is an approximate method of recognising the cost of the Government's commitment to compensate public service scheme members from the removal of the Additional Pension element of the State Pension from this date, and for the outcome of the Lloyds judgement which found GMPs to be illegally sex discriminatory. Government is consulting on its approach to compensating affected members. Whilst the final remedy arising from that consultation may be different than that reflected in the accounts, the actuary expects the outcome will include an extension of full indexation for many members yet to be compensated therefore the approach is deemed to be a reasonable estimate.

In October 2020 a second ruling in the Lloyds bank case clarified that compensation would be required for members who transferred benefits out since May 1990. Government has not yet acknowledged a liability in public service schemes nor indicated an approach in rectifying this. Therefore, no allowance for potential liabilities relating to the second Lloyds ruling is included in the accounts.

### Goodwin Ruling

In June 2020 an Employment Tribunal ruled in relation to the Teacher's Pension Scheme, that provisions for survivor's benefits of a female member in an opposite sex marriage are less favourable than for a female in a same sex marriage or civil partnership, and that treatment amounts to direct discrimination on grounds of sexual orientation. The chief secretary to the Treasury announced in a ministerial statement on 20th July 2020 that he believed that changes would be required to other public service pension schemes with similar arrangements. As these changes are yet to be reflected in the LGPS regulations and also on the basis of materiality, allowance has not been made in the calculations.

### McCloud / Sargeant Judgement

The Court of Appeal found that the transitional protection arrangements put in place when firefighters' and judges' pension schemes were reformed were age discriminatory. This has 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 Supreme Court denied the Government's application for permission to appeal this judgement on 27th June 2019. The matter was referred to Employment Tribunals for remedy hearings and the Ministry for Housing, Communities and Local Government (MHCLG) undertook a consultation on the remedy. MHCLG has not yet published its consultation response. The method used by AON to value the McCloud remedy and therefore disclosed within the Statement of Accounts is closely aligned to that proposed in the consultation.

## Cost Management Process

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 Scheme Advisory Board had paused their reviews following the McCloud judgement in the Court of Appeal. These have now been unpaused and HMT Directions are expected during 2021 allowing reviews to proceed. It is unlikely the outcome of those reviews will be known in 2021 and no changes in benefits or contributions are expected until 2024. No allowance for the impact of the cost management process has been made in the calculations.

## **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 Reporting Period**

The draft, unaudited Statement of Accounts was authorised for issue by the Director of Finance & Digital Services, as Chief Finance Officer, on 2<sup>nd</sup> July 2021. Where events taking place before this date provided information about conditions existing at 31<sup>st</sup> March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

**6.0 Property, Plant and Equipment****6.1 Movements on Balances****Movements in 2019/20:**

	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 2019	714,959	628,529	37,582	5,698	70,918	<b>1,457,686</b>
Joint Committees Opening Balance	0	0	0	0	5,555	<b>5,555</b>
Additions	52,240	26,710	7,852	574	11,796	<b>99,172</b>
Revaluation Increases/ (Decreases) Recognised in the Revaluation Reserve	26,903	0	0	0	0	<b>26,903</b>
Revaluation Increases/ (Decreases) Recognised in the Surplus/Deficit on the Provision of Services	(59,152)	0	0	(26)	0	<b>(59,178)</b>
Derecognition – Disposals	(2,069)	0	(3,231)	0	0	<b>(5,300)</b>
Derecognition – Other	0	0	(3,340)	0	0	<b>(3,340)</b>
Assets Reclassified (to)/from Held for Sale	877	0	0	0	0	<b>877</b>
Other Reclassifications	47,743	0	0	0	(47,743)	<b>0</b>
Other Movements in Cost or Valuation	0	0	0	0	0	<b>0</b>
<b>At 31<sup>st</sup> March 2020</b>	<b>781,501</b>	<b>655,239</b>	<b>38,863</b>	<b>6,246</b>	<b>40,526</b>	<b>1,522,375</b>

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<b>Accumulated Depreciation and Impairment</b>						
At 1 <sup>st</sup> April 2019	(111,872)	(189,418)	(30,475)	(848)	0	<b>(332,613)</b>
Joint Committees Opening Balance	0	0	0	0	0	<b>0</b>
Depreciation Charge	(15,922)	(12,338)	(3,257)	0	0	<b>(31,517)</b>
Depreciation Written Out of the Revaluation Reserve	15,095	0	0	0	0	<b>15,095</b>
Depreciation Written Out to the Surplus/Deficit on the Provision of Service	4,721	0	0	0	0	<b>4,721</b>
Impairment (Losses)/Reversals Recognised in the Revaluation Reserve	2,623	0	0	0	0	<b>2,623</b>
Impairment (Losses)/Reversals Recognised in the Surplus/Deficit on the Provision of Services	21,484	(2,150)	(3,340)	(548)	0	<b>15,446</b>
Derecognition – Disposals	422	0	3,131	0	0	<b>3,553</b>
Derecognition – Other	0	0	3,340	0	0	<b>3,340</b>
Assets Reclassified (to)/from Held for Sale	(89)	0	0	0	0	<b>(89)</b>
Other Reclassifications	0	0	0	0	0	<b>0</b>
Other Movements in Cost or Valuation	0	0	0	0	0	<b>0</b>
<b>At 31<sup>st</sup> March 2020</b>	<b>(83,538)</b>	<b>(203,906)</b>	<b>(30,601)</b>	<b>(1,396)</b>	<b>0</b>	<b>(319,441)</b>

**Net Book Value:**

<b>At 31<sup>st</sup> March 2020</b>	<b>697,963</b>	<b>451,333</b>	<b>8,262</b>	<b>4,850</b>	<b>40,526</b>	<b>1,202,934</b>
<b>At 31<sup>st</sup> March 2019</b>	<b>603,087</b>	<b>439,111</b>	<b>7,107</b>	<b>4,850</b>	<b>76,473</b>	<b>1,130,628</b>

**Movements in 2020/21:**

	<b>Other Land &amp; Buildings</b>	<b>Infrastructure</b>	<b>Vehicles, Plant &amp; Equipment</b>	<b>Community Assets</b>	<b>Assets Under Construction</b>	<b>Total Property, Plant and Equipment</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or Valuation</b>						
At 1 <sup>st</sup> April 2020	775,932	655,238	38,863	6,246	40,526	<b>1,516,805</b>
Joint Committees Opening Balance	5,569	0	0	0	0	<b>5,569</b>
Additions	33,967	44,858	9,608	224	1,983	<b>90,640</b>
Revaluation Increases/ (Decreases) Recognised in the Revaluation Reserve	(4,954)	0	0	0	0	<b>(4,954)</b>
Revaluation Increases/ (Decreases) Recognised in the Surplus/Deficit on the Provision of Services	(36,949)	0	0	0	0	<b>(36,949)</b>
Derecognition – Disposals	(2,476)	0	(4,242)	0	0	<b>(6,718)</b>
Derecognition – Other	0	0	(1,722)	0	0	<b>(1,722)</b>
Assets Reclassified (to)/from Held for Sale	10	0	0	0	0	<b>10</b>
Other Reclassifications	18,717	16,240	0	0	(40,526)	<b>(5,569)</b>
Other Movements in Cost or Valuation	0	0	0	0	0	<b>0</b>
<b>At 31<sup>st</sup> March 2021</b>	<b>789,816</b>	<b>716,336</b>	<b>42,507</b>	<b>6,470</b>	<b>1,983</b>	<b>1,557,112</b>
						<i>Continued Overleaf...</i>

<b>Accumulated Depreciation and Impairment</b>						
At 1 <sup>st</sup> April 2020	(83,538)	(203,906)	(30,601)	(1,396)	0	<b>(319,441)</b>
Joint Committees Opening Balance	0	0	0	0	0	<b>0</b>
Depreciation Charge	(16,239)	(13,688)	(4,095)	0	0	<b>(34,022)</b>
Depreciation Written Out of the Revaluation Reserve	12,169	0	0	0	0	<b>12,169</b>
Depreciation Written Out to the Surplus/Deficit on the Provision of Service	6,814	0	0	0	0	<b>6,814</b>
Impairment (Losses)/Reversals Recognised in the Revaluation Reserve	(2,789)	0	0	0	0	<b>(2,789)</b>
Impairment (Losses)/Reversals Recognised in the Surplus/Deficit on the Provision of Services	1,867	(1,527)	(1,722)	0	0	<b>(1,382)</b>
Derecognition – Disposals	1,105	0	4,176	0	0	<b>5,281</b>
Derecognition – Other	0	0	1,722	0	0	<b>1,722</b>
Assets Reclassified (to)/from Held for Sale	0	0	0	0	0	<b>0</b>
Other Reclassifications	0	0	0	0	0	<b>0</b>
Other Movements in Cost or Valuation	0	0	0	0	0	<b>0</b>
<b>At 31<sup>st</sup> March 2021</b>	<b>(80,611)</b>	<b>(219,121)</b>	<b>(30,520)</b>	<b>(1,396)</b>	<b>0</b>	<b>(331,648)</b>

**Net Book Value:**

<b>At 31<sup>st</sup> March 2021</b>	<b>709,205</b>	<b>497,215</b>	<b>11,987</b>	<b>5,074</b>	<b>1,983</b>	<b>1,225,464</b>
<b>At 31<sup>st</sup> March 2020</b>	<b>697,963</b>	<b>451,333</b>	<b>8,262</b>	<b>4,850</b>	<b>40,526</b>	<b>1,202,934</b>

## 6.2 Investment Properties

	2019/20	2020/21
	£'000	£'000
<b>Balance at 1<sup>st</sup> April</b>	<b>3,805</b>	<b>3,805</b>
Net Gains/Losses from fair value adjustments	0	(1,210)
Other Reclassifications - City Deal Joint Committee reclassification from Other Land & Buildings	0	5,569
<b>Balance at 31<sup>st</sup> March</b>	<b>3,805</b>	<b>8,164</b>

The fair values for investment properties have been calculated using level 2 in the fair value hierarchy.

## 6.3 Capital Commitments

At 31<sup>st</sup> March 2021 the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2020/21 and future years, budgeted to cost £10.4m. Similar commitments at 31<sup>st</sup> March 2020 were £16.9m.

Within this amount the significant contract values as at 31<sup>st</sup> March 2021 are:

Scheme	£'000
YGG Aberdar	3,475
Robertstown Development	4,501
<b>Total</b>	<b>7,976</b>

## 6.4 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:

Assets	Long-Term		Current	
	31/03/20	31/03/21	31/03/20	31/03/21
	£'000	£'000	£'000	£'000
Investments: Loans and Receivables	4,250	6,615	35,405	23,479
Debtors: Financial Assets Carried at Contract Amounts	4,939	4,919	83,479	123,020
<b>Total</b>	<b>9,189</b>	<b>11,534</b>	<b>118,884</b>	<b>146,499</b>

Liabilities	Long-Term		Current	
	31/03/20	31/03/21	31/03/20	31/03/21
	£'000	£'000	£'000	£'000
Borrowings: Financial Liabilities at Amortised Cost	314,278	303,324	60,776	32,176
Finance Lease Liabilities	383	382	1	1
Creditors: Financial Liabilities at Amortised Cost	0	0	32,151	34,346
<b>Total</b>	<b>314,661</b>	<b>303,706</b>	<b>92,928</b>	<b>66,523</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

	2019/20			2020/21		
	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	11,505	0	11,505	11,397	0	11,397
Impairment Losses	0	0	0	0	0	0
<b>Total Expense in (Surplus) or Deficit on the Provision of Services</b>	<b>11,505</b>	<b>0</b>	<b>11,505</b>	<b>11,397</b>	<b>0</b>	<b>11,397</b>
Interest Income	0	(652)	(652)	0	(597)	(597)
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>(652)</b>	<b>(652)</b>	<b>0</b>	<b>(597)</b>	<b>(597)</b>
<b>Net (Gain)/Loss for the Year</b>	<b>11,505</b>	<b>(652)</b>	<b>10,853</b>	<b>11,397</b>	<b>(597)</b>	<b>10,800</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:

	31/03/20		31/03/21	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
PWLB Debt	242,393	305,445	231,925	300,462
Market Debt	85,515	138,058	85,515	139,154
Local Authority Debt	47,078	47,079	17,988	17,988
Other Debt	68	68	72	72
Finance Lease	384	384	383	383
Trade Creditors	32,151	32,151	34,346	34,346
<b>Total</b>	<b>407,589</b>	<b>523,185</b>	<b>370,229</b>	<b>492,405</b>

	31/03/20		31/03/21	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Loans and Receivables	39,655	39,650	29,780	29,780

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.

	31/03/21	Historical Experience of Default	Adjustment for Market Conditions at 31/03/21	Estimated Maximum Exposure to Default at 31/03/21	Estimated Maximum Exposure to Default at 31/03/20
	(a)	(b)	(c)	(a*c)	
	£'000	%	%	£'000	£'000
Deposits with Government Departments & Local Authorities	29,780	0	0	0	0
Trade Debtors	14,892	0.49	0.49	73	79

The 0.49% Historical Experience of Default represents debt written off in 2020/21 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, £4.5m of the £14.9m balance is debt greater than 30 days old. This debt can be analysed as follows:

	31/03/20	31/03/21
	£'000	£'000
Less than 3 months	1,057	1,110
3 – 6 months	392	627
6 months to 1 year	1,109	842
More than 1 year	1,331	1,937
<b>Total</b>	<b>3,889</b>	<b>4,516</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 Council's Treasury Management team manage operational risks within approved parameters.

This includes;

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

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

	31/03/20	31/03/21
	£'000	£'000
Less than 1 year	57,492	28,491
Between 1 and 2 years	10,420	10,967
Between 2 and 5 years	31,259	31,259
Between 5 and 10 years	22,012	37,115
More than 10 years	251,918	225,848
<b>Total</b>	<b>373,101</b>	<b>333,680</b>

The maturity analysis of financial assets is as follows:

	31/03/20	31/03/21
	£'000	£'000
Maturity greater than one year	4,250	6,300
Maturity less than one year	35,405	23,480
<b>Total</b>	<b>39,655</b>	<b>29,780</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 Council's Treasury Management team, together with the appointed Treasury Management Advisors, monitor the 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>1</b>
Decrease in fair value of fixed rate borrowing liabilities (no impact on CI&ES)	62,672

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>31/03/20</b>		<b>31/03/21</b>
<b>£'000</b>		<b>£'000</b>
44,691	Central Government Bodies	67,860
8,022	Other Local Authorities	18,563
10,823	NHS Bodies	11,404
510	Public Corporations and Trading Funds	1,028
19,433	Other Entities and Individuals	24,165
<b>83,479</b>	<b>Total</b>	<b>123,020</b>

**Debtors for Local Taxation**

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

<b>2019/20</b>		<b>2020/21</b>
<b>£'000</b>		<b>£'000</b>
3,489	Less than 1 year	4,012
1,322	1 year to 2 years	1,773
780	2 years to 3 years	1,001
535	3 years to 4 years	631
340	4 years to 5 years	442
894	More than 5 years	1,039
<b>7,360</b>	<b>Total</b>	<b>8,898</b>

**9.0 Cash and Cash Equivalents**

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

<b>31/03/20</b>		<b>31/03/21</b>
<b>£'000</b>		<b>£'000</b>
10,181	Cash Held by the Council	14,533
(14,905)	Bank Current Accounts	(20,932)
<b>(4,724)</b>	<b>Total Cash and Cash Equivalents</b>	<b>(6,399)</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 2021 adjusted for unrepresented cheques.

**10.0 Short-Term Creditors**

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

<b>31/03/20</b>		<b>31/03/21</b>
<b>£'000</b>		<b>£'000</b>
(11,593)	Central Government Bodies	(18,391)
(7,542)	Other Local Authorities	(19,003)
(9,990)	NHS Bodies	(9,329)
1,015	Public Corporations and Trading Funds	(522)
(65,483)	Other Entities and Individuals	(63,901)
<b>(93,593)</b>	<b>Total</b>	<b>(111,146)</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 2020</b>	<b>(525)</b>	<b>(1,224)</b>	<b>(1,749)</b>
Additional provisions made in 2020/21	0	(1,116)	<b>(1,116)</b>
Amounts used in 2020/21	5	1,042	<b>1,047</b>
Unused amounts reversed in 2020/21	0	182	<b>182</b>
<b>Balance at 31<sup>st</sup> March 2021</b>	<b>(520)</b>	<b>(1,116)</b>	<b>(1,636)</b>

Long-Term Provision	Insurance Claims	Joint Committees	Total
	£'000	£'000	£'000
<b>Balance at 1<sup>st</sup> April 2020</b>	<b>(2,421)</b>	<b>(228)</b>	<b>(2,649)</b>
Additional provisions made in 2020/21	(3,134)	(99)	<b>(3,233)</b>
Amounts used in 2020/21	1,125	0	<b>1,125</b>
Unused amounts reversed in 2020/21	1,177	0	<b>1,177</b>
<b>Balance at 31<sup>st</sup> March 2021</b>	<b>(3,253)</b>	<b>(327)</b>	<b>(3,580)</b>

## 12.0 Other Long-Term Liabilities

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

31/03/20		31/03/21
£'000		£'000
(657,634)	Pension Liability (IAS19)	(708,698)
(585)	Other	(589)
<b>(658,219)</b>	<b>Total</b>	<b>(709,287)</b>

### 13.0 Usable Reserves

31/03/20			31/03/21
£'000			£'000
8,709	Council Fund Balance	13.1	8,505
69,616	Capital, Treasury and Insurance Reserves	13.2	76,829
39,028	Other Revenue Related Reserves	13.2	73,791
2,384	Delegated Schools Reserve	13.3	12,035
1,750	Usable Capital Receipts Reserve	13.4	3,954
24,934	Capital Grant Unapplied Account	13.5	32,363
136	MGCC Insurance Reserve		185
<b>146,557</b>	<b>Total Usable Reserves</b>		<b>207,662</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 2020/21 were:

	£'000
<b>Council Fund Reserves as at 31<sup>st</sup> March 2020</b>	<b>8,709</b>
Revenue Budget Out-turn	(204)
<b>Council Fund Reserves as at 31<sup>st</sup> March 2021</b>	<b>8,505</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 2021/22. All earmarked reserves are deemed to be revenue reserves.

#### Capital, Treasury and Insurance Reserves

Reserve	Purpose	Balance at	Transfers	Transfers	Balance at
		31/03/20	Out	In	31/03/21
		£'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>59,029</b>	(4,003)	11,339	<b>66,365</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>8,122</b>	(1,123)	1,000	<b>7,999</b>
<b>Total</b>		<b>69,616</b>	<b>(5,126)</b>	<b>12,339</b>	<b>76,829</b>

**Other Revenue Related Reserves**

Reserve	Purpose	Balance at 31/03/20	Transfers Out	Transfers In	Balance at 31/03/21
		£'000	£'000	£'000	£'000
<b>Revenue Budget Strategy 2020/21</b>	Medium Term Financial Planning & Service Transformation (transitional funding) to be released to fund the 2020/21 budget.	800	(800)	0	0
<b>Revenue Budget Strategy 2021/22</b>	Medium Term Financial Planning & Service Transformation (transitional funding) to be released to fund the 2021/22 budget.	0	0	711	711
<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.	1,243	(574)	0	669
<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.	2,600	(2,600)	4,824	4,824
<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.	13,287	(3,658)	22,012	31,641
<b>Investment / Infrastructure</b>	To fund current and future costs of maintaining and enhancing infrastructure across the County Borough	6,235	(6,054)	9,316	9,497
<b>Prior Year Commitments</b>	Carry forward of existing funding to finance projects for which commitments have already been made in the prior year.	8,416	(1,940)	12,160	18,636
<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.	3,562	(710)	767	3,619
<b>Other Specific Reserves</b>	Represents a number of reserves held for specific and identified purposes.	2,885	(702)	975	3,158
<b>Invest to Save</b>	Funding identified (pump priming) to support Invest to Save opportunities as and when they arise.	0	0	1,036	1,036
<b>Total</b>		<b>39,028</b>	<b>(17,038)</b>	<b>51,801</b>	<b>73,791</b>

### 13.3 Delegated Schools Reserve

Delegated schools are those that are managed independently. As such, these balances are committed to be spent on delegated services and are not available to the Council for general use.

The movements on the reserve are as follows:

	Balance at 31/03/20 £'000	Balance at 31/03/21 £'000
Delegated Primary Schools	2,943	7,654
Delegated Secondary Schools	(1,191)	2,546
Delegated Special Schools	317	760
Delegated All Through Schools	315	1,075
<b>Total</b>	<b>2,384</b>	<b>12,035</b>

### 13.4 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:

2019/20 £'000		2020/21 £'000
3,343	<b>Balance as at 1<sup>st</sup> April</b>	1,750
	<u>Receipts during the year:</u>	
2,131	Sale of assets	2,716
0	Mortgage repayments	3
	<u>Application during the year:</u>	
(3,724)	Financing of capital expenditure	(515)
1,750	<b>Balance as at 31<sup>st</sup> March</b>	3,954

### 13.5 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.

2019/20 £'000		2020/21 £'000
16,966	<b>Balance at 1<sup>st</sup> April</b>	24,934
71,194	Grants received	70,103
(63,226)	Grants utilised to fund capital expenditure	(62,674)
24,934	<b>Balance at 31<sup>st</sup> March</b>	32,363

## 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.

<b>31/03/20</b>			<b>31/03/21</b>
<b>£'000</b>			<b>£'000</b>
209,318	Revaluation Reserve	14.1	207,440
1,272	Deferred Capital Receipts Reserve		423
511,372	Capital Adjustment Account	14.2	529,843
(5,487)	Financial Instruments Adjustment Account	14.3	(5,399)
(657,634)	Pensions Reserve	14.4	(708,698)
(5,666)	Short-Term Accumulating Compensated Absence Account		(5,796)
<b>53,175</b>	<b>Total Unusable Reserves</b>		<b>17,813</b>

## 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.



2019/20		2020/21	
		£'000	£'000
<b>171,042</b>	<b>Balance at 1<sup>st</sup> April</b>	<b>209,318</b>	
54,263	Upward revaluation of assets	10,717	
(9,658)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(6,186)	
<b>215,647</b>	<b>Surplus or Deficit on revaluation of Long-Term Assets not posted to the Surplus or Deficit on the Provision of Services</b>		<b>213,849</b>
0	Adjustment between the Capital Adjustment Account and the Revaluation Reserve	(447)	
(5,722)	Difference between Current Value Depreciation and Historical Cost Depreciation	(5,725)	
(607)	Accumulated Gains on Assets sold or scrapped	(237)	
<b>(6,329)</b>	<b>Amount written off to the Capital Adjustment Account</b>		<b>(6,409)</b>
<b>209,318</b>	<b>Balance at 31<sup>st</sup> March</b>		<b>207,440</b>

## 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.

2019/20 £'000		2020/21	
		£'000	£'000
503,909	<b>Balance at 1<sup>st</sup> April</b>	511,372	
	Reversal of items relating to Capital Expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(11,343)	Charges for depreciation and impairment of Long-Term Assets*	(28,566)	
(59,139)	Revaluation losses on Property, Plant and Equipment	(36,900)	
0	Movement in the market value of Investment Properties	(215)	
(1,593)	Amortisation of Intangible Assets	(1,675)	
(20,297)	Revenue Expenditure Funded from Capital Under Statute	(10,735)	
(3,421)	Amounts of Long-Term Assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,512)	
6,329	Adjusted items written out of the Revaluation Reserve	6,409	
(53)	Joint Committee Adjustments	0	
<b>414,392</b>	<b>Net written out amount of the cost of Long-Term Assets consumed in the year</b>		<b>438,178</b>
	Capital Financing Applied in the Year:		
3,724	Use of the Capital Receipts Reserve to finance new Capital Expenditure	515	
52,482	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	61,517	
10,744	Application of grants to capital financing from the Capital Grants Unapplied Account	1,863	
12,191	Statutory provision for the financing of capital investment charged against the Council Fund	13,561	
17,839	Capital Expenditure charged against the Council Fund	14,209	
0	Private mortgage repayments	0	
<b>96,980</b>			<b>91,665</b>
<b>511,372</b>	<b>Balance at 31<sup>st</sup> March</b>		<b>529,843</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 2021 there was a credit balance of £5.4m (credit balance of £5.5m as at 31<sup>st</sup> March 2020).

### 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.

2019/20		2020/21
£'000		£'000
<b>(608,638)</b>	<b>Balance at 1<sup>st</sup> April</b>	<b>(657,634)</b>
(16,789)	Actuarial gains or (losses) on Pensions Assets and Liabilities	(13,481)
(72,897)	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	(72,755)
40,690	Employer's pensions contributions and direct payments to pensioners payable in the year	35,172
<b>(657,634)</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>(708,698)</b>

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

2019/20		2020/21
£'000		£'000
(70,482)	Depreciation and Impairment	(65,682)
(1,593)	Amortisation	(1,675)
(3,256)	(Increase)/Decrease in Creditors	(16,485)
18,381	Increase/(Decrease) in Debtors	39,521
(11)	Increase/(Decrease) in Stock	1,964
(32,207)	Movement in Pension Liability	(37,583)
(383)	Contribution to Provisions	(818)
(1,190)	Short-Term Accumulated Absence Accrual	(130)
(3,421)	Carrying amount of Long-Term Assets and Assets Held For Sale, sold or derecognised	(1,512)
(21,433)	Other non-cash items charged to the Net (Surplus) or Deficit on the Provision of Services	(14,022)
<b>(115,595)</b>	<b>Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements</b>	<b>(96,422)</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**

2019/20		2020/21
£'000		£'000
2,131	Proceeds from the sale of Property, Plant & Equipment, Investment Property and Intangible Assets	2,716
58,951	Any other items for which the cash effects are investing or financing cash flows	64,987
<b>61,082</b>		<b>67,703</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.

2019/20		2020/21
£'000		£'000
(652)	Interest received	(921)
11,505	Interest paid	11,397
<b>10,853</b>	<b>Interest within Operating Activities</b>	<b>10,476</b>

**18.0 Cash Flow Statement - Investing Activities**

2019/20		2020/21
£'000		£'000
125,639	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	102,931
9,072	Purchase and Redemption of Short-Term and Long-Term Investments	(9,561)
(2,131)	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(2,716)
(58,951)	Other receipts from Investing Activities	(64,987)
<b>73,629</b>	<b>Net Cash Flows from Investing Activities</b>	<b>25,667</b>

**19.0 Cash Flow Statement - Financing Activities**

2019/20		2020/21
£'000		£'000
(154,250)	Cash receipts of Short and Long-Term Borrowing	(18,000)
1	Cash payments for the reduction of the outstanding liabilities relating to Finance Leases	1
112,552	Repayments of Short and Long-Term Borrowing	57,419
<b>(41,697)</b>	<b>Net Cash Flows from Financing Activities</b>	<b>39,420</b>

**20.0 Notes to the Expenditure and Funding Analysis****20.1 Adjustments between Funding and Accounting Basis 2019/20**

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
Prosperity, Development & Frontline Services	29,132	14,966	107	44,205
Chief Executive	6,736	(8,492)	1,439	(317)
Education & Inclusion Services	35,041	4,595	(6,790)	32,846
Community & Children's Services	5,011	7,259	(1,257)	11,013
Authority Wide Budgets	(25,495)	(8)	(15,388)	(40,891)
Joint Committees	0	0	(234)	(234)
<b>Net Cost of Services</b>	<b>50,425</b>	<b>18,320</b>	<b>(22,123)</b>	<b>46,622</b>
Other income and expenditure from the Expenditure and Funding Analysis	(59,254)	13,660	21,314	(24,280)
<b>Difference between General Fund (surplus) or deficit and Comprehensive Income and Expenditure Statement (Surplus) or Deficit on the Provision of Services</b>	<b>(8,829)</b>	<b>31,980</b>	<b>(809)</b>	<b>22,342</b>

**Adjustments between Funding and Accounting Basis 2020/21**

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
Prosperity, Development & Frontline Services	24,694	3,740	947	29,381
Chief Executive	19,882	3,357	1,942	25,181
Education & Inclusion Services	17,534	6,072	(14,923)	8,683
Community & Children's Services	6,225	9,596	4,692	20,513
Authority Wide Budgets	(23,734)	5	(62,933)	(86,662)
Joint Committees	0	0	(450)	(450)
<b>Net Cost of Services</b>	<b>44,601</b>	<b>22,770</b>	<b>(70,725)</b>	<b>(3,354)</b>
Other income and expenditure from the Expenditure and Funding Analysis	(63,708)	14,570	17,595	(31,543)
<b>Difference between General Fund (surplus) or deficit and Comprehensive Income and Expenditure Statement (Surplus) or Deficit on the Provision of Services</b>	<b>(19,107)</b>	<b>37,340</b>	<b>(53,130)</b>	<b>(34,897)</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:

	2019/20	2020/21
<b>Expenditure</b>	<b>£'000</b>	<b>£'000</b>
Employee Benefits Expenses	351,485	366,612
Other Services Expenses	350,543	365,952
Depreciation, Amortisation and Impairment	92,372	77,877
Interest Payments	11,505	11,397
Precepts and Levies	33,801	35,636
Loss on the Disposal of Assets	22	0
<b>Total Expenditure</b>	<b>839,728</b>	<b>857,474</b>
<b>Income</b>		
Fees, Charges and Other Service Income	(250,277)	(289,082)
Interest and Investment Income	(652)	(921)
Income from Council Tax and NNDR	(212,313)	(215,507)
Gain on the Disposal of Assets	0	(358)
Government Grants and Contributions	(352,355)	(386,299)
<b>Total Income</b>	<b>(815,597)</b>	<b>(892,167)</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>24,131</b>	<b>(34,693)</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).

	2019/20	2020/21
	£'000	£'000
Allowances	1,322	1,338
Expenses	29	21
<b>Total</b>	<b>1,351</b>	<b>1,359</b>

Details of all remuneration and allowances paid annually by the Council to each Councillor and Co-opted Member is 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 CBC's remuneration ratio is 1:8 (1:8 in 2019/20) with the median earnings being £19,698 (£18,612 in 2019/20). 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 2020/21 the average number of employees paid per month by the Council was 9,920 (9,887 2019/20), paying total remuneration of £241m (excluding employer's national insurance and pension contributions) (£231m 2019/20). Within this, the following remuneration payments were made within the categories specified:

Remuneration Band	2019/20	2020/21		
	No. of Employees	No. of Employees		
	Total	At 31/03/21	Left in Year	Total
£60,000 - £64,999	77	45	2	47
£65,000 - £69,999	52	63	4	67
£70,000 - £74,999	10	30	0	30
£75,000 - £79,999	4	7	0	7
£80,000 - £84,999	4	6	0	6
£85,000 - £89,999	4	3	2	5
£90,000 - £94,999	7	2	1	3
£95,000 - £99,999	2	7	1	8
£100,000 - £104,999	1	1	0	1
£105,000 - £109,999	0	2	1	3
£110,000 - £114,999	0	0	0	0
£115,000 - £119,999	0	0	0	0
£120,000 - £124,999	2	0	0	0
<b>Total</b>	<b>163</b>	<b>166</b>	<b>11</b>	<b>177</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;

- Senior Officers whose salary is £60,000 or more per annum but less than £150,000. These are identified by job title.
- Senior Officers whose salary is £150,000 or more on an annualised basis. These are identified by name.
- Employer pension contributions are included.

Post Holder Information  (Post Title)	2019/20			2020/21						
	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 - Chris Bradshaw	151	39	190	154	1	0	0	155	33	188
Group Director, Community & Children's Services & Deputy Chief Executive to 31/12/2020	121	31	152	93	0	0	0	93	20	113
Group Director, Community & Children's Services wef 01/01/2021	0	0	0	31	0	0	0	31	7	38
Director of Public Health, Protection & Community Services to 31/12/2020	90	24	114	73	0	0	0	73	16	89
Group Director, Prosperity, Development & Frontline Services to 31/12/2020	121	31	152	93	0	0	0	93	20	113
Group Director, Prosperity, Development & Frontline Services & Deputy Chief Exec wef 01/01/2021	0	0	0	31	0	0	0	31	7	38

*Continued Overleaf...*

Director of Education & Inclusion Services	90	24	<b>114</b>	93	0	0	0	<b>93</b>	20	<b>113</b>
Director of Human Resources	98	25	<b>123</b>	100	0	0	0	<b>100</b>	22	<b>122</b>
Director of Finance & Digital Services (& Section 151 Officer)	98	25	<b>123</b>	100	0	0	0	<b>100</b>	22	<b>122</b>
Director of Legal Services	89	23	<b>112</b>	92	1	0	0	<b>93</b>	20	<b>113</b>
Director of Legal Services - Returning Officer	4	0	<b>4</b>	0	0	0	0	<b>0</b>	0	<b>0</b>
Director of Corporate Estates	91	23	<b>114</b>	93	0	0	0	<b>93</b>	20	<b>113</b>
Director of Regeneration & Planning to 12/04/19	3	1	<b>4</b>	0	0	0	0	<b>0</b>	0	<b>0</b>
Director of Prosperity & Development	90	24	<b>114</b>	94	0	0	0	<b>94</b>	20	<b>114</b>
Director of Public Health, Protection & Community Services wef 01/01/2021	0	0	<b>0</b>	23	0	0	0	<b>23</b>	5	<b>28</b>
Service Director - Democratic Services & Communications	69	18	<b>87</b>	71	0	0	0	<b>71</b>	15	<b>86</b>

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	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	£'000	
£	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
£0 - £20,000	5	2	173	75	178	77	1,023	336
£20,001 - £40,000	2	2	28	13	30	15	798	416
£40,001 - £60,000	2	0	11	6	13	6	660	276
£60,001 - £80,000	1	0	4	5	5	5	353	333
£80,001 - £100,000	2	0	3	4	5	4	441	326
£100,001 - £150,000	6	0	10	2	16	2	1,948	258
£150,001 - £200,000	0	0	0	1	0	1	0	153
<b>Total</b>	<b>18</b>	<b>4</b>	<b>229</b>	<b>106</b>	<b>247</b>	<b>110</b>	<b>5,223</b>	<b>2,098</b>

During 2020/21, the Council saved annual payroll costs of £1,264k (£3,535k 2019/20) 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 2020/21 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:

	2019/20	2020/21
	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	230	230
Local Government Measure Work	94	94
Certification of Grant Claims and Returns for the year	61	55
<b>Total</b>	<b>385</b>	<b>379</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 2020/21 was 53.5p (52.6p for 2019/20). The total rateable value as at 31<sup>st</sup> March 2021 was £129.0m (£128.8m as at 31<sup>st</sup> March 2020).

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 2020/21 rates is £36.1m (£50.5m in 2019/20). The contribution back to the Council from the pool in the year amounted to £74.6m (£76.4m in 2019/20) and the amount payable to the pool amounts to £54.2m (£53.3m in 2019/20). 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 2020/21 was calculated to be £77,334.38 (compared with £76,873.20 for 2019/20). 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	218	39,116	21,951	14,783	8,445	6,260	3,160	1,088	180	32
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 2020/21 was 97.5%.

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

Council Tax Analysis	2019/20	2020/21
	£'000	£'000
Council Tax Collectable	135,930	140,915
<b>Net Proceeds from Council Tax</b>	<b>135,930</b>	<b>140,915</b>
Less Payable:		
Police and Crime Commissioner for South Wales	(19,796)	(21,090)
Community Councils	(2,056)	(2,140)
<b>Total</b>	<b>114,078</b>	<b>117,685</b>

## 27.0 Grant Income

The following grants, contributions and donations were credited to the Comprehensive Income and Expenditure Statement in 2020/21:

### 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 £268m in 2020/21 (in 2019/20 these grants and contributions amounted to £215m).

### 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:

	2019/20	2020/21
	£'000	£'000
Non-Ringfenced Government Grants	(293,404)	(321,312)
Capital Grants and Contributions	(62,570)	(67,128)
Credited to Services	(146,865)	(224,353)
<b>Total</b>	<b>(502,839)</b>	<b>(612,793)</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 2020/21 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 2020/21. The value of these transactions amounted to payments of £2,294k (£1,786k in 2019/20), of which £2k was outstanding at year end (nil in 2019/20), and receipts of £248k (£260k in 2019/20), of which £34k was outstanding at year end (£23k in 2019/20).

The Council has transactions with a Construction Company that carries 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 £3,107k with £1k outstanding at year end. No receipts were received during 2020/21. The Member did not take part in any discussion, decision or administration relating to the services.

The Council has transactions with a Transport Company that leases a Council owned property. A Member of the Council declared that a relative is a Director within this company. Payments to the company amount to £372k with no payments outstanding at year end and receipts of £1,424k, of which £818k was 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 2020/21, 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. There were no payments made to the company in 2020/21 (£6,825k in 2019/20 and no payments outstanding) and receipts of £237k (£222k in 2019/20), of which £1k was outstanding (nil in 2019/20). The Officer did not take part in any discussion, decision or administration relating to the services.

The Council has transactions with a Construction Company that carries out work on Council owned properties. A Member of the Senior Leadership Team of the Council declared that a relative is a director of the company. The value of these transactions amounted to payments of £2,197k (£3,000k in 2019/20), of which £33k was outstanding at year end (nil in 2019/20), and receipts of £1k (£1k in 2019/20), of which £1k was outstanding at year end (£1k in 2019/20). 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>2019/20</b>	<b>2020/21</b>
	<b>£'000</b>	<b>£'000</b>
Police and Crime Commissioner for South Wales	19,796	21,090
Community Councils	2,056	2,140
<b>Total</b>	<b>21,852</b>	<b>23,230</b>

An analysis of levies is given in the following table:

	2019/20	2020/21
	£'000	£'000
South Wales Fire and Rescue Service	11,252	11,730
Coroner	485	464
Brecon Beacons National Park	48	48
Glamorgan Archives Joint Committee	164	164
<b>Total</b>	<b>11,949</b>	<b>12,406</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 £1.4m (£1.5m in 2019/20) in respect of administration and support during financial year 2020/21. The amount owed from the Council to the Pension Fund as at 31<sup>st</sup> March 2021 is nil (nil as at 31<sup>st</sup> March 2020).

#### **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 2020/21 the following related party transactions took place with these companies.

##### **Amgen Cymru Ltd.**

The Council paid Amgen Cymru £10,233k (£7,145k in 2019/20) in respect of waste management and waste disposal charges, with £1,554k (£1,400k in 2019/20) due to the company at the year-end. Amgen Cymru paid the Council £1,067k (£843k in 2019/20) in respect of goods and services, with £110k (£65k in 2019/20) due to the Council at the year-end.

##### **Amgen Rhondda Ltd.**

The Council paid Amgen Rhondda £175k (£175k in 2019/20) in respect of site management fees, with nil (nil in 2019/20) outstanding at 31<sup>st</sup> March 2021.

##### **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 2020/21, the Council was charged £6,490k (£4,524k in 2019/20) in respect of goods, services and capital works. The balance owed to Capita



Glamorgan Consultancy Ltd at 31<sup>st</sup> March 2021 was £1,136k (£920k in 2019/20).

Capita Glamorgan Consultancy Ltd paid the Council nil (nil in 2019/20) in respect of goods and services, with nil (nil in 2019/20) 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 2020/21, the Council contributed to the Joint Committee an amount of £164k (£164k in 2019/20). 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 2020/21, the Council charged Llwydcoed Crematorium £41k (£40k in 2019/20) in respect of central establishment charges. As at 31<sup>st</sup> March 2021 the Council held cash balances relating to the Crematorium of £1,519k (£1,002k in 2019/20).

### **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 2020/21, the Council received income of £391k from CSCJES (received income of £198k in 2019/20) in respect of advisory and training services, along

with grants of £19,856k (£18,978k in 2019/20), and charged CSCJES £112k (£114k in 2019/20) in respect of central establishment charges. The Council also paid CSEC expenditure of £1,009k (£1,034k in 2019/20). As at 31<sup>st</sup> March 2021 the Council owed cash balances of £1,984k relating to CSCJES (the Council owed cash balances to CSCJES of £1,422k as at 31<sup>st</sup> March 2020). 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 31<sup>st</sup> March 2021 there were no balances outstanding between the Council and Coychurch Crematorium (no balances outstanding as at 31<sup>st</sup> March 2020).

### **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 2020/21, the Council contributed £579k to the Vale, Valleys and Cardiff Regional Adoption Collaborative (£585k in 2019/20).

### **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 2020/21, there was a revenue contribution to CCRCD of £346k (£172k in 2019/20), there was a capital contribution of £315k (nil in 2019/20).

## **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 2020/21 a total amount of £1,117k (£1,040k in 2019/20) associated costs have been incurred by the parties, of which RCT's associated costs in 2020/21 were £613k (£572k in 2019/20), with Welsh Government contributing £124k (£124k in 2019/20) 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 is 1 Rhondda Cynon Taf CBC Member and 1 officer on the board of Trivallis.

During 2020/21, the Council paid Trivallis £1,614k (£1,438k in 2019/20) and received income of £1,282k (£1,540k in 2019/20). At year-end, Trivallis owed £253k to the Council (£439k in 2019/20).

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 2021 £4,250k 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.

	2019/20	2020/21
	£'000	£'000
Opening Capital Financing Requirement	469,183	493,487
<b>Capital Investment:</b>		
Property, Plant & Equipment	99,157	90,255
Intangible Assets	1,830	1,330
Revenue Expenditure Funded from Capital Under Statute	20,297	10,735
	<b>121,284</b>	<b>102,320</b>
<b>Sources of Finance:</b>		
Capital Receipts	(3,724)	(515)
Government Grants and Other Contributions	(63,226)	(62,674)
	<b>(66,950)</b>	<b>(63,189)</b>
<b>Sums Set Aside from Revenue:</b>		
Direct Revenue Contributions	(17,839)	(14,209)
Minimum Revenue Payment	(12,191)	(13,561)
	<b>(30,030)</b>	<b>(27,770)</b>
<b>Closing Capital Financing Requirement</b>	<b>493,487</b>	<b>504,848</b>
<b>Explanation of Movements in Year</b>		
Increase/(Decrease) in underlying need to borrowing supported by government financial assistance)	(413)	(663)
Increase in underlying need to borrowing (unsupported by government financial assistance)	24,718	12,025
Finance Leases	(1)	(1)
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>24,304</b>	<b>11,361</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:

	31/03/20	31/03/21
	£'000	£'000
Other Land and Buildings	121	153

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:

	31/03/20	31/03/21
	£'000	£'000
Finance Lease Liabilities:		
Current	1	1
Long-Term	384	383
Finance costs payable in future years	1,210	1,188
<b>Minimum Lease Payments</b>	<b>1,595</b>	<b>1,572</b>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31/03/20	31/03/21	31/03/20	31/03/21
	£'000	£'000	£'000	£'000
Less than 1 year	23	23	1	1
1 to 5 years	91	90	3	3
Greater than 5 years	1,481	1,459	380	379
<b>Total</b>	<b>1,595</b>	<b>1,572</b>	<b>384</b>	<b>383</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.

	31/03/20			31/03/21		
	Other Land & Buildings	Vehicles, Plant & Equip.	Totals	Other Land & Buildings	Vehicles, Plant & Equip.	Totals
	£'000	£'000	£'000	£'000	£'000	£'000
Not later than 1 year	352	443	795	526	746	1,272
Later than 1 year and not later than 5 years	1,275	837	2,112	1,991	1,528	3,519
Later than 5 years	6,861	408	7,269	6,983	304	7,287
<b>Total</b>	<b>8,488</b>	<b>1,688</b>	<b>10,176</b>	<b>9,500</b>	<b>2,578</b>	<b>12,078</b>

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

	31/03/20	31/03/21
	£'000	£'000
Minimum Lease Payments	1,514	1,478

### 30.3 Sub-Leases

The Council has sub-let buildings. Non-cancellable sub-lease payments are expected to be received until expiry of the lease agreement, as shown in the table below:

	2019/20	2020/21
	£'000	£'000
Less than 1 year	94	113
1 to 5 years	176	193
Greater than 5 years	53	75
<b>Total</b>	<b>323</b>	<b>381</b>

### 31.0 Impairment Losses

During 2020/21, the Council has recognised an impairment loss of £20.7m (a loss of £17.1m in 2019/20) 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:

	2019/20	2020/21		
		RCT	Joint Comm's	Total
	£'000	£'000	£'000	£'000
<b>Comprehensive Income and Expenditure Statement:</b>				
Cost of Services:				
Current Service Cost	57,044	56,860	286	57,146
Past Service Cost	2,196	1,030	0	1,030
Consolidation Adjustment	0	0	0	0
<i>Financing and Investment Income and Expenditure:</i>				
Net Interest Expense	13,657	14,570	9	14,579
<b>Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>72,897</b>	<b>72,460</b>	<b>295</b>	<b>72,755</b>
<i>Remeasurement of the Net Defined Benefit Liability Comprising:</i>				
Return on Plan Assets (Excluding the Amount Included in the Net Interest Expense)	55,419	(345,000)	(1,938)	(346,938)
Actuarial (Gains) and Losses Arising on Liabilities - Demographic Assumptions	(20,936)	0	0	0
Actuarial (Gains) and Losses Arising on Liabilities - Financial Assumptions	(33,794)	378,470	1,565	380,035
Actuarial (Gains) and Losses Arising on Liabilities - Experience	16,100	(19,530)	(87)	(19,617)
Net Increase in Liabilities from Disposals/Aquisitions on Liabilities - Experience	0	0	0	0
Consolidation Adjustment	0	0	0	0
<b>Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>89,686</b>	<b>86,400</b>	<b>(165)</b>	<b>86,235</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	(72,897)	(72,460)	(295)	(72,755)
Actual amount charged against the Council Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	40,690	35,120	52	35,172

The total remeasurement of the Net Defined Benefit Liability recognised in Other Comprehensive Income and Expenditure to the 31<sup>st</sup> March 2021 is a loss of £13.5m (£16.8m loss in 2019/20).



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 2021 is a loss of £128.3m.

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

	2019/20	2020/21		
		RCT	Joint Comm's	Total
	£'000	£'000	£'000	£'000
<b>Balance at 1<sup>st</sup> April</b>	<b>1,741,294</b>	<b>1,753,790</b>	<b>7,165</b>	<b>1,760,955</b>
Current Service Cost	57,044	56,860	286	57,146
Interest Cost on Defined Obligation	40,833	39,910	164	40,074
Contributions by scheme participants	9,095	9,670	72	9,742
<b>Remeasurement (Gains) and Losses</b>				
Actuarial (Gains) and Losses Arising on Liabilities - Demographic Assumptions	(20,936)	0	0	0
Actuarial (Gains) and Losses Arising on Liabilities - Financial Assumptions	(33,794)	378,470	1,565	380,035
Actuarial (Gains) and Losses Arising on Liabilities - Experience	16,100	(19,530)	(87)	(19,617)
Benefits paid	(50,877)	(48,980)	(128)	(49,108)
Past service costs	2,196	1,030	0	1,030
Consolidation Adjustment	0	0	0	0
<b>Balance at 31<sup>st</sup> March</b>	<b>1,760,955</b>	<b>2,171,220</b>	<b>9,037</b>	<b>2,180,257</b>

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

	2019/20	2020/21		
		RCT	Joint Comm's	Total
	£'000	£'000	£'000	£'000
<b>Balance at 1<sup>st</sup> April</b>	<b>1,132,656</b>	<b>1,096,570</b>	<b>6,751</b>	<b>1,103,321</b>
Interest Income	27,176	25,340	155	25,495
<b>Remeasurement (Gains) and Losses:</b>				
The Return on Plan Assets, Excluding the Amount Included in the Net Interest Expense	(55,419)	345,000	1,938	346,938
Employer contributions	40,690	35,120	52	35,172
Contributions by scheme participants	9,095	9,670	71	9,741
Benefits paid	(50,877)	(48,980)	(128)	(49,108)
Net Increase in Assets from Disposals/Aquisitions	0	0	0	0
Consolidation Adjustment	0	0	0	0
<b>Balance at 31<sup>st</sup> March</b>	<b>1,103,321</b>	<b>1,462,720</b>	<b>8,839</b>	<b>1,471,559</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 £365.37m (£21.18m loss in 2019/20).

### 32.5 Scheme History

	2016/17 Inc Joint Comm's	2017/18 Inc Joint Comm's	2018/19 Inc Joint Comm's	2019/20 Inc Joint Comm's	2020/21 Inc Joint Comm's
	£'000	£'000	£'000	£'000	£'000
Present Value of the Defined Obligation	(1,564,560)	(1,644,122)	(1,741,294)	(1,760,955)	(2,180,257)
Fair Value of Plan Assets	985,512	1,032,264	1,132,656	1,103,321	1,471,559
<b>Surplus/(Deficit)</b>	<b>(579,048)</b>	<b>(611,858)</b>	<b>(608,638)</b>	<b>(657,634)</b>	<b>(708,698)</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 £709m 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> March 2021, the Rhondda Cynon Taf Pension Fund Assets used in IAS19 calculations comprised of:

Fair Value of Scheme Assets		
	2019/20	2020/21
	£'000	£'000
UK Equities	269,841	491,294
Overseas Equities	1,867,679	2,769,614
UK Fixed Interest Gilts	417,123	372,929
UK Corporate Bonds	383,684	550,961
Overseas Government Bonds	44,776	0
Overseas Corporate Bonds	50,846	0
Property	287,697	282,289
Cash and Net Current Assets	28,578	26,320
<b>Total</b>	<b>3,350,224</b>	<b>4,493,407</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 halfway 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:

	31/03/20	31/03/21
Long-Term Expected Rate of Return on Assets in the Scheme (in line with the discount rate)	4.3%	4.25%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21.7	21.8
Women	24.0	24.1
Longevity at 65 for future pensioners:		
Men	22.7	22.8
Women	25.5	25.6
Rate of inflation (CPI)	2.0%	2.7%
Rate of increase in salaries	3.25%	3.95%
Rate of increase in pensions	2.0%	2.7%
Rate for discounting scheme liabilities	2.3%	2.1%
Take-up of option to convert annual pension into retirement lump sum:		
Post-2010 Service	80%	80%
Pre-2010 Service	80%	80%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant.

	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)	77,810	(75,650)	325	(316)	78,135	(75,966)
Rate of Increase in Salaries (Increase or Decrease by 0.1%)	6,480	(6,480)	18	(18)	6,498	(6,498)
Rate of Increase in Pensions (Increase or Decrease by 0.1%)	38,900	(38,900)	172	(172)	39,072	(39,072)
Rate for Discounting Scheme Liabilities (Increase or Decrease by 0.1%)	(45,390)	45,390	(190)	190	(45,580)	45,580

### **32.8 Contributions for the Accounting Period ending 31<sup>st</sup> March 2022**

The Employer's regular contributions to the Fund for the accounting period 31<sup>st</sup> March 2022 are estimated to be £35.9m. In addition, "strain on fund" contributions may be required.

Further information can be found in the Pension Fund Annual Report, which is on the [RCT Pension Fund website](#) and also available on request from the Director of Finance & Digital Services, Oldway House, Porth, Rhondda, CF39 9ST.

### **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 2020/21, the Council paid £19.7m to Teachers' Pensions in respect of teachers' retirement benefits, representing 23.68% of pensionable pay. The figures for 2019/20 were £16.5m, representing 20.68% 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 2020/21 these amounted to £753k (£787k in 2019/20).

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 2021. 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 2021 are shown as follows and are not included in the Council's Balance Sheet. The 2020/21 figures are draft, subject to audit (the Audit Wales for Welsh Church Act, the Regional Internal Audit Service for the other funds).

	Description	31/03/20	31/03/21
		£'000	£'000
Education & Miscellaneous	Various funds established for educational and community benefits	262	278
Rhondda Cynon Taf Charity for the Visually Impaired	Fund established for the benefit of visually impaired citizens	59	59
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	12,137	13,512

## RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

### DRAFT ANNUAL GOVERNANCE STATEMENT 2020/21

#### 1. INTRODUCTION

1.1 The Council's [Corporate Plan 2020 - 2024](#) 'Making a Difference' sets the overall direction for the Authority over a period of 4 years describing the vision, purpose and priorities to be delivered.

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

- Vision – ***To be the best place in Wales to live, work and play, where people and businesses are independent, healthy and prosperous.***
- Purpose - ***To provide strong community leadership and create the environment for people and businesses to be independent, healthy and prosperous.***
- Priorities:
  - Ensuring ***People***: are independent, healthy and successful:
  - Creating ***Places***: where people are proud to live, work and play: and
  - Enabling ***Prosperity***: creating the opportunity for people and businesses to: be innovative; be entrepreneurial; and fulfil their potential and prosper.

1.3 Underpinning the above priorities are the cross-cutting themes of '***Live within our means***' and '***Efficient and effective Council***' – both of which focus on robust financial planning and management arrangements to ensure the Council maintains its financial stability, is financially resilient 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 (RCT) 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 Regard has also been given to the CIPFA Bulletin 06 – 'Application of the Good Governance Framework 2020/21' in respect of conducting the review of the Council's governance arrangements for the 2020/21 financial year. This provides guidance on the impact of the continuing Covid-19 pandemic on governance in local government bodies (see paragraphs 5.4.5 and 5.4.6) and also the CIPFA Financial Management Code 2019 (see paragraphs 5.11.23 to 5.11.27 and Section 7), both of which should form part of local authorities' review of governance arrangements for the period April 2020 to March 2021.
- 2.5 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 2021.

### **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 RCT 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 2021 (and up to the date of approval of the 2020/21 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](#). Appendix A provides examples of the key systems, processes and documents that were in place within the Council during 2020/21.

- 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. The Council has developed a Local Code of Corporate Governance, setting out an overview of the Council's governance framework, and was reported to the Council's Audit Committee 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 'virtually' with senior officers across services and taking account of the findings from a range of existing reports. The Review of Effectiveness has also given key regard to the on-going impact of Storm Dennis and the start of the coronavirus pandemic, and is set out at sub-section 5.4.

- 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 **STORM DENNIS AND COVID-19**

- 5.4.1 The Council's [2019/20 Annual Governance Statement](#) set out the specific governance and decision-making arrangements put in place by the Council up

to and including June 2020, in response to Storm Dennis and Covid-19. Sections 5.4.2 to 5.4.6 review the arrangements from this point.

## Storm Dennis

5.4.2 As part of the Council's on-going work with communities affected by this unprecedented event, a range of support continued during 2020/21, for example, Community Flood Recovery Grants for eligible residents and businesses, with actions taken being in line with published delegated decisions made in February and March 2020. These were as follows:

- 17<sup>th</sup> February 2020 and 21<sup>st</sup> February 2020 – [Storm Dennis - Allocation of Resources from General Fund Balances](#) and [Further Allocation of Resources from General Fund Balances](#) respectively.
- 18<sup>th</sup> February 2020 - [Storm Dennis - Financial Support for Residents and Businesses](#).
- 25<sup>th</sup> February 2020 - [Storm Dennis - Grant Funding Support for Property Renovation and Free School Meals](#).
- 4<sup>th</sup> March 2020 - [Storm Dennis - Support to Businesses - Non-Domestic Rate Relief](#).

5.4.3 In parallel, the Council progressed emergency response works and reclaimed eligible expenditure via the Welsh Government funded Emergency Financial Assistance Scheme amounting to £1.697M (relating to 2019/20 and 2020/21) and, in addition, accessed further Welsh Government funding during 2020/21 as part of an on-going programme of infrastructure repair. The extent of damage to the Council's infrastructure necessitates a long-term programme of work and, as part of this, discussions are on-going with Welsh Government in terms of future funding arrangements.

5.4.4 On the 18<sup>th</sup> December 2020, the Council's Cabinet received a report setting out a [Review of the Council's Response to Storm Dennis](#) together with recommendations for improvement and arrangements for progress updates on the implementation of recommendations to be included within the Council's quarterly Performance Report to Cabinet and thereafter to be scrutinised by the Overview and Scrutiny Committee. These arrangements will ensure the continuation of an open approach in reporting updates on the work being progressed by the Council to enhance its response to extreme weather events.

## Covid-19

5.4.5 The Covid-19 pandemic has been the central feature in planning and delivery arrangements throughout 2020/21, with services quickly adapting and implementing changes to ensure the continued provision of essential frontline services.

5.4.6 Following the UK being put into lockdown on the 23<sup>rd</sup> March 2020, easing of restrictions in June and July, a two week 'firebreak' from 23<sup>rd</sup> October until 9<sup>th</sup> November followed by a further lockdown from 19<sup>th</sup> December, the Council has operated and taken decisions in accordance with its Constitution. Key work and steps taken by the Council during this period were:

#### Decision Making and Democratic Engagement

- Further to the temporary suspension of all formal meetings of the Council when the country moved into lockdown in March 2020, the Council put in place arrangements, in line with The Local Authorities (Coronavirus) (Meetings) (Wales) Regulations 2020, to enable the phased reintroduction of fully remote meetings to take place. This included Cabinet meetings from May 2020, Scrutiny Committee meetings from June 2020 (on a phased basis and starting with the Overview and Scrutiny Committee) and full Council and Audit Committee meetings from July 2020.
- Council, Cabinet and Scrutiny Work Programmes were agreed and published, providing both transparency on the work to be undertaken and enabling Committees to plan their work.
- Covid-19 position statements were reported regularly to full Council ensuring that all elected Members were provided within on-going and timely updates.

#### Service Planning and Corporate Plan priorities

- All services produced Service Recovery Plans that set out key priorities and actions to manage and support recovery from the Pandemic, these being reported to Cabinet on [28<sup>th</sup> July 2020](#).
- Full Council agreed Corporate Plan action plans at the [21<sup>st</sup> October 2020](#) meeting for its priorities of People, Places and Prosperity, these being informed by Service Recovery Plans to ensure focus was afforded to recovery work from the pandemic. During the year, Corporate Plan progress updates were reported to Cabinet and scrutinised by the Finance and Performance Scrutiny Committee on a quarterly basis, enabling elected Members to scrutinise the extent of progress and hold services to account.

### Financial support to businesses and individuals

- Part of the Welsh Government's response to the impact of the pandemic has been the provision of additional financial support to the economy via a series of Business Grants and extended business rate relief. The packages of financial support have been administered by all local authorities in Wales on behalf of Welsh Government and, for RCT, this has required staff to focus on administering, managing and paying a large volume of grants in short timescales to ensure financial support reached eligible businesses on a timely basis. The range of grant support has included Business and Charity Grants Phase 1, NDR Lockdown / Firebreak Grant and Business Restrictions Fund.
- In total over £72Million has been paid out to a wide range of businesses during 2020/21, with each grant having different criteria to target those businesses in most need and also different award processes and amounts payable. To ensure public money is safeguarded, this required a coordinated effort across the Council and the application of robust internal control arrangements.
- A range of other individual grant payments were also administered by the Council on behalf of Welsh Government including Social Care Workforce Payments of £500, Self-Isolation Payments for those on low incomes, Statutory Sick Pay top-ups for social care workers and Free school meal support to families with eligible learners.
- Each area of financial support administered by the Council has required consideration of process, including enabling submission of on-line applications, cashflow management and accounting requirements. In parallel, a number of Internal Audit assignments undertaken during 2020/21 were focussed on financial transactions relating to Covid-19 and provided Management with assurance on the robustness of processes and internal controls in place (see also paragraphs 5.12.5 to 5.12.8 - Internal Audit).

### 2020/21 Financial Position and Medium-Term Financial Planning

- **2020/21 Financial Position - Revenue Budget**
  - Underpinning the priority focus on maintaining essential frontline services was robust financial management arrangements, with close working between Service Managers and Senior Finance Officers to control, forecast and report overall revenue budget expenditure levels through to March 2021. These arrangements also effectively managed the additional expenditure and income losses incurred across the Council's Revenue Budget as a direct result of Covid-19,

forecasted to be in excess of £50M for 2020/21, and have been reclaimed on a monthly basis via the Welsh Government's Covid Hardship Fund claims process. Appropriate use was also made of the Coronavirus Job Retention Scheme in order to mitigate losses. Where additional expenditure and additional income losses have materialised that are not deemed eligible to reclaim via the Hardship Fund, these have been included within the in-year reported financial position of relevant services.

- The year-end Revenue Budget outturn position for the Council was a £0.204Million overspend against a net budget of £508.747Million.

- **2020/21 Financial Position - Capital Programme**

- The immediate impact of the pandemic resulted in temporary delays to a number of capital schemes as a result of the need to agree and implement revised and safe working arrangements with contractors and suppliers. This partnership approach enabled most capital projects to recommence from quarters 1 and 2 of the year, with capital programme investment for 2020/21 amounting to £102Million.
- The Council also recognised its key role in supporting businesses and the local economy through the continued safe delivery of key infrastructure and construction projects and reported an update to Cabinet on [25<sup>th</sup> June 2020](#). During the year, detailed progress updates on the Council's Capital Programme projects were reported as part of the Council's quarterly Performance Reports.

- **Medium-Term Financial Planning**

- The Council's latest [Medium-Term Financial Plan](#) was reported to Cabinet, Council and the Finance and Performance Scrutiny Committee during autumn 2020. The Plan is based on, amongst other things, the assumption that additional expenditure and income losses as a direct result of Covid-19 will continue to be funded by Welsh Government.
- The Council is in the process of updating its Medium-Term Financial Plan for reporting in 2021; whilst the medium to longer term consequences of the pandemic are not fully known, the update process will refresh assumptions around key areas such as Welsh Government settlement levels, service cost pressures and demand, council tax collection and income, as well as the on-going priority focus required for businesses, town centres, those most in need and recognising the on-going work with partners to protect public health as recovery from the pandemic continues.

- The Council has for a number of years delivered ambitious efficiency saving targets without adversely impacting frontline service provision. The Council's current Medium-Term Financial Plan sets out, at a high level, the framework to balancing the budget over the medium term and the requirement to 'lock in' the transformation and service delivery changes which have been made across service areas during the pandemic.

## 5.5 PROGRESS MADE TO IMPLEMENT PROPOSALS FOR IMPROVEMENT REPORTED IN THE 2019/20 ANNUAL GOVERNANCE STATEMENT

- 5.5.1 The 2019/20 Annual Governance Statement identified 4 proposals for improvement. An update on progress was reported to the Council's Audit Committee on [1<sup>st</sup> February 2021](#) indicating that the proposals for improvement were either complete or were on-target to be completed in line with the agreed delivery dates. The Audit Committee **RESOLVED**: *'To acknowledge the information provided'*.
- 5.5.2 A year-end position statement of progress is set out in Appendix B. In summary, out of the 4 proposals for improvement, all have been implemented.

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

### Behaving with integrity

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

- 5.6.1 The Council's Scrutiny Committee meeting minutes were examined to determine whether the virtual / remote 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

- 5.6.2 A Standards Committee was in place during the year to promote, maintain and oversee high standards of conduct by elected Members, with the Terms of Reference for the Standards Committee included within the Council's Constitution.

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

- 5.6.3 During 2020/21 the Standards Committee had a work-plan in place and met on 2 occasions. A draft Annual Report for 2020/21 was presented to the Standards Committee on [19<sup>th</sup> March 2021](#).

#### Council employees

- 5.6.4 All officers who started employment within the Council were provided with a local induction in line with social distancing requirements and Individual Performance Review discussions continued 'virtually' with officers. The overall arrangements were managed by the Council's Human Resources Service.

#### Arrangements in place to tackle potential misappropriation

- 5.6.5 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 Council's [Whistleblowing Policy & Procedure](#). In addition, there were arrangements in place to tackle potential [fraud, bribery and corruption](#).
- 5.6.6 The Audit Committee has overall responsibility for overseeing the governance arrangements in place in respect of whistleblowing and tackling potential fraud, bribery and corruption. Updates received by Audit Committee during the year in respect of these arrangements were:

- **Anti-Fraud, Bribery & Corruption**

- An update was reported to Audit Committee on 2<sup>nd</sup> November 2020, setting out the progress made to date against the Anti-Fraud, Bribery & Corruption work programme for 2020/21. The report concluded that ongoing progress is being made against the Council's Anti-Fraud, Bribery and Corruption work programme to ensure that the Council continues to operate within an effective anti-fraud culture across the organisation, with resilient preventive measures capable of identifying and addressing new threats. Audit Committee **RESOLVED** - To review the work undertaken in 2020/21 and provide direction and guidance where necessary within the Terms of Reference of the Committee.
- It is noted that the 2020/21 Annual Report for Anti-Fraud, Bribery & Corruption is due to be presented to Audit Committee in July 2021.

- **Whistle-Blowing**

- At the 20<sup>th</sup> July 2020 Audit Committee meeting, Members agreed for a review of the Whistle-Blowing Policy to be undertaken and the outcome reported to Audit Committee during 2020/21. The review

was completed and was presented to Audit Committee for consideration and approval on [26<sup>th</sup> April 2021](#).

- The Whistle-Blowing Annual Report for 2020/21 was also reported to the same meeting. The conclusion of the Director of Human Resources, as set out in the 2020/21 Annual Report, is that '*the Council's Whistle-Blowing arrangements are appropriate*'. It is also noted that the revised Policy and Procedure will be published on the Council's website, awareness raising undertaken across Council Services and its content will be kept under on-going review and where further updates are proposed, these will be reported to Audit Committee for consideration/approval.

- 5.6.7 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

- 5.6.8 A report was presented to Cabinet at its meeting held on [17<sup>th</sup> November 2020](#) setting out an overview of the Council's statutory Social Services complaints procedure for the period April 2019 to March 2020. The report provided a summary of all complaints and compliments received, and concluded by identifying lessons to be learnt and changes to relevant procedures / protocols.

- 5.6.9 The Report noted that a total of 113 complaints were received across both Adult and Children's Services during the year which was slightly higher than the previous year, with the increase in the main being complaints relating to Children's Services. While Children's Services received more complaints than the previous year, it also received more compliments; however, overall the report set out that for both Adult and Children's Services fewer compliments were recorded than in the previous year.

#### Comments, Compliments and Complaints - Non-social services

- 5.6.10 An Annual Report covering 2019/20 was presented to the Overview and Scrutiny Committee on [18<sup>th</sup> January 2021](#) that set out areas for improvement and also for progress reports regarding the Council's corporate Customer Feedback Scheme to be presented to the Committee on a bi-annual basis to provide further visibility on this area and enable monitoring of areas for improvement. It is noted that from 2021/22 onwards, reports will be considered by the Audit and Governance Audit Committee in line with its new responsibilities under the Local Government and Elections (Wales) Act 2021.



## Demonstrating a strong commitment to ethical values

### Elected Members

- 5.6.11 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. Code of Conduct training is mandatory and is continually available to all Elected Members. Training is provided to all newly elected Members on a one-to-one basis following bi-elections and Members are reminded through their Personal Development Reviews that they are able to contact the Council's Monitoring Officer directly with any queries relating to the Code of Conduct.

### The Council's supply chains

- 5.6.12 The Council plays a significant role in the utilisation of national framework contracts as well as local contractual arrangements, and is responsible for ensuring that its business is conducted in accordance with the law, applies high ethical values, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council's Contract Procedure Rules provides the framework to achieve this and the 'Procurement Policy – Social Responsibility' aligns with the three key initiatives issued by Welsh Government, namely Community Benefits; Code of Practice Ethical Employment in Supply Chains; and Opening Doors: the Charter for SME Friendly Procurement.
- 5.6.13 The Council applied the guidance and advice set out in UK Government Cabinet Office Procurement Policy Notices issued during the year (for example, 02/20: Supplier relief due to Covid-19) to support suppliers and in doing so, suppliers were required to operate on an 'open book' basis.

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

- 5.6.14 The Chief Executive (as Head of Paid Service) led the Council's officers and chaired the Senior Leadership Team (that also comprised the statutory roles of Chief Finance Officer and Monitoring Officer together with other key positions).
- 5.6.15 With specific regard to the Chief Finance Officer position within the Council during 2020/21, 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*

- *Led 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.*

## 5.7 ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT

### Openness

#### A commitment to openness

#### *General Data Protection Regulation*

5.7.1 The General Data Protection Regulation (GDPR) came into force on the 25<sup>th</sup> May 2018. During 2020/21 the Council demonstrated accountability and transparency when handling and processing personal and sensitive information that it holds in respect of individuals by:

- Having in place a Data Protection Policy, Data Protection web-page and a designated Data Protection Officer;
- Formally recording the lawful basis upon which data / information is processed within suites of documents called Data Protection Registers; and
- Having in place '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.

5.7.2 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*

5.7.3 The Council operated a Freedom of Information (FOI) Act 2000 publication scheme in accordance with legislative requirements. During 2020/21 the

Council received 870 FOI/Environmental Information Regulations (EIR) requests. Response statistics and any complaints investigated by the Information Commissioner's Office (ICO) 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.

5.7.4 During 2020/21 the Council received 8 complaints which had been referred to it by the ICO:

- 2 of the complaints related to requests not being responded to within the statutory 20 working day period. Both requests were subsequently responded to.
- 1 complaint related to a request where the requester believed not all information was being disclosed as part of a response but following the Council's explanation of how information is recorded the case was closed.
- 2 of the complaints were investigated and both requests were subsequently responded to.
- 3 of the complaints are being investigated and cases are still ongoing.

5.7.5 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

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

- In accordance with the Council Constitution, the Calendar of Committee meetings was presented to the Council Annual General Meeting in September 2020, which provided details of the schedule of Committee meetings for the 2020-2021 Municipal Year. The calendar was also published on the [Council website](#);
- Cabinet published its work programme on [24<sup>th</sup> September 2020](#) for the 2020/21 Municipal Year with updates provided on a 3 monthly basis (i.e. to the Cabinet meetings on 18<sup>th</sup> December 2020 and 25<sup>th</sup> March 2021). The Cabinet Work programme was also published on the [Council website](#); and
- Scrutiny work programmes were considered and agreed by respective Scrutiny Committees on a periodic basis throughout the Municipal Year to allow for an element of flexibility and taking into account any additional consultative documents or legislative matters requiring attention. The

agreed work programmes were available on a stand-alone [Scrutiny Work Programme](#) page on the Council's website, in line with a proposal for improvement previously made by the Wales Audit Office (now Audit Wales).

- 5.7.7 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 work programmes are placing more emphasis on key service or policy matters, based upon a revised criteria which includes alignment to the Council's priorities and those matters of interest to the public, and they allow for more in depth reviews and referrals from other Committees including Council and Audit Committee. As part of the Local Government & Elections (Wales) Act 2021 a duty is now placed on Local Authorities to ensure scrutiny committees are given sufficient notice of important decisions before they are made, so they may scrutinise the executive more effectively. The continuation of a robust Cabinet Work Programme will therefore be essential in accommodating this duty placed on the Authority.

#### Decision making and scrutiny of decisions made

- 5.7.8 Cabinet is a key decision-making body within the Council. From a review of reports presented to virtual Cabinet meetings during 2020/21:
- All reports were in the required format;
  - A total of 88 reports were presented, 80 of which were made publicly available and 8 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;
  - 2 updates were presented verbally by officers due to the uniqueness of the year;
  - For all decisions made by the Cabinet, '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 (unless deemed to be urgent decisions and therefore not subject to call in); and
  - During 2020/21 the Council received one Call In of a Key Officer Delegated Decision: **SALE OF PART OF THE FORMER LADY WINDSOR COLLIERY SITE, YNYSYBWL:**

- The Call-In was considered at a special Overview & Scrutiny Committee held on the [12<sup>th</sup> August 2020](#). In addition to the three signatories to the call-in and members of the Overview & Scrutiny Committee, the Vice-Chair of Ynysybwl Community Council made representations at the meeting and a written representation was submitted by the Chair of the Regeneration Partnership; and
- Following consideration of the issues set out within the call-in form and in accordance with the Overview & Scrutiny procedure rules, it was determined that the matter be referred back to the decision maker, the Director of Corporate Estates, for further consideration based on the grounds of the call-in.

5.7.9 Record of Urgent Decisions of the Leader, Cabinet Members and Delegated Officer Decisions were published on the Council's website. For the 2020/21 financial year, 51 decisions were published and in line with the Council's Constitution, these were reported to full Council for information purposes. Due to the temporary postponement of Council meetings at the start of the Covid-19 pandemic, Council decisions were taken forward via Delegated decisions until the Local Authorities (Coronavirus)(Meetings)(Wales) Regulations 2020 permitted the commencement of Committee meetings; this therefore necessitated a higher number of delegated decisions compared to the same period in previous years.

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

- 5.7.10 The Council regularly engages with residents and stakeholders and a consultation exercise was undertaken in respect of the 'Corporate Plan 2020 – 2024 'Making a Difference' – this Plan was agreed by Council on 4<sup>th</sup> March 2020 and sets out the Council's priorities for the next 4 years.
- 5.7.11 Engagement arrangements are 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](#).
- 5.7.12 The Council has an on-going programme of engagement with residents and communities, to find out what matters to them. During the year this engagement has continued using Zoom to hold public meetings and the development of a telephone call back option so as not to exclude those who are not or do not wish to engage online. Throughout the pandemic there was a greater need to communicate clear advice and keep residents informed about Covid-19 in RCT, this being delivered through a dedicated web page and also through social media channels to make information available to residents, businesses and other stakeholders in communities.

- 5.7.13 The Council has developed more ways for residents to get involved and ensure that consultations are accessible, through Let's Talk RCT. The first two projects, Let's Talk Climate Change and Let's Talk Electric Charging Vehicles, were pilots for the site and will help shape future Let's Talk projects.
- 5.7.14 Putting in place online and virtual ways for people to provide views and opinions will continue to develop, albeit, the Council recognises that this does not replace the valuable local information captured through face-to-face engagement with residents. It is noted that these conversations with individuals and representative groups will resume as soon as it is safe to do so to obtain the views and opinions on decisions that will affect them.

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

- 5.8.1 For the 2020/21 reporting year, to address the unprecedented circumstances in which the Council was working, the Council's performance management arrangements were amended to focus on recovery from the pandemic whilst retaining the ambitions set out in the [Corporate Plan 2020-24 'Making a Difference'](#).
- 5.8.2 The Council undertook a backward-looking assessment of Corporate Plan performance (2019/20) and compiled priority action plans for its 3 Corporate Plan priorities (People, Places and Prosperity) covering the 2020/21 financial year. This information was set out in a 'Corporate Performance Report 2020' that was endorsed by Cabinet on [13 October 2020](#) and reported to and approved by Council [21 October 2020](#); in doing so, the Council met its statutory reporting requirements in this regard.
- 5.8.3 During 2020/21, in line with the Council's Constitution, progress in the delivery of the Priority Plans was reported every quarter as part of Performance Reporting arrangements i.e. presented to Cabinet for review/approval, followed by Finance and Performance Scrutiny Committee for further review/scrutiny. These reports were available to residents and stakeholders through the Council's [website](#).
- 5.8.4 To meet the current statutory reporting requirements in line with the Local Government (Wales) Measure 2009 and the Well-being of Future Generations Act 2015, the Council intends to publish an assessment of its performance for the 2020/21 financial year no later than the statutory reporting deadline of 31<sup>st</sup> October and also publish 2021/22 action plans for its Corporate Plan Priorities of People, Places and Prosperity.

### Medium Term Financial Plan

- 5.8.5 The Council's latest Medium-Term Financial Plan (2020/21 to 2023/24) was reported to and agreed by Cabinet on [13<sup>th</sup> October 2020](#) and subsequently

reported to full Council on the 21<sup>st</sup> October 2020 and the Finance and Performance Scrutiny Committee on 16<sup>th</sup> November 2020.

5.8.6 The Medium-Term Financial Plan is set in the context of the Covid-19 pandemic, recognising that the course of the pandemic and its effect on the Council's finances will be subject to change. Key information around the allocation of resources includes:

- 2020/21 Revenue Budget (£508.747M) - 85% of the revenue budget was allocated to Corporate Plan priorities and the remaining 15% allocated to Authority Wide Costs, Other Services To The Public, Regulatory Public Services and Core Support; and
- 2020/21 to 2023/24 Capital Programme (£131.772M) – 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.

#### Additional Investment

5.8.7 As part of the Council setting its Capital Programme for the period 2021/22 to 2023/24 (reported to full Council on [10<sup>th</sup> March 2021](#)), an assessment of existing earmarked reserves enabled £5.484M to be released for additional investment in Corporate Plan priority areas (alongside the reallocation of £1.137M of core capital funding and additional Welsh Government funding of £2.779M, amounting to a total investment of £9.4M).

5.8.8 Based on the Council's Medium-Term Financial Planning arrangements and processes for identifying funding to support additional investment, there is clarity on the Council's ambitions and medium term outlook; a demonstrable commitment to prioritise resources to Corporate Plan areas; and opportunities available for elected Members and stakeholders to scrutinise the Council's work in these areas.

### **5.9 DETERMINING THE INTERVENTIONS NECESSARY TO OPTIMISE THE ACHIEVEMENT OF THE INTENDED OUTCOMES**

#### **Determining and planning interventions**

5.9.1 The Council's decision-making arrangements during 2020/21 were based on written reports in an agreed format, having regard to financial, legal and consultation matters, and alignment with the Well-Being of Future Generations Act (this includes, for example, Council and Cabinet reports). It is noted that an update was reported to Cabinet on [25<sup>th</sup> March 2021](#) setting out the Socio Economic Duty (Equality Act 2010) requirements coming into force on 31<sup>st</sup> March 2021 and the need to ensure that the duty is incorporated into Council

decisions to reduce the inequalities of outcomes from social economic disadvantage.

5.9.2 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 Senior Leadership Team

5.9.3 The Cabinet and SLT jointly planned the work programme of items to be reported during the year and required timescales, with this information informing the pace of progress and outcomes being delivered. This has included:

- PEOPLE – Are independent, healthy and successful.

Meeting the needs of residents requiring support via the extra care housing scheme in Porth; supporting the roll out of asymptomatic lateral flow testing to frontline care staff and the Covid-19 vaccination programme; and reinstating Community Resilience Centres following the introduction of local and national restrictions to support communities.

- PLACES – Where people are proud to live, work and play.

Continuation of the Highways Improvement Programme, managing the safe delivery of the home to school transport provision within Welsh Government and Public Health Wales guidelines, planting 300 trees in various parks and open spaces and continued improvement works across Council parks and play areas.

- PROSPERITY – Creating the opportunity for people and businesses to: be innovative; be entrepreneurial; and fulfil their potential and prosper.

New Council grant offers for businesses in light of Covid-19 and flood prevention, for example, the refocussed Enterprise Investment Fund has supported businesses with grant awards totalling £165k and 4 business in Pontypridd town centre have benefited from Flood Resilience Grants. Key town centre schemes are under development which will help improve pedestrian access and social distancing, and longer-term developments to promote RCT as a tourism destination when restrictions allow, including a review of the accommodation sector. Construction of new attractions at Zip World and Dare Valley County Park are ongoing and a significant National Lottery fund grant awarded in December 2020 will allow further improvements at Ynysangharad War Memorial Park.

#### Scrutiny Committees



- 5.9.4 Due to the Covid-19 pandemic, scrutiny committees were temporarily suspended to enable the Council to focus its efforts on protecting residents and continue the delivery of key frontline services. An incremental approach for the re-commencement of the Council's scrutiny function was applied, with the Overview and Scrutiny initially taking forward the scrutiny role on behalf of all Committees. This was to ensure that scrutiny were still playing its vital role in the decision making process and governance arrangements of the Council, and also ensure the Council could retain its focus on managing service delivery during the pandemic. Members supported this way of working for the Overview & Scrutiny Committee, as the Council's overarching Scrutiny Committee, to take a council-wide approach and all Members were invited to engage in these key matters as well as to undertake urgent business that ordinarily would have been under review by the four themed scrutiny committees. This arrangement was recognised by both the Council's Senior Leadership Team and the Cabinet.
- 5.9.5 Beyond the Annual General Meeting (which was postponed until September 2020 due to the pandemic) all four thematic Scrutiny Committees resumed their activity, via agreed work programmes, that also allowed space for the identification of emerging issues. The Scrutiny Committees have all undertaken focussed work, alongside traditional scrutiny reports, during an unprecedented period.
- 5.9.6 Scrutiny committees also received regular individual service responses to Covid-19, particularly in respect of the Children & Young People Scrutiny Committee, with five updates from the Director of Education & Inclusion (from an educational perspective) and Director of Children's Services outlining the support in place for vulnerable children and families across Rhondda Cynon Taf.
- 5.9.7 During the 2020/21 Municipal Year, pre-scrutiny of 6 key decisions of the Cabinet have been undertaken in areas such as the Modernisation of Residential Care for Older People, the Council's Annual Equalities Report 2020/21 and pre-scrutiny of the proposed extension and variation to RCT's Dog Control (Public Spaces Protection Order). This ensured that the Council's scrutiny function has continued to impact / inform Cabinet decisions before they are made.
- 5.9.8 In addition to scrutiny work programme items, referrals have been made to scrutiny committees i.e. from Full Council through a Notice of Motion regarding Kinship Care and from the Governance & Audit Committee in respect of unauthorised absence at statutory school ages and Post 16 attendance levels. Following review of both issues, the respective scrutiny committees will form its view and provide feedback.
- 5.9.9 Whilst working under virtual arrangements, scrutiny has undertaken a total of 41 meetings and covered a broad range of work throughout the year and considered important and strategic issues with a number of outcomes and

recommendations as evidenced in the [Overview & Scrutiny Annual Report 2020/21](#).

### Performance Reports

5.9.10 Performance Reports provided Executive Summary style quarterly updates on financial performance (Revenue Budget, Capital Programme and Treasury Management); progress against Corporate Plan priorities (including investment priorities); staffing information for sickness absence and turnover; and strategic risks, and provided electronic links to more detailed information. During the year additional information was also included within quarterly Performance Reports in respect of Covid-19 and its impacts from a financial, performance and strategic risk perspective.

5.9.11 With specific regard to financial performance, Corporate Plan priority and strategic risk updates, 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 to understand exceptions and seek assurance that corrective actions are planned / being taken.

### **Optimising achievement of intended outcomes**

5.9.12 On [28<sup>th</sup> September 2017](#) Cabinet agreed a way forward to deliver Corporate Plan priorities in a climate of 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.

5.9.13 During 2020/21 the Council's approach within the five work streams was focused on keeping residents and staff safe and significant progress made in relation to Digitalisation as more Council services were made available online. As part of this programme of work, all office-based staff and elected Members were provided with means by which they could work from home during the pandemic, with these arrangements continuing in place. The Council also set out its approach to commercialisation in a Capital Strategy Report to Council in [March 2021](#).

5.9.14 The on-going relevance of the above 5 work-streams were tested as part of the Council's [2021/22 Budget Consultation](#) and the feedback of respondents is set out below.

Workstream	Yes (%)	No (%)	Don't Know (%)
Digitalisation	80.3	10.3	9.4
Commercialisation	70.6	15.4	14
Early Intervention and Prevention	89.6	6.3	4.1
Independence	82	10	8
Efficient and Effective Organisation	88	6.6	5.4

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

### Developing the entity's capacity

5.10.1 The Council's performance management arrangements were refocused on recovery and contingency planning during 2020/21, this being within the priorities of the Corporate Plan; as a result, Service and Corporate Self Evaluations were not undertaken for 2020/21. The most recent Service Self Evaluations used to inform 'normal' service planning and the Corporate Assessment which considers the performance of the Council's corporate body remain those reported to Cabinet on [19<sup>th</sup> March 2019](#) and to the Finance and Performance Scrutiny Committee on [2<sup>nd</sup> April 2019](#). It is noted that self-evaluation arrangements will re-start in 2021/22 and will take account of the Council's new responsibilities as set out in the Local Government and Elections (Wales) Act 2021.

5.10.2 The arrangements in place during 2020/21 continued to evidence that the Council is able to re-prioritise its capacity within a very challenging financial climate and in the context of the Covid-19 pandemic, and remain focussed on Corporate Plan priority areas. This is evidenced by:

- Strong and focussed leadership from the Cabinet and Senior Leadership Team, in re-setting priorities and resources to ensure continued service delivery during the pandemic and also ensuring open and transparent decision making in line with the Council's Constitution;
- The delivery of significant capital programme investment during 2020/21 (£102Million), the majority of which was invested in Corporate Plan priority areas - this being progressed in collaboration with partners and Welsh Government, who have provided additional funding to support many of the projects;
- Accelerating service transformation in many areas, linked to the need to quickly provide alternative means of service delivery as a result of Covid-19 restrictions. This has included digitisation of more processes, an increase in the availability of on-line services for residents and businesses, optimising the use of Council accommodation alongside on-going work to assess future accommodation requirements and significantly reducing the need for business travel;
- Additional services provided by the Council's Occupational Health Service, to support staff health and well-being, and the Human

Resources Service working with service managers to effectively manage staff attendance; and

- The continued recruitment, development and management of staff together with graduate and apprenticeship programmes to create excellent job and training opportunities across a range of key service areas.

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

5.10.3 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

5.10.4 During 2020/21, there has been continued focus on supporting the capabilities of elected Members. This has included:

- Members Personal Development Reviews undertaken the results of which will help form the basis of a training programme for the 2021/22 Municipal Year. In addition, the Council Business Unit have facilitated a number of informal sessions for Members to come together 'virtually' to share experiences with the aim of supporting well-being during the Covid-19 restrictions and at the same time have also been provided with updates in relation to scam calls and good practice guides for social media accounts.
- An update to Cabinet on [25<sup>th</sup> March 2021](#) summarising the various elements of the Local Government and Elections (Wales) Act 2021 (noting that an overview of the Bill was reported to full Council on 15<sup>th</sup> January 2020). It was also noted that an overview of the new Act, specifically in relation to Governance and Audit, was reported to the Council's Audit Committee on [26<sup>th</sup> April 2021](#).
- Members working with the Council Business Unit and ICT Services to ensure they were equipped with the correct devices and received / were offered virtual training to enable them to conduct their roles in supporting constituents and fulfilling committee responsibilities remotely / virtually (the latter being delivered via Zoom). It was noted that:
  - At the [Finance and Performance Scrutiny Committee](#) on the 15<sup>th</sup> March 2021, Members received a PowerPoint presentation from the Head of ICT in respect of 'Improving, Delivering & Supporting

Services over last 12 months' which detailed the work undertaken with Members in this regard and also included reference to "E-Democracy - Committees & Members enabled for virtual meetings - 171 Zoom Committee Meetings (as at January 29<sup>th</sup> 2021)."

- There has been improved Member attendance at meetings, through the virtual meeting approach, and holding training sessions directly before full Council meetings have resumed, for example, the Council's Winter Maintenance Plan in November 2020 and Gypsy and Traveller Awareness training in January 2021. It is noted that this approach is to be built upon and an update was reported to the [Democratic Services Committee](#) on 1<sup>st</sup> March 2021.
- In parallel with the above (and in line with requirements of the Local Government & Elections (Wales) Act 2021), the Council has invested in infrastructure to enable hybrid meeting arrangements and to ensure the webcasting of meetings, supported in part by the Welsh Government Digital Democracy Fund. It is noted that this work is currently on-going in terms of installing the infra-structure and other key aspects of the project will continue in 2021/22 in respect of training requirements and consideration of any proposed changes to the Council's Constitution.
- Between December 2020 and January 2021 an on-line training needs analysis questionnaire was completed by Audit Committee Members, the result of which informed a Learning and Development Plan that was reported to the [22<sup>nd</sup> March 2021 Audit Committee meeting](#).
- Specific projects:
  - A Members Portal continues to be developed and a demonstration was provided to the October 2020 Democratic Services Committee. It was noted that the Portal is recognised as a form of good practice through the Members Charter and will be an area on the Council's website for Members to access which will allow them to submit questions / Notices of Motion to Council; submit scrutiny Call Ins; submit Research requests; and be a source of useful contact details for officers / external organisations. It was also noted that development of the Portal is on-going and will also include consideration of making e-learning modules available via this platform; and
  - It is noted that the roll-out of Modern.Gov<sup>2</sup>, this being positively received by Members.
- The Council's arrangements for supporting and providing development opportunities for Members has been recognised through retaining the

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<sup>2</sup> Modern-gov - is an app for automatically downloading, viewing, and annotating meeting papers

Members Charter over the past decade. It is noted that to ensure the Council's continued commitment to Member development, preparations are being made for the Council's Charter to be reviewed.

### Member Survey

- 5.10.5 In accordance with s6(2) of the Local Government (Wales) Measure, 2011 Member views have been sought on their preference for start times of meetings by means of a survey which was conducted in advance of the Council Annual General Meeting in September 2020. The results of the survey were reported to the Democratic Services Committee held on the 1<sup>st</sup> October 2020 and demonstrated that 97% of Members are happy with the level of support provided to them through the Council Business Unit, with Members indicating they had been well equipped to deal with the new ways of working through a support package of training as the virtual meetings were rolled out on an incremental basis. It is noted that further engagement will be undertaken with Members in due course.

### Developing the capabilities of employees

- 5.10.6 The Council has a Workforce Plan 2017-22, which was approved by Cabinet on [15<sup>th</sup> 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. The Head of Organisational Development provided Audit Committee with a workforce planning update at the 22<sup>nd</sup> March 2021 on the basis of workforce planning being a strategic risk within the Council's Strategic Risk Register.
- 5.10.7 During 2020/21 staff development has been supported virtually 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.

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

### **Managing risk**

- 5.11.1 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. The framework sets out two levels of risk:

- Strategic Risks – those that the Council faces when delivering its Corporate Plan Priorities; and
- Operational Risks – those associated with the delivery of service objectives and included within Service Delivery Plans.

### Strategic Risks

5.11.2 The Council's strategic risks are set out in a Strategic Risk Register and updates were reported publicly to Cabinet and the Finance and Performance Scrutiny Committee during the year as part of performance reporting arrangements - the latest published strategic risk register update can be viewed by clicking [here](#) (noting that the 2020/21 year-end Strategic Risk Register will be reported to Cabinet in July 2021).

5.11.3 From reviewing the Strategic Risk Register for 2020/21, it was noted that:

- Updated Strategic Risk position statements were included on the register on a quarterly basis that set out in particular the implications of Covid-19 and the work being taken / planned to mitigate the impact as much as possible;
- A new Strategic Risk was incorporated into the Register at the start of the year in respect of Covid-19, this reflecting its strategic importance to the Council; and
- Risk scores were reviewed on an on-going, with one risk score revised during the year.

### Operational Risks

5.11.4 Operational Risks are monitored by Service Delivery Plan owners as part of the operational management of services.

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

### Proposal for Improvement (Risk Management)

5.11.6 The Council's Risk Management Strategy was last reviewed and approved by Audit Committee in December 2018. The Strategy should be reviewed and where required proposed updates reported to Audit Committee for consideration. In addition, as part of the review, regard should be given to the findings and recommendations included within the 2020/21 Internal Audit report 'Risk Management'.

#### Audit Committee

5.11.7 The membership and planned meeting frequency of the Council's Audit Committee during 2020/21 was in line with the Council's Constitution and legal requirements. The Committee agreed its workplan at the [5<sup>th</sup> October 2020](#) meeting and all meetings during the year were held virtually. From a review of the 2020/21 workplan, all items were delivered with the exception of the Committee being provided with an overview of a core financial system of the Council, as part of the on-going learning and development of the Committee. It was noted that where core financial system audit assignments were finalised during the year, these were reported to Audit Committee as required; the reasons for the learning and development update not being actioned was due to the need to re-prioritise resources to support Covid-19 recovery work.

5.11.8 Arrangements were introduced during 2020/21 to improve Audit Committee's understanding and visibility of the Council's Strategic Risks, via a programme of updates to the Committee by individual Strategic Risk lead officers. It is noted that further updates will be reported in 2021/22. This approach supports Audit Committee's responsibilities as set out in the CIPFA Publication '*Audit Committees – Practical Guidance for Local Authorities and Police 2018 Edition*' in relation to risk management:

- Having assurance over the governance of risk, including leadership, integration of risk management into wider governance arrangements and the top level ownership and accountability for risks;
- Keeping up to date with the risk profile and the effectiveness of risk management actions; and
- Monitoring the effectiveness of risk management arrangements and supporting the development and embedding of good practice in risk management.

5.11.9 The 2019/20 Audit Committee Annual Report set out three areas for improvement, namely undertaking a skills assessment of Audit Committee members, agreeing a learning and development plan and piloting an approach to evaluate the impact of the Committee's work. It is noted that the skills assessment and learning and development areas have been implemented and work is on-going in respect of evaluating the impact of the Committee's work.



### Proposal for Improvement

5.11.10 As part of compiling the 2021/22 Governance and Audit Committee work programme, finalised internal audit assignments for core financial systems should be supplemented by a more detailed overview of the area prior to the assignment being presented to Committee. This is to aid Members understanding of the main internal control requirements for key financial systems.

### **Managing performance**

5.11.11 This area has been set out in Sections 5.8 and 5.9.

### **Scrutiny**

5.11.12 This area has been set out in Section 5.9.

### **Internal control**

5.11.13 Internal Control arrangements are covered within paragraphs 5.12.6 and 5.12.7.

5.11.14 With specific regard to the Council's Procedure Rules (Contract Procedure Rules and Financial Procedure Rules), it is noted that whilst an overview of the Council's Contract Procedure Rules was presented to the March 2021 Audit Committee, no overview of the Financial Procedure Rules was presented. In addition, both documents should be reviewed and updates reported to the Governance and Audit Committee for consideration / approval.

### Proposal for Improvement

5.11.15 As part of the learning and development of Audit Committee, an overview of the Council's Financial Procedure Rules should be built into the 2021/22 Work Programme to support Members understanding of these requirements.

5.11.16 A review of the content of the Contract and Financial Procedure Rules should be undertaken and updates reported to the Governance and Audit Committee for consideration / approval.

### **Managing data**

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

5.11.18 A review of the arrangements in place during 2020/21 identified they were in line with the agreed governance structure. More specifically (and in addition to the information set out at paragraph 5.7.1 – GDPR):

- Whilst working from home, the Council continued the arrangements in place for technical and cyber assurance:
  - Secured its annual accreditation to the Public Service Network (PSN) in 2020/21 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; and
  - Participated in an all Wales Cyber Stocktake involving all Wales local authorities and the Audit Wales study on Cyber resilience, using their findings to further inform the Council's own work on cyber resilience.

5.11.19 With regard to the management of data, the Council has focused upon local, regional and national responses to the COVID-19 pandemic, in particular, effectively enabling new services such Track, Trace Protect' (TTP), Community Resilience Hubs, Mass Testing & Vaccinations and supporting the Council's workforce. More specifically:

- An All Wales Data Protection Officer (DPO) Forum was in operation from May 2020, to which the Council actively participated. The All Wales DPO Forum is a National Forum, led by Public Health Wales and attended by Local Government Data Protection Officers to support Welsh Government and Public Health Wales in dealing with the COVID-19 response; and
- The Council led the National 'Track, Trace Protect' (TTP) Finish Group and was attended by other Local Government Data Protection Officers, Public Health Wales and other Health Board partners. The purpose of the group was to map the flow of data relating to the TTP project, which in turn supported the establishment of the National Sharing Agreement for the COVID-19 pandemic.
- To aid the local response to the COVID-19 Pandemic, the Council's Information Management & ICT teams worked to support the wider organisation and its workforce in enabling users to work from home safely and securely and ensuring continuity of service provision.

5.11.20 It was noted that alongside the above activity, the Information Commissioner's Office (ICO) investigated 7 self-referrals in respect of the Council during 2020/21. In all cases, the ICO determined that no further regulatory action was required and were satisfied with the Council's investigation of the breaches and the remedial measures identified.

#### Public Services Ombudsman for Wales (PSOW)

5.11.21 It has been noted that 4 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**

5.11.22 The Council has publicly demonstrated its commitment to strong and responsible financial planning and management, and has supported this through the continued delivery of sound financial performance during 2020/21. This is based on:

- 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 financial planning and management that have been complied with, for example, 'Budget and Policy Framework Procedure Rules' and the 'Financial Procedure Rules';
- The Council set a Revenue Budget in 2020/21 after taking account of a £1.321 Million budget gap and a 2-stage budget consultation process with a wide range of stakeholders (including the Finance and Performance Scrutiny Committee), with savings being delivered from areas that did not affect frontline services. As part of the [2020/21 Revenue Budget Strategy](#), the Council continued to take a responsible approach to Council Tax increases, having regard to residents feedback as part of the revenue budget consultation process, and set a 2.85% 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;

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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

- Financial performance results were publicly reported every three months during the year and scrutinised by elected Councillors (with the quarter 4 (year-end) report scheduled to be publicly reported in July 2021);
- The Council kept its finances under on-going review throughout 2020/21 and was able to continue its strategy of releasing resources from earmark reserves (as referred to in 5.8.7) to support additional one-off investment in Corporate Plan priorities;
- The Council did not certify its draft 2020/21 Statement of Accounts in accordance with the statutory timeframe of 31<sup>st</sup> May 2021; however, in line with the regulations, a notice has been published on the Council's website setting out the reasons for non-compliance i.e. *'Due to the ongoing requirement to address the impact of COVID-19, the authority has continued to divert resources to support key frontline services, reprioritised work accordingly and revised its timescale for preparing the statement of accounts for financial year 2020/21. The statement of accounts will therefore be prepared and the Responsible Financial Officer will sign and certify the statement of accounts by the 30 June 2021'*.
- Audit Wales presented its latest 'Annual Audit Summary' for 2020 to full Council on [10<sup>th</sup> March 2021](#) - key information reported by audit Wales in relation to the audit of the 2019/20 Statement of Accounts was:
  - the Auditor General gave an unqualified true and fair opinion on the Council's financial statements on 26 November 2020, four days ahead of the statutory deadline;
  - the Council's Annual Governance Statement and Narrative Report were prepared in line with the CIPFA Code and relevant guidance. They were also consistent with the financial statements prepared by the Council and with our knowledge of the Council;
  - the quality of the draft statements presented for audit on 14 July 2020 was generally good;
  - a number of changes were made to the Council's financial statements arising from our audit work, which were reported to Full Council in our Audit of Financial Statements Report in November 2020; and
  - in addition to the Auditor General's responsibilities for auditing the Council's financial statements, he also has responsibility for the certification of a number of grant claims and returns. Our work to date has not identified any significant issues
- The Annual Audit Summary for 2020 also made reference to other reports issued to RCT during 2020, including the report ['Financial](#)

Sustainability Assessment - Rhondda Cynon Taf County Borough Council – overall conclusions were:

- The Council is well placed to manage its financial sustainability over the short and medium-term;
  - The Council focusses on both short-term annual budgeting and medium term financial planning, which are clearly linked to supporting the achievement of corporate priorities and objectives;
  - The Council has a good track record of delivering services within agreed budgets;
  - The Council has made significant savings in recent years and planned savings have largely been achieved;
  - The Council has a reasonable level of useable reserves;
  - The Council collects a high proportion of council tax income; and
  - The Council takes a prudent approach to borrowing.
- Audit Wales also reported its 'Audit of Accounts Report Addendum' to Audit Committee on [1<sup>st</sup> February 2021](#) and related to the external audit of the Council's 2019/20 Statement of Accounts. The Audit Wales report set out 2 recommendations that have been agreed by RCT and have been implemented by 1<sup>st</sup> April 2021.
  - The Council have well embedded Medium-Term Financial Planning arrangements (see also 5.8.5) and is in the process of updating its MTFP to cover the period 2021/22 to 2024/25.

### **Compliance with the CIPFA Financial Management Code of Practice**

5.11.23 The CIPFA Financial Management Code (the Code) was launched in November 2019 and is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability.

5.11.24 The Code sets the standards of financial management for local authorities and is based on a series of principles supported by specific standards and statements of practice which are considered necessary to provide the strong foundation to:

- Financially manage the short, medium- and long-term finances of a local authority;
- Manage financial resilience to meet foreseen demands on services; and
- Financially manage unexpected shocks in their financial circumstances.

5.11.25 Each local authority must demonstrate that the requirements of the Code are being satisfied, with compliance being a collective responsibility of elected members, the Chief Finance Officer and their professional colleagues in the leadership team. However, the Code is not expected to be considered in isolation and accompanying tools will form part of the collective suite of evidence to demonstrate sound decision making and a holistic view is taken. In addition, whilst the Code is designed to be flexible to the nature, needs and circumstances of individual authorities, it is up to each authority to determine the extent to which it complies with the Code and to identify what action it may wish to take to better meet the standards that the Code sets out.

5.11.26 Full compliance is expected for the 2021-22 financial year (i.e. from April 2021) with the 2020-21 financial year acting as a shadow year. In its Guidance Bulletin 06 (*Application of the Good Governance Framework 2020/21*), CIPFA has stated that the Annual Governance Statement for 2020-21 should include the overall conclusion of an assessment of the organisation's compliance with the principles of the Code and where there are outstanding matters or areas for improvement, these should be included in the action plan.

#### Proposal for Improvement

5.11.27 The Council has undertaken an assessment of its current arrangements against the Standards set out in the Code. The assessment process has demonstrated compliance with all of the standards, albeit, areas for improvement have been identified to further reinforce existing arrangements and are included in Section 7.

### 5.12 **IMPLEMENTING GOOD PRACTICES IN TRANSPARENCY, REPORTING, AND AUDIT TO DELIVER EFFECTIVE ACCOUNTABILITY**

#### **Implementing good practice in transparency and reporting**

5.12.1 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, for example, as part of reporting the Council's Statement of Accounts and quarterly Performance Reports.

#### Cabinet Attendance at Scrutiny

- 5.12.2 Cabinet Members have attended their relevant Scrutiny Committee(s) to support the delivery of Covid-19 reports in respect of responses and recovery, and the Council recognises the key role of engagement between the Executive and Scrutiny Committees in the development of forward work programmes and to discuss the identification of any matters within the Cabinet forward work programme which may warrant further review. This has been evidenced via Cabinet / Scrutiny engagement sessions and Scrutiny Chairs and Vice-Chair meetings to coordinate the work of scrutiny committees.
- 5.12.3 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. As part of the suite of information on this web-age it is noted that the Local Code of Corporate Governance Section was published in 2019 and has not been reviewed since this time.

#### Proposal for Improvement

- 5.12.4 The Council's Local Code of Corporate Governance should be reviewed and where proposed updates are deemed necessary, an updated document reported to the Council's Governance and Audit Committee for consideration / approval.

### **Assurance and effective accountability**

#### Internal Audit

- 5.12.5 The Council's Cabinet approved for the Internal Audit Service to be transferred to a Regional Internal Audit Shared Service (hosted by the Vale of Glamorgan Council), with effect from 1<sup>st</sup> April 2019. A review of information presented by the Regional Internal Audit Shared Service to Audit Committee during the year provides assurance that the Service continued to play a key part in enabling the Committee to fulfil its Terms of Reference.
- 5.12.6 An Internal Audit Charter was in place for the 2020/21 financial year that was approved by Audit Committee on [5<sup>th</sup> October 2020](#) 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.

5.12.7 The Head of Internal Audit has produced a Head of Internal Audit Report for 2020/21. Subject to Audit Committee consideration at its meeting in July 2021, the Head of Internal Audit Report states:

- *from the work undertaken during the financial year 2020/21 and taking into account other sources of assurance, the Head of Internal Audit's annual opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control for 2020/21 is: "Effective with a small number of areas identified for improvement".*
- *based on the work completed by the Regional Internal Audit Shared Service for the financial year no significant cross-cutting control issues have been identified that would impact on the Council's overall control environment. The weaknesses that have been identified are service specific.*

5.12.8 In addition, the Head of Internal Audit's Annual Report 2020/21 confirmed overall conformance to the Public Sector Internal Audit Standards. Covid-19 changed how audit work was carried out in 2020/21 and all staff have worked from home for the year. Audits have been conducted remotely using various digital solutions, holding remote meetings, sharing of screens and sending of data and evidence electronically. Whilst there was a steep learning curve both for audit staff and auditees all have adjusted well to the new ways of working.

5.12.9 Although the pandemic did have an impact on the delivery of the internal audit plan for 2020/2021 the level of Internal Audit coverage was still sufficient for the Head of Audit to be able to give an opinion. In respect of audit coverage; Internal Audit provided assurance on the processes put in place across Council services as a result of emerging risks during the year and many of the planned reviews for 2020/21 included a Covid related element in the audit scope and objectives. Audits have taken longer than usual, in particular where services have been under more pressure, or obtaining evidence has been more time consuming. Some planned reviews were not undertaken during the year, some due to requests from services that were under intense pressure. These will be considered in the 2021/22 plan.

## 5.13 OTHER KEY GOVERNANCE ARRANGEMENTS

### **Amgen Cymru Ltd**

5.13.1 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.

5.13.2 The directors of the companies are responsible for ensuring there are sound governance arrangements including a robust system of internal control.

5.13.3 The Council removed the “arm’s 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.

5.13.4 During 2020/21 there have been no significant governance issues that have been identified by the Amgen Company directors, internal auditors or external auditors.

### **Pension Fund**

5.13.5 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, including the Fund’s policy on how social, environmental and corporate governance considerations are taken into account; and
- Funding Strategy Statement which provides a summary of how we will fund our pension liabilities.
- Pension Fund Risk Register, which identifies, prioritises and monitors risks associated with the Fund, against suitable mitigation controls.

5.13.6 All of these documents can be found at the following link: [www.rctpensions.org.uk](http://www.rctpensions.org.uk)

5.13.7 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.
- 5.13.8 The Pension Board is made up of two employer representatives and two member representatives.
- 5.13.9 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.
- 5.13.10 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.
- 5.13.11 The Pension Fund Committee met 4 times during the 2020/21 financial year.
- 5.13.12 In 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.

## **OVERALL ASSESSMENT OF THE COUNCIL'S ARRANGEMENTS**

6.1 Based on the assessment undertaken, it is considered that the Council's governance arrangements provided the basis to effectively manage service delivery, Corporate Plan priority areas and resources during an unprecedented period as a result of the Covid-19 pandemic. This overall conclusion, set in the context of the pandemic, is supported by:

- The timely introduction of revised decision making and democratic engagement arrangements, in line with new coronavirus regulations and the Council's Constitution, and an on-going programme of support to elected Members to enable the continued effective discharge of their responsibilities;
- Robust service planning and prioritisation of resources in parallel with the transformation of service delivery in many areas to ensure the continued provision of essential frontline services;
- An open approach to engaging with stakeholders, partners and the Council's scrutiny function in the planning and delivery of services, this primarily being delivered remotely / virtually during the year;
- Regular reporting and publishing of financial, operational performance and governance related information, and a range of service specific information such as Covid-19 recovery arrangements, customer feedback and Committee forward work programmes, to enable stakeholders to hold the Council to account in the delivery of services / Corporate Plan priorities and use of resources;
- Robust financial management and internal control arrangements underpinning the Council's business, ensuring the appropriate use of public funds;
- An unqualified audit opinion from the Council's external auditor on the Council's latest approved Statement of Accounts (2019/20) and assurance from the Head of Internal Audit's annual opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control for 2020/21;
- A medium-term approach to financial planning, within a challenging public sector financial climate;
- On-going awareness raising within the Council to promote probity and a zero-tolerance culture in respect of fraud, bribery and corruption, and also reporting on the Council's performance in these areas; and
- The Council having a track record of implementing Annual Governance Statement recommendations in previous years.

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

## 7. 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

Core Principle / Area	Paragraph No.	Issue Identified	Recommendation	Timescale for Implementation	Responsible Officer(s)
<b>MANAGING RISKS AND PERFORMANCE THROUGH ROBUST INTERNAL CONTROL AND STRONG PUBLIC FINANCIAL MANAGEMENT</b>	5.11.7	The Council's Risk Management Strategy was last reviewed and approved by Audit Committee in December 2018.	The Strategy should be reviewed and where required proposed updates reported to the Governance and Audit Committee for consideration. In addition, as part of the review, regard should be given to the findings and recommendations included within the 2020/21 Internal Audit report 'Risk Management'.	December 2021	Head of Procurement Delivery
	5.11.10	Where core financial system internal audit reports are presented to Audit Committee, no separate overview of the required internal controls is provided to aid Members understanding of the area (as originally intended as part of the 2020/21 work programme)	As part of compiling the 2021/22 Governance and Audit Committee work programme, finalised internal audit assignments for core financial systems should be supplemented by a more detailed overview of the area prior to the assignment being presented to Committee. This is to aid Members understanding of the main internal control requirements for key financial systems.	From October 2021	Coordinated by the Service Director – Finance and Improvement Services

Core Principle / Area	Paragraph No.	Issue Identified	Recommendation	Timescale for Implementation	Responsible Officer(s)
<b>MANAGING RISKS AND PERFORMANCE THROUGH ROBUST INTERNAL CONTROL AND STRONG PUBLIC FINANCIAL MANAGEMENT</b>	5.11.15	Although an overview of the Council's Contract Procedure Rules was presented to the Audit Committee in 2020/21, no overview of the Financial Procedure Rules was presented.	As part of the learning and development of Governance and Audit Committee Members, an overview of the Council's Financial Procedure Rules should be built into the 2021/22 Work Programme to support Members understanding of these requirements.	November 2021	Service Director – Finance and Improvement Services
		In addition, it was noted that a review of the information contained within both documents was not reviewed and reported to Audit Committee during 2020/21.	A review of the content of the Contract and Financial Procedure Rule documents should be undertaken and updates reported to the Governance and Audit Committee for consideration / approval (where deemed required).	December 2021	Service Director – Finance and Improvement Services and Head of Procurement Delivery

Core Principle / Area	Paragraph No.	Issue Identified	Recommendation	Timescale for Implementation	Responsible Officer(s)
<b>MANAGING RISKS AND PERFORMANCE THROUGH ROBUST INTERNAL CONTROL AND STRONG PUBLIC FINANCIAL MANAGEMENT</b>	5.11.27	<u>Compliance with the CIPFA Financial Management Code of Practice</u>	<p>Officer Schemes of Delegation should be reviewed and where required updated, approved by the Designated Officers and re-issued to post-holders.</p>	January 2022	Coordinated by the Director of Legal Services
		<ul style="list-style-type: none"> <li>• Standard C - Governance and Financial Management Style</li> <li>○ No Council wide review of officer schemes of delegation has been undertaken during the past financial year</li> <li>○ Currently, progress updates in relation to Audit Wales recommendations are reported to Audit Committee annually.</li> </ul>	<p>Updates on the progress being made by the Council to implement Audit Wales recommendations should be timetabled within the Governance and Audit Committee work programme for 2021/22 and provide a mid-year and year-end update of progress.</p>	September 2021	Director of Finance and Digital Services

Core Principle / Area	Paragraph No.	Issue Identified	Recommendation	Timescale for Implementation	Responsible Officer(s)
<b>MANAGING RISKS AND PERFORMANCE THROUGH ROBUST INTERNAL CONTROL AND STRONG PUBLIC FINANCIAL MANAGEMENT</b>	5.11.27	<p><u>Compliance with the CIPFA Financial Management Code of Practice</u></p> <ul style="list-style-type: none"> <li>• Standard G - The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members</li> <li>○ The Council's forward-looking planning period covers 3 / 4 years as part of its Medium-Term Financial Plan.</li> </ul>	As part of the Council's on-going forward planning arrangements, information on the longer-term outlook (5 years+) should be considered and relevant updates reported as appropriate.	March 2022	Director of Finance and Digital Services
<b>IMPLEMENTING GOOD PRACTICES IN TRANSPARENCY, REPORTING, AND AUDIT TO DELIVER EFFECTIVE ACCOUNTABILITY</b>	5.12.4	As part of the suite of information on the Council's Governance web-age, it is noted that the Local Code of Corporate Governance was published in 2019 and has not been reviewed since this time.	The Council's Local Code of Corporate Governance should be reviewed and where proposed updates are deemed necessary, an updated document reported to the Council's Governance and Audit Committee for consideration / approval.	February 2022	Head of Procurement Delivery



7.2 The Council's SLT has accepted the proposals for improvement and is committed to their implementation during 2021/22. The SLT has also confirmed that an update on progress will be reported to the Council's Governance and Audit Committee during the year to enable elected Members to review and scrutinise the extent of progress being made.

Leader: \_\_\_\_\_

Chief Executive: \_\_\_\_\_

## APPENDIX A

Examples of the key elements of the Council's governance arrangements

Good Governance Principles	Examples of key systems, processes and documents in place within the Council
Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law	<ul style="list-style-type: none"> <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="#">Whistleblowing 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>
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>

<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 up dates).</li> <li>• Risk Management Strategy.</li> </ul>
Determining the interventions necessary to optimise the achievement of the intended outcomes	<ul style="list-style-type: none"> <li>• Annual Revenue Budget Strategy and three year Capital Programme.</li> <li>• Medium Term Financial Plan.</li> <li>• Scrutiny Committees.</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 up dates).</li> <li>• Corporate Performance Report (i.e. year-end annual report).</li> <li>• Audit Committee and a Regional 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, Scrutiny Annual Report, Standards Committee Annual Report, Audit Committee Annual Report.</li> <li>• Internal Audit external assessment (every 5 years) and Internal Audit Charter.</li> <li>• Pension Fund Committee.</li> </ul>

## APPENDIX B

## PROPOSALS FOR IMPROVEMENT 2019/20 – POSITION STATEMENT

Core Principle / Area	Issue Identified	Recommendation	Responsible Officer
<b>Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b>	<p><u>Whistle-Blowing</u></p> <p>Although the Council's Whistle-blowing policy is kept under on-going review at an operational level, the Policy was last reported to Audit Committee for consideration in October 2016.</p>	<p>The Council's Whistle-Blowing Policy should be subject to a full review, taking into account intelligence gathered since the last update, and reported to Audit Committee for review, challenge and sign-off.</p>	<p>Director of Human Resources</p> <p>Status – Completed – reported to 26<sup>th</sup> April 2021 Audit Committee</p>
<b>Managing risks and performance through robust internal control and strong public financial management</b>	<p><u>Audit Committee</u></p> <p>Risk Management – strengthen Committee's visibility of the Council's risk profile and provide Audit Committee Members with the appropriate support to further development their skills in this area.</p> <p>Learning and Development – although individual elected Member training and development arrangements are in place, no skills assessment has been undertaken for Audit Committee members (informed by the CIPFA publication 'Audit Committees - Practical Guidance for Local Authorities &amp; Police 2018 Edition')</p>	<ul style="list-style-type: none"> <li>• Strategic Risk Register updates to be incorporated into the Audit Committee work programme.</li> <li>• Complete a skills assessment for members of Audit Committee the results from which will inform a refreshed programme of learning and development for the Committee (and should then be incorporated into an action plan for Audit Committee to support its on-going development and link to the Audit Wales project 'Rhondda Cynon Taf Audit Committee - Support and Development').</li> </ul>	<p>Service Director – Finance and Improvement Services</p> <p>Status – Completed - from 1<sup>st</sup> February 2021 Audit Committee</p> <p>Service Director – Democratic Services and Communications and Service Director – Finance and Improvement Services</p> <p>Status – Completed - updates to 1<sup>st</sup> February 2021 and 22<sup>nd</sup> March 2021 Audit Committee meetings</p>

Core Principle / Area	Issue Identified	Recommendation	Responsible Officer
<b>Managing risks and performance through robust internal control and strong public financial management</b>	<u>Operational Risk Management</u> Although operational risk management is undertaken at a service level (via local Service Delivery Planning and monitoring arrangements) assurance is required to determine whether the arrangements are operating as intended.	Undertake a review of operational risk arrangements.	Service Director – Finance and Improvement Services Status – Completed (year-end 2020/21)

## **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 2021 under the Public Audit (Wales) Act 2004.

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

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.

In my opinion the financial statements:

- give a true and fair view of the financial position of Rhondda Cynon Taf County Borough Council as at 31 March 2021 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.

#### **Basis for opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the Council in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

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

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue to adopt the going concern basis of accounting

for a period of at least twelve months from when the financial statements are authorised for issue.

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

### **Other information**

The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. The Responsible Financial Officer is responsible for the other information contained within the annual report. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon. My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

### **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 2020-21;
- The information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Governance Statement has been prepared in accordance with guidance.

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

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

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

- adequate accounting records have not been kept, or returns adequate for my audit have not been received from branches not visited by my team;
- 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.

## 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 20, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- Enquiring of management, and those charged with governance, including obtaining and reviewing supporting documentation relating to Rhondda Cynon Taf County Borough Council's policies and procedures concerned with:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- Considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud.
- Obtaining an understanding of Rhondda Cynon Taf County Borough Council's framework of authority as well as other legal and regulatory frameworks that Rhondda Cynon Taf County Borough Council operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of Rhondda Cynon Taf County Borough Council.



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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit Committee about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Council;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of Rhondda Cynon Taf County Borough Council's controls, and the nature, timing and extent of the audit procedures performed.

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

### **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.

Adrian Crompton  
For and on behalf of the Auditor General for Wales

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.

### **Agent**

An Agent is where the Council is acting as an intermediary.

### **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.

**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).

**Principal**

An entity is acting as a Principal when it has control of the goods and services it is providing.

**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.

**Royal Institute of Chartered Surveyors (RICS) Red Book**

RICS is a professional body enforcing the highest standards in valuations. The “Red Book” contains mandatory rules and best practice guidance on these valuations.

**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.

**Valuation Technical & Performance Standards 3 (VPS3)**

This standard refers to valuation reports and specifies additional mandatory requirements designed to enhance client understanding and use of these valuation reports.

**Valuation Practice Guidance Applications 10 (VPGA 10)**

This guidance provides additional commentary on matters that may give rise to material valuation uncertainty in accordance with VPS 3 above. For example, market disruption.

**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.

# **Rhondda Cynon Taf Pension Fund Statement of Account**

**2020/21**

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## 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 2020/21 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 administrating 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 and consists of two independent Investment Advisors and other Senior Finance Officers.

The Panel meets quarterly to consider both administration and investment issues, to 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 three 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 Low Carbon Equities and Passive Gilts);
- 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 continues to develop a range of asset classes to meet the needs of the LGPS funds in Wales, to allow them to execute their differing asset allocation strategies. The LGPS funds retain full control over strategic asset allocation decisions.

Positive progress has been made by the WPP in the establishment of four sub-funds for the collective investing of assets. The prospectus for Global High Alpha Equities, comprising of two mandates with differing risk / return characteristics, was approved by the Financial Conduct Authority (FCA) in July 2018. The prospectus for the second sub-fund for UK Equities was approved by the FCA in September 2019. The third sub-fund relating to Fixed Interest, was approved by the FCA in February 2020, with the launch of this fund being July 2020. The fourth sub-fund relates to Emerging Market Equities and was approved by the FCA in March 2021.

## **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.**

#### **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 2020/21**

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 2021 and its income and expenditure for the year.

Signature:  Date: 02/07/21

**Barrie Davies**

**Director of Finance and Digital Services**  
Rhondda Cynon Taf County Borough Council  
The Pavilions, Cambrian Park  
Clydach Vale  
Tonypandy  
CF40 2XX

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**Fund Account**

2019/20 £'000		Note:	2020/21	
			£'000	£'000
	<b>Contributions</b>			
(106,927)	Employer contributions	13.0	(97,624)	
(28,210)	Member contributions	13.0	(29,766)	
<b>(135,137)</b>				<b>(127,390)</b>
	<b>Transfers in from other Pension Funds</b>			
(4,243)	Group Transfers in from other schemes or funds		(3,643)	
(3,835)	Individual Transfers from other schemes or funds		(4,605)	
				<b>(8,248)</b>
(4,135)	<b>Other income</b>		(2,443)	
				<b>(2,443)</b>
	<b>Benefits</b>			
109,078	Pensions	13.0	110,855	
20,072	Commutation of pensions and lump sum retirement benefits	13.0	16,252	
2,431	Lump sum death benefits	13.0	3,875	
<b>131,581</b>				<b>130,982</b>
	<b>Payments to and on account of leavers</b>			
245	Refunds to members leaving scheme or fund		177	
4	Payments for members joining state scheme or fund		(2)	
11,804	Individual transfers to other schemes of funds		4,702	
<b>12,053</b>				<b>4,877</b>
<b>143,634</b>				<b>135,859</b>
(3,716)	Net (addition)/withdrawals from dealings with members			(2,222)
13,121	Management Expenses	14.0	13,084	
				<b>13,084</b>
<b>9,405</b>	<b>Net (additions)/withdrawals including fund management expenses</b>			<b>10,862</b>
	<b>Investment income</b>			
(16,063)	Dividends from equities		(14,278)	
(23,806)	Income from bonds		(15,785)	
0	Dividends from WPP Global Equities		(39,607)	
0	Income from WPP UK Credit Fund		(3,992)	
(11,733)	Income from Pooled Property		(7,018)	
(45)	Interest on cash deposits		1	
<b>(51,647)</b>				<b>(80,679)</b>

140,724	<b>(Profits) and losses on disposal of investments and changes in the value of investments</b>		(1,068,829)	
				<b>(1,068,829)</b>
131	<b>Taxes on income</b>		87	
				<b>87</b>
<b>89,208</b>	<b>Net Returns on Investments</b>			<b>(1,149,421)</b>
<b>98,613</b>	<b>Net (increase)/decrease in net assets available for benefits during the year</b>			<b>(1,138,559)</b>
<b>(3,458,635)</b>	<b>Opening Net Assets</b>			<b>(3,360,022)</b>
<b>(3,360,022)</b>	<b>Closing Net Assets</b>			<b>(4,498,581)</b>

**Net Assets Statement**

31/03/2020 (Restated)		Note:	31/03/2021	
			£'000	£'000
	<b>Investment Assets</b>	7.0		
722,158	Equities		1,192,224	
896,429	Bonds		0	
	Pooled Funds			
1,270,900	WPP Global Equities		1,867,855	
0	WPP UK Credit Fund		550,961	
	Other Pooled Investments			
0	Passive UK Gilts		372,929	
144,462	Passive Equities		200,829	
287,697	Pooled Property		282,289	
<b>3,321,646</b>				<b>4,467,087</b>
<b>25,885</b>	<b>Cash deposits</b>			<b>24,964</b>
	<b>Other investment balances</b>			
7,392	Accrued interest		0	
5,357	Investment debtors		5,232	
2,018	Tax recoverable		1,147	
<b>14,767</b>				<b>6,379</b>
<b>3,362,298</b>				<b>4,498,430</b>
	<b>Investment Liabilities</b>			
<b>(11,612)</b>	Investment creditors			<b>(5,023)</b>
<b>(462)</b>	Derivative contracts			<b>0</b>
<b>3,350,224</b>	<b>Net Investment Assets</b>			<b>4,493,407</b>
	<b>Current assets</b>			
6,366	Contributions due from employers and employees		6,113	
6,808	Other current assets		1,314	
<b>13,174</b>				<b>7,427</b>
	<b>Current Liabilities</b>			
<b>(3,376)</b>	Current liabilities			<b>(2,253)</b>
<b>3,360,022</b>	<b>Net assets of the scheme available to fund benefits at period end</b>			<b>4,498,581</b>

## **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 2021 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 2021.

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 £ xx m (£1.174m in 2019/20) and the market value of invested AVCs at the Balance Sheet date was £ xx m (£8.010m in 2019/20). There are two AVC providers.

xx Information not available at the time the draft accounts were certified

#### **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 2020/21 amounted to £1.48m (£1.90m in 2019/20).

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 used derivative financial instruments to manage exposure to specific risks arising from its investment activities in its fixed interest mandate prior to pooling. The Fund does not hold derivatives as at 31<sup>st</sup> March 2021.

## **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 Assets 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**

The standards introduced by the 2021/22 Code and relevant for additional disclosures that will be required in the 2020/21 financial statements in accordance with the requirements of paragraph 3.3.4.3 of the Code are:

- Definition of a Business: Amendments to IFRS 3 Business
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

## 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. 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 contain 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>
Actuarial 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 regarding the assumptions to be used.	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 increase the value of the liabilities.

The actuarial present value of promised retirement benefits includes the potential impact of the McCloud judgement. Refer to Note 6 for further details.

## 5.0 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 30<sup>th</sup> June 2021. 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 2021, 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 2021 requiring disclosure providing information that is relevant to an understanding of the Pension Fund's financial position.

## 6.0 Actuarial Position

The Fund's Actuary, AON Hewitt carried out an actuarial valuation of the Fund as at 31<sup>st</sup> March 2019 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 2016 and 2019 valuations are shown in the table below:

	<b>31/03/2019</b>	<b>31/03/2016</b>
	<b>£'m</b>	<b>£'m</b>
Funding Target	3,515	3,064
Market Value of Assets	3,459	2,485
Funding Deficit	56	579
Funding Ratio	98%	81%

The aggregate employer future service contribution rate is 19.6% of pensionable pay. To restore the funding ratio to 100% using a recovery period of 19 years the aggregate employer contribution rate is calculated to be 21.0%.

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	2019 Valuation	2016 Valuation
	% p.a.	% p.a.
Average in service discount rate	4.18%	4.5%
Average left service discount rate	3.79%	4.5%
CPI inflation	2.10%	2.0%
Pensionable Pay increases	3.35%	3.25%
Post-retirement mortality assumption – base table (for retirements in normal health)	S2N heavy tables with best-estimate scaling factors derived from experience analysis combined with postcode analysis	S2P tables with best-estimate scaling factors derived from experience analysis
Post-retirement mortality assumption – future improvements	CMI 2018 projections with Sk=7.5, A=0.0 and long term improvement rate of 1.5% p.a. for men and women	CMI 2014 core projections with long term improvement rate of 1.5% pa for men and women

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 valued ill health and death benefits in line with IAS 19.

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

	Value as at 31/03/2019	Value as at 31/03/2016
	£'m	£'m
Fair Value of net assets	3,458.6	2,485.4
Actuarial present value of promised retirement benefits	4,645.0	3,470.8
Surplus/(deficit) in the Fund for IAS 26 purposes	(1,186.4)	(985.4)

As noted above, the liabilities above are calculated on an IAS 19 basis and therefore will differ from the results of the 2019 triennial funding valuation because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

### **Equalisation and Indexation of Guaranteed Minimum Pensions (GMPs)**

The actuarial present value of the defined benefit obligation includes an estimated liability in relation to the equalisation and indexation of GMPs beyond the arrangements already formally in place, which apply to members whose State Pension Age (SPA) is between 6<sup>th</sup> April 2016 and 5<sup>th</sup> April 2021 inclusive. Those arrangements require the LGPS to pay pension increases on GMPs at the full rate of CPI for those members, whereas GMP legislation only requires limited price increases to be applied. The additional liability included within the table assumes those arrangements for fully indexing GMPs will be extended to members whose SPA is after 5<sup>th</sup> April 2021. This has increased the defined benefit obligation in the region of 0.1% to 0.2%

### **Cost Management Process**

The actuarial present value of the defined benefit obligation does not allow for any potential additional liability which may arise from cost management valuations. 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. HM Treasury and the Scheme Advisory Board had paused their reviews following the McCloud judgement in the Court of Appeal. These have now been unpaused and HMT Directions are expected during 2021 allowing reviews to proceed. It is unlikely the outcome of those reviews will be known in 2021 and no changes in benefits or contributions are expected until 2024.

## **7.0 Analysis of Investments at Fair Value**

	2019/20		2020/21	
	£'000	£'000	£'000	£'000
<b>Equities</b>				
Global	722,158		1,192,224	
		<b>722,158</b>		<b>1,192,224</b>
<b>Bonds</b>				
Bonds	896,429		0	
		<b>896,429</b>		<b>0</b>
<b>Pooled funds</b>				
WPP Global Equities	1,270,900		1,867,855	
WPP UK Credit Fund	0		550,961	
Overseas - other	0		0	
		<b>1,270,900</b>		<b>2,418,816</b>
<b>Other Investments</b>				
Pooled UK Gilts	0		372,929	
Pooled Passive Equities	144,462		200,829	

Pooled Property	287,697		282,289	
		<b>432,159</b>		<b>856,047</b>
<b>Total long-term investments</b>		<b>3,321,646</b>		<b>4,467,087</b>

The Fund has participated in stock lending arrangements through its investments in the WPP. The total income received by the WPP from stock lending in 2020/21 is £174k.

All investments held are quoted investments with the exception of property, which is valued at Fair Value and no assets reclassified. Carrying values of assets held in the Net Assets Statement are the same as the Fair Values shown above.

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

Quoted equities and cash are classed as fair value hierarchy level 1. Bonds, pooled property and pooled investments within the WPP are classified as fair value hierarchy level 2.

## 8.0 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	
	31/03/2020 £'000	31/03/2021 £'000	31/03/2020 %	31/03/2021 %
Baillie Gifford (Equities)	728,101	1,197,175	21.7	26.6
BlackRock (Passive Low Carbon Equities)	144,528	200,880	4.3	4.5
BlackRock (Passive Gilts)	0	372,929	0.0	8.3
BMOgam (Bonds)	903,811	0	27.0	0.0
CBRE (Property)	290,497	287,956	8.7	6.4
Link (Global Growth)	1,011,978	1,501,146	30.2	33.4
Link (Global Opportunities)	258,922	366,709	7.7	8.2
Link (UK Credit Fund)	0	550,961	0.0	12.3
Internal	12,387	15,651	0.4	0.3
<b>Total</b>	<b>3,350,224</b>	<b>4,493,407</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 7.0.

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.

## 9.0 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 2021:

Area	£'000	%
UK Equities	463,406	10.30%
European Equities	242,544	5.40%
US and Canadian Equities	233,229	5.20%
Japanese Equities	78,416	1.70%
Pacific Equities	44,580	1.00%
Other International Equities	130,049	2.90%
Passive Low Carbon Pooled Equities	200,829	4.40%
Global Pooled Equities	1,867,855	41.60%
UK Credit	550,961	12.30%
UK Gilts	372,929	8.30%
Property	282,289	6.30%
Cash & Equivalent	26,320	0.60%
<b>Total</b>	<b>4,493,407</b>	<b>100%</b>

## 10.0 Contingent Liabilities

There is a contingent liability of £987k (£968k in 2019/20) in respect of refundable contributions for leavers who have not yet claimed refunds.

## 11.0 Reconciliation of Investment Asset Valuation

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

	Market Value 01/04/20	Purchases	Sales at Historic Book Cost	Change in Market Value	Market Value 31/03/21
	£'000	£'000	£'000	£'000	£'000
Bonds	896,429	199,350	(1,038,606)	(57,173)	0
Equities	722,158	261,116	(117,591)	326,541	1,192,224
Pooled Global Equities	1,270,900	39,607	0	557,348	1,867,855
Pooled UK Credit	0	562,763	0	(11,802)	550,961
Other Pooled UK Gilts	0	405,920	0	(32,991)	372,929
Other Pooled Equities	144,462	192,159	(124,239)	(11,553)	200,829
Other Pooled Property	287,697	20,686	(13,450)	(12,644)	282,289
	<b>3,321,646</b>	<b>1,681,601</b>	<b>(1,293,886)</b>	<b>757,726</b>	<b>4,467,087</b>
Cash Deposits	25,423			311,103	24,964
Investment Debtors	14,767				6,379
Investment Creditors	(11,612)				(5,023)
<b>Total</b>	<b>3,350,224</b>			<b>1,068,829</b>	<b>4,493,407</b>

Comparative note for 2019/2020:

	Market Value 01/04/19	Purchases	Sales at Historic Book Cost	Change in Market Value	Market Value 31/03/20
	£'000	£'000	£'000	£'000	£'000
Bonds	843,928	270,841	(235,015)	16,675	896,429
Equities	795,421	129,965	(81,374)	(121,854)	722,158
Pooled Global Equities	1,363,745	0	0	(92,845)	1,270,900
Other Pooled Equities	153,737	0	0	(9,275)	144,462
Other Pooled Property	260,851	33,614	(3,362)	(3,406)	287,697
	<b>3,417,682</b>	<b>434,420</b>	<b>(319,751)</b>	<b>(210,705)</b>	<b>3,321,646</b>
Cash Deposits	27,514			69,981	25,423
Investment Debtors	15,440				14,767
Investment Creditors	(3,992)				(11,612)
<b>Total</b>	<b>3,456,644</b>			<b>(140,724)</b>	<b>3,350,224</b>



**12.0 Profits and Losses on Investments**

	<b>2019/20</b>	<b>2020/21</b>
	<b>£'000</b>	<b>£'000</b>
Profit on sales	102,515	169,241
Loss on sales	(41,542)	(19,443)
<b>Net profit / (loss) on sales</b>	<b>60,973</b>	<b>149,798</b>
Change in market value	(201,697)	919,031
<b>Net increase/ (decrease) in value</b>	<b>(140,724)</b>	<b>1,068,829</b>

**13.0 Contributions Receivable and Benefits Payable**

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

Type of Body	Member Contributions		Employer Contributions		Pensions, Lump Sums and Death Benefits	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000
Administering	9,025	9,671	38,100	33,596	34,967	36,513
Admitted	3,620	3,778	17,109	16,852	16,255	16,501
Scheduled	15,565	16,317	51,718	47,176	80,359	77,968
<b>Total</b>	<b>28,210</b>	<b>29,766</b>	<b>106,927</b>	<b>97,624</b>	<b>131,581</b>	<b>130,982</b>

Included in employer contributions are £3,663k of deficit funding contributions (£11,428k in 2019/20). There are no augmented contributions.

**14.0 Management Expenses**

The management expenses borne by the Fund in 2020/21 are set out below:

	<b>2019/20</b>	<b>2020/21</b>
	<b>£'000</b>	<b>£'000</b>
Administrative Costs	1,845	1,870
Investment Management Expenses	11,001	10,836
Oversight and Governance Costs	275	378
<b>Total</b>	<b>13,121</b>	<b>13,084</b>

Investment management expenses represent 0.29% (0.33% in 2019/20) of the value of the Pension Fund as at 31<sup>st</sup> March 2021.

2020/21 Audit Fees of £39k are included in Oversight and Governance Costs (£39k in 2019/20).

The investment management expenses borne by the Fund in 2020/21 are set out below:

	£'000	£'000	£'000
	Total	Management Fees	Transaction Costs
Bonds	433	433	0
Equities	2,889	2,183	706
Pooled Funds			
WPP Global Equities	6,011	4,729	1,282
WPP UK Credit Fund	291	291	0
Other Pooled Investments			
UK Gilts	13	13	0
Passive Equities	11	11	0
Pooled Property	455	441	14
	<b>10,103</b>	<b>8,101</b>	<b>2,002</b>
Custody Fees	733		
<b>Total</b>	<b>10,836</b>		

Comparative note for 2019/20:

	£'000	£'000	£'000
	Total	Management Fees	Transaction Costs
Bonds	1,271	1,271	0
Equities	2,872	2,039	833
Pooled Funds			
WPP Global Equities	5,858	4,761	1,097
WPP UK Credit Fund	0	0	0
Other Pooled Investments			
UK Gilts	0	0	0
Passive Equities	19	19	0
Pooled Property	508	500	8
	<b>10,528</b>	<b>8,590</b>	<b>1,938</b>
Custody Fees	473		
<b>Total</b>	<b>11,001</b>		

The Fund incurs no performance related fees.

During 2019/20, assets were moved from the segregated bond manager, into the WPP. Transaction costs amounted to £214k, which are 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:

	<b>2019/20</b>	<b>2020/21</b>
	<b>£'000</b>	<b>£'000</b>
<b>WPP Oversight and Governance Costs</b>		
Running Costs	58	99
<b>WPP Investment Management Expenses</b>		
Fund Managers Fees	4,317	5,520
Transaction Costs	1,538	763
Custody Fees	215	578
<b>Total</b>	<b>6,128</b>	<b>6,960</b>

The oversight and governance costs are the annual running costs of the Pool, which includes the Host Authority costs and other external advisor costs. These costs are funded equally by all eight of the Local Authority Pension Funds in Wales. The investment management expenses are fees payable to Link Fund Solutions (the WPP operator) and include fund manager fees, transaction costs (which also includes the operator fee) and custody fees. These costs are based on each Fund's percentage share of the WPP pooled assets and are deducted from the Net Asset Value (NAV).

## **15.0 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 £1.4m (£1.5m in 2019/20). 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 (£6.4m in 2019/20), of which £4.6m related to employer contributions and £1.5m to employee contributions.

There are members of the Pension Fund Investment and Administration Advisory 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 Director of Finance and Digital Services. As such, the post holders 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.

## **16.0 Membership of the Fund**

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

	<b>2020</b>	<b>2021</b>
Active Employers	53	51
Contributors	23,696	23,931
Pensioners	17,512	17,728
Dependants	2,726	2,786
Deferred Beneficiaries	28,108	28,868

## **17.0 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.

### **17.1 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 2021 amounted to £9.5m with the institution shown in the table below:

<b>Institution</b>	<b>Balance at 31/03/21 £'000</b>	<b>Maturity Date</b>
Debt Management Office	9,500	01/04/2021
<b>Total</b>	<b>9,500</b>	

## **17.2 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.

## **17.3 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, Pensions & Investment Research Consultants (PIRC), the Fund's pension performance analytics company, has provided a view of potential market movements for the 2020/21 financial year. The possible impact of movements in each asset type is shown in the following table:

Asset type	31/03/21 Value	Change %	Value on increase	Value on decrease
	£'000		£'000	£'000
Equities	1,197,175	15.9	1,387,406	1,006,944
Cash	15,651	0.4	15,706	15,596
Pooled Funds - Global Equity	1,867,855	15.9	2,164,844	1,570,866
Pooled Funds UK Credit	550,961	5.7	582,366	519,556
Other Pooled - Gilts	372,929	5.7	394,186	351,672
Other Pooled - Passive Equities	200,880	15.9	232,820	168,940
Other Pooled Property	287,956	2.4	294,896	281,016

PIRC also advised that the potential market movement for the Fund as a whole, could be 10.6%. The possible impact is shown below:

	31/03/21 Value	Change %	Value on increase	Value on decrease
	£'000		£'000	£'000
Fund Asset Total	4,493,407	10.6	4,969,709	4,017,106

The Fund's interest rate risk is monitored regularly with the advice of the Administering Authority's treasury advisors. Interest rate 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 2021/22 financial year would have the following effect:

Asset type	31/03/21 Value	Value on increase	Value on decrease
	£'000	£'000	£'000
Pooled Funds UK Credit	550,961	556,471	545,451
Other Pooled - Gilts	372,929	376,658	369,200
Cash deposits & balances	26,320	26,583	26,057
<b>Total</b>	<b>950,210</b>	<b>959,712</b>	<b>940,708</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 8.4% would have the following effect:

Asset type	31/03/21 Value	Value on increase	Value on decrease
	£'000	£'000	£'000
Overseas Equities	728,818	790,039	667,597
Overseas Pooled Funds - Global Equities	172,941	187,468	158,414
Overseas Pooled Property	127	138	116
<b>Total</b>	<b>901,886</b>	<b>977,645</b>	<b>826,127</b>

DRAFT

## **The independent auditor's report of the Auditor General for Wales to the members of Rhondda Cynon Taf County Borough Council as administering authority for Rhondda Cynon Taf Pension Fund**

### **Report on the audit of the financial statements**

#### **Opinion**

I have audited the financial statements of Rhondda Cynon Taf Pension Fund for the year ended 31 March 2021 under the Public Audit (Wales) Act 2004. Rhondda Cynon Taf Pension Fund financial statements comprise the fund account, the net assets statement and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2020-2021 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2021, and of the amount and disposition at that date of its assets and liabilities;
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2020-2021.

#### **Basis for opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the pension fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the pension fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



## **Other information**

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

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

## **Report on other requirements**

### **Opinion on other matters**

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the 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**

In the light of the knowledge and understanding of the pension fund and its environment obtained in the course of the audit, I have not identified material misstatements in the pension fund accounts.

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

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

## **Certificate of completion of audit**

I certify that I have completed the audit of the accounts of Rhondda Cynon Taf Pension Fund in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

## **Responsibilities**

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

As explained more fully in the Statement of Responsibilities for the financial statements set out on pages 4 to 5, the responsible financial officer is responsible for the preparation of the financial statements, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the responsible financial officer is responsible for assessing the pension fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

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

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

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

Adrian Crompton  
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.

**GMP**

Guaranteed Minimum Pension.

**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.

**Net Asset Value (NAV)**

The net asset value (NAV) represents the net value of an entity and is calculated as the total value of the entity's asset minus the total value of its liabilities.

**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.

**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.

**Wales Pension Partnership (WPP)**

The WPP was established in 2017. The WPP is a collaboration of the eight LGPS funds (Constituent Authorities) covering the whole of Wales and is one of eight national Local Government Pension pools.

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

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

**2020/21**

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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 380 schools and serves 149,526<sup>1</sup> learners – nearly one 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 2020/21 have been prepared in accordance with:

- The Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 based on International Financial Reporting Standards (IFRS); and
- The Accounts and Audit (Wales) Regulations 2014 (as amended).

The accounts set out on pages 12 to 40 comply with the above.

### 2. Business Plan 2020-2021

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 2020

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:

- Develop a high-quality education profession
- Develop inspirational leaders to facilitate working collaboratively to raise standards
- Develop strong and inclusive schools committed to wellbeing, equity and excellence
- Develop robust assessment, evaluation and accountability arrangements supporting self-improving systems
- Improve the effectiveness and efficiency of 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 2020/21 revenue contributions received by the Consortium from the five member local authorities reduced by 3% 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.

Due to the COVID-19 pandemic in 2020, Welsh Government announced that they would not expect data returns for all statutory data collections that would have been due to take place after March 2020 and before the school summer holidays in 2020. These collections include:

- Attendance: Primary 2020 data collection
- Attendance: Secondary 2020 data collection
- National Data Collections (NDC) 2020 data collection
- Welsh National Test (WNT) 2020 data collection

Pupil Level Annual School Census (PLASC) 2020 and Educated Other Than at School (EOTAS) 2020 data collections took place, with Data Exchange Wales initiative (DEWi) closing for data submissions on the 20<sup>th</sup> March 2020. Analysis of this information has been published by Welsh Government but please note that not all validation processes were completed on this data set and data based on pupil and staff characteristics must be treated with caution and should not be compared to data from previous years for the purpose of comparing trends.

Welsh Government confirmed on the 7<sup>th</sup> July 2020 that the Statistical Releases for NDC Core, NDC non-core, WNT, Attendance Primary and Attendance Secondary were suspended for reporting on data from 2019/20. In addition, the Statistical releases related to “EOTAS”, “Exclusions in Schools”, “Attainment by eFSM/nFSM (FP-KS3)” and “Absenteeism by pupil characteristics” were also suspended for 2019/20 data.

The Minister for Education confirmed on the 3<sup>rd</sup> July 2020 that Welsh Government would not be publishing performance measures related to the 2020 summer examinations series, which covers all school and post-16 performance measures for the 2019/20 academic year. In addition, given the clear implications that there will be ongoing disruptions for qualifications awarded next year, Welsh Government have suspended Key Stage 4 and legacy sixth form performance measures for 2020/21 academic year also.

The statistical bulletins for GCSE and A Level results will continue to be published for 2019/20 but will not contain Key Stage 4 or legacy sixth form performance measures and will only include national level data with different content to previous releases of these bulletins.

The publication of performance data on My Local School is also suspended, with the publication of the national categorisation also being suspended for 2020/21 on this website due to the processes not being held for academic year 2020/21.

Therefore, for 2019/20 there are no publicly available performance measures at school, local authority or regional consortia level that can be included in this report.

### **3. Revenue Income and Expenditure 2020/21**

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 2020/21 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 2020 to 31<sup>st</sup> March 2021:

	<b>Budget £'000</b>	<b>Actual £'000</b>	<b>Variance £'000</b>
<b>Expenditure</b>			
Employees	3,068	2,909	(159)
Premises	154	153	(1)
Transport	7	5	(2)
Supplies & Services	149	473	324
Third Party Payments	126	126	0
Support Services	115	112	(3)
	<b>3,619</b>	<b>3,778</b>	<b>159</b>
<b>Income</b>			
Local Authority Contributions	3,599	3,728	(129)
Grants & Other Income	20	59	(39)
	<b>(3,619)</b>	<b>3,787</b>	<b>(168)</b>
<b>Net Expenditure / (Income)</b>	<b>0</b>	<b>(9)</b>	<b>(9)</b>

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

- Employees – savings attributable to in-year temporary staff vacancies;
- Supplies & Services – includes one off investment costs for school improvement activities (Improvement Partner Pilot project), facilitation of coaching and mentoring program and additional contributions being made against historic redundancy costs. The additional contributions made by member local authorities (Cardiff and Merthyr Tydfil, due to the agreed repayment period being over 3 years: 2018/19, 2019/20 and 2020/21) are reported against Local Authority Contributions; and
- Income – unbudgeted additional contributions made by member local authorities (Cardiff and Merthyr Tydfil, due to the agreed repayment period being over 3 years: 2018/19, 2019/20 and 2020/21) used to offset historic redundancy costs outlined above. Higher than budgeted income received due to grant income for the administration of the Additional Learning Needs Transformation grant.

In addition, the following categories of income and expenditure relating to specific grants were processed through the Central South Consortium's accounts during 2020/21:

	<b>Actual £'000</b>
<b>Expenditure</b>	
Employees	3,273
Premises	0
Transport	4
Supplies & Services	72,459
Third Party Payments	2,407
	<b>78,143</b>
<b>Income</b>	
Grants & Other Income	78,143
<b>Net Expenditure</b>	<b>0</b>

Movement in earmarked reserves (£132k), additional contributions made towards historic redundancy costs (£129k) and interest on the personal account balance (£1k) are included in the tables above but not disclosed in Note 7: Income.

As at 31<sup>st</sup> March 2021, the Central South Consortium held General Reserves of £147k. Movements on reserves are detailed within the Movement in Reserves Statement.

#### **4. Capital Expenditure 2020/21**

There has been no capital expenditure this financial year.

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

The Consortium's Business Plan 2021/22 was approved by Joint Committee on 18<sup>th</sup> March 2021 and sets out the vision, purpose and priorities it aims to deliver within an environment of reducing resources. The 2021/22 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; and
5. Improve the effectiveness and efficiency of Central South Consortium.

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. 2021/22) revenue budget is as follows (as approved by the Joint Committee on 16<sup>th</sup> December 2020):

<b>Type of Expenditure</b>	<b>Budget 2021/22 £'000</b>
<b>Expenditure</b>	
Employees	3,067
Premises	157
Transport	28
Supplies & Services	189
Third Party Payments	28
Support Services	114
<b>Total Expenditure</b>	<b>3,583</b>
<b>Income</b>	
Local Authority Contributions	3,563
Grants & Other Income	20
<b>Total Income</b>	<b>3,583</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 15.0 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	712
Net Assets/(Liabilities) as per Balance Sheet	(14)



## **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.

### **Cash Flow Statement**

The Cash Flow Statement shows the changes in cash and cash equivalents of the Joint Committee during the reporting period.

### **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.

### **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 and reviews its effectiveness. 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. COVID-19**

On the 18<sup>th</sup> March 2020 the Education Minister announced the decision to bring forward the Easter break for schools in Wales. School buildings across Wales then closed for statutory provision for education from 20<sup>th</sup> March 2020. This resulted in a change of service delivery for the Consortium and a need to cancel or postpone many events which were scheduled to run during Spring / Summer Term 2020 and planned for the 2020/21 academic year.

The impact of the COVID-19 virus on the Consortium has been managed and reported in the risk register to reflect the challenges faced in the ongoing delivery of the school improvement service during the pandemic.

## **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**

## 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 2021.

### 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 2021 and its income and expenditure for the period then ended.



Signed: \_\_\_\_\_

Date: 27 May 2021

**Barrie Davies**

**Director of Finance and Digital Services**

The Pavilions, Cambrian Way, Clydach Vale, Rhondda Cynon Taf  
CF40 2XX

### Movement in Reserves Statement for the Period ended 31<sup>st</sup> March 2020

	General Reserves	Earmarked Reserves	Total Usable Reserves	Total Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000
<b>Notes:</b>	13.1	13.2		14.0	
<b>Balance as at 1<sup>st</sup> April 2019</b>	<b>137</b>	<b>301</b>	<b>438</b>	<b>278</b>	<b>716</b>
<b>Movement in reserves during 2019/20</b>					
<b>Total comprehensive income and expenditure</b>	<b>(405)</b>	<b>0</b>	<b>(405)</b>	<b>(985)</b>	<b>(1,390)</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	1,127	0	1,127	(1,127)	0
Employer's pensions contributions and direct payments to pensioners payable in the year	(293)	0	(293)	293	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	2	0	2	(2)	0
<b>Net increase or (decrease) before transfers to Earmarked Reserves</b>	<b>431</b>	<b>0</b>	<b>431</b>	<b>(1,821)</b>	<b>(1,390)</b>
Transfers to or (from) Earmarked Reserves	(430)	430	0	0	0
<b>Increase or (decrease) in the Year</b>	<b>1</b>	<b>430</b>	<b>431</b>	<b>(1,821)</b>	<b>(1,390)</b>
<b>Balance as at 31<sup>st</sup> March 2020</b>	<b>138</b>	<b>731</b>	<b>869</b>	<b>(1,543)</b>	<b>(674)</b>

### Movement in Reserves Statement for the Period ended 31<sup>st</sup> March 2021

	General Reserves	Earmarked Reserves	Total Usable Reserves	Total Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000
<b>Notes:</b>	13.1	13.2		14.0	
<b>Balance as at 1<sup>st</sup> April 2020</b>	138	731	869	(1,543)	(674)
<b>Movement in reserves during 2020/21</b>					
<b>Total comprehensive income and expenditure</b>	<b>(1,022)</b>	<b>0</b>	<b>(1,022)</b>	<b>1,682</b>	<b>660</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	1,081	0	<b>1,081</b>	(1,081)	<b>0</b>
Employer's pensions contributions and direct payments to pensioners payable in the year	(191)	0	<b>(191)</b>	191	<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	9	0	<b>9</b>	(9)	0
<b>Net increase or (decrease) before transfers to Earmarked Reserves</b>	<b>(123)</b>	<b>0</b>	<b>(123)</b>	<b>783</b>	<b>660</b>
Transfers to or (from) Earmarked Reserves	132	(132)	<b>0</b>	0	<b>0</b>
<b>Increase or (decrease) in the Year</b>	<b>9</b>	<b>(132)</b>	<b>(123)</b>	<b>783</b>	<b>660</b>
<b>Balance as at 31<sup>st</sup> March 2021</b>	<b>147</b>	<b>599</b>	<b>746</b>	<b>(760)</b>	<b>(14)</b>

## Comprehensive Income and Expenditure Statement for the Period ended 31<sup>st</sup> March 2021

Year ended 31/03/20 £'000		Year ended 31/03/21 £'000	Note
	<b>Expenditure</b>		
6,953	Employees	7,029	5.0
205	Premises	153	
55	Transport	10	
70,055	Supplies & Services	72,632	6.0
1,074	Third Party Payments	2,854	
114	Support Services	112	
<b>78,456</b>		<b>82,790</b>	
	<b>Income</b>		
(3,711)	Local Authority Contributions	(3,599)	
(74,307)	Grants & Other Income	(78,201)	7.0
<b>(78,018)</b>		<b>(81,800)</b>	
<b>438</b>	<b>Net Cost of Services</b>	<b>990</b>	
(22)	Interest Receivable and Similar Income	(1)	
(11)	Net Interest on Net Defined Asset/Liability	33	15.2
<b>405</b>	<b>(Surplus)/Deficit on the Provision of Services</b>	<b>1,022</b>	
985	Remeasurement of the Net Defined Benefit Liability	(1,682)	15.2
<b>1,390</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>(660)</b>	

### Balance Sheet at 31<sup>st</sup> March 2021

31/03/20 £'000		31/03/21 £'000	Note
1,583	<b>Current Assets</b>		
	Debtors	2,051	11.0
<b>1,583</b>	<b>Total Current Assets</b>	<b>2,051</b>	
	<b>Current Liabilities</b>		
(739)	Creditors	(1,339)	12.0
<b>844</b>	<b>Net Current Assets</b>	<b>712</b>	
<b>844</b>	<b>Total Assets Less Current Liabilities</b>	<b>712</b>	
	<b>Long-Term Liabilities</b>		
(1,518)	Defined Benefit Pension Scheme Liability	(726)	15.5
<b>(674)</b>	<b>Net Assets/(Liabilities)</b>	<b>(14)</b>	
	<b>Represented by:</b>		
	<b>Usable Reserves</b>		
138	General Reserves	147	13.1
731	Earmarked Reserves	599	13.2
	<b>Unusable Reserves</b>		
(1,518)	Pensions Reserve	(726)	15.5
(25)	Short-Term Accumulating Compensated Absence Account	(34)	
<b>(674)</b>	<b>Total Reserves</b>	<b>(14)</b>	



## Cash Flow Statement for the Period ended 31<sup>st</sup> March 2021

Year ended 31/03/20 £'000		Year ended 31/03/21 £'000	Note
	<b>Operating Activities</b>		
	Cash Outflows		
6,106	Cash Paid to and on Behalf of Employees	6,163	
91,868	Other Operating Cash Payments	75,170	
<b>97,974</b>	<b>Total Cash Outflows</b>	<b>81,333</b>	
	Cash Inflows		
(78,150)	Cash Received for Goods & Services	(81,894)	
(22)	Interest Received	(1)	
<b>(78,172)</b>	<b>Total Cash Inflows</b>	<b>(81,895)</b>	
<b>19,802</b>		<b>(562)</b>	
<b>19,802</b>	<b>Net (Increase) or Decrease in Cash and Cash Equivalents</b>	<b>(562)</b>	18.0
	<b>Analysis of Changes in Cash and Cash Equivalents</b>		
(21,224)	Balance as at 1 <sup>st</sup> April	(1,422)	
19,802	Net Cash (Inflows)/Outflows	(562)	
<b>(1,422)</b>	<b>Cash Balance Owed To/(From) Host Authority</b>	<b>(1,984)</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.*

## Expenditure and Funding Analysis Statement for the year ending 31<sup>st</sup> March 2020

	2019/20		
	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>2</sup> £'000
Employees	6,106	847	6,953
Premises	205	0	205
Transport	55	0	55
Supplies & Services	70,055	0	70,055
Third Party Payments	1,074	0	1,074
Support Services	114	0	114
Income	(77,588)	(430)	(78,018)
<b>Cost of Services</b>	<b>21</b>	<b>417</b>	<b>438</b>
Other Income and Expenditure	(22)	(11)	(33)
<b>(Surplus) or Deficit</b>	<b>(1)</b>	<b>406</b>	<b>405</b>
Opening General Fund at 31 <sup>st</sup> March 2019	(137)		
Add Surplus on General Fund in Year	(1)		
<b>Closing General Fund at 31<sup>st</sup> March 2020</b>	<b>(138)</b>		

<sup>2</sup> CI&ES – Comprehensive Income and Expenditure Statement

## Expenditure and Funding Analysis Statement for the year ending 31<sup>st</sup> March 2021

	2020/21		
	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>3</sup> £'000
Employees	6,163	866	7,029
Premises	153	0	153
Transport	10	0	10
Supplies & Services	72,632	0	72,632
Third Party Payments	2,854	0	2,854
Support Services	112	0	112
Income	(81,932)	132	(81,800)
<b>Cost of Services</b>	<b>(8)</b>	<b>998</b>	<b>990</b>
Other Income and Expenditure	(1)	33	32
<b>(Surplus) or Deficit</b>	<b>(9)</b>	<b>1,031</b>	<b>1,022</b>
Opening General Fund at 31 <sup>st</sup> March 2020	(138)		
Add Surplus on General Fund in Year	(9)		
<b>Closing General Fund at 31<sup>st</sup> March 2021</b>	<b>(147)</b>		

<sup>3</sup> CI&ES – Comprehensive Income and Expenditure Statement

## Notes to the Core Financial Statements

### 1.0 Significant 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 used or consumed.

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.

## 1.4 **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 from 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.

## 1.5 **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 2.1% (2.3% in 2019/20).
- 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 asset / 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 – credited/debited to the Comprehensive Income and Expenditure Statement.
  - Expected Return On Assets – the annual investment return on the fund assets attributable to the Joint Committee based on an average of the expected long-term return – credited to 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.

## **1.6 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 Regional Internal Audit Shared Service, Balance Sheet values in relation to grants are included on an unaudited draft claim basis.

For 2020/21, Welsh Government have extended the use of the Regional Consortia School Improvement Grant (RCSIG) and Pupil Development Grant (PDG) grants to 31<sup>st</sup> August 2021.

## **1.7 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 to the lessee.

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.

## **1.8 Events after the Reporting Period**

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.

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:

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

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, any 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 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

#### 4.1 Pensions Asset/Liability

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 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.

##### GMP equalisation and indexation

The disclosures allow for full pension increases to be paid on Guaranteed Minimum Pension (GMP) for those reaching State Pension Age after 6<sup>th</sup> April 2016.

##### McCloud / Sargeant Judgement

The Court of Appeal found that the transitional protection arrangements put in place when firefighters' and judges' pension schemes were reformed were age discriminatory. This has 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 Supreme Court denied the Government's application for permission to appeal this judgement on 27<sup>th</sup> June 2019. The matter was referred to Employment Tribunals for remedy hearings and the Ministry for Housing, Communities and Local Government (MHCLG) undertook a consultation on the remedy. MHCLG has not yet published its consultation response. The method used by AON to value the McCloud remedy and therefore disclosed within the Statement of Accounts is closely aligned to that proposed in the consultation.

##### Cost Management Process

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”. This process has been paused until the outcome of the remedy consultation associated with the McCloud appeal is known.

## 5.0 Employees Costs

2019/20 £'000	Salaries & Wages	2020/21 £'000
4,694	Advisors	4,740
713	Administration	728
435	Management	440
224	Finance Team	217
0	Employee Redundancy	0
35	Employee Insurance	35
5	Employee Advertising	3
<b>6,106</b>	<b>Sub Total</b>	<b>6,163</b>
	Short-Term Accumulating Compensated	
2	Absences Account adjustment	9
845	IAS 19 adjustments	857
<b>6,953</b>	<b>Total</b>	<b>7,029</b>

## 6.0 Supplies and Services

2019/20 £'000		2020/21 £'000
122	Office Expenses	119
179	Consultants Fees	182
9	Office Equipment	0
34	Computer Costs	117
25	Photocopying	2
6	Subscriptions	5
7	Marketing	5
18	Audit Fees	18
10	Telephones	10
1	Postage	1
462	Training	186
	<u>Grants paid to local authorities &amp; schools:</u>	
37,585	Regional Consortia School Improvement Grant (RCSIG)	38,713
31,223	Pupil Development Grant (PDG)	32,856
374	Other	418
<b>70,055</b>	<b>Total</b>	<b>72,632</b>

**7.0 Income**

<b>2019/20 £'000</b>		<b>2020/21 £'000</b>
	<b>Contributions</b>	
(1,343)	Cardiff Council	(1,303)
(1,014)	Rhondda Cynon Taf CBC	(982)
(571)	Bridgend CBC	(554)
(548)	Vale of Glamorgan Council	(532)
(235)	Merthyr Tydfil CBC	(228)
<b>(3,711)</b>	<b>Total Contributions</b>	<b>(3,599)</b>
	<b>Other Income</b>	
(3)	School Income	0
(58)	Other	(58)
(74,246)	Grants	(78,143)
<b>(74,307)</b>	<b>Total Other Income</b>	<b>(78,201)</b>
<b>(78,018)</b>	<b>Total Income</b>	<b>(81,800)</b>

**7.1 Grant Income**

<b>2019/20 £'000</b>		<b>2020/21 £'000</b>
	<b>Grant Programme</b>	
(31,734)	Pupil Development Grant (PDG)	(34,094)
(41,892)	Regional Consortia School Improvement Grant (RCSIG)	(43,501)
(620)	Other	(747)
<b>(74,246)</b>	<b>Total Grant Income</b>	<b>(78,342)</b>
	<b>Allocation</b>	
69,182	Paid to local authorities and schools (Note 6.0)	71,987
5,064	Retained by Central South Consortium	6,355
<b>74,246</b>	<b>Total Allocation</b>	<b>78,342</b>

**8.0 Related Party Transactions**

In accordance with IAS 24, the Joint Committee has a duty to disclose any material transactions with a "related party". This is to ensure that financial statements contain disclosures necessary to draw attention to the possibility that the reported financial position and results may have been affected by the existence of related parties and by material transactions with them.

The Joint Committee transacts with the local authorities and its schools within the Consortium, distributes funding, and provides advisory and inspection

services for which it receives income. During the year, material transactions with these related parties arose as follows:

2019/20		Local Authority	2020/21	
Exp. £'000	Inc. £'000		Exp. £'000	Inc. £'000
26,997	(1,453)	Cardiff Council	29,088	(1,412)
19,290	(1,034)	Rhondda Cynon Taf CBC	20,359	(1,009)
10,401	(571)	Bridgend CBC	11,545	(554)
9,612	(548)	Vale of Glamorgan Council	9,799	(532)
4,634	(254)	Merthyr Tydfil CBC	4,937	(247)

Income received from Merthyr Tydfil CBC (£19k) and Cardiff Council (£110k), in relation to historic redundancy payments and Rhondda Cynon Taf CBC (£1k) due to interest received are included in the table above but are not included in Note 7.0 as they do not form part of the Local Authorities core contributions received.

Welsh Government exerts significant influence through legislation and grant funding. The main grants received are shown in Note 7.1.

All cash transactions are administered by the host authority, Rhondda Cynon Taf CBC, as the Consortium does not operate its own bank account. At 31<sup>st</sup> March 2021, Rhondda Cynon Taf CBC owed the Consortium £1,984k relating to these cash transactions (Rhondda Cynon Taf CBC owed the Consortium £1,422k as at 31<sup>st</sup> March 2020). During 2020/21, Central South Consortium was charged £112k by Rhondda Cynon Taf CBC in respect of Central Establishment Charges (included in the table above, £114k in 2019/20).

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 15.0 and 16.0 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:

2019/20		Organisation	2020/21	
Exp. £'000	Inc. £'000		Exp. £'000	Inc. £'000
29	0	Coleg y Cymoedd	0	0
40	0	Cardiff University	55	0
<b>69</b>	<b>0</b>	<b>Total</b>	<b>55</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.

### 9.0 Audit Fees

2019/20 £'000		2020/21 £'000
18	Fees payable to the Auditor General for Wales in respect of external audit	18

### 10.0 Leases

A long term lease arrangement totalling £153k in 2020/21 (£181k in 2019/20) exists between the Joint Committee and Rhondda Cynon Taf CBC in relation to office accommodation at the Valleys Innovation Centre. No termination is contained within the lease agreement and occupation is assumed for as long as the service is required.

The Joint Committee holds no assets on Finance Leases.

### 11.0 Short Term Debtors

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

31/03/20 £'000		31/03/21 £'000
1,422	Host Authority	1,984
139	Local Authorities and Schools (31/03/20 inc. £129k short term debtor applicable to redundancy costs)	0
0	Central Government Bodies	0
23	Other Entities and Individuals	68
<b>1,584</b>		<b>2,052</b>
(1)	Provision for Bad Debt	(1)
<b>1,583</b>	<b>Balance as at 31<sup>st</sup> March 2021</b>	<b>2,051</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.

## 12.0 Creditors

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

<b>31/03/20 £'000</b>		<b>31/03/21 £'000</b>
(307)	Local Authorities and Schools	(1,079)
(61)	Central Government Bodies	(17)
(346)	Other	(209)
(25)	Employee Absences Accrual	(34)
<b>(739)</b>	<b>Balance as at 31<sup>st</sup> March 2021</b>	<b>(1,339)</b>

## 13.0 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 2020	138	731	869
Increase/(Decrease)	9	(132)	(123)
<b>Balance as at 31<sup>st</sup> March 2021</b>	<b>147</b>	<b>599</b>	<b>746</b>

### 13.1 General Reserve

The General Reserve 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 2020	138
Increase/(Decrease) 2020/21	9
<b>Balance as at 31<sup>st</sup> March 2021</b>	<b>147</b>

### 13.2 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 31/03/20 £'000</b>	<b>Transfers Out £'000</b>	<b>Transfers In £'000</b>	<b>Balance at 31/03/21 £'000</b>
Revenue Grant Reserves	199	(199)	393	393
Funding for Specific Projects	532	(326)	0	206
<b>Total</b>	<b>731</b>	<b>(525)</b>	<b>393</b>	<b>599</b>

#### **14.0 Movements on Unusable Reserves**

<b>Reserve</b>	<b>Pension Reserve  £'000</b>	<b>Short-Term Acc Comp Absence Account £'000</b>	<b>Total  £'000</b>
Balance as at 1 <sup>st</sup> April 2020	(1,518)	(25)	(1,543)
Increase / (Decrease)	792	(9)	783
<b>Balance as at 31<sup>st</sup> March 2021</b>	<b>(726)</b>	<b>(34)</b>	<b>(760)</b>

#### **14.1 Pension Reserve**

The Pension Reserve is the balancing account to offset the inclusion of Pension Liability in the Balance Sheet as required by IAS 19 "Employee Benefits". See note 15.0 for further information.

#### **14.2 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 2021.

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

#### **15.1 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 16.0.
- 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".

## **15.2 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>2019/20 £'000</b>	<b>2020/21 £'000</b>
<b>Cost of Services:</b>		
Current Service Cost	1,039	1,048
Past Service Cost	99	0
Settlements and curtailments	0	0
<i>Financing and Investment Income and Expenditure</i>		
Net Interest Expense	(11)	33
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>1,127</b>	<b>1,081</b>
<i>Remeasurement of the Net Defined Benefit Liability Comprising:</i>		
Return on Plan Assets (Excluding the Amount included in the Net Interest Expense)	839	(7,101)
Actuarial (Gains) and Losses Arising on Liabilities – Demographic Assumptions	(352)	0
Actuarial (Gains) and Losses Arising on Liabilities – Financial Assumptions	(564)	5,736
Actuarial (Gains) and Losses Arising on Liabilities – Experience	1,062	(317)
Net increase in liabilities from disposals / acquisitions	0	0
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>2,112</b>	<b>(601)</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	(1,127)	(1,081)
<i>Actual Amount Charged Against the General Fund Balance for Pensions in the Year:</i>		
Employers' Contributions Payable to Scheme	293	191

The total remeasurement of the Net Defined Benefit Liability recognised in Other Comprehensive Income and Expenditure to the 31<sup>st</sup> March 2021 is a gain of £1,682k (£985k loss in 2019/20).

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 2021 is a gain of £2,235k (£553k gain in 2019/20).

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.

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

	2019/20 £'000	2020/21 £'000
Opening balance at 1 <sup>st</sup> April	25,553	26,254
Current Service Cost	1,039	1,048
Interest Cost on Defined Obligation	599	602
Contributions by Scheme Participants	237	260
<i>Remeasurement Gains and (Losses):</i>		
Actuarial Gains and (Losses) Arising on Liabilities – Demographic Assumptions	(352)	0
Actuarial Gains and (Losses) Arising on Liabilities – Financial Assumptions	(564)	5,736
Actuarial Gains and (Losses) Arising on Liabilities – Experience	1,062	(317)
Benefits Paid	(1,419)	(470)
Past Service Costs	99	0
<b>Carried Forward at 31<sup>st</sup> March</b>	<b>26,254</b>	<b>33,113</b>

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

	2019/20 £'000	2020/21 £'000
Opening balance at as at 1 <sup>st</sup> April	25,854	24,736
Interest Income	610	569

<i>Remeasurement Gains and (Losses)</i>		
The Return on Plan Assets, Excluding the Amount Included in the Net Interest Expense	(839)	7,101
Employer Contributions	293	191
Contributions by Scheme Participants	237	260
Benefits paid	(1,419)	(470)
Net increase in assets from disposals/acquisitions	0	0
<b>Carried Forward as at 31<sup>st</sup> March</b>	<b>24,736</b>	<b>32,387</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 £7,670k (£229k loss in 2019/20).

### 15.5 Scheme History

	<b>2019/20</b> <b>£'000</b>	<b>2020/21</b> <b>£'000</b>
Present Value of Defined Obligation	(26,254)	(33,113)
Fair Value of Plan Assets	24,736	32,387
<b>Surplus / (Deficit)</b>	<b>(1,518)</b>	<b>(726)</b>

The liabilities show the underlying commitments that the Joint Committee has in the long run to pay retirement benefits. The total liability of £726k has a substantial impact on the net worth of the Joint Committee as recorded in the Balance Sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the Joint Committee remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

### 15.6 Local Government Pension Scheme Assets

Local Government Pension Scheme Assets investments as at 31<sup>st</sup> December 2020 (full scheme not Central South Consortium element) are comprised as follows:

	<b>Fair Value of Scheme Assets</b>	
	<b>2019/20</b> <b>£'000</b>	<b>2020/21</b> <b>£'000</b>
UK Equities	347,778	432,535

Overseas Equities	2,228,117	2,688,782
UK Fixed Interest Gilts	391,863	401,988
UK Corporate Bonds	394,759	575,814
Overseas Government Bonds	39,785	0
Overseas Corporate Bonds	52,598	0
Property	284,637	280,848
Cash and net current assets	44,042	37,085
<b>Total</b>	<b>3,783,579</b>	<b>4,417,052</b>

## 15.7 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:

	31/03/20	31/03/21
Long-Term Expected Rate of Return on Assets in the Scheme (in line with the discount rate)	4.25%	4.25%
Mortality Assumptions:		

Longevity at 65 for current pensioners:		
Men	21.7	21.8
Women	24.0	24.1
Longevity at 65 for future pensioners:		
Men	22.7	22.8
Women	25.5	25.6
CPI Inflation	2.0%	2.7%
Rate of Increase in Salaries	3.25%	3.95%
Rate of Increase in Pensions	2.0%	2.7%
Rate for discounting scheme liabilities	2.3%	2.1%
Take-up of Option to Convert Annual Pension into Retirement Lump Sum:		
Post-2010 Service	80%	80%
Pre-2010 Service	80%	80%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant.

	Increase in Assumption £'000	Decrease in Assumption £'000
Longevity (Increase or Decrease in 1 Year)	1,192	(1,159)
Rate of Increase in Salaries (increase or decrease by 0.1%)	66	(66)
Rate of Increase in Pensions (increase or decrease by 0.1%)	629	(629)
Rate for Discounting Scheme Liabilities (increase or decrease by 0.1%)	(695)	695

### **15.8 Contributions for the Accounting Period ending 31<sup>st</sup> March 2022**

The Employer's regular contributions to the Fund for the accounting period ending 31<sup>st</sup> March 2022 are estimated to be £199k (£182k as at 31<sup>st</sup> March 2021).

### **16.0 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 2020/21, the Joint Committee paid £94k to the Teachers' Pension Fund in respect of teachers' retirement benefits, representing 23.68% of pensionable pay (£79k was paid in 2019/20 representing 16.48% up to 31<sup>st</sup> August 2019 and 23.68% from 1<sup>st</sup> September 2019). There were no contributions remaining payable at the year-end.

### **17.0 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 2021, 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 2021 requiring disclosure providing information that is relevant to an understanding of the Central South Consortium's financial position.

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

<b>2019/20 £'000</b>		<b>2020/21 £'000</b>
405	(Surplus)/Deficit on the Provision of Services	1,022
20,363	(Increase)/Decrease in Creditors	(600)
(132)	Increase/(Decrease) in Debtors	(94)
0	Increase/(Decrease) in Inventories	0
(834)	IAS 19 Transactions	(890)
<b>19,802</b>	<b>Cash (Inflow)/Outflow from Revenue Items</b>	<b>(562)</b>

### **19.0 Officers' Remuneration**

During 2020/21, the Consortium paid 81 employees on average every month (80 in 2019/20). Over the year, salary payments totalled £3,724k (excluding employer's national insurance and pension contributions) (£3,606k in 2019/20).

Under the Accounts and Audit (Wales) Regulations 2014, the Joint Committee must disclose in their accounts the number of employees (excluding specific senior employees who are shown in Note 20.0) whose remuneration in the year fell in each bracket of a scale in multiples of £5,000 commencing at £60,000 (excluding pension contributions). The disclosure includes redundancy payments.

The following salary payments were made within the categories specified:

Remuneration Band	2019/20			2020/21		
	No. of Employees			No. of Employees		
	At 31/03/19	Left in Year	Total	At 31/03/20	Left in Year	Total
£60,000 - £64,999	12	0	12	11	0	11
£65,000 - £69,999	3	0	3	5	0	5
£70,000 - £74,999	1	0	1	2	0	2
£75,000 - £79,999	0	0	0	0	0	0
£80,000 - £84,999	0	0	0	0	0	0
£85,000 - £89,999	1	0	1	1	0	1
£90,000 - £94,999	0	0	0	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
<b>Total</b>	<b>17</b>	<b>0</b>	<b>17</b>	<b>19</b>	<b>0</b>	<b>19</b>

## **20.0 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	2020/21				
	Salary	Taxable Benefits in Kind	Compensation for loss of employment	Employer's Pension Contributions	Total
	£'000	£'000	£'000	£'000	£'000

Managing Director	112	0	0	7	<b>119</b>
Deputy Managing Director (from 01/04/2020)	92	0	0	6	<b>98</b>
Senior Lead – Standards & Improvement Planning (up to 31/08/2020) / Assistant Director – Standards & Improvement Planning (from 01/09/2020)	80	0	0	5	<b>85</b>
Assistant Director – Curriculum (from 01/01/2021)	20	0	0	1	<b>21</b>

The salary for the Director of Finance and Digital Services, who signs the accounts on page 11, 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 2019/20 are shown in the following table:

Post Holder Information	2019/20				
	Salary	Taxable Benefits in Kind	Compensation for loss of employment	Employer's Pension Contributions	Total
	£'000	£'000	£'000	£'000	£'000
Managing Director (from 01/03/2020)	9	0	0	1	<b>10</b>
Acting Managing Director (up to 29/02/2020) / Temporary Assistant Managing Director (from 01/03/2020 to 31/03/2020)	106	0	0	11	<b>117</b>
Senior Lead – Standards & Improvement Planning	92	0	0	9	<b>101</b>



Temporary Senior Lead – Teaching & Learning Experiences (up to 28/02/2019)	0	0	22	0	<b>22</b>
Temporary Assistant Managing Director (up to 31/03/2020)	67	0	0	0	<b>67</b>

Between 1<sup>st</sup> January 2019 and 29<sup>th</sup> February 2020 temporary senior management arrangements were put in place as set out in the above table. These comprised an Acting Managing Director position (the appointment to which was made from an existing Consortium post-holder i.e. Senior Lead – Business and Operations), a Temporary Senior Lead – Teaching and Learning Experiences (post-holder left 27<sup>th</sup> June 2019) and a Temporary Assistant Managing Director position (the appointment to which was made from one of the local authorities that comprise the Consortium). A permanent appointment to the Managing Director post took up the position from 1<sup>st</sup> March 2020 (following Joint Committee approval of the appointment on 19<sup>th</sup> November 2019) and for the period 1<sup>st</sup> March 2020 to 31<sup>st</sup> March 2020 two officers undertook the role of Temporary Assistant Managing Director as part of transitional arrangements. For the period 1<sup>st</sup> April 2019 to 31<sup>st</sup> March 2020 the post-holder of Senior Lead – Standards and Improvement Planning received an honorarium reflecting additional duties assigned as part of the temporary senior management arrangements.

### **20.1 Severance Costs**

There have been no cost of severance to the Consortium in respect of employees who have left the employment of the Consortium during the financial year.

## CENTRAL SOUTH CONSORTIUM

### DRAFT ANNUAL GOVERNANCE STATEMENT 2020/21

#### 1. SCOPE OF RESPONSIBILITY

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

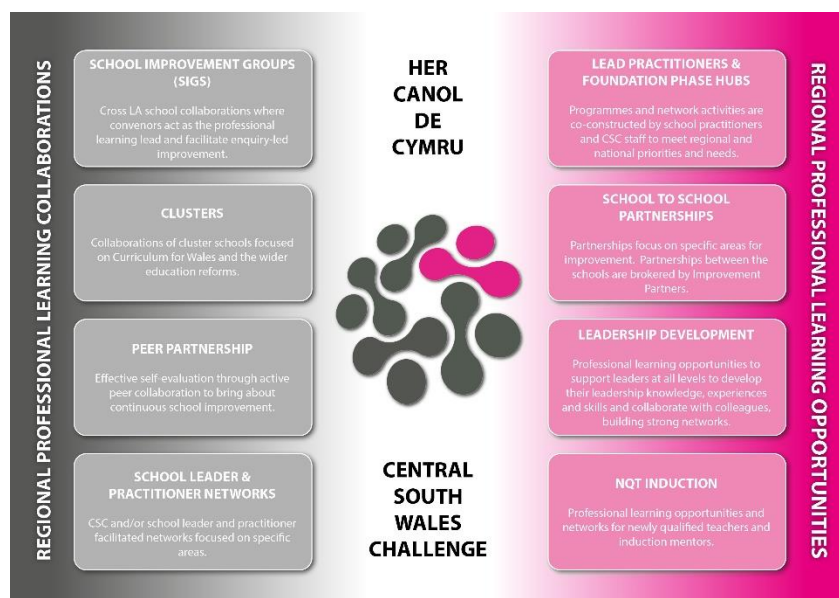
- Bridgend CBC;
- Cardiff CBC;
- Merthyr Tydfil CBC;
- Rhondda Cynon Taf CBC; and
- Vale of Glamorgan CBC.

Central South Consortium covers the needs of 380 schools and approximately 149,526 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 consists of a number of different strategies:



- 1.3 Rhondda Cynon Taf County Borough Council (RCTCBC) 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, CSC is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes the arrangements for the management of risk.
- 1.5 The Annual Governance Statement of CSC aims to provide an accurate representation of the governance arrangements in place for financial year ending 31<sup>st</sup> March 2021.

## 2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 2.1 The governance framework comprises the systems, processes, and cultural values by which CSC is directed and controlled, and the activities through which it accounts to and engages with stakeholders. It enables CSC to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage the risk to a reasonable level. It cannot eliminate all risk of failure to achieve aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.
- 2.3 The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of CSC's priorities, to evaluate the likelihood and impact of those risks materialising, and to manage them efficiently, effectively, and economically.
- 2.4 CSC has responsibility for conducting, at least annually, an assessment of its governance framework including the system of internal control. The assessment is informed by the work conducted by external agencies and internal arrangements, including performance management arrangements.
- 2.5 The following paragraphs summarise the overall governance framework and the system of internal control, which has been in place for CSC for the year ended 31<sup>st</sup> March 2021 (and up to the date of approval of the 2020/21 Statement of Accounts).

**3.0 THE GOVERNANCE FRAMEWORK**

3.1 CSC has used the *Delivering Good Governance in Local Government: Framework (2016)* in compiling its Annual Governance Statement. The Framework comprises two Core Principles and five Supporting Principles:

Core principles

- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law; and
- Ensuring openness and comprehensive stakeholder engagement.

Supporting Principles

- Defining outcomes in terms of sustainable economic, social and environmental benefits;
- Determining the interventions necessary to optimise the achievement of the intended outcomes;
- Developing the entity’s capacity, including the capability of its leadership and the individuals within it;
- Managing risks and performance through robust internal control and strong public financial management; and
- Implementing good practices in transparency, reporting and audit to deliver effective accountability.

3.2 The Core Principles permeate implementation of the Supporting Principles with the need for CSC to be committed to improving governance on a continual basis through a process of evaluation and review.

3.3 CSC has applied these principles to structure its Annual Governance Statement for financial year ending 31<sup>st</sup> March 2021 and to assess the arrangements in place.

3.4 CSC 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 CSC’s legal agreement and / or are part of the governance arrangements of RCTCBC that have been adopted by CSC. Table 1 provides examples of the key systems, processes and documents in place within CSC during 2020/21.

**Table 1 - Examples of key systems, processes and documents in place within the CSC**

<b>Good Governance Principles</b>	<b>Examples of key systems, processes and documents in place within CSC</b>
Behaving with integrity, demonstrating strong commitment to ethical values	<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</li> </ul>

<p>and respecting the rule of law</p>	<p>Rules. The rules set out arrangements to be followed by elected Councillors and Officers when conducting the CSC’s business with the aim of publicly demonstrating accountability and openness.</p> <ul style="list-style-type: none"> <li>• <u>Whistle-blowing Policy</u> – promoting the highest possible standards of service and setting out how workers can bring information about a wrongdoing to the attention of CSC.</li> <li>• Anti-fraud, Bribery &amp; Corruption Strategy.</li> <li>• Gifts and hospitality Policy.</li> <li>• <u>Comments, Compliments and Complaints</u> – setting out how the Council / CSC handles and responds to the feedback (complaints, compliments and comments).</li> <li>• Officer Guide.</li> <li>• Staff Handbook.</li> </ul>
<p>Ensuring Openness and comprehensive stakeholder engagement</p>	<ul style="list-style-type: none"> <li>• Forward plans for committee meetings together with the matters to be considered, where appropriate.</li> </ul>
<p>Defining outcomes in terms of sustainable economic, social and environmental benefits</p>	<ul style="list-style-type: none"> <li>• Performance Management Framework.</li> <li>• Business Plan and Operational Delivery Plans.</li> <li>• Regular Performance Reports to Joint Committee (including Risk Register updates).</li> <li>• Risk Management Strategy.</li> <li>• Annual Revenue Budget Strategy.</li> <li>• Medium Term Financial Plan.</li> <li>• Scrutiny Committees.</li> <li>• Challenge and Review sessions with Welsh Government.</li> </ul>
<p>Determining the interventions necessary to optimise the achievement of the intended outcomes</p>	
<p>Developing the entity’s capacity, including the capability of its leadership and the individuals within it</p>	<ul style="list-style-type: none"> <li>• Business Plan</li> <li>• Staff Handbook.</li> <li>• Schemes of Delegation.</li> <li>• Self-evaluation process.</li> <li>• Regional Evaluation &amp; Improvement Session</li> </ul>
<p>Managing risks and performance through robust internal control and strong public</p>	<ul style="list-style-type: none"> <li>• Risk Management Strategy.</li> <li>• Annual Performance Report (including Risk Register updates).</li> <li>• An Internal Audit function.</li> <li>• Budget and Policy Framework Procedure Rules and Contract and Financial Procedure Rules.</li> </ul>

financial management	<ul style="list-style-type: none"> <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 CSC 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 Central South Consortium Joint Education Service Joint Committee 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 RCTCBC as the Host Authority for CSC. RCTCBC 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;
- Internal Audit (facilitated by the Regional Internal Audit Service, (RIAS)); and
- Procurement.

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

- 3.7 The Constitution of RCTCBC, which has the financial stewardship of CSC, allocates functions and responsibility within the Authority. It also regulates the behaviour of individuals (Members & Officers) and groups through codes of conduct, protocols and rules of procedure. All functions undertaken by CSC should be done so in accordance with all relevant Policies and Procedure Rules of RCTCBC.

### 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 RCTCBC's operating terms and conditions).

### 3.9 **COVID-19**

On the [18th March 2020](#), an Urgent Decision of the Leader of the RCT CBC set out the current emergency planning arrangements for COVID 19 at UK, Wales and locality levels and the potential implications for Council services when the outbreak escalates and the action the Council should take.

Decision making and governance has continued to operate in compliance with CSC's Legal Agreement. Due to social distancing, all meetings arranged under our governance arrangements have met virtually using either Microsoft Teams or Zoom video conferencing. The Senior Management Team and Senior Leadership Team have also met weekly allowing decision making to continue.

With Covid 19 likely to be prevalent for at least a further year along with social distancing requirements, we need to ensure that the governance processes of CSC continue. The Local Authorities (Coronavirus) (Meetings) (Wales) Regulations 2020 have changed the pre-existing laws to enable fully remote meetings to take place as long as those participating can hear and be heard. It also provides for the distribution and publication of all associated documents via electronic means only. As a result, the Joint Committee will continue its committee functions and, in consultation with the Chairs of the Committees, virtual meetings will continue to be held.

Also, on the 18 March 2020, the Education Minister announced the decision to bring forward the Easter break for schools in Wales. School buildings across Wales then closed for statutory provision for education from 20th March 2020. This resulted in a change of service delivery for CSC and a need to cancel or postpone many events which were scheduled to run during Spring / Summer Term 2020 and planned for the 2020/21 academic year.

The social distancing guidance has also impacted on the way staff interact with schools. Working with staff and directors across the five Local Authorities a visitor protocol was agreed. The focus throughout the autumn term was to support the wellbeing of staff and learners across the region as well as supporting schools to ensure high quality learning when learners are in school or self-isolating.

The role of CSC in supporting learning has changed since the initial repurposing of Schools in March 2020. The initial focus was on distance learning and digital skill acquisition; however, this has now moved to blended learning support.

The impact of the COVID-19 virus on CSC has been managed and reported in the risk register to reflect the challenges faced in the ongoing delivery of the school improvement service during the pandemic, with updates also reported to the Joint Committee.

#### **4.0 ASSESSING CSC'S GOVERNANCE ARRANGEMENTS**

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

- Set out a brief description of the arrangements and procedures in place together with the key outcomes CSC is aiming to achieve;
- Examine and document the main activities that have taken place around these areas, taking account of supporting evidence from CSC's internal processes and Audit Wales reports published on CSC;
- Form a view on the extent to which the activities comply with the procedures in place; and
- Make proposals for improvement, where appropriate, together with recommended timescales for implementation and responsible officers.

4.2 The assessment of CSC's governance arrangements is set out in Section 5.

#### **5.0 ASSESSMENT OF GOVERNANCE ARRANGEMENTS**

##### **5.1 PROGRESS MADE TO IMPLEMENT RECOMMENDATIONS REPORTED IN THE 2019/20 ANNUAL GOVERNANCE STATEMENT**

The 2019/20 Annual Governance Statement made 4 proposals for improvement. An update on progress was reported to Central South Consortium Joint Education Service Joint Committee on 18<sup>th</sup> March 2021 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 2021, progress had been made against the 4 proposals:

- 3 proposals for improvement have been implemented.
- 1 proposal for improvement was 'in progress' and will be completed during 2021/22 – it is considered that the part implementation status for this area does not have an adverse impact on the robustness of CSC's governance arrangements during the year

Based on the above, it is considered that overall, sufficient progress has been made during 2020/21 in the delivery of the proposals for improvement with the requirement for further work to be completed in 2021/22. 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 CSC 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>4</sup> and [Protocols](#)<sup>5</sup> that aim to ensure both elected Councillors and employees behave with integrity.
- 5.2.2 CSC has put in place procedures to be followed by the Joint Education Committee when conducting meetings and making decisions during the year to publicly demonstrate an accountable, open and honest approach. This has included considering the accuracy of 'meeting minutes'<sup>6</sup>; recording declarations of personal interest; publishing reports on RCT's website prior to meetings taking place; making decisions based on evidenced based reports; and publishing the minutes of meetings. A review of a sample of Joint Education Committee meetings during the year revealed that the above-mentioned procedures had been followed.

### CSC employees

- 5.2.3 CSC Legal Agreement outlines the role of RCTCBC as the host authority. As part of this agreement, CSC adopts the policies of RCT including an Officer Code of Conduct that has been used to create an easy to understand 'Basic

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<sup>4</sup> Rules – for example, Financial and Contract Procedure Rules

<sup>5</sup> Protocols – for example, Gifts and Hospitality Policy

<sup>6</sup> Meeting minutes – a formal and agreed record of the events that took place at each meeting.

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 CSC were provided with a local induction. In parallel, an Individual Performance Review process was in place to support the personal development of officers, this being overseen by management within the CSC and supported by the Human Resources Service within Rhondda Cynon Taf. As a result of the COVID 19 pandemic, the usual performance management processes were suspended during 2020/21 and replaced with virtual discussion and support with team members, and will be revised and reintroduced in 2021/22 informed by lessons learned over the past 12 months.

### **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 RCT’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 RCTCBC’s Audit Committee has overall responsibility for overseeing the governance arrangements in place in respect of ‘tackling potential fraud, bribery and corruption’ and ‘whistle-blowing’. Updates received by Audit Committee during the year in respect of these arrangements were:

### **Anti-Fraud, Bribery & Corruption**

- 5.2.8 On 20<sup>th</sup> July 2020, RCT Audit Committee were presented with the Anti-Fraud Annual Report 2019/20 setting out progress during 2019/20 and agreed a workplan for 2020/21 (the Annual Report was originally scheduled to be reported to the April 2020 Audit Committee; however, due to the impact of Covid-19 this meeting was cancelled). The Annual Report set out that the Council continues to operate within an effective anti-fraud culture across the organisation, with resilient preventative measures capable of identifying and addressing new threats.
- 5.2.9 In August 2020, the Council included a payslip insert to all employees providing information on how Council employees could report any suspicions regarding Anti-fraud, Bribery and Corruption.
- 5.2.10 At the [2<sup>nd</sup> November 2020 Rhondda Cynon Taf Council Audit Committee meeting](#), an Anti-fraud, Bribery and Corruption Progress Report 2020/21 was presented. This update included references / information on the specific work around financial probity in relation to the award of flooding support to businesses

and residents (i.e. Storm Dennis related) and Covid-19 business support payments, and also the inclusion of data matching for Covid-19 business support payments paid by local authorities as part of the 2020/21 National Fraud Initiative programme of work.

- 5.2.11 The Anti-Fraud Annual Report 2020/21 is scheduled to be reported to Audit Committee in July 2021.

### **Whistle-Blowing**

- 5.2.12 On 20<sup>th</sup> July 2020, the Rhondda Cynon Taf Council Audit Committee were presented with the Whistleblowing Annual Report 2019/20 that set out whistleblowing activity during this period and concluded that arrangements were appropriate (the Annual Report was originally scheduled to be reported to the April 2020 Audit Committee; however, due to the impact of Covid-19 this meeting was cancelled). The Report also recommended that although the whistleblowing Policy is reviewed regularly at an operational level and the changes that have been made since 2016 have been of a housekeeping nature (e.g. changes to job titles of posts), a complete review of the document will be undertaken and reported to Audit Committee in 2020/21 for consideration. The [1<sup>st</sup> February 2021 Audit Committee](#) meeting (that reported an update on the '2019/20 Annual Governance Statement Recommendations – Progress update') noted that the review of the Whistleblowing Policy will be reported to the April 2021 Audit Committee (at the same time as the Whistleblowing Annual Report for 2020/21).
- 5.2.13 On the 26<sup>th</sup> April 2021, the Rhondda Cynon Taf Council Audit Committee were presented with the Whistleblowing Annual Report for 2020/21 (with the report concluding that the Council's whistleblowing arrangements were appropriate) and an updated Whistleblowing Policy and Procedure. Both documents were approved by Audit Committee.
- 5.2.14 Gifts and Hospitality Policy – CSC aligns to the RCT Gifts and Hospitality Policy with arrangements in place, via registers, to record gifts and hospitality in line with the Policy.

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

- 5.2.15 Ethical Values: CSC employees - CSC has described what excellent behaviour looks like for each type of job, for example, '*always treat people with respect*', and this information is used to test candidates suitability for jobs at interview and is used to inform discussions managers have with their staff as part of their development.
- 5.2.16 **The Council's supply chains**

The Council plays a significant role in the utilisation of national framework contracts as well as local contractual arrangements, and is responsible for ensuring that its business is conducted in accordance with the law, applies high ethical values, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council's Contract Procedure Rules provides the framework to achieve this and the 'Procurement Policy – Social Responsibility' aligns with the three key initiatives issued by Welsh Government, namely Community Benefits; Code of Practice Ethical Employment in Supply Chains; and Opening Doors: the Charter for SME Friendly Procurement.

<https://www.rctcbc.gov.uk/EN/Council/CouncillorsCommitteesandMeetings/DelegatedDecisions/RelatedDocuments/Decisions/2019to2020/ProcurementPolicySocialResponsibility.pdf>

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

- 5.2.17 The Managing Director position leads CSC's officers and chairs the Senior Management Team.

## **5.3 ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT**

### **Openness**

- 5.3.1 Members of Central South Consortium Joint Education Service Joint 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**

- 5.3.2 The General Data Protection Regulation (GDPR) came into force on the 25<sup>th</sup> May 2018. CSC took steps during 2018/19 to demonstrate accountability and transparency when handling and processing personal and sensitive information that it holds in respect of individuals. These arrangements were maintained during 2020/21 by:
- Formally recording the lawful basis upon which data / information is processed within suites of documents called Data Protection Registers; and
  - Establishing 'Privacy Notices' that are available on CSC's website setting out how it intends to use information and how it will deliver its services and statutory responsibilities.

An internal group developed relevant policy papers and refined processes and procedures to ensure GDPR compliance, working closely with the RCTCBC Information Management team.

It is considered that the publication of this information continues to support CSC in complying with the GDPR and demonstrates openness and transparency when dealing with its customers.

### **Freedom of Information**

- 5.3.3 CSC operated a Freedom of Information (FOI) Act 2000 publication scheme in accordance with legislative requirements. FOI updates are provided to Joint Committee on an annual basis and during 2020/21 four FOI requests were received and were responded to within 20 working days. This information is scheduled to be reported to the Joint Committee on 27<sup>th</sup> May 2021.

### **Planning ahead**

- 5.3.4 CSC consulted with stakeholders on its vision and priorities for 2020/21 and set these out in a document called 'Business Plan 2020/21'; this Plan was agreed by Joint Education Committee on 19<sup>th</sup> March 2020. During 2020/21, the Joint Committee has received business plan priority updates as self-standing agenda items and a review of business plan progress is reported annually (the latest review, relating to 2020/21, was reported to Joint Committee on 18<sup>th</sup> March 2021). Based on the updates provided, it is considered that appropriate and regular information is made available to the Joint Committee to review and challenge performance and hold Management of CSC to account.

Looking ahead, it is likely that there will be uncertainty on future year resource levels provided by the UK Government to Welsh Government due to, amongst other things, the impact of COVID-19. CSC has been provided within an indicative budget across a 3-year time horizon (2020/21 to 2022/23), agreed by the Joint Committee on 21<sup>st</sup> January 2020, that will help to frame medium term service planning and re-modelling options.

### **Openness – Forward work programmes**

- 5.3.5 CSC has in place a forward work plan of Committee meetings together with the matters to be considered and at the 15<sup>th</sup> June 2020 Joint Committee meeting agreed and published a calendar of meetings for the 2020/21 municipal year.

### **Decision making and scrutiny of decisions made**

- 5.3.6 During the year, Central South Consortium Joint Education Service Joint Committee made key decisions, for example, reviewing and agreeing CSC Business Plan, Core Revenue Budget and Annual Governance Statement.

The Central South Consortium Joint Education Service Joint Committee is one of the main decision making bodies within CSC and throughout 2020/21 received 20 reports, 17 of which were made publicly available prior to the meetings and 3 were excluded from the press / public on the grounds that the items of business involved the likely disclosure of exempt information.

Key decisions were also taken by the Directors of Education from each of the local authorities at the Director Steering Group meetings.

Based on the above information it is considered that the decision-making arrangements that operated during 2020/21 were open and transparent, and compliant with CSC's Legal Agreement.

Finally, a review of a sample of Joint Education Committee Reports for 2020/21 has confirmed that a consistent format was used.

### **Engagement with stakeholders**

5.3.7 The arrangements for engagement with stakeholders were as follows:

- **The Advisory Board** - The purpose of the Advisory Board is to support the Managing Director in ensuring that the strategies of CSC align themselves with the needs of all Parties to raise educational standards.

The membership, decision making process, meetings and the terms of reference for the Advisory Board are documented within Schedule 2 of the Legal Agreement. For 2020/21, an Advisory Board meeting was not convened due to a review of the CSC's governance structure being undertaken. During this period, the strategic direction of the CSC was directed by the Chief Executives and Directors of Education of the 5 constituent local authorities alongside Senior Management of the CSC. Joint Committee approved a revised governance structure for CSC including the removal of the Advisory Board from the governance of CSC in a meeting on the 16<sup>th</sup> December 2020

- **Directors' Steering Group** – The Directors' Steering Group comprises the Directors of Education from each of the five local authorities that make up the CSC. This group is responsible for delegated decision making on behalf of each local authority.

The membership, decision making process, meetings and the terms of reference for the Director's Steering Group are documented within Schedule 2 of the Legal Agreement.

A revised governance structure was agreed by Joint Committee on the 16<sup>th</sup> December 2020 and a CSC Management Board established. This board will come into effect during 2021/22.

- **Senior Leadership Group** - The Group comprises the senior management team of the CSC as well as Principal Improvement Partners 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 Joint Education Committee comprises of one elected Member from each Council and one officer representative with responsibility for Education from each Council.

The Joint Education Committee has the powers of each Council with reference to the provision of a Joint Education Service and its performance as set out in the Legal Agreement and guided by the Welsh Government's 'National Model for Regional working'.

The purpose of the Joint Education Committee is to be responsible for the decision making, approval of the business plan, monitoring and accountability and financial reporting of the CSC arrangements in line with its own business plan.

The membership, decision making process, meetings and the terms of reference for the Joint Education Committee are documented within Schedule 4 of the Legal Agreement. Revised terms of reference for the Joint Education Committee was approved by Members on 18<sup>th</sup> March 2021.

- 5.3.8 There were a broad range of communication methods on offer to encourage stakeholders to express their views during 2020/21; this included social media, focus group discussions with regional stakeholder groups. However due to the COVID 19 pandemic, a decision was taken to suspend the Annual Survey.

5.3.9 **Proposal for Improvement**

- Implement the revised governance structure agreed by Joint Committee
- Review the Legal Agreement against the revised governance structure

- Develop a monitoring and reporting principles document and share with governance groups for agreement. This will provide an annual cycle of reporting and reduce the ad hoc reporting requests throughout the year.
- Produce an annual forward planner for all governance meetings
- Revise the Communications Strategy and share with stakeholder groups. Establish a working party to review the communications requirements of schools.
- Relaunch the annual survey with schools.

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

### **Defining outcomes**

- 5.4.1 CSC's 'Business Plan 2020-2021' was approved by the Joint Education Committee on the 21<sup>st</sup> January 2020 and identified five overarching improvement priorities:-
- Develop a high-quality education profession;
  - Develop inspirational leaders to facilitate working collaboratively to raise standards;
  - Develop strong and inclusive schools committed to wellbeing, equity and excellence;
  - Develop robust assessment, evaluation and accountability arrangements supporting self-improving systems; and
  - Improve the effectiveness and efficiency of CSC.
- 5.4.2 CSC's Revenue Budget for the 2020/21 financial year was approved at the 21<sup>st</sup> January 2020 Joint Committee meeting, aligning resources to 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, detailing outcome aims, the actions to be delivered with timescales for delivery and performance indicators.
- 5.4.4 A review of performance indicator targets included within the Business Plan identified that there is a clear ambition for the CSC to improve in its priority areas.
- 5.4.5 Throughout 2020/21 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. This has included preparation for Curriculum Reform.



- 5.4.6 Progress with the Business Plan has also been monitored by Welsh Government as part of Regional Challenge and Review Meetings, including a meeting with the Minister on 19<sup>th</sup> January 2021. For 2020/21 98% of CSC's Business Plan was funded from Welsh Government Awards of Funding.

### **Proposal for Improvement**

- 5.4.7 Further develop the Medium-Term Financial Plan during 2021/22 regarding the needs of schools following the COVID 19 pandemic. This will ensure resources are allocated / categorised over Business Plan priorities and emerging needs of schools. CSC will be able to demonstrate or otherwise the prioritisation of resources and set out service options in line with indicative funding allocations agreed by Joint Committee.

Review the office accommodation requirements of CSC following the adaptations made to working arrangements due to the COVID 19 pandemic.

## **5.5 DETERMINING THE INTERVENTIONS NECESSARY TO OPTIMISE THE ACHIEVEMENT OF THE INTENDED OUTCOMES**

### **Determining and planning interventions**

- 5.5.1 CSC's Legal Agreement lays down the key requirements to be followed when setting its priorities, reporting the extent of progress made in priority areas and also the financial planning and management arrangements that support this. These include the requirement to:

- Agree the draft School Improvement Service annual revenue budget by the 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 2020/21 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 updates on financial performance; progress against Business Plan priorities; and strategic risks were reported to Joint Committee meetings. In addition, the information reported also highlighted and explained exceptions and noted where corrective action would be taken.

- 5.5.3 Based on the above, it is considered that the information published during the year would provide opportunity for stakeholders to understand CSC's performance and hold it to account.

### **Optimising achievement of intended outcomes**

- 5.5.4 CSC's Business Plan set out how the agreed 3% reduction in core funding would be delivered and managed during 2020/21.
- 5.5.5 With this context in mind, CSC took steps to plan the allocation of resources and put in place arrangements to maximise its impact.

### **Maximising impact**

- 5.5.6 Due to the COVID-19 pandemic in 2020, Welsh Government announced that they would not expect data returns for all statutory data collections that would have been due to take place after March 2020 and before the school summer holidays in 2020. These collections include:
- Attendance: Primary 2020 data collection;
  - Attendance: Secondary 2020 data collection;
  - National Data Collections (NDC) 2020 data collection; and
  - Welsh National Test (WNT) 2020 data collection.
- 5.5.7 Pupil Level Annual School Census (PLASC) 2020 and Educated Other Than at School (EOTAS) 2020 data collections took place, with Data Exchange Wales initiative (DEWi) closing for data submissions on the 20th March 2020. Analysis of this information has been published by Welsh Government (WG) noting that not all validation processes were completed on this data set and data based on pupil and staff characteristics must be treated with caution and should not be compared to data from previous years for the purpose of comparing trends.
- 5.5.8 WG confirmed on the 7th July 2020 that the Statistical Releases for NDC Core, NDC non-core, WNT, Attendance Primary and Attendance Secondary were suspended for reporting on data from 2019/20. In addition, the Statistical releases related to "EOTAS", "Exclusions in Schools", "Attainment by eligible for Free School Meals (eFSM)/ not eligible for Free School Meals (nFSM) (Foundation Phase (FP)-Key Stage 3 (KS3))" and "Absenteeism by pupil characteristics" were also suspended for 2019/20 data.
- 5.5.9 The Minister for Education confirmed on the 3rd July 2020 that WG would not be publishing performance measures related to the 2020 summer examinations series, which covers all school and post-16 performance measures for the 2019/20 academic year. In addition, given the clear implications that there will be ongoing disruption for qualifications awarded next year, WG have suspended

Key Stage 4 and legacy sixth form performance measures for 2020/21 academic year also.

- 5.5.10 The Statistical bulletins for GCSE and A Level results will continue to be published for 2019/20 but will not contain Key Stage 4 or legacy sixth form performance measures and will only include National level data with different content to previous releases of these bulletins.
- 5.5.11 The publication of performance data on My Local School is also suspended, with the publication of the national categorisation also being suspended for 2020/21 on this website due to the processes not being held for Academic Year 2020/21.
- 5.5.12 Therefore, for 2019/20 there are no publicly available performance measures at School, Local Authority or Regional Consortia level that can be included in this report.
- 5.5.13 The individual Local Authority scrutiny committees have provided review and challenge during the year, through their own work programme arrangements.

## 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 CSC aims to ensure that staff have the skills, knowledge and capacity they need to discharge their responsibilities and recognises the value of well-trained and competent people in effective service delivery.
- 5.6.2 The Self Evaluation processes within CSC ensure a rigorous assessment of the 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.
- 5.6.3 Effectively managing the workforce – CSC has consistently become more efficient on a year-on-year basis, driven by both proactive and prudent management and also on-going reductions in funding, and at the same time:
- Supported an overall direction of travel of improved performance results in priority areas.
  - Continued to operate a system of agile working arrangements that has taken advantage of digital technology to help CSC to work in new and different ways to meet school needs, reduce costs, support staff productivity and help contribute to a healthy work / life balance for employees. During 2019/20 CSC also maximised the use of space within the Valleys Innovation Centre by downsizing to occupy one area of the

building and in parallel introduced the use of Office 365 and Hwb<sup>7</sup> to further improve digital competence of the workforce. During 2020/21 all staff moved to agile working arrangements in line with the Council's strategy during the COVID 19 pandemic.

- Aligned the on-going modernisation of its arrangements to RCTCBC's Digital Strategy.

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

The CSC 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**

- 5.7.1 No specific training was provided to Members of the Joint Committee during 2020/21 due to the COVID 19 pandemic.

### **Developing the capabilities of employees**

- 5.7.2 CSC is 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 Lead Creative Schools, Schools as Learning Organisations and Initial Teacher Education. Staff development has been supported through induction sessions, RCT Manager Briefings and a range of relevant leadership training such as SLII (situational leadership), the ALN Bill and Wellbeing.

### **Proposal for Improvement**

- 5.7.3 Undertake a training programme with Members in the local authorities on the requirements of the 'Draft School Improvement, Accountability and Evaluation Guidance'.

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

### **Managing risk**

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<sup>7</sup> Hwb – digital platform for learning and teaching in Wales

- 5.8.1 During 2020/21 CSC continued with the termly updating of its risk change template in line with its business plan monitoring and risk policies.
- 5.8.2 This risk change template is updated by all risk owners and then presented for review by the Senior Leadership Team. Following agreement of the SLT, proposals are presented to Directors for consideration and then to Joint Committee meetings for final review and acceptance. During the autumn term the risk change template was presented to Directors on the 16 December 2020. Once this process is completed the risk register is finalised.
- 5.8.3 New risks were incorporated into the register during the year. For example, the risks associated with the COVID 19 pandemic and Curriculum for Wales. This has been incorporated into the Risk Register, with accompany actions to address, and will be reported and monitored by the Joint Committee.
- 5.8.4 **Proposal for Improvement**
- Review risk management strategies and present proposals to governance groups for consideration.

### **Managing performance**

- 5.8.5 The 'Determining and planning interventions' section (5.5.1) of this Annual Governance Statement provides an overview of CSC's Performance Management arrangements. Performance at strategic level is driven and measured through CSC's drive teams. Five drive teams have been established to ensure the effective delivery and impact of the priority plans aligned to the 2020/21 CSC business plan.

### **Robust internal control**

- 5.8.6 The membership and meeting frequency of CSC's Joint Education Committee during 2020/21 was in line with the CSC's Legal Agreement.

### **Internal Audit**

- 5.8.7 The Head of Regional Internal Audit Service is scheduled to present the Internal Audit Annual Report 2020/21, based on the work of Internal Audit during the year, to the Council's Audit Committee in July 2021. The work undertaken by Internal Audit in respect of the CSC during the year is set out at paragraph 5.8.16.

### **Managing data**

- 5.8.8 An Information Management Plan is in place in RCTCBC that sets out the framework, including legal requirements, for information management within

the CSC. This work has been reviewed to ensure compliance with new GDPR regulations.

5.8.9 A review of arrangements in place during 2020/21 identified that they were in line with laid down requirements because:

- Key responsibilities were formally designated within CSC: CSC's designated Senior Information Management Risk Officer (SIRO) was the Managing Director, there was an Information Management & Data Protection Act Officer within the host authority who reports to the Service Director – ICT and Digital Services;
- An Information Management Board was in operation in RCTCBC, Chaired by the SIRO, with the Board being supported by an Information Management Working Group;
- Information was available on the RCTCBC website in respect of Data Protection and Freedom of Information, and had in place a Publication Scheme (which has been adopted by CSC) in accordance with the Council's responsibilities under the Freedom of Information Act 2000; and
- The Host Authority has a Public Sector Network (PSN) plan in place to meet the end of year timeframe for renewal 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.

### **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 CSC. The following areas of business are documented in the Legal Agreement

- General Principles
- Contributions and charging mechanisms;
- Payment arrangements;
- Budgetary control & monitoring;
- Capital Expenditure & long term contracts;
- Annual Accounts & Audit; and
- Financial insolvency.

5.8.11 The Legal Agreement requires the Joint Education Committee to hold at least termly meetings throughout the year. Standard agenda items include a report from the Treasurer.

- 5.8.12 RCTCBC's Financial Procedure Rules provide guidance in relation to all financial matters. The CSC 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 Audit Wales<sup>8</sup> audits CSC's annual statement of accounts and the outcome from the audit being reported to the Joint Committee.
- 5.8.14 CSC's financial and operational performance is monitored and scrutinised by the Joint Education Committee

The Joint Education Committee receives reports from:

- The Treasurer;
- The Managing Director; and
- Officers, relevant to the operations and governance of the organisation.

- 5.8.15 During 2020/21 the role of the Chief Financial Officer at RCTCBC was compliant with the principles of the CIPFA Statement – Role of the Chief Financial Officer in Local Government 2010.

**Internal Audit**

- 5.8.16 During 2020/21 the Regional Internal Audit Service reviewed one core financial system (i.e. the General Ledger) 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. This was reported to the Joint Committee meeting held on 18 March 2021.

**External Audit**

- 5.8.17 The latest audited statement of accounts (i.e. for the 2019/20 financial year) received an unqualified audit report (i.e. clean bill of health) and were approved at the meeting of the Joint Education Committee on 14<sup>th</sup> September 2020.
- 5.8.18 CSC has continued to publicly demonstrate 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:

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<sup>8</sup> Audit Wales – previously the Wales Audit Office

- CSC has adopted a suite of protocols supporting strong financial planning and management, for example, 'Financial Procedure Rules' and 'Contract Procedure Rules', that were complied with during the year;
- CSC set a Gross Revenue Budget in December 2019 for the financial year 2020/21 of £3,623,427, representing a reduction of 3% compared to the previous year. Financial performance results were publicly reported every term during the year and scrutinised by the Joint Education Committee. The final outturn position, subject to Joint Committee approval at the May 2021 meeting, demonstrates the delivery of a balanced budget for the 2020/21 financial year after setting aside specific earmark reserves to support the completion of activities that have been delayed as a result of COVID 19.
- CSC is financially stable with General Reserve balances increasing slightly from £138k to £147k (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 Audit Wales (previously Wales Audit Office).

5.8.19 The latest Audit Wales report 'Audit of Financial Statements Report and Management Letter' reported to Joint Education Committee on 14th September 2020 concluded that the accounting statements and related notes:

- *Give a true and fair view of the financial position of the Central South CSC Joint Education Service as at 31 March 2020; and*
- *Have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20.*

5.8.20 The 14<sup>th</sup> September 2020 Audit Wales report made 1 recommendation to be addressed by CSC and the Host Authority which has been accepted and implemented.

## 5.9 **IMPLEMENTING GOOD PRACTICES IN TRANSPARENCY, REPORTING, AND AUDIT TO DELIVER EFFECTIVE ACCOUNTABILITY**

### **Implementing good practice in transparency and reporting**

5.9.1 CSC has implemented an open and consistent approach to reporting its business, as set out in sections 5.4 and 5.5 of this Annual Governance Statement, with the aim of helping to ensure information is understandable to stakeholders and that they have the opportunity to challenge CSC'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 2019/20 reported and approved by Joint Education Committee on 14<sup>th</sup> September 2020 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 several occasions were noted where updates were delivered via presentations, for example, using slides.

## 6. **OVERALL ASSESSMENT OF THE CONSORTIUM'S ARRANGEMENTS**

- 6.1 Based on the assessment undertaken, the delivery of the CSC's governance arrangements have been revised, in light of the Covid-19 pandemic, and have remained effective as evidenced through the comprehensive and timely updates provided to virtual Joint Committee meetings during the year; on-going compliance with the requirements of the Legal Agreement; robust financial planning and management arrangements; and tailored provision to schools, in line with Welsh Government guidance, to ensure schools have been supported throughout the pandemic and with their plans for recovery.
- 6.2 Notwithstanding this overall position, the assessment has identified areas where improvements are deemed necessary to further reinforce the effectiveness of the CSC's current arrangements. These are set out in Section 7.
- 6.3 Looking ahead, the robust governance arrangements in place within the CSC, together with implementing the proposals for improvement set out in Section 7, will be critical in supporting the organisation to re-model itself and also continue to provide an effective school improvement service during the recovery period from COVID 19.

## PROPOSALS FOR IMPROVEMENT

7.1 Further to completing the assessment of the CSC's governance arrangements, Table 1 sets out proposals for improvement.

Core Principle / Area	Paragraph No.	Issue Identified	Proposal for Improvement	Timescale for Implementation	Responsible Officer
Ensuring Openness and comprehensive stakeholder engagement	5.3.9	Revised Governance Framework for CSC	<ul style="list-style-type: none"> <li>Implement the revised governance structure agreed by Joint Committee</li> </ul>	July 2021	Managing Director
			<ul style="list-style-type: none"> <li>Review the Legal Agreement against the revised governance structure</li> </ul>	September 2021	Deputy Managing Director / RCT Legal Team
		Monitoring and Reporting	<ul style="list-style-type: none"> <li>Develop a monitoring and reporting principles document and share with governance groups for agreement.</li> </ul>	July 2021	Deputy Managing Director
			<ul style="list-style-type: none"> <li>Produce an annual forward planner for all governance meetings</li> </ul>		
		Communications with stakeholders	<ul style="list-style-type: none"> <li>Revise the Communications Strategy and share with stakeholder groups. Establish a working party to review the communications requirements of schools.</li> </ul>	September 2021	Communications Manager
			<ul style="list-style-type: none"> <li>Relaunch the annual survey with schools.</li> </ul>	November 2021	Assistant Director

<b>Defining outcomes in terms of sustainable economic, social and environmental benefits</b>	5.4.7	Financial Planning	<ul style="list-style-type: none"> <li>Further develop the Medium-Term Financial Plan during 2021/22</li> </ul>	July 2021	Deputy Managing Director
			<ul style="list-style-type: none"> <li>Review the office accommodation requirements of CSC following the adaptations made to working arrangements due to the COVID 19 pandemic</li> </ul>	September 2021	Managing Director
	5.7.3	Professional Learning	Undertake a training programme with Members in the local authorities on the requirements of the 'Draft School Improvement, Accountability and Evaluation Guidance'	December 2021	Managing Director
	5.8.4	Risk Management	<ul style="list-style-type: none"> <li>Review risk management strategies and present proposals to governance groups for consideration</li> </ul>	September 2021	Deputy Managing Director

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7.2 The CSC's Senior Management Team has accepted the proposals for improvement and is committed to their implementation during 2021/22. The Senior Management Team has also confirmed that an update on progress will be reported to the Central South Consortium Joint Education Service Joint Committee during the year to enable Members to review and scrutinise the extent of progress being made.

Managing Director:  Section 151 Officer: 

Chair, Joint Education Committee: 

## APPENDIX A

## PROPOSALS FOR IMPROVEMENT 2019/20 – POSITION STATEMENT

Core Principle / Area	Paragraph No.	Issue Identified	Proposal for Improvement	Timescale for Implementation	Responsible Officer	Progress
Ensuring openness and engagement	5.3.12	Build on the work of the independent review of the CSC during 2019/20 to further support decision making arrangements (carry forward from work undertaken during 2019/20)	Finalise the review of the overall governance structure for the CSC to ensure increased engagement in the decision making process from Headteachers across the region in line with the requirements of the revised National Model for Regional Working when published and the recommendations from Joint Committee following the ISOS review	March 2021	Managing Director	<p><b>Completed</b></p> <p>Initial Proposals presented to Chief Executives &amp; Directors in August 2020.</p> <p>Formal presentation of proposals to Directors October 2020 and recommendations approved by Joint Committee December 2020</p>
Defining Outcomes	5.4.6	Further develop Medium Term Service and Financial Planning	Ensure resources are allocated / categorised over Business Plan priorities to demonstrate or otherwise the prioritisation of resources and set out	March 2021	Deputy Managing Director	<b>Completed for core budget</b>

			service options in line with indicative funding allocations agreed by Joint Committee.			Three-year funding model agreed with Joint Committee
leadership and other individuals	5.7.4	Consortia as a Learning Organisation	Build on the programme of training and support using the information gathered from the Consortia as a Learning Organisation to drive improvement areas and support distributed leadership and ownership of professional learning (taking into account new support requirements / delivery modules as a result of COVID-19).	March 2021	Deputy Managing Director	<b>Completed</b>  Annual programme of professional learning for all staff developed.
Managing Risk	5.8.9	Improve reporting framework for performance and information management systems  (carry forward from work	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	March 2021	Deputy Managing Director	<b>In progress</b>  SIRO schedule for 2021/22 to be agreed with RCT.

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		<p>undertaken during 2019/20)</p>	<p>Committee. This would include:</p> <ul style="list-style-type: none"> <li>• SIRO schedule should be agreed with RCT CBC;</li> <li>• Update all General Data Protection registers;</li> <li>• Update the Information Sharing Protocols; and</li> <li>• Update all related data retention policies.</li> </ul>			<p>Complete updates on Information Sharing Protocols and GDPR Registers</p> <p>RCT confirmed continuation of support for DPR, Privacy Notices and ISP reviews.</p>
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## **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 2021 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 2020/21 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 2021 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 2020/21.

#### **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 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 2020/21;
- 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 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 Joint Committee and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Governance Statement.

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

- 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 10 and 11, 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 Joint Committee'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**  
**XX July 2021**

**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.

**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.

**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).

**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.

**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.

## LANGUAGE PREFERENCE

Please indicate how you would like us to communicate with you during the audit. Note that audit notices will be issued bilingually.

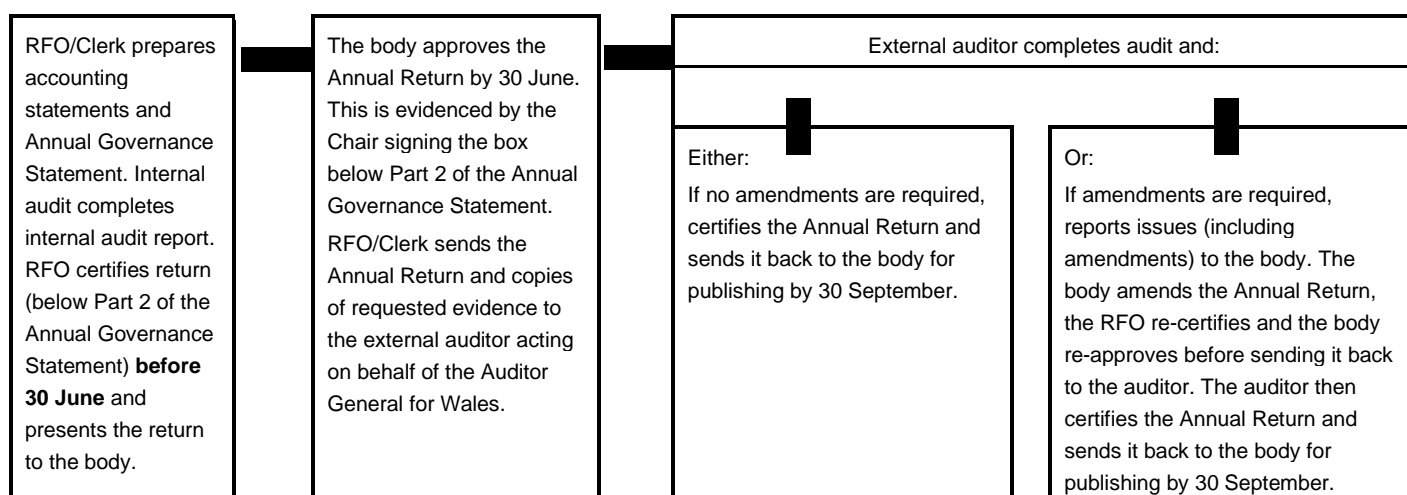
	Yes	No		Yes	No		Yes	No
ENGLISH	<input checked="" type="radio"/>	<input type="radio"/>	WELSH	<input type="radio"/>	<input type="radio"/>	BILINGUALLY	<input type="radio"/>	<input type="radio"/>

## THE ACCOUNTS AND AUDIT PROCESS

Section 12 of the Public Audit (Wales) Act 2004 requires local government bodies in Wales (including joint committees) 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 pink**.

### APPROVING THE ANNUAL RETURN

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.

If it is unable to complete the approval process by 30 June 2021 or publish the audited return by 30 September, the Committee must publish notices as required by the Regulations.

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 2020-21 for:

Name of body: Llywdcoed Crematorium Joint Committee

	Year ending		Notes and guidance for compilers
	31 March 2020 (£)	31 March 2021 (£)	Please round all figures to nearest £. Do not leave any boxes blank and report £0 or nil balances. All figures must agree to the underlying financial records for the relevant year.
<b>Statement of income and expenditure/receipts and payments</b>			
1. Balances brought forward	2,206,268	1,086,552	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	1,161,498	1,460,440	Total income or receipts recorded in the cashbook minus amounts included in line 2. Includes support, discretionary and revenue grants.
4. (-) Staff costs	-249,116	-234,339	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	-2,032,098	-834,871	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	1,086,552	1,477,782	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	88,315	132,740	<b>Income and expenditure accounts only:</b> Enter the value of debts owed to the body.
9. (+) Total cash and investments	1,001,848	1,518,625	<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	-3,611	-173,583	<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	1,086,552	1,477,782	<b>Total balances should equal line 7 above:</b> Enter the total of (8+9-10).
12. Total fixed assets and long-term assets	1,880,563	1,774,201	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 (Part 1)

We acknowledge as the members of the 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 2021, 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="radio"/>	<input type="radio"/>	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="radio"/>	<input type="radio"/>	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="radio"/>	<input type="radio"/>	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="radio"/>	<input type="radio"/>	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 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="radio"/>	<input type="radio"/>	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="radio"/>	<input type="radio"/>	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 Committee and, where appropriate, have included them on the accounting statements.</p>	<input checked="" type="radio"/>	<input type="radio"/>	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="radio"/>	<input type="radio"/>	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.

## Committee approval and certification

The Committee is responsible for the preparation of the accounting statements and the annual governance statement in accordance with the requirements of the Public Audit (Wales) Act 2004 (the Act) and the Accounts and Audit (Wales) Regulations 2014.

<p><b>Certification by the RFO</b></p> <p>I certify that the accounting statements contained in this Annual Return present fairly the financial position of the Committee, and its income and expenditure, or properly present receipts and payments, as the case may be, for the year ended 31 March 2021.</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 Committee under minute reference:</p> <p><b>Minute ref 7: Llwydcoed Crematorium Joint Committee meeting 18/06/21</b></p>
<p>RFO signature: </p>	<p>Chair of meeting signature: </p>
<p><b>Name:</b> Barrie Davies</p>	<p><b>Name:</b> David Isaac</p>
<p><b>Date:</b> 28<sup>TH</sup> May 2021</p>	<p><b>Date:</b> 8<sup>th</sup> June 2021</p>

## Committee re-approval and re-certification (only required if the annual return has been amended at audit)

<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 <b>Committee</b>, and its income and expenditure, or properly presents receipts and payments, as the case may be, for the year ended 31 March 2020.</p>	<p><b>Approval by the Committee</b></p> <p>I confirm that these accounting statements and Annual Governance Statement were approved by the <b>Committee</b> under minute reference:</p> <p style="text-align: center;">Insert minute reference and date of meeting</p>
<p><b>RFO signature:</b> signature required</p>	<p><b>Chair of meeting signature:</b> signature required</p>
<p><b>Name:</b> name required</p>	<p><b>Name:</b> name required</p>
<p><b>Date:</b> dd/mm/yyyy</p>	<p><b>Date:</b> dd/mm/yyyy</p>



## Auditor General for Wales' Audit Certificate and report

I report in respect of my audit of the accounts under section 13 of the Act, whether any matters that come to my attention give cause for concern that relevant legislation and regulatory requirements have not been met. My audit has been conducted in accordance with guidance issued by the Auditor General for Wales.

I certify that I have completed the audit of the Annual Return for the year ended 31 March 2021 of:

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### Auditor General's report

#### Audit opinion

[Except for the matters reported below]\* On the basis of my review, in my opinion no matters have come to my attention giving cause for concern that in any material respect, the information reported in this Annual Return:

#### Other matters arising and recommendations

I draw the Committee's attention to the following matters and recommendations which do not affect my audit opinion but should be addressed by the body. / There are no further matters or recommendations that I wish to draw to the Committee's attention.\*

External auditor's name:	
External auditor's signature:	Date:

<b>For and on behalf of the Auditor General for Wales</b>	
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\* Delete as appropriate.

## Annual internal audit report to:

Name of body: Llwydcoed Crematorium Joint Committee

The 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 2021.

The internal audit has been carried out in accordance with the Committee's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and the internal audit conclusions on whether, in all significant respects, the following control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of the 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="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	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="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	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="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	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="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	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="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	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="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	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="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	Central function administered by Council's payroll service
8. Asset and investment registers were complete, accurate, and properly maintained.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	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**	
					Outline of work undertaken as part of the internal audit (NB not required if detailed internal audit report presented to body)
9. Periodic and year-end bank account reconciliations were properly carried out.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	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="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	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="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text
12. Insert risk area	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text
13. Insert risk area	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	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.

### 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 2019-20 and 2020-21. 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: 28.05.21

## 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.
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 2020) equals the balance brought forward in the current year (line 1 of 2021). Explain any differences between the 2020 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. 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. **You must send to the external auditor, information to support the assertions made in the Annual Governance Statement.** Your auditor will tell you what information you need to provide. Please read the audit notice carefully to ensure you include all the information the auditor has asked for. You should send **copies** of the original records 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
<b>Accounts</b>	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 2021 agree to Line 9?	✓	
<b>Approval</b>	Has the RFO certified the accounting statements and Annual Governance Statement (Regulation 15 (1)) no later than 30 June 2021?	✓	
	Has the body approved the accounting statements before 30 June 2021 and has Section 3 been signed and dated by the person presiding at the meeting at which approval was given?		✓
<b>All sections</b>	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
<b>Accounts</b>	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 2021/22

<b>GOVERNANCE AND AUDIT COMMITTEE</b>  <b>12<sup>th</sup> JULY 2021</b>	<b>AGENDA ITEM NO. 7</b>
<b>REPORT OF THE DIRECTOR OF FINANCE AND DIGITAL SERVICES</b>	<b>DRAFT ANNUAL GOVERNANCE STATEMENT 2020/21 – RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL</b>

Author: Paul Griffiths (Service Director – Finance & Improvement Services)

#### **1. PURPOSE OF THE REPORT**

- 1.1 The purpose of this report is to provide Members with the Council's draft Annual Governance Statement for the 2020/21 financial year.

#### **2. RECOMMENDATIONS**

In order for Audit Committee to discharge the duties as outlined in Section B<sup>1</sup> of its Terms of Reference, it is recommended that Members:

- 2.1 Critically review the Annual Governance Statement (**Appendix 1**), suggest any material amendments and recommend its certification by the Leader of the Council and the Chief Executive for inclusion within the Council's 2020/21 draft certified Statement of Accounts.
- 2.2 In the event that reports from relevant External Inspectors be provided to the Council before the Statement of Accounts are approved, authorise the Director of Finance and Digital Services to include reference within the Annual Governance Statement.

#### **3. REASON FOR RECOMMENDATIONS**

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<sup>1</sup> Audit Committee Terms of Reference (Section B) - *To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account Internal Audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.*

- 3.1 To ensure the Council's Annual Governance Statement is reviewed and approved for inclusion within the draft statement of accounts.

#### **4. BACKGROUND**

- 4.1 Section 3.7 of the 'CIPFA / LASAAC<sup>2</sup> Code of Practice on Local Authority Accounting in the United Kingdom' states:

*'The Accounts and Audit (Wales) Regulations 2018 (regulation 5) requires 'an authority to conduct a review at least once a year of the effectiveness of its system of internal control and include a statement reporting on the review within any published Statement of Accounts'.*

*The preparation and publication of an Annual Governance Statement in accordance with 'Delivering Good Governance in Local Government: Framework (2016)' would fulfil the statutory requirements across the United Kingdom for a local authority to conduct a review at least once in each financial year of the effectiveness of its system of internal control and to include a statement reporting on the review in its Statement of Accounts'.*

#### **Delivering Good Governance in Local Government: Framework 2016**

- 4.2 The main principle underpinning the Framework is that local government is continuing to develop and shape its own approach to governance, taking account of the environment in which it operates. It intends to assist authorities in reviewing their own arrangements and to do this has defined Core Principles, Supporting Principles and Sub-Principles that should underpin governance arrangements.
- 4.3 The framework recommends that Annual Government Statements do not need to describe in detail the authority's governance arrangements but should provide a review of their effectiveness in supporting planned outcomes. As such the framework positions the attainment of sustainable economic, societal and environmental outcomes as a key focus of governance processes and structures.
- 4.4 In addition to the above, CIPFA has published Bulletin 06 – 'Application of the Good Governance Framework 2020/21' in respect of conducting the review of the Council's governance arrangements for the 2020/21 financial year. This provides guidance on the impact of the continuing Covid-19 pandemic on governance in local government bodies and also the CIPFA Financial Management Code 2019, both of which should form part of local authorities' review of governance arrangements for the period April 2020 to March 2021.
- 4.5 The Annual Government Statement should be signed by the leading member and chief executive on behalf of the authority, be approved at a meeting of the

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<sup>2</sup> CIPFA / LASAAC – the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC)

authority and be included within the Statement of Accounts and Annual Report (either in full or summary form) of the authority.

## **5. DRAFT ANNUAL GOVERNANCE STATEMENT 2020/21**

- 5.1 The Council's draft Annual Governance Statement 2020/21 is set out at Appendix 1 and has been compiled in accordance with 'Delivering Good Governance in Local Government: Framework (2016)' and the CIPFA Bulletin 06.
- 5.2 The compilation of the draft Annual Governance Statement has entailed reviewing the activities in place around the Council's main governance arrangements, discussing governance arrangements with senior officers across services on a virtual / remote basis and taking account of the findings from a range of existing reports. The review has also given key regard to the impact of the coronavirus pandemic and Storm Dennis.
- 5.3 Based on the review undertaken, it is concluded that the Council's governance arrangements provided the basis to effectively manage service delivery, Corporate Plan priority areas and resources during an unprecedented period as a result of the Covid-19 pandemic. This overall conclusion, set in the context of the pandemic, is supported by:
- The timely introduction of revised decision making and democratic engagement arrangements, in line with new coronavirus regulations and the Council's Constitution, and an on-going programme of support to elected Members to enable the continued effective discharge of their responsibilities;
  - Robust service planning and prioritisation of resources in parallel with the transformation of service delivery in many areas to ensure the continued provision of essential frontline services;
  - An open approach to engaging with stakeholders, partners and the Council's scrutiny function in the planning and delivery of services, this primarily being delivered remotely / virtually during the year;
  - Regular reporting and publishing of financial, operational performance and governance related information, and a range of service specific information such as Covid-19 recovery arrangements, customer feedback and Committee forward work programmes, to enable stakeholders to hold the Council to account in the delivery of services / Corporate Plan priorities and use of resources;
  - Robust financial management and internal control arrangements underpinning the Council's business, ensuring the appropriate use of public funds;

- An unqualified audit opinion from the Council's external auditor on the Council's latest approved Statement of Accounts (2019/20) and assurance from the Head of Internal Audit's annual opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control for 2020/21;
- A medium-term approach to financial planning, within a challenging public sector financial climate;
- On-going awareness raising within the Council to promote probity and a zero-tolerance culture in respect of fraud, bribery and corruption, and also reporting on the Council's performance in these areas; and
- The Council having a track record of implementing Annual Governance Statement recommendations in previous years.

5.4 The review has also identified proposals for improvement that aim to further improve the governance arrangements in place within the Council and these are set out in Section 7 of the Annual Governance Statement.

5.5 Between the date of this Audit Committee and the date the 2020/21 Statement of Accounts are approved, should any (relevant) reports be provided to the Council from its External Regulators, Members are requested to provide the Director of Finance and Digital Services with authority to include reference to such reports within the Annual Governance Statement. In the event that any reports identify significant governance issues then these will be considered at a Special Meeting of the Audit Committee where the implications on the overall conclusion can be debated.

## **6. EQUALITY AND DIVERSITY AND SOCIO-ECONOMIC DUTY IMPLICATIONS**

6.1. There are no equality and diversity implications or socio-economic duty implications as a result of the recommendations set out in the report.

## **7. CONSULTATION**

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

## **8. FINANCIAL IMPLICATION(S)**

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

## **9. LEGAL IMPLICATIONS OR LEGISLATION CONSIDERED**

- 9.1 The Accounts and Audit (Wales) Regulations 2018 (regulation 5) requires an authority to conduct a review at least once a year of the effectiveness of its system of internal control and include a statement reporting on the review (i.e. an Annual Governance Statement) within any published Statement of Accounts.

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

### THE COUNCIL'S CORPORATE PLAN PRIORITIES

- 10.1 Delivery of all of the Council's priorities is underpinned by strong and robust governance arrangements.

### WELL-BEING OF FUTURE GENERATIONS ACT

- 10.2 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.

## **11. CONCLUSIONS**

- 11.1 It is a legal requirement for the Council to conduct a review of its system of internal control at least once a year and report the outcome of that review in the form of an Annual Governance Statement. Once approved, the Annual Governance Statement is included within the Council's Statement of Accounts.
- 11.2 The Draft Annual Governance Statement for 2020/21 has been produced in accordance with the requirements contained within the 'Delivering Good Governance in Local Government: Framework (2016)' and CIPFA Bulletin 06.
- 11.3 The overall conclusion from assessing the Council's governance arrangements for 2020/21 is that they provided the basis to effectively manage service delivery, Corporate Plan priority areas and resources during an unprecedented period as a result of the Covid-19 pandemic.

### **Other Information:-**

**Relevant Scrutiny Committee**  
**Not applicable.**

**Contact Officer** – Paul Griffiths

**LOCAL GOVERNMENT ACT 1972**

**AS AMENDED BY**

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

**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**AUDIT COMMITTEE**

**12<sup>th</sup> JULY 2021**

**DRAFT ANNUAL GOVERNANCE STATEMENT 2020/21 – RHONDDA CYNON  
TAF COUNTY BOROUGH COUNCIL**

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

Author: Paul Griffiths (Service Director – Finance & Improvement Services)

**Item:**

**7 - DRAFT ANNUAL GOVERNANCE STATEMENT 2020/21 – RHONDDA CYNON  
TAF COUNTY BOROUGH COUNCIL**

**Background Papers**

None.

Officer to contact: Paul Griffiths

## RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

## DRAFT ANNUAL GOVERNANCE STATEMENT 2020/21

**1. INTRODUCTION**

- 1.1 The Council's [Corporate Plan 2020 - 2024](#) 'Making a Difference' sets the overall direction for the Authority over a period of 4 years describing the vision, purpose and priorities to be delivered.
- 1.2 The Council's agreed vision, purpose and priorities are:
- Vision – ***To be the best place in Wales to live, work and play, where people and businesses are independent, healthy and prosperous.***
  - Purpose - ***To provide strong community leadership and create the environment for people and businesses to be independent, healthy and prosperous.***
  - Priorities:
    - Ensuring ***People:*** are independent, healthy and successful:
    - Creating ***Places:*** where people are proud to live, work and play: and
    - Enabling ***Prosperity:*** creating the opportunity for people and businesses to: be innovative; be entrepreneurial; and fulfil their potential and prosper.
- 1.3 Underpinning the above priorities are the cross-cutting themes of '***Live within our means***' and '***Efficient and effective Council***' – both of which focus on robust financial planning and management arrangements to ensure the Council maintains its financial stability, is financially resilient 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 (RCT) 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 Regard has also been given to the CIPFA Bulletin 06 – 'Application of the Good Governance Framework 2020/21' in respect of conducting the review of the Council's governance arrangements for the 2020/21 financial year. This provides guidance on the impact of the continuing Covid-19 pandemic on governance in local government bodies (see paragraphs 5.4.5 and 5.4.6) and also the CIPFA Financial Management Code 2019 (see paragraphs 5.11.23 to 5.11.27 and Section 7), both of which should form part of local authorities' review of governance arrangements for the period April 2020 to March 2021.
- 2.5 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 2021.

### **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 RCT 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 2021 (and up to the date of approval of the 2020/21 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](#). Appendix A provides examples of the key systems, processes and documents that were in place within the Council during 2020/21.

- 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. The Council has developed a Local Code of Corporate Governance, setting out an overview of the Council's governance framework, and was reported to the Council's Audit Committee 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 'virtually' with senior officers across services and taking account of the findings from a range of existing reports. The Review of Effectiveness has also given key regard to the on-going impact of Storm Dennis and the start of the coronavirus pandemic, and is set out at sub-section 5.4.

- 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 **STORM DENNIS AND COVID-19**

- 5.4.1 The Council's [2019/20 Annual Governance Statement](#) set out the specific governance and decision-making arrangements put in place by the Council up to and including June 2020, in response to Storm Dennis and Covid-19. Sections 5.4.2 to 5.4.6 review the arrangements from this point.

## **Storm Dennis**

5.4.2 As part of the Council's on-going work with communities affected by this unprecedented event, a range of support continued during 2020/21, for example, Community Flood Recovery Grants for eligible residents and businesses, with actions taken being in line with published delegated decisions made in February and March 2020. These were as follows:

- 17<sup>th</sup> February 2020 and 21<sup>st</sup> February 2020 – [Storm Dennis - Allocation of Resources from General Fund Balances](#) and [Further Allocation of Resources from General Fund Balances](#) respectively.
- 18<sup>th</sup> February 2020 - [Storm Dennis - Financial Support for Residents and Businesses](#).
- 25<sup>th</sup> February 2020 - [Storm Dennis - Grant Funding Support for Property Renovation and Free School Meals](#).
- 4<sup>th</sup> March 2020 - [Storm Dennis - Support to Businesses - Non-Domestic Rate Relief](#).

5.4.3 In parallel, the Council progressed emergency response works and reclaimed eligible expenditure via the Welsh Government funded Emergency Financial Assistance Scheme amounting to £1.697M (relating to 2019/20 and 2020/21) and, in addition, accessed further Welsh Government funding during 2020/21 as part of an on-going programme of infrastructure repair. The extent of damage to the Council's infrastructure necessitates a long-term programme of work and, as part of this, discussions are on-going with Welsh Government in terms of future funding arrangements.

5.4.4 On the 18<sup>th</sup> December 2020, the Council's Cabinet received a report setting out a [Review of the Council's Response to Storm Dennis](#) together with recommendations for improvement and arrangements for progress updates on the implementation of recommendations to be included within the Council's quarterly Performance Report to Cabinet and thereafter to be scrutinised by the Overview and Scrutiny Committee. These arrangements will ensure the continuation of an open approach in reporting updates on the work being progressed by the Council to enhance its response to extreme weather events.

## **Covid-19**

5.4.5 The Covid-19 pandemic has been the central feature in planning and delivery arrangements throughout 2020/21, with services quickly adapting and implementing changes to ensure the continued provision of essential frontline services.

5.4.6 Following the UK being put into lockdown on the 23<sup>rd</sup> March 2020, easing of restrictions in June and July, a two week 'firebreak' from 23<sup>rd</sup> October until 9<sup>th</sup>

November followed by a further lockdown from 19<sup>th</sup> December, the Council has operated and taken decisions in accordance with its Constitution. Key work and steps taken by the Council during this period were:

#### Decision Making and Democratic Engagement

- Further to the temporary suspension of all formal meetings of the Council when the country moved into lockdown in March 2020, the Council put in place arrangements, in line with The Local Authorities (Coronavirus) (Meetings) (Wales) Regulations 2020, to enable the phased reintroduction of fully remote meetings to take place. This included Cabinet meetings from May 2020, Scrutiny Committee meetings from June 2020 (on a phased basis and starting with the Overview and Scrutiny Committee) and full Council and Audit Committee meetings from July 2020.
- Council, Cabinet and Scrutiny Work Programmes were agreed and published, providing both transparency on the work to be undertaken and enabling Committees to plan their work.
- Covid-19 position statements were reported regularly to full Council ensuring that all elected Members were provided with on-going and timely updates.

#### Service Planning and Corporate Plan priorities

- All services produced Service Recovery Plans that set out key priorities and actions to manage and support recovery from the Pandemic, these being reported to Cabinet on [28th July 2020](#).
- Full Council agreed Corporate Plan action plans at the [21st October 2020](#) meeting for its priorities of People, Places and Prosperity, these being informed by Service Recovery Plans to ensure focus was afforded to recovery work from the pandemic. During the year, Corporate Plan progress updates were reported to Cabinet and scrutinised by the Finance and Performance Scrutiny Committee on a quarterly basis, enabling elected Members to scrutinise the extent of progress and hold services to account.

#### Financial support to businesses and individuals

- Part of the Welsh Government's response to the impact of the pandemic has been the provision of additional financial support to the economy via a series of Business Grants and extended business rate relief. The packages of financial support have been administered by all local authorities in Wales on behalf of Welsh Government and, for RCT, this has required staff to focus on administering, managing and paying a large volume of grants in short timescales to ensure financial support reached eligible businesses on a timely basis. The range of grant support has included Business and Charity Grants Phase 1, NDR Lockdown / Firebreak Grant and Business Restrictions Fund.

- In total over £72Million has been paid out to a wide range of businesses during 2020/21, with each grant having different criteria to target those businesses in most need and also different award processes and amounts payable. To ensure public money is safeguarded, this required a coordinated effort across the Council and the application of robust internal control arrangements.
- A range of other individual grant payments were also administered by the Council on behalf of Welsh Government including Social Care Workforce Payments of £500, Self-Isolation Payments for those on low incomes, Statutory Sick Pay top-ups for social care workers and Free school meal support to families with eligible learners.
- Each area of financial support administered by the Council has required consideration of process, including enabling submission of on-line applications, cashflow management and accounting requirements. In parallel, a number of Internal Audit assignments undertaken during 2020/21 were focussed on financial transactions relating to Covid-19 and provided Management with assurance on the robustness of processes and internal controls in place (see also paragraphs 5.12.5 to 5.12.8 - Internal Audit).

#### 2020/21 Financial Position and Medium-Term Financial Planning

- **2020/21 Financial Position - Revenue Budget**
  - Underpinning the priority focus on maintaining essential frontline services was robust financial management arrangements, with close working between Service Managers and Senior Finance Officers to control, forecast and report overall revenue budget expenditure levels through to March 2021. These arrangements also effectively managed the additional expenditure and income losses incurred across the Council's Revenue Budget as a direct result of Covid-19, forecasted to be in excess of £50M for 2020/21, and have been reclaimed on a monthly basis via the Welsh Government's Covid Hardship Fund claims process. Appropriate use was also made of the Coronavirus Job Retention Scheme in order to mitigate losses. Where additional expenditure and additional income losses have materialised that are not deemed eligible to reclaim via the Hardship Fund, these have been included within the in-year reported financial position of relevant services.
  - The year-end Revenue Budget outturn position for the Council was a £0.204Million overspend against a net budget of £508.747Million.
- **2020/21 Financial Position - Capital Programme**
  - The immediate impact of the pandemic resulted in temporary delays to a number of capital schemes as a result of the need to agree and implement revised and safe working arrangements with contractors and

suppliers. This partnership approach enabled most capital projects to recommence from quarters 1 and 2 of the year, with capital programme investment for 2020/21 amounting to £102Million.

- The Council also recognised its key role in supporting businesses and the local economy through the continued safe delivery of key infrastructure and construction projects and reported an update to Cabinet on [25th June 2020](#). During the year, detailed progress updates on the Council's Capital Programme projects were reported as part of the Council's quarterly Performance Reports.

- **Medium-Term Financial Planning**

- The Council's latest [Medium-Term Financial Plan](#) was reported to Cabinet, Council and the Finance and Performance Scrutiny Committee during autumn 2020. The Plan is based on, amongst other things, the assumption that additional expenditure and income losses as a direct result of Covid-19 will continue to be funded by Welsh Government.
- The Council is in the process of updating its Medium-Term Financial Plan for reporting in 2021; whilst the medium to longer term consequences of the pandemic are not fully known, the update process will refresh assumptions around key areas such as Welsh Government settlement levels, service cost pressures and demand, council tax collection and income, as well as the on-going priority focus required for businesses, town centres, those most in need and recognising the on-going work with partners to protect public health as recovery from the pandemic continues.
- The Council has for a number of years delivered ambitious efficiency saving targets without adversely impacting frontline service provision. The Council's current Medium-Term Financial Plan sets out, at a high level, the framework to balancing the budget over the medium term and the requirement to 'lock in' the transformation and service delivery changes which have been made across service areas during the pandemic.

## 5.5 **PROGRESS MADE TO IMPLEMENT PROPOSALS FOR IMPROVEMENT REPORTED IN THE 2019/20 ANNUAL GOVERNANCE STATEMENT**

- 5.5.1 The 2019/20 Annual Governance Statement identified 4 proposals for improvement. An update on progress was reported to the Council's Audit Committee on [1st February 2021](#) indicating that the proposals for improvement were either complete or were on-target to be completed in line with the agreed delivery dates. The Audit Committee **RESOLVED**: *'To acknowledge the information provided'*.

5.5.2 A year-end position statement of progress is set out in Appendix B. In summary, out of the 4 proposals for improvement, all have been implemented.

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

### Behaving with integrity

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

5.6.1 The Council's Scrutiny Committee meeting minutes were examined to determine whether the virtual / remote 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

5.6.2 A Standards Committee was in place during the year to promote, maintain and oversee high standards of conduct by elected Members, with the Terms of Reference for the Standards Committee included within the Council's Constitution.

5.6.3 During 2020/21 the Standards Committee had a work-plan in place and met on 2 occasions. A draft Annual Report for 2020/21 was presented to the Standards Committee on [19th March 2021](#).

#### Council employees

5.6.4 All officers who started employment within the Council were provided with a local induction in line with social distancing requirements and Individual Performance Review discussions continued 'virtually' with officers. The overall arrangements were managed by the Council's Human Resources Service.

#### Arrangements in place to tackle potential misappropriation

5.6.5 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 Council's [Whistleblowing Policy & Procedure](#). In addition, there were arrangements in place to tackle potential [fraud, bribery and corruption](#).

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

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

- **Anti-Fraud, Bribery & Corruption**

- An update was reported to Audit Committee on 2<sup>nd</sup> November 2020, setting out the progress made to date against the Anti-Fraud, Bribery & Corruption work programme for 2020/21. The report concluded that ongoing progress is being made against the Council's Anti-Fraud, Bribery and Corruption work programme to ensure that the Council continues to operate within an effective anti-fraud culture across the organisation, with resilient preventive measures capable of identifying and addressing new threats. Audit Committee **RESOLVED** - To review the work undertaken in 2020/21 and provide direction and guidance where necessary within the Terms of Reference of the Committee.
- It is noted that the 2020/21 Annual Report for Anti-Fraud, Bribery & Corruption is due to be presented to Audit Committee in July 2021.

- **Whistle-Blowing**

- At the 20<sup>th</sup> July 2020 Audit Committee meeting, Members agreed for a review of the Whistle-Blowing Policy to be undertaken and the outcome reported to Audit Committee during 2020/21. The review was completed and was presented to Audit Committee for consideration and approval on [26th April 2021](#).
- The Whistle-Blowing Annual Report for 2020/21 was also reported to the same meeting. The conclusion of the Director of Human Resources, as set out in the 2020/21 Annual Report, is that '*the Council's Whistle-Blowing arrangements are appropriate*'. It is also noted that the revised Policy and Procedure will be published on the Council's website, awareness raising undertaken across Council Services and its content will be kept under on-going review and where further updates are proposed, these will be reported to Audit Committee for consideration/approval.

5.6.7 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

5.6.8 A report was presented to Cabinet at its meeting held on [17th November 2020](#) setting out an overview of the Council's statutory Social Services complaints procedure for the period April 2019 to March 2020. The report provided a summary of all complaints and compliments received, and concluded by identifying lessons to be learnt and changes to relevant procedures / protocols.

- 5.6.9 The Report noted that a total of 113 complaints were received across both Adult and Children's Services during the year which was slightly higher than the previous year, with the increase in the main being complaints relating to Children's Services. While Children's Services received more complaints than the previous year, it also received more compliments; however, overall the report set out that for both Adult and Children's Services fewer compliments were recorded than in the previous year.

#### Comments, Compliments and Complaints - Non-social services

- 5.6.10 An Annual Report covering 2019/20 was presented to the Overview and Scrutiny Committee on [18th January 2021](#) that set out areas for improvement and also for progress reports regarding the Council's corporate Customer Feedback Scheme to be presented to the Committee on a bi-annual basis to provide further visibility on this area and enable monitoring of areas for improvement. It is noted that from 2021/22 onwards, reports will be considered by the Audit and Governance Audit Committee in line with its new responsibilities under the Local Government and Elections (Wales) Act 2021.

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

##### Elected Members

- 5.6.11 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. Code of Conduct training is mandatory and is continually available to all Elected Members. Training is provided to all newly elected Members on a one-to-one basis following bi-elections and Members are reminded through their Personal Development Reviews that they are able to contact the Council's Monitoring Officer directly with any queries relating to the Code of Conduct.

##### The Council's supply chains

- 5.6.12 The Council plays a significant role in the utilisation of national framework contracts as well as local contractual arrangements, and is responsible for ensuring that its business is conducted in accordance with the law, applies high ethical values, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council's Contract Procedure Rules provides the framework to achieve this and the 'Procurement Policy – Social Responsibility' aligns with the three key initiatives issued by Welsh Government, namely Community Benefits; Code of Practice Ethical Employment in Supply Chains; and Opening Doors: the Charter for SME Friendly Procurement.
- 5.6.13 The Council applied the guidance and advice set out in UK Government Cabinet Office Procurement Policy Notices issued during the year (for example, 02/20: Supplier relief due to Covid-19') to support suppliers and in doing so, suppliers were required to operate on an 'open book' basis.



## **Respecting the rule of law**

5.6.14 The Chief Executive (as Head of Paid Service) led the Council's officers and chaired the Senior Leadership Team (that also comprised the statutory roles of Chief Finance Officer and Monitoring Officer together with other key positions).

5.6.15 With specific regard to the Chief Finance Officer position within the Council during 2020/21, 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*
- *Led 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.*

## **5.7 ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT**

### **Openness**

#### A commitment to openness

#### *General Data Protection Regulation*

5.7.1 The General Data Protection Regulation (GDPR) came into force on the 25<sup>th</sup> May 2018. During 2020/21 the Council demonstrated accountability and transparency when handling and processing personal and sensitive information that it holds in respect of individuals by:

- Having in place a Data Protection Policy, Data Protection web-page and a designated Data Protection Officer;
- Formally recording the lawful basis upon which data / information is processed within suites of documents called Data Protection Registers; and

- Having in place '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.

5.7.2 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*

5.7.3 The Council operated a Freedom of Information (FOI) Act 2000 publication scheme in accordance with legislative requirements. During 2020/21 the Council received 870 FOI/Environmental Information Regulations (EIR) requests. Response statistics and any complaints investigated by the Information Commissioner's Office (ICO) 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.

5.7.4 During 2020/21 the Council received 8 complaints which had been referred to it by the ICO:

- 2 of the complaints related to requests not being responded to within the statutory 20 working day period. Both requests were subsequently responded to.
- 1 complaint related to a request where the requester believed not all information was being disclosed as part of a response but following the Council's explanation of how information is recorded the case was closed.
- 2 of the complaints were investigated and both requests were subsequently responded to.
- 3 of the complaints are being investigated and cases are still ongoing.

5.7.5 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

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

- In accordance with the Council Constitution, the Calendar of Committee meetings was presented to the Council Annual General Meeting in September 2020, which provided details of the schedule of Committee meetings for the 2020-2021 Municipal Year. The calendar was also published on the [Council website](#);
- Cabinet published its work programme on [24th September 2020](#) for the 2020/21 Municipal Year with updates provided on a 3 monthly basis (i.e. to

the Cabinet meetings on 18<sup>th</sup> December 2020 and 25<sup>th</sup> March 2021). The Cabinet Work programme was also published on the [Council website](#); and

- Scrutiny work programmes were considered and agreed by respective Scrutiny Committees on a periodic basis throughout the Municipal Year to allow for an element of flexibility and taking into account any additional consultative documents or legislative matters requiring attention. The agreed work programmes were available on a stand-alone [Scrutiny Work Programme](#) page on the Council's website, in line with a proposal for improvement previously made by the Wales Audit Office (now Audit Wales).

5.7.7 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 work programmes are placing more emphasis on key service or policy matters, based upon a revised criteria which includes alignment to the Council's priorities and those matters of interest to the public, and they allow for more in depth reviews and referrals from other Committees including Council and Audit Committee. As part of the Local Government & Elections (Wales) Act 2021 a duty is now placed on Local Authorities to ensure scrutiny committees are given sufficient notice of important decisions before they are made, so they may scrutinise the executive more effectively. The continuation of a robust Cabinet Work Programme will therefore be essential in accommodating this duty placed on the Authority.

#### Decision making and scrutiny of decisions made

5.7.8 Cabinet is a key decision-making body within the Council. From a review of reports presented to virtual Cabinet meetings during 2020/21:

- All reports were in the required format;
- A total of 88 reports were presented, 80 of which were made publicly available and 8 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;
- 2 updates were presented verbally by officers due to the uniqueness of the year;
- For all decisions made by the Cabinet, '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 (unless deemed to be urgent decisions and therefore not subject to call in); and
- During 2020/21 the Council received one Call In of a Key Officer Delegated Decision: **SALE OF PART OF THE FORMER LADY WINDSOR COLLIERY SITE, YNYSYBWL:**

- The Call-In was considered at a special Overview & Scrutiny Committee held on the [12<sup>th</sup> August 2020](#). In addition to the three signatories to the call-in and members of the Overview & Scrutiny Committee, the Vice-Chair of Ynysybwl Community Council made representations at the meeting and a written representation was submitted by the Chair of the Regeneration Partnership; and
- Following consideration of the issues set out within the call-in form and in accordance with the Overview & Scrutiny procedure rules, it was determined that the matter be referred back to the decision maker, the Director of Corporate Estates, for further consideration based on the grounds of the call-in.

5.7.9 Record of Urgent Decisions of the Leader, Cabinet Members and Delegated Officer Decisions were published on the Council's website. For the 2020/21 financial year, 51 decisions were published and in line with the Council's Constitution, these were reported to full Council for information purposes. Due to the temporary postponement of Council meetings at the start of the Covid-19 pandemic, Council decisions were taken forward via Delegated decisions until the Local Authorities (Coronavirus)(Meetings)(Wales) Regulations 2020 permitted the commencement of Committee meetings; this therefore necessitated a higher number of delegated decisions compared to the same period in previous years.

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

- 5.7.10 The Council regularly engages with residents and stakeholders and a consultation exercise was undertaken in respect of the 'Corporate Plan 2020 – 2024 'Making a Difference' – this Plan was agreed by Council on 4<sup>th</sup> March 2020 and sets out the Council's priorities for the next 4 years.
- 5.7.11 Engagement arrangements are 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](#).
- 5.7.12 The Council has an on-going programme of engagement with residents and communities, to find out what matters to them. During the year this engagement has continued using Zoom to hold public meetings and the development of a telephone call back option so as not to exclude those who are not or do not wish to engage online. Throughout the pandemic there was a greater need to communicate clear advice and keep residents informed about Covid-19 in RCT, this being delivered through a dedicated web page and also through social media channels to make information available to residents, businesses and other stakeholders in communities.
- 5.7.13 The Council has developed more ways for residents to get involved and ensure that consultations are accessible, through Let's Talk RCT. The first two

projects, Let's Talk Climate Change and Let's Talk Electric Charging Vehicles, were pilots for the site and will help shape future Let's Talk projects.

- 5.7.14 Putting in place online and virtual ways for people to provide views and opinions will continue to develop, albeit, the Council recognises that this does not replace the valuable local information captured through face-to-face engagement with residents. It is noted that these conversations with individuals and representative groups will resume as soon as it is safe to do so to obtain the views and opinions on decisions that will affect them.

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

- 5.8.1 For the 2020/21 reporting year, to address the unprecedented circumstances in which the Council was working, the Council's performance management arrangements were amended to focus on recovery from the pandemic whilst retaining the ambitions set out in the [Corporate Plan 2020-24 'Making a Difference'](#).
- 5.8.2 The Council undertook a backward-looking assessment of Corporate Plan performance (2019/20) and compiled priority action plans for its 3 Corporate Plan priorities (People, Places and Prosperity) covering the 2020/21 financial year. This information was set out in a 'Corporate Performance Report 2020' that was endorsed by Cabinet on [13 October 2020](#) and reported to and approved by Council [21 October 2020](#); in doing so, the Council met its statutory reporting requirements in this regard.
- 5.8.3 During 2020/21, in line with the Council's Constitution, progress in the delivery of the Priority Plans was reported every quarter as part of Performance Reporting arrangements i.e. presented to Cabinet for review/approval, followed by Finance and Performance Scrutiny Committee for further review/scrutiny. These reports were available to residents and stakeholders through the Council's [website](#).
- 5.8.4 To meet the current statutory reporting requirements in line with the Local Government (Wales) Measure 2009 and the Well-being of Future Generations Act 2015, the Council intends to publish an assessment of its performance for the 2020/21 financial year no later than the statutory reporting deadline of 31<sup>st</sup> October and also publish 2021/22 action plans for its Corporate Plan Priorities of People, Places and Prosperity.

### Medium Term Financial Plan

- 5.8.5 The Council's latest Medium-Term Financial Plan (2020/21 to 2023/24) was reported to and agreed by Cabinet on [13th October 2020](#) and subsequently reported to full Council on the 21<sup>st</sup> October 2020 and the Finance and Performance Scrutiny Committee on 16<sup>th</sup> November 2020.

5.8.6 The Medium-Term Financial Plan is set in the context of the Covid-19 pandemic, recognising that the course of the pandemic and its effect on the Council's finances will be subject to change. Key information around the allocation of resources includes:

- 2020/21 Revenue Budget (£508.747M) - 85% of the revenue budget was allocated to Corporate Plan priorities and the remaining 15% allocated to Authority Wide Costs, Other Services To The Public, Regulatory Public Services and Core Support; and
- 2020/21 to 2023/24 Capital Programme (£131.772M) – 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.

#### Additional Investment

5.8.7 As part of the Council setting its Capital Programme for the period 2021/22 to 2023/24 (reported to full Council on [10th March 2021](#)), an assessment of existing earmarked reserves enabled £5.484M to be released for additional investment in Corporate Plan priority areas (alongside the reallocation of £1.137M of core capital funding and additional Welsh Government funding of £2.779M, amounting to a total investment of £9.4M).

5.8.8 Based on the Council's Medium-Term Financial Planning arrangements and processes for identifying funding to support additional investment, there is clarity on the Council's ambitions and medium term outlook; a demonstrable commitment to prioritise resources to Corporate Plan areas; and opportunities available for elected Members and stakeholders to scrutinise the Council's work in these areas.

### 5.9 **DETERMINING THE INTERVENTIONS NECESSARY TO OPTIMISE THE ACHIEVEMENT OF THE INTENDED OUTCOMES**

#### **Determining and planning interventions**

5.9.1 The Council's decision-making arrangements during 2020/21 were based on written reports in an agreed format, having regard to financial, legal and consultation matters, and alignment with the Well-Being of Future Generations Act (this includes, for example, Council and Cabinet reports). It is noted that an update was reported to Cabinet on [25th March 2021](#) setting out the Socio Economic Duty (Equality Act 2010) requirements coming into force on 31<sup>st</sup> March 2021 and the need to ensure that the duty is incorporated into Council decisions to reduce the inequalities of outcomes from social economic disadvantage.

5.9.2 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 Senior Leadership Team

5.9.3 The Cabinet and SLT jointly planned the work programme of items to be reported during the year and required timescales, with this information informing the pace of progress and outcomes being delivered. This has included:

- PEOPLE – Are independent, healthy and successful.

Meeting the needs of residents requiring support via the extra care housing scheme in Porth; supporting the roll out of asymptomatic lateral flow testing to frontline care staff and the Covid-19 vaccination programme; and reinstating Community Resilience Centres following the introduction of local and national restrictions to support communities.

- PLACES – Where people are proud to live, work and play.

Continuation of the Highways Improvement Programme, managing the safe delivery of the home to school transport provision within Welsh Government and Public Health Wales guidelines, planting 300 trees in various parks and open spaces and continued improvement works across Council parks and play areas.

- PROSPERITY – Creating the opportunity for people and businesses to: be innovative; be entrepreneurial; and fulfil their potential and prosper.

New Council grant offers for businesses in light of Covid-19 and flood prevention, for example, the refocussed Enterprise Investment Fund has supported businesses with grant awards totalling £165k and 4 business in Pontypridd town centre have benefited from Flood Resilience Grants. Key town centre schemes are under development which will help improve pedestrian access and social distancing, and longer-term developments to promote RCT as a tourism destination when restrictions allow, including a review of the accommodation sector. Construction of new attractions at Zip World and Dare Valley County Park are ongoing and a significant National Lottery fund grant awarded in December 2020 will allow further improvements at Ynysangharad War Memorial Park.

### Scrutiny Committees

5.9.4 Due to the Covid-19 pandemic, scrutiny committees were temporarily suspended to enable the Council to focus its efforts on protecting residents and continue the delivery of key frontline services. An incremental approach for the re-commencement of the Council's scrutiny function was applied, with the Overview and Scrutiny initially taking forward the scrutiny role on behalf of all Committees. This was to ensure that scrutiny were still playing its vital role

in the decision making process and governance arrangements of the Council, and also ensure the Council could retain its focus on managing service delivery during the pandemic. Members supported this way of working for the Overview & Scrutiny Committee, as the Council's overarching Scrutiny Committee, to take a council-wide approach and all Members were invited to engage in these key matters as well as to undertake urgent business that ordinarily would have been under review by the four themed scrutiny committees. This arrangement was recognised by both the Council's Senior Leadership Team and the Cabinet.

- 5.9.5 Beyond the Annual General Meeting (which was postponed until September 2020 due to the pandemic) all four thematic Scrutiny Committees resumed their activity, via agreed work programmes, that also allowed space for the identification of emerging issues. The Scrutiny Committees have all undertaken focussed work, alongside traditional scrutiny reports, during an unprecedented period.
- 5.9.6 Scrutiny committees also received regular individual service responses to Covid-19, particularly in respect of the Children & Young People Scrutiny Committee, with five updates from the Director of Education & Inclusion (from an educational perspective) and Director of Children's Services outlining the support in place for vulnerable children and families across Rhondda Cynon Taf.
- 5.9.7 During the 2020/21 Municipal Year, pre-scrutiny of 6 key decisions of the Cabinet have been undertaken in areas such as the Modernisation of Residential Care for Older People, the Council's Annual Equalities Report 2020/21 and pre-scrutiny of the proposed extension and variation to RCT's Dog Control (Public Spaces Protection Order). This ensured that the Council's scrutiny function has continued to impact / inform Cabinet decisions before they are made.
- 5.9.8 In addition to scrutiny work programme items, referrals have been made to scrutiny committees i.e. from Full Council through a Notice of Motion regarding Kinship Care and from the Governance & Audit Committee in respect of unauthorised absence at statutory school ages and Post 16 attendance levels. Following review of both issues, the respective scrutiny committees will form its view and provide feedback.
- 5.9.9 Whilst working under virtual arrangements, scrutiny has undertaken a total of 41 meetings and covered a broad range of work throughout the year and considered important and strategic issues with a number of outcomes and recommendations as evidenced in the [Overview & Scrutiny Annual Report 2020/21](#).



## Performance Reports

- 5.9.10 Performance Reports provided Executive Summary style quarterly updates on financial performance (Revenue Budget, Capital Programme and Treasury Management); progress against Corporate Plan priorities (including investment priorities); staffing information for sickness absence and turnover; and strategic risks, and provided electronic links to more detailed information. During the year additional information was also included within quarterly Performance Reports in respect of Covid-19 and its impacts from a financial, performance and strategic risk perspective.
- 5.9.11 With specific regard to financial performance, Corporate Plan priority and strategic risk updates, 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 to understand exceptions and seek assurance that corrective actions are planned / being taken.

### **Optimising achievement of intended outcomes**

- 5.9.12 On [28th September 2017](#) Cabinet agreed a way forward to deliver Corporate Plan priorities in a climate of 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.
- 5.9.13 During 2020/21 the Council's approach within the five work streams was focused on keeping residents and staff safe and significant progress made in relation to Digitalisation as more Council services were made available online. As part of this programme of work, all office-based staff and elected Members were provided with means by which they could work from home during the pandemic, with these arrangements continuing in place. The Council also set out its approach to commercialisation in a Capital Strategy Report to Council in [March 2021](#).
- 5.9.14 The on-going relevance of the above 5 work-streams were tested as part of the Council's [2021/22 Budget Consultation](#) and the feedback of respondents is set out below.

Workstream	Yes (%)	No (%)	Don't Know (%)
Digitalisation	80.3	10.3	9.4
Commercialisation	70.6	15.4	14
Early Intervention and Prevention	89.6	6.3	4.1
Independence	82	10	8
Efficient and Effective Organisation	88	6.6	5.4

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

### Developing the entity's capacity

- 5.10.1 The Council's performance management arrangements were refocused on recovery and contingency planning during 2020/21, this being within the priorities of the Corporate Plan; as a result, Service and Corporate Self Evaluations were not undertaken for 2020/21. The most recent Service Self Evaluations used to inform 'normal' service planning and the Corporate Assessment which considers the performance of the Council's corporate body remain those reported to Cabinet on [19th March 2019](#) and to the Finance and Performance Scrutiny Committee on [2nd April 2019](#). It is noted that self-evaluation arrangements will re-start in 2021/22 and will take account of the Council's new responsibilities as set out in the Local Government and Elections (Wales) Act 2021.
- 5.10.2 The arrangements in place during 2020/21 continued to evidence that the Council is able to re-prioritise its capacity within a very challenging financial climate and in the context of the Covid-19 pandemic, and remain focussed on Corporate Plan priority areas. This is evidenced by:
- Strong and focussed leadership from the Cabinet and Senior Leadership Team, in re-setting priorities and resources to ensure continued service delivery during the pandemic and also ensuring open and transparent decision making in line with the Council's Constitution;
  - The delivery of significant capital programme investment during 2020/21 (£102Million), the majority of which was invested in Corporate Plan priority areas - this being progressed in collaboration with partners and Welsh Government, who have provided additional funding to support many of the projects;
  - Accelerating service transformation in many areas, linked to the need to quickly provide alternative means of service delivery as a result of Covid-19 restrictions. This has included digitisation of more processes, an increase in the availability of on-line services for residents and businesses, optimising the use of Council accommodation alongside on-going work to assess future accommodation requirements and significantly reducing the need for business travel;
  - Additional services provided by the Council's Occupational Health Service, to support staff health and well-being, and the Human Resources Service working with service managers to effectively manage staff attendance; and
  - The continued recruitment, development and management of staff together with graduate and apprenticeship programmes to create excellent job and training opportunities across a range of key service areas.

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

5.10.3 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

5.10.4 During 2020/21, there has been continued focus on supporting the capabilities of elected Members. This has included:

- Members Personal Development Reviews undertaken the results of which will help form the basis of a training programme for the 2021/22 Municipal Year. In addition, the Council Business Unit have facilitated a number of informal sessions for Members to come together 'virtually' to share experiences with the aim of supporting well-being during the Covid-19 restrictions and at the same time have also been provided with updates in relation to scam calls and good practice guides for social media accounts.
- An update to Cabinet on [25th March 2021](#) summarising the various elements of the Local Government and Elections (Wales) Act 2021 (noting that an overview of the Bill was reported to full Council on 15<sup>th</sup> January 2020). It was also noted that an overview of the new Act, specifically in relation to Governance and Audit, was reported to the Council's Audit Committee on [26th April 2021](#).
- Members working with the Council Business Unit and ICT Services to ensure they were equipped with the correct devices and received / were offered virtual training to enable them to conduct their roles in supporting constituents and fulfilling committee responsibilities remotely / virtually (the latter being delivered via Zoom). It was noted that:
  - At the [Finance and Performance Scrutiny Committee](#) on the 15<sup>th</sup> March 2021, Members received a PowerPoint presentation from the Head of ICT in respect of 'Improving, Delivering & Supporting Services over last 12 months' which detailed the work undertaken with Members in this regard and also included reference to "E-Democracy - Committees & Members enabled for virtual meetings - 171 Zoom Committee Meetings (as at January 29<sup>th</sup> 2021)."
  - There has been improved Member attendance at meetings, through the virtual meeting approach, and holding training sessions directly before full Council meetings have resumed, for example, the Council's Winter Maintenance Plan in November 2020 and Gypsy and Traveller Awareness training in January 2021. It is noted that this approach is to be built upon and an update was reported to the [Democratic Services Committee](#) on 1<sup>st</sup> March 2021.

- In parallel with the above (and in line with requirements of the Local Government & Elections (Wales) Act 2021), the Council has invested in infrastructure to enable hybrid meeting arrangements and to ensure the webcasting of meetings, supported in part by the Welsh Government Digital Democracy Fund. It is noted that this work is currently on-going in terms of installing the infra-structure and other key aspects of the project will continue in 2021/22 in respect of training requirements and consideration of any proposed changes to the Council's Constitution.
- Between December 2020 and January 2021 an on-line training needs analysis questionnaire was completed by Audit Committee Members, the result of which informed a Learning and Development Plan that was reported to the [22nd March 2021 Audit Committee meeting](#).
- Specific projects:
  - A Members Portal continues to be developed and a demonstration was provided to the October 2020 Democratic Services Committee. It was noted that the Portal is recognised as a form of good practice through the Members Charter and will be an area on the Council's website for Members to access which will allow them to submit questions / Notices of Motion to Council; submit scrutiny Call Ins; submit Research requests; and be a source of useful contact details for officers / external organisations. It was also noted that development of the Portal is on-going and will also include consideration of making e-learning modules available via this platform; and
  - It is noted that the roll-out of Modern.Gov<sup>2</sup>, this being positively received by Members.
- The Council's arrangements for supporting and providing development opportunities for Members has been recognised through retaining the Members Charter over the past decade. It is noted that to ensure the Council's continued commitment to Member development, preparations are being made for the Council's Charter to be reviewed.

### Member Survey

5.10.5 In accordance with s6(2) of the Local Government (Wales) Measure, 2011 Member views have been sought on their preference for start times of meetings by means of a survey which was conducted in advance of the Council Annual General Meeting in September 2020. The results of the survey were reported to the Democratic Services Committee held on the 1<sup>st</sup> October 2020 and demonstrated that 97% of Members are happy with the level of support provided to them through the Council Business Unit, with Members

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<sup>2</sup> Modern-gov - is an app for automatically downloading, viewing, and annotating meeting papers

indicating they had been well equipped to deal with the new ways of working through a support package of training as the virtual meetings were rolled out on an incremental basis. It is noted that further engagement will be undertaken with Members in due course.

#### Developing the capabilities of employees

- 5.10.6 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. The Head of Organisational Development provided Audit Committee with a workforce planning update at the 22<sup>nd</sup> March 2021 on the basis of workforce planning being a strategic risk within the Council's Strategic Risk Register.
- 5.10.7 During 2020/21 staff development has been supported virtually 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.

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

#### **Managing risk**

- 5.11.1 The Council's Risk Management Strategy was updated, reported to and endorsed by the Council's Audit Committee on [17th December 2018](#), and sets out the overall purpose and framework for risk management within the organisation. The framework sets out two levels of risk:
- Strategic Risks – those that the Council faces when delivering its Corporate Plan Priorities; and
  - Operational Risks – those associated with the delivery of service objectives and included within Service Delivery Plans.

#### Strategic Risks

- 5.11.2 The Council's strategic risks are set out in a Strategic Risk Register and updates were reported publicly to Cabinet and the Finance and Performance Scrutiny Committee during the year as part of performance reporting arrangements - the latest published strategic risk register update can be

viewed by clicking [here](#) (noting that the 2020/21 year-end Strategic Risk Register will be reported to Cabinet in July 2021).

5.11.3 From reviewing the Strategic Risk Register for 2020/21, it was noted that:

- Updated Strategic Risk position statements were included on the register on a quarterly basis that set out in particular the implications of Covid-19 and the work being taken / planned to mitigate the impact as much as possible;
- A new Strategic Risk was incorporated into the Register at the start of the year in respect of Covid-19, this reflecting its strategic importance to the Council; and
- Risk scores were reviewed on an on-going, with one risk score revised during the year.

#### Operational Risks

5.11.4 Operational Risks are monitored by Service Delivery Plan owners as part of the operational management of services.

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

#### Proposal for Improvement (Risk Management)

5.11.6 The Council's Risk Management Strategy was last reviewed and approved by Audit Committee in December 2018. The Strategy should be reviewed and where required proposed updates reported to Audit Committee for consideration. In addition, as part of the review, regard should be given to the findings and recommendations included within the 2020/21 Internal Audit report 'Risk Management'.

#### Audit Committee

5.11.7 The membership and planned meeting frequency of the Council's Audit Committee during 2020/21 was in line with the Council's Constitution and legal requirements. The Committee agreed its workplan at the [5th October 2020](#) meeting and all meetings during the year were held virtually. From a review of the 2020/21 workplan, all items were delivered with the exception of the Committee being provided with an overview of a core financial system of the Council, as part of the on-going learning and development of the Committee. It was noted that where core financial system audit assignments were finalised during the year, these were reported to Audit Committee as required; the reasons for the learning and development update not being actioned was due to the need to re-prioritise resources to support Covid-19 recovery work.

5.11.8 Arrangements were introduced during 2020/21 to improve Audit Committee's understanding and visibility of the Council's Strategic Risks, via a programme of updates to the Committee by individual Strategic Risk lead officers. It is noted that further updates will be reported in 2021/22. This approach supports Audit Committee's responsibilities as set out in the CIPFA Publication '*Audit Committees – Practical Guidance for Local Authorities and Police 2018 Edition*' in relation to risk management:

- Having assurance over the governance of risk, including leadership, integration of risk management into wider governance arrangements and the top level ownership and accountability for risks;
- Keeping up to date with the risk profile and the effectiveness of risk management actions; and
- Monitoring the effectiveness of risk management arrangements and supporting the development and embedding of good practice in risk management.

5.11.9 The 2019/20 Audit Committee Annual Report set out three areas for improvement, namely undertaking a skills assessment of Audit Committee members, agreeing a learning and development plan and piloting an approach to evaluate the impact of the Committee's work. It is noted that the skills assessment and learning and development areas have been implemented and work is on-going in respect of evaluating the impact of the Committee's work.

#### Proposal for Improvement

5.11.10 As part of compiling the 2021/22 Governance and Audit Committee work programme, finalised internal audit assignments for core financial systems should be supplemented by a more detailed overview of the area prior to the assignment being presented to Committee. This is to aid Members understanding of the main internal control requirements for key financial systems.

#### **Managing performance**

5.11.11 This area has been set out in Sections 5.8 and 5.9.

#### **Scrutiny**

5.11.12 This area has been set out in Section 5.9.

#### **Internal control**

5.11.13 Internal Control arrangements are covered within paragraphs 5.12.6 and 5.12.7.

5.11.14 With specific regard to the Council's Procedure Rules (Contract Procedure Rules and Financial Procedure Rules), it is noted that whilst an overview of

the Council's Contract Procedure Rules was presented to the March 2021 Audit Committee, no overview of the Financial Procedure Rules was presented. In addition, both documents should be reviewed and updates reported to the Governance and Audit Committee for consideration / approval.

#### Proposal for Improvement

5.11.15 As part of the learning and development of Audit Committee, an overview of the Council's Financial Procedure Rules should be built into the 2021/22 Work Programme to support Members understanding of these requirements.

5.11.16 A review of the content of the Contract and Financial Procedure Rules should be undertaken and updates reported to the Governance and Audit Committee for consideration / approval.

#### **Managing data**

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

5.11.18 A review of the arrangements in place during 2020/21 identified they were in line with the agreed governance structure. More specifically (and in addition to the information set out at paragraph 5.7.1 – GDPR):

- Whilst working from home, the Council continued the arrangements in place for technical and cyber assurance:
  - Secured its annual accreditation to the Public Service Network (PSN) in 2020/21 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; and
  - Participated in an all Wales Cyber Stocktake involving all Wales local authorities and the Audit Wales study on Cyber resilience, using their findings to further inform the Council's own work on cyber resilience.

5.11.19 With regard to the management of data, the Council has focused upon local, regional and national responses to the COVID-19 pandemic, in particular, effectively enabling new services such Track, Trace Protect' (TTP), Community Resilience Hubs, Mass Testing & Vaccinations and supporting the Council's workforce. More specifically:

- An All Wales Data Protection Officer (DPO) Forum was in operation from May 2020, to which the Council actively participated. The All Wales DPO Forum is a National Forum, led by Public Health Wales and attended by Local Government Data Protection Officers to support Welsh Government and Public Health Wales in dealing with the COVID-19 response; and



- The Council led the National 'Track, Trace Protect' (TTP) Finish Group and was attended by other Local Government Data Protection Officers, Public Health Wales and other Health Board partners. The purpose of the group was to map the flow of data relating to the TTP project, which in turn supported the establishment of the National Sharing Agreement for the COVID-19 pandemic.
- To aid the local response to the COVID-19 Pandemic, the Council's Information Management & ICT teams worked to support the wider organisation and its workforce in enabling users to work from home safely and securely and ensuring continuity of service provision.

5.11.20 It was noted that alongside the above activity, the Information Commissioner's Office (ICO) investigated 7 self-referrals in respect of the Council during 2020/21. In all cases, the ICO determined that no further regulatory action was required and were satisfied with the Council's investigation of the breaches and the remedial measures identified.

#### Public Services Ombudsman for Wales (PSOW)

5.11.21 It has been noted that 4 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**

5.11.22 The Council has publicly demonstrated its commitment to strong and responsible financial planning and management, and has supported this through the continued delivery of sound financial performance during 2020/21. This is based on:

- 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 financial planning and management that have been complied with, for example, 'Budget and Policy Framework Procedure Rules' and the 'Financial Procedure Rules';
- The Council set a Revenue Budget in 2020/21 after taking account of a £1.321Million budget gap and a 2-stage budget consultation process with a wide range of stakeholders (including the Finance and

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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

Performance Scrutiny Committee), with savings being delivered from areas that did not affect frontline services. As part of the [2020/21 Revenue Budget Strategy](#), the Council continued to take a responsible approach to Council Tax increases, having regard to residents feedback as part of the revenue budget consultation process, and set a 2.85% 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 (with the quarter 4 (year-end) report scheduled to be publicly reported in July 2021);
- The Council kept its finances under on-going review throughout 2020/21 and was able to continue its strategy of releasing resources from earmark reserves (as referred to in 5.8.7) to support additional one-off investment in Corporate Plan priorities;
- The Council did not certify its draft 2020/21 Statement of Accounts in accordance with the statutory timeframe of 31<sup>st</sup> May 2021; however, in line with the regulations, a notice has been published on the Council's website setting out the reasons for non-compliance i.e. *'Due to the ongoing requirement to address the impact of COVID-19, the authority has continued to divert resources to support key frontline services, reprioritised work accordingly and revised its timescale for preparing the statement of accounts for financial year 2020/21. The statement of accounts will therefore be prepared and the Responsible Financial Officer will sign and certify the statement of accounts by the 30 June 2021'*.
- Audit Wales presented its latest 'Annual Audit Summary' for 2020 to full Council on [10th March 2021](#) - key information reported by audit Wales in relation to the audit of the 2019/20 Statement of Accounts was:
  - the Auditor General gave an unqualified true and fair opinion on the Council's financial statements on 26 November 2020, four days ahead of the statutory deadline;
  - the Council's Annual Governance Statement and Narrative Report were prepared in line with the CIPFA Code and relevant guidance. They were also consistent with the financial statements prepared by the Council and with our knowledge of the Council;
  - the quality of the draft statements presented for audit on 14 July 2020 was generally good;
  - a number of changes were made to the Council's financial statements arising from our audit work, which were reported to Full Council in our Audit of Financial Statements Report in November 2020; and
  - in addition to the Auditor General's responsibilities for auditing the Council's financial statements, he also has responsibility for the

certification of a number of grant claims and returns. Our work to date has not identified any significant issues

- The Annual Audit Summary for 2020 also made reference to other reports issued to RCT during 2020, including the report '[Financial Sustainability Assessment - Rhondda Cynon Taf County Borough Council](#)' – overall conclusions were:
  - The Council is well placed to manage its financial sustainability over the short and medium-term;
  - The Council focusses on both short-term annual budgeting and medium term financial planning, which are clearly linked to supporting the achievement of corporate priorities and objectives;
  - The Council has a good track record of delivering services within agreed budgets;
  - The Council has made significant savings in recent years and planned savings have largely been achieved;
  - The Council has a reasonable level of useable reserves;
  - The Council collects a high proportion of council tax income; and
  - The Council takes a prudent approach to borrowing.
- Audit Wales also reported its 'Audit of Accounts Report Addendum' to Audit Committee on [1st February 2021](#) and related to the external audit of the Council's 2019/20 Statement of Accounts. The Audit Wales report set out 2 recommendations that have been agreed by RCT and have been implemented by 1<sup>st</sup> April 2021.
- The Council have well embedded Medium-Term Financial Planning arrangements (see also 5.8.5) and is in the process of updating its MTFP to cover the period 2021/22 to 2024/25.

### **Compliance with the CIPFA Financial Management Code of Practice**

- 5.11.23 The CIPFA Financial Management Code (the Code) was launched in November 2019 and is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability.
- 5.11.24 The Code sets the standards of financial management for local authorities and is based on a series of principles supported by specific standards and statements of practice which are considered necessary to provide the strong foundation to:

- Financially manage the short, medium- and long-term finances of a local authority;
- Manage financial resilience to meet foreseen demands on services; and
- Financially manage unexpected shocks in their financial circumstances.

5.11.25 Each local authority must demonstrate that the requirements of the Code are being satisfied, with compliance being a collective responsibility of elected members, the Chief Finance Officer and their professional colleagues in the leadership team. However, the Code is not expected to be considered in isolation and accompanying tools will form part of the collective suite of evidence to demonstrate sound decision making and a holistic view is taken. In addition, whilst the Code is designed to be flexible to the nature, needs and circumstances of individual authorities, it is up to each authority to determine the extent to which it complies with the Code and to identify what action it may wish to take to better meet the standards that the Code sets out.

5.11.26 Full compliance is expected for the 2021-22 financial year (i.e. from April 2021) with the 2020-21 financial year acting as a shadow year. In its Guidance Bulletin 06 (*Application of the Good Governance Framework 2020/21*), CIPFA has stated that the Annual Governance Statement for 2020-21 should include the overall conclusion of an assessment of the organisation's compliance with the principles of the Code and where there are outstanding matters or areas for improvement, these should be included in the action plan.

#### Proposal for Improvement

5.11.27 The Council has undertaken an assessment of its current arrangements against the Standards set out in the Code. The assessment process has demonstrated compliance with all of the standards, albeit, areas for improvement have been identified to further reinforce existing arrangements and are included in Section 7.

### 5.12 **IMPLEMENTING GOOD PRACTICES IN TRANSPARENCY, REPORTING, AND AUDIT TO DELIVER EFFECTIVE ACCOUNTABILITY**

#### **Implementing good practice in transparency and reporting**

5.12.1 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, for example, as part of reporting the Council's Statement of Accounts and quarterly Performance Reports.

### Cabinet Attendance at Scrutiny

- 5.12.2 Cabinet Members have attended their relevant Scrutiny Committee(s) to support the delivery of Covid-19 reports in respect of responses and recovery, and the Council recognises the key role of engagement between the Executive and Scrutiny Committees in the development of forward work programmes and to discuss the identification of any matters within the Cabinet forward work programme which may warrant further review. This has been evidenced via Cabinet / Scrutiny engagement sessions and Scrutiny Chairs and Vice-Chair meetings to coordinate the work of scrutiny committees.
- 5.12.3 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. As part of the suite of information on this web-age it is noted that the Local Code of Corporate Governance Section was published in 2019 and has not been reviewed since this time.

### Proposal for Improvement

- 5.12.4 The Council's Local Code of Corporate Governance should be reviewed and where proposed updates are deemed necessary, an updated document reported to the Council's Governance and Audit Committee for consideration / approval.

### **Assurance and effective accountability**

#### Internal Audit

- 5.12.5 The Council's Cabinet approved for the Internal Audit Service to be transferred to a Regional Internal Audit Shared Service (hosted by the Vale of Glamorgan Council), with effect from 1<sup>st</sup> April 2019. A review of information presented by the Regional Internal Audit Shared Service to Audit Committee during the year provides assurance that the Service continued to play a key part in enabling the Committee to fulfil its Terms of Reference.
- 5.12.6 An Internal Audit Charter was in place for the 2020/21 financial year that was approved by Audit Committee on [5th October 2020](#) 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.
- 5.12.7 The Head of Internal Audit has produced a Head of Internal Audit Report for 2020/21. Subject to Audit Committee consideration at its meeting in July 2021, the Head of Internal Audit Report states:
- *from the work undertaken during the financial year 2020/21 and taking into account other sources of assurance, the Head of Internal Audit's annual opinion on the adequacy and effectiveness of the Council's framework of*

*governance, risk management and control for 2020/21 is: “Effective with a small number of areas identified for improvement”.*

- *based on the work completed by the Regional Internal Audit Shared Service for the financial year no significant cross-cutting control issues have been identified that would impact on the Council’s overall control environment. The weaknesses that have been identified are service specific.*
- 5.12.8 In addition, the Head of Internal Audit’s Annual Report 2020/21 confirmed overall conformance to the Public Sector Internal Audit Standards. Covid-19 changed how audit work was carried out in 2020/21 and all staff have worked from home for the year. Audits have been conducted remotely using various digital solutions, holding remote meetings, sharing of screens and sending of data and evidence electronically. Whilst there was a steep learning curve both for audit staff and auditees all have adjusted well to the new ways of working.
- 5.12.9 Although the pandemic did have an impact on the delivery of the internal audit plan for 2020/2021 the level of Internal Audit coverage was still sufficient for the Head of Audit to be able to give an opinion. In respect of audit coverage; Internal Audit provided assurance on the processes put in place across Council services as a result of emerging risks during the year and many of the planned reviews for 2020/21 included a Covid related element in the audit scope and objectives. Audits have taken longer than usual, in particular where services have been under more pressure, or obtaining evidence has been more time consuming. Some planned reviews were not undertaken during the year, some due to requests from services that were under intense pressure. These will be considered in the 2021/22 plan.
- 5.12.10 It is likely that the service will continue to be delivered remotely for the foreseeable future with an element of office based/face to face working introduced over time when restrictions allow.

## 5.13 OTHER KEY GOVERNANCE ARRANGEMENTS

### **Amgen Cymru Ltd**

- 5.13.1 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.
- 5.13.2 The directors of the companies are responsible for ensuring there are sound governance arrangements including a robust system of internal control.
- 5.13.3 The Council removed the “arm’s 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.

5.13.4 During 2020/21 there have been no significant governance issues that have been identified by the Amgen Company directors, internal auditors or external auditors.

### **Pension Fund**

5.13.5 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, including the Fund's policy on how social, environmental and corporate governance considerations are taken into account; and
- Funding Strategy Statement which provides a summary of how we will fund our pension liabilities.
- Pension Fund Risk Register, which identifies, prioritises and monitors risks associated with the Fund, against suitable mitigation controls.

5.13.6 All of these documents can be found at the following link: [www.rctpensions.org.uk](http://www.rctpensions.org.uk)

5.13.7 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.

- 5.13.8 The Pension Board is made up of two employer representatives and two member representatives.
- 5.13.9 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.
- 5.13.10 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.
- 5.13.11 The Pension Fund Committee met 4 times during the 2020/21 financial year.
- 5.13.12 In 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.



## **OVERALL ASSESSMENT OF THE COUNCIL'S ARRANGEMENTS**

6.1 Based on the assessment undertaken, it is considered that the Council's governance arrangements provided the basis to effectively manage service delivery, Corporate Plan priority areas and resources during an unprecedented period as a result of the Covid-19 pandemic. This overall conclusion, set in the context of the pandemic, is supported by:

- The timely introduction of revised decision making and democratic engagement arrangements, in line with new coronavirus regulations and the Council's Constitution, and an on-going programme of support to elected Members to enable the continued effective discharge of their responsibilities;
- Robust service planning and prioritisation of resources in parallel with the transformation of service delivery in many areas to ensure the continued provision of essential frontline services;
- An open approach to engaging with stakeholders, partners and the Council's scrutiny function in the planning and delivery of services, this primarily being delivered remotely / virtually during the year;
- Regular reporting and publishing of financial, operational performance and governance related information, and a range of service specific information such as Covid-19 recovery arrangements, customer feedback and Committee forward work programmes, to enable stakeholders to hold the Council to account in the delivery of services / Corporate Plan priorities and use of resources;
- Robust financial management and internal control arrangements underpinning the Council's business, ensuring the appropriate use of public funds;
- An unqualified audit opinion from the Council's external auditor on the Council's latest approved Statement of Accounts (2019/20) and assurance from the Head of Internal Audit's annual opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control for 2020/21;
- A medium-term approach to financial planning, within a challenging public sector financial climate;
- On-going awareness raising within the Council to promote probity and a zero-tolerance culture in respect of fraud, bribery and corruption, and also reporting on the Council's performance in these areas; and
- The Council having a track record of implementing Annual Governance Statement recommendations in previous years.

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

## 7. PROPOSALS FOR IMPROVEMENT

7.1 Further to completing the assessment of the Council's governance arrangements, Table 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(s)</b>
<b>MANAGING RISKS AND PERFORMANCE THROUGH ROBUST INTERNAL CONTROL AND STRONG PUBLIC FINANCIAL MANAGEMENT</b>	5.11.7	The Council's Risk Management Strategy was last reviewed and approved by Audit Committee in December 2018.	The Strategy should be reviewed and where required proposed updates reported to the Governance and Audit Committee for consideration. In addition, as part of the review, regard should be given to the findings and recommendations included within the 2020/21 Internal Audit report 'Risk Management'.	December 2021	Head of Procurement Delivery
	5.11.10	Where core financial system internal audit reports are presented to Audit Committee, no separate overview of the required internal controls is provided to aid Members understanding of the area (as originally intended as part of the 2020/21 work programme)	As part of compiling the 2021/22 Governance and Audit Committee work programme, finalised internal audit assignments for core financial systems should be supplemented by a more detailed overview of the area prior to the assignment being presented to Committee. This is to aid Members understanding of the main internal control requirements for key financial systems.	From October 2021	Coordinated by the Service Director – Finance and Improvement Services

Core Principle / Area	Paragraph No.	Issue Identified	Recommendation	Timescale for Implementation	Responsible Officer(s)
<b>MANAGING RISKS AND PERFORMANCE THROUGH ROBUST INTERNAL CONTROL AND STRONG PUBLIC FINANCIAL MANAGEMENT</b>	5.11.15	<p>Although an overview of the Council's Contract Procedure Rules was presented to the Audit Committee in 2020/21, no overview of the Financial Procedure Rules was presented.</p>	<p>As part of the learning and development of Governance and Audit Committee Members, an overview of the Council's Financial Procedure Rules should be built into the 2021/22 Work Programme to support Members understanding of these requirements.</p>	November 2021	<p>Service Director – Finance and Improvement Services</p>
		<p>In addition, it was noted that a review of the information contained within both documents was not reviewed and reported to Audit Committee during 2020/21.</p>	<p>A review of the content of the Contract and Financial Procedure Rule documents should be undertaken and updates reported to the Governance and Audit Committee for consideration / approval (where deemed required).</p>	December 2021	<p>Service Director – Finance and Improvement Services and Head of Procurement Delivery</p>

Core Principle / Area	Paragraph No.	Issue Identified	Recommendation	Timescale for Implementation	Responsible Officer(s)
<b>MANAGING RISKS AND PERFORMANCE THROUGH ROBUST INTERNAL CONTROL AND STRONG PUBLIC FINANCIAL MANAGEMENT</b>	5.11.27	<p>Compliance with the <u>CIPFA Financial Management Code of Practice</u></p> <ul style="list-style-type: none"> <li>• Standard C - Governance and Financial Management Style <ul style="list-style-type: none"> <li>○ No Council wide review of officer schemes of delegation has been undertaken during the past financial year.</li> <li>○ Currently, progress updates in relation to Audit Wales recommendations are reported to Audit Committee annually.</li> </ul> </li> </ul>	<p>Officer Schemes of Delegation should be reviewed and where required updated, approved by the Designated Officers and re-issued to post-holders.</p> <p>Updates on the progress being made by the Council to implement Audit Wales recommendations should be timetabled within the Governance and Audit Committee work programme for 2021/22 and provide a mid-year and year-end update of progress.</p>	<p>January 2022</p> <p>November 2021 / March – April 2022</p>	<p>Coordinated by the Director of Legal Services</p> <p>Director of Finance and Digital Services</p>

Core Principle / Area	Paragraph No.	Issue Identified	Recommendation	Timescale for Implementation	Responsible Officer(s)
<b>MANAGING RISKS AND PERFORMANCE THROUGH ROBUST INTERNAL CONTROL AND STRONG PUBLIC FINANCIAL MANAGEMENT</b>	5.11.28	<p><u>Compliance with the CIPFA Financial Management Code of Practice</u></p> <ul style="list-style-type: none"> <li>• Standard G - The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members</li> <li>○ The Council's forward-looking planning period covers 3 / 4 years as part of its Medium-Term Financial Plan.</li> </ul>	As part of the Council's on-going forward planning arrangements, information on the longer-term outlook (5 years+) should be considered and relevant updates reported as appropriate.	March 2022	Director of Finance and Digital Services
<b>IMPLEMENTING GOOD PRACTICES IN TRANSPARENCY, REPORTING, AND AUDIT TO DELIVER EFFECTIVE ACCOUNTABILITY</b>	5.12.4	As part of the suite of information on the Council's Governance web-age, it is noted that the Local Code of Corporate Governance was published in 2019 and has not been reviewed since this time.	The Council's Local Code of Corporate Governance should be reviewed and where proposed updates are deemed necessary, an updated document reported to the Council's Governance and Audit Committee for consideration / approval.	February 2022	Head of Procurement Delivery

7.2 The Council's SLT has accepted the proposals for improvement and is committed to their implementation during 2021/22. The SLT has also confirmed that an update on progress will be reported to the Council's Governance and Audit Committee during the year to enable elected Members to review and scrutinise the extent of progress being made.

Leader: \_\_\_\_\_

Chief Executive: \_\_\_\_\_

## APPENDIX A

### 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="#">Whistleblowing 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>
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>



<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 up dates).</li> <li>• Risk Management Strategy.</li> </ul>
Determining the interventions necessary to optimise the achievement of the intended outcomes	<ul style="list-style-type: none"> <li>• Annual Revenue Budget Strategy and three year Capital Programme.</li> <li>• Medium Term Financial Plan.</li> <li>• Scrutiny Committees.</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 up dates).</li> <li>• Corporate Performance Report (i.e. year-end annual report).</li> <li>• Audit Committee and a Regional 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, Scrutiny Annual Report, Standards Committee Annual Report, Audit Committee Annual Report.</li> <li>• Internal Audit external assessment (every 5 years) and Internal Audit Charter.</li> <li>• Pension Fund Committee.</li> </ul>

**APPENDIX B**

**PROPOSALS FOR IMPROVEMENT 2019/20 – POSITION STATEMENT**

Core Principle / Area	Issue Identified	Recommendation	Responsible Officer
<p><b>Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b></p>	<p><u>Whistle-Blowing</u> Although the Council's Whistle-blowing policy is kept under on-going review at an operational level, the Policy was last reported to Audit Committee for consideration in October 2016.</p>	<p>The Council's Whistle-Blowing Policy should be subject to a full review, taking into account intelligence gathered since the last update, and reported to Audit Committee for review, challenge and sign-off.</p>	<p>Director of Human Resources  Status – Completed – reported to 26<sup>th</sup> April 2021 Audit Committee</p>
<p><b>Managing risks and performance through robust internal control and strong public financial management</b></p>	<p><u>Audit Committee</u> Risk Management – strengthen Committee's visibility of the Council's risk profile and provide Audit Committee Members with the appropriate support to further development their skills in this area.  Learning and Development – although individual elected Member training and development arrangements are in place, no skills assessment has been undertaken for Audit Committee members (informed by the CIPFA publication 'Audit Committees - Practical Guidance for Local Authorities &amp; Police 2018 Edition')</p>	<ul style="list-style-type: none"> <li>• Strategic Risk Register updates to be incorporated into the Audit Committee work programme.</li> <li>• Complete a skills assessment for members of Audit Committee the results from which will inform a refreshed programme of learning and development for the Committee (and should then be incorporated into an action plan for Audit Committee to support its on-going development and link to the Audit Wales project 'Rhondda Cynon Taf Audit Committee - Support and Development').</li> </ul>	<p>Service Director – Finance and Improvement Services Status – Completed - from 1<sup>st</sup> February 2021 Audit Committee  Service Director – Democratic Services and Communications and Service Director – Finance and Improvement Services Status – Completed - updates to 1<sup>st</sup> February 2021 and 22<sup>nd</sup> March 2021 Audit Committee meetings</p>

Core Principle / Area	Issue Identified	Recommendation	Responsible Officer
<b>Managing risks and performance through robust internal control and strong public financial management</b>	<u>Operational Risk Management</u> Although operational risk management is undertaken at a service level (via local Service Delivery Planning and monitoring arrangements) assurance is required to determine whether the arrangements are operating as intended.	Undertake a review of operational risk arrangements.	Service Director – Finance and Improvement Services Status – Completed (year-end 2020/21)

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## RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

### MUNICIPAL YEAR 2021/22

<p><b>COMMITTEE: GOVERNANCE AND AUDIT COMMITTEE</b></p> <p>12<sup>th</sup> July 2021</p>	<p><b>Item No. 8</b></p>
<p><b>REPORT OF: HEAD OF REGIONAL INTERNAL AUDIT SERVICE</b></p>	<p><b>Internal Audit Annual Report 2020/21</b></p>

**Author: Mark Thomas (Head of Regional Internal Audit Service) & Lisa Cumpston (Group Audit Manager)**

#### **1. PURPOSE OF THE REPORT**

The purpose of this report is to provide the Head of Audit's Annual Opinion and to inform the Governance and Audit Committee of the work & performance of Internal Audit for the Financial Year 2020/21.

#### **2. RECOMMENDATIONS**

- 2.1 It is recommended that Members give due consideration to the Annual Internal Audit Report for the Financial Year 2020/21 including the Head of Audit's Annual Opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal control.

#### **3. REASONS FOR RECOMMENDATIONS**

- 3.1 Governance and Audit Committee receives the annual opinion from the Head of Internal Audit in respect of the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal control and to monitor the performance of the Council's Internal Audit Service in accordance with its Terms of Reference.

## 4. **BACKGROUND**

- 4.1 The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an Annual Report to support the Annual Governance Statement. The report should:
- Include an opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control;
  - Present a summary of the audit work undertaken;
  - Draw attention to any issues that may impact on the level of assurance provided;
  - Provide a summary of the performance for the service; and
  - Comment on conformance with the Public Sector Internal Audit Standards.
- 4.2 In accordance with the Public Sector Internal Audit Standards, the Head of Audit is responsible for developing a risk-based annual audit plan which takes into account the Council's risk management framework. Within the Standards there is also a requirement for the Head of Audit to review and adjust the plan, as necessary, in response to changes in the Council's business, risks, operations, programmes, systems, controls and resources. The Head of Audit must also ensure that Internal Audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan.
- 4.3 The Interim Risk Based Plan for 2020/21 was presented to Audit Committee and approved on 20<sup>th</sup> July 2020. It was reported at this time that due to the ongoing Covid-19 pandemic the plan would need to be more flexible than usual to allow the service to respond to changing circumstances and events that may occur throughout the year. It was also reported that there would be a lower level of coverage than in previous years and different emphasis due to the impact of the pandemic e.g. particular risks arising from Covid, re-prioritising resources to support Track, Trace, Protect (TTP) work, childcare responsibilities, sickness absence, availability of audit and service staff and challenges from the remote way of auditing.
- 4.4 In addition, the Governance and Audit Committee Terms of Reference include the following responsibility:
- “To receive and consider the Head of Internal Audit’s Annual Report and opinion on the level of assurance it can give over the Authority’s governance arrangements and associated internal control environment”.*
- 4.5 2020/21 has seen the Covid-19 pandemic have a major impact on how the Council has had to operate and the governance arrangements and processes that were put in place to ensure it could continue to support residents and businesses during this difficult and challenging year.
- 4.6 Covid-19 also changed how audit work was carried out in 2020/21 and all staff have worked from home for the year. Audits have been conducted remotely using various digital solutions, holding remote meetings, sharing of

screens, and sending of data and evidence electronically.

- 4.7 Whilst there was a steep learning curve both for audit staff and auditees all have adjusted well to the new ways of working. Audits have taken longer than usual, in particular where services have been under more pressure, or obtaining evidence has been more time consuming.
- 4.8 It is likely that the service will continue to be delivered remotely for the foreseeable future with an element of office based/face to face working introduced over time when restrictions allow.
- 4.9 The Interim Risk Based Plan for 2020/21 is at **Appendix A** which summaries the planned reviews undertaken during 2020/21, the recommendations made and any control issues identified. It also includes details of the unplanned reviews undertaken in response to emerging risks and requests from Management to provide assurance that the appropriate controls are in place, where new processes have been introduced as a result of the pandemic. A total of 28 finalised audit assignments culminating in an overall opinion have been completed with a further 2 assignments currently at draft report stage (a total of 30 audit assignments).
- 4.10 Following the presentation of the Audit Plan to Audit Committee on 20<sup>th</sup> July 2020, there was a further re-prioritising of resources to support TTP work in response to the second wave of the pandemic; a member of the Audit Team was seconded to the TTP Team for the remainder of the financial year. Together with an extended period of sickness absence which was not accounted for in the original Interim Risk Based Plan, there has been a significant impact on the available audit days to complete the audit assignments originally planned. The use of an external provider (SWAP) to provide additional resources to help deliver the audit plan for 2020/21 has also been utilised.
- 4.11 A total of 45 high, medium and low priority recommendations have been made and a detailed breakdown is included at **Annex 1** of the Appendix. The annual report also discusses the performance of the internal audit service during the year including benchmarking its performance against other local authorities and highlighting individual staff development and training that has taken place.
- 4.12 Progress against the 2020/21 risk-based plan is attached at **Annex 2**. This illustrates that 74% of planned audit reviews have been undertaken during 2020/21. Ten planned reviews will be carried forward into the risk-based audit plan for 2021/22 as a result of external factors impacting on the available audit days, and requests from Management to defer audits due to pressures on various service areas. One unplanned audit was also undertaken in response to emerging risks and at the request of Management.

## **5. EQUALITY AND DIVERSITY IMPLICATIONS / SOCIO-ECONOMIC DUTY**

- 5.1 There are no equality and diversity or socio-economic 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 an annual opinion in respect of the Council's overall system of governance, risk management and internal control 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 2020-2024 "Making a Difference", 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 Taking into account the results of the internal audit reviews completed during 2020/21, the recommendations made and considering other sources of assurance the Head of Internal Audit's annual opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control for 2020/21 is '**Effective with a small number of areas identified for improvement**'.



10.2 No significant cross-cutting control issues have been identified that would impact on the Council's overall control environment and any areas for improvement that have been identified are service specific.

10.3 In providing this annual audit opinion, it should be noted that assurance can never be absolute. The most that internal audit can provide is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes. The matters raised in this report are only those which came to our attention during our internal audit work for the financial year 2020/21 and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

**Other Information:-**

***Relevant Scrutiny Committee***

**Not applicable.**

**Contact Officer** – Mark Thomas (Head of Regional Internal Audit Service)



**LOCAL GOVERNMENT ACT, 1972**

**as amended by**

**THE ACCESS TO INFORMATION ACT, 1985**

**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**GOVERNANCE AND AUDIT COMMITTEE**

**12<sup>th</sup> July 2020**

**HEAD OF REGIONAL INTERNAL AUDIT SERVICE**

Author: Mark Thomas (Head of Regional Audit Service) & Lisa Cumpston (Group Audit Manager)

**Item**

**8 Internal Audit Annual Report 2020/21**

**Background Papers**

None.

Officer to contact: Mark Thomas (Head of Regional Audit Service)

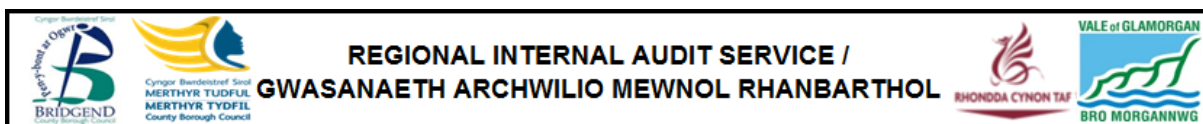


STRONG HERITAGE | STRONG FUTURE  
**RHONDDA CYNON TAF**  
TREFTADAETH GADARN | DYFODOL SICR

# ANNUAL INTERNAL AUDIT REPORT

## 2020/2021

**C. Mark. Thomas MAAT, CPFA**  
Head of Regional Internal Audit Service  
June 2021



## Annual Internal Audit Report 2020/21

**Section 1 – Introduction**

- 1.1 The Public Sector Internal Audit Standards (PSIAS) requires the Head of Audit to deliver an annual internal audit opinion and report which can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
- 1.2 2020/21 has seen the Covid-19 pandemic have a major impact on how the Council has had to operate and the governance arrangements and processes that were put in place to ensure it could continue to support residents and businesses during this difficult and challenging year.
- 1.3 Covid-19 also changed how audit work was carried out in 2020/21 and all staff have worked from home for the year. Audits have been conducted remotely using various digital solutions, holding remote meetings, sharing of screens and sending of data and evidence electronically.
- 1.4 Whilst there was a steep learning curve both for audit staff and auditees all have adjusted well to the new ways of working. Audits have taken longer in some instances due to responses to draft reports taking longer than usual where services have been under more pressure. It is likely that the service will continue to be delivered remotely for the foreseeable future with an element of office based/face to face working introduced over time when restrictions allow.
- 1.5 The 2020/21 Internal Audit Plan outlined the assignments to be carried out to enable the Head of Audit to form an annual opinion of the Council's overall control environment including, governance, risk management and internal control. Factors that were taken into account due to the impact of COVID-19 included risks arising from the pandemic and an emphasis being placed on looking at changed or new processes and governance arrangements introduced as part of every audit.
- 1.6 Other factors taken into account included potential availability of audit and service staff and challenges arising from the remote ways of working. The plan was also more flexible than usual to be able to respond to changing circumstances and events that may have occurred such as a second wave/outbreaks, pressures on services, the ability to access staff and evidence or requests to respond to new issues that may emerge.
- 1.7 The Internal Audit Service is delivered through the expanded shared service that came into existence on 1<sup>st</sup> April 2019. The service is hosted by the Vale of Glamorgan Council and provides internal audit services to the Vale, Bridgend, Merthyr Tydfil & Rhondda Cynon Taf Councils. The arrangement is underpinned by a detailed legal agreement between the four Councils which sets out a range of obligations (the core service is the same for each Council but there are differences in what is provided outside of the core service).

## Annual Internal Audit Report 2020/21

- 1.8 The service reports to the four Audit Committees and is overseen at a strategic level by the Board which consists of the Chief Finance Officers of the four Councils.

## Section 2 – Summary of Reviews Undertaken 2020/21

- 2.1 On completion of the audit reviews an audit opinion is formed providing assurance for management and those charged with governance on how well the internal controls and governance arrangements of the system, establishment or area of review are operating.
- 2.2 Based upon the findings and recommendations made, an overall conclusion as to the level of assurance that can be provided is given as follows:

### Effective

- Control environment is adequate;
- No findings noted;
- Management's control environment appears sound;
- All high-level risks adequately controlled.

### Effective with opportunity for improvement

- Control environment is adequate but some exceptions exist;
- Some control weaknesses and/or opportunities for improvement observed;
- Management's control environment appears otherwise sound;
- High level risks are adequately controlled.

### Insufficient and requires improvement

- Some high-level risks are not adequately controlled;
- At least one finding is rated 'high';
- Immediate safety and soundness are not threatened, but Management's control environment requires improvement;
- Significant exposure to fraud or security vulnerabilities.

### Not adequate

- Control environment is not adequate and below standard, with significant exceptions;
- Requires Council's Administrator's immediate attention;
- Management's control environment considered unsound.

**Table 1 – Audit Opinion Given to Non-Schools Internal Audit Reviews 2020/21**

Audit Opinion	Number of Audit Assignments	%
Effective	17	74%
Effective with Opportunity for Improvement	6	26%

## Annual Internal Audit Report 2020/21

Insufficient and Requires Improvement	0	0%
Not Adequate	0	0%
<b>TOTAL</b>	<b>23</b>	<b>100%</b>

2.3 Table 1 illustrates that a total of 23 Non-Schools Internal Audit reviews have been given an audit opinion. A detailed list of these is at **Annex 1**.

2.4 Based on the testing of the effectiveness of the internal control environment an audit opinion of Effective has been given to 17 reviews (74%) and an opinion of Effective with Opportunity for Improvement to 6 reviews (26%).

**Table 2 – Audit Opinion Given to Schools Internal Audit Reviews 2020/21**

<b>Audit Opinion</b>	<b>Number of Audit Assignments</b>	<b>%</b>
Effective	3	43%
Effective with Opportunity for Improvement	4	57%
Insufficient and Requires Improvement	0	0%
Not Adequate	0	0%
<b>TOTAL</b>	<b>7</b>	<b>100%</b>

2.5 Table 2 illustrates that a total of 7 Schools Internal Audit Reviews have been given an audit opinion. A detailed list of these is at **Annex 1**.

2.6 There have been no opinions provided where the control environment is deemed to be 'insufficient and requires improvement' (**Section 3 – Limited Reports – Control Issues**). Based on the testing of the effectiveness of the internal control environment an audit opinion of Effective has been given to 3 reviews (43%) and an opinion of Effective with Opportunity for Improvement to 4 reviews (57%).

2.7 Progress against the 2020/21 risk-based plan is attached at **Annex 2**. This details the status of each planned review, the audit opinion and the number of any high, medium or low priority recommendations made to improve the control environment. It should also be noted that some of these priority ratings relate to recommendations which are not fully outstanding, only partially implemented but remain reported against the priority rating shown in the original report.

2.8 **Annex 2** illustrates that 29 of the planned audit reviews have been undertaken during 2020/21, and a further 1 audit assignment undertaken at the request of Management. Ten planned reviews were reassessed during the year due to the re-prioritising of resources to support Track, Protect (TTP), long term sickness and requests from Management to defer audits due to the pressures already faced in certain service areas. These audits will be carried forward into 2021/22 as a result of these factors. The use of an external provider (SWAP) to provide additional resource to help deliver the audit plan was also secured.

2.9 There has been a need to respond to the ongoing challenges faced by the Council and provide support on emerging issues as they arise. An example of this is 'Free School Meals – Self Isolation Payments,' providing assurance that the appropriate

## Annual Internal Audit Report 2020/21

controls are in place in respect of a new process introduced as a result of the pandemic.

- 2.10 Within the Risk Based Plan for 2020/21 Internal Audit allocated resources to deliver Consultancy Assignments in respect of Information Management and one auditor continues to be a member of the Council's Information Management Working Group.
- 2.11 Although the pandemic did have some impact on the delivery of the internal audit plan for 2020/2021 the level of Internal Audit coverage was sufficient for the Head of Audit to be able to give an opinion.

### Section 3 – Limited Reports - Control Issues

- 3.1 There were no Internal Audit Reviews completed during 2020/21 where the control arrangements were considered to be '*insufficient and requires improvement*'.

### Section 4 – Recommendations – 2020/21

- 4.1 Recommendations are made at the conclusion of an audit review if it is felt that improvements should be made to mitigate risk. Recommendations are included in the final audit report and recipients are asked to provide Management Responses to show whether they agree with the recommendations, how they plan to implement them, a Responsible Officer and a date when this will be done. The classification of each recommendation made assists management in focusing their attention on priority actions, these ratings being High, Medium or Low.

**Table 3 – Priority Ratings for Audit Recommendations**

Ratings	Criteria
High	Risk has a high impact and high likelihood
Medium	Risk has a high impact and low likelihood, or low impact and high likelihood
Low	Risk has a low impact and low likelihood

- 4.2 Management are contacted and are asked to provide feedback on the status of each agreed recommendation once the target date for implementation has expired. The implementation of these recommendations is monitored using MK Insight (Internal Audit software) to ensure that improvements are being made.

## Annual Internal Audit Report 2020/21

**Table 4 – Analysis of Recommendations Made During 2020/21**

	Non Schools Audit Reviews		Schools Audit Reviews	
High	0	0	12	46%
Medium	6	32%	6	23%
Low	13	68%	8	31%
<b>Total</b>	<b>19</b>	<b>100%</b>	<b>26</b>	<b>100%</b>

- 4.3 Table 4 illustrates the total number of high, medium or low priority recommendations made to improve the control environment of the areas reviewed during 2020/21. Management has given written assurance that these recommendations will be implemented in accordance with the timescales included in the final audit reports.
- 4.4 A summary of the status of all recommendations made by the Internal Audit Service, grouped under the relevant service of the Council is also presented to Audit Committee throughout the year as part of Internal Audit Performance monitoring. There are currently no overdue recommendations which require implementation.

### Section 5 – Key Performance Measures – Client Satisfaction Questionnaires

- 5.1 The Internal Audit Service uses MK Insight (Internal Audit software) to enable clients to feedback with comments on the work undertaken by internal auditors. The client satisfaction questionnaires provide managers with the opportunity to feedback on the performance, professionalism and conduct of the auditor as well as the audit process in general.

The questions covered are below:

No.	Question
<b>1</b>	<b>Preparing for the Audit</b>
	Were you adequately consulted about the nature, scope and objectives of the Audit?
	Were you satisfied with the notice given prior to the commencement of the Audit?
<b>2</b>	<b>The Audit Fieldwork</b>
	Were you satisfied with the Audit coverage?
	How well was the Audit conducted with regard to minimising disruption to service delivery?
	Were the summary findings adequately explained to you prior to the Auditor(s) leaving site?
<b>3</b>	<b>The Audit Report</b>
	Were you happy that the format of the report was clear, concise and easy to read?
	Did you find the recommendations practical, logical and relevant?



## Annual Internal Audit Report 2020/21

	Were you given sufficient opportunity to comment on the Draft Report?
	How do you rate the timeliness of the Final Report?
	Do you feel the results of the Audit will be of value to you as a Manager?
<b>4</b>	<b>The Auditor(s)</b>
	How do you assess the Auditor(s) in terms of professionalism, helpfulness and politeness?

- 5.2 Due to the reduced plan of work during 2020/21 and nature of the audit assignments undertaken (e.g. grant certifications, Covid-19 related assurance etc.) a limited number of client satisfaction were issued and only 33% returned. This is an area where the Service will be able to explore the MK Insight audit software to introduce a follow up process where surveys have not been returned, allowing potential development areas to be identified and service improvements made where necessary. The returned surveys have confirmed satisfaction with the audit approach, the service provided and the conduct of the Auditors. In addition to the above, the client also has an opportunity to make their own comments on the Client Satisfaction Survey. Set out below is an example that has been received during the period.

**The Auditor has been absolutely amazing and supportive throughout the whole process.**

**Working with the Auditor's support has allowed us to make significant changes and helped us find solutions.**

**As much as it's not nice when your failures are highlighted, I actually enjoyed the process!**

## Annual Internal Audit Report 2020/21

**Section 6 – Key Performance Measures – Staff Training**

- 6.1 Investment in the development of staff continues as it is recognised that with the increasing challenges and complexity facing local government and other public sector services, the need for well trained, motivated and versatile audit staff has never been higher.
- 6.2 Staff are encouraged to attend courses or seminars or complete on-line courses to develop their skills and networking opportunities. Examples of the on-line courses completed by Internal Audit during 2020/21 include:
- Data Protection Essentials
  - Stress Awareness
  - Working from Home and Agile Working
  - Safeguarding Children and Adults – Raising Awareness
  - Armed Forces Covenant
  - Challenging Conversations
  - Assertiveness
  - Digital Literacy

**Section 7 – Key Performance Measures – Benchmarking**

- 7.1 The Internal Audit Service participates annually in the Welsh Chief Auditors Group (WCAG) benchmarking exercise. The results for 2019/20 and 2020/21 have been received and are as shown in Table 5 below:

**Table 5 – Performance Data**

Performance Indicator	Performance RIAS RCT Team 2020/21	WCAG Average Performance 2020/21	Performance RIAS RCT Team 2019/20	WCAG Average Performance 2019/20
Percentage of Planned Audits Completed	74%	67%	72%	74%
Percentage of Audits Completed in Planned Time	66%	75%	38%	69%
% of Client Satisfaction Questionnaires Returned	33%	57%	76%	60%
% of clients responses at least satisfied	100%	100%	100%	99%
% of recommendations accepted versus made	100%	100%	100%	100%

## Annual Internal Audit Report 2020/21

- 7.2 It should be noted that 16 of the 22 Councils returned their performance figures for 2020/21 representing a return rate of 73%.
- 7.3 Overall for 2020/21 74% of the audit plan was completed, a total of 39 assignments were planned during the year of which 29 for were completed. 66% of Audits were completed within planned time during 2020/21.
- 7.4 Although not all work planned for was undertaken during the year, Internal Audit management ensured that coverage was given to appropriate areas including requests to undertake specific additional work. Where risk profiles changed during the year, Internal Audit responded accordingly.

**Section 8 – Public Sector Internal Audit Standards**

- 8.1 The Public Sector Internal Audit Standards encompass the following mandatory elements:
- Definition of Internal Auditing;
  - Code of Ethics; and
  - International Standards for the Professional Practice of Internal Auditing.
- 8.2 The Standards aim to promote further improvement in the professionalism, quality and effectiveness of Internal Audit Services across the public sector. The Standards require that each public sector Internal Audit Service has in place robust arrangements for quality assurance and requires that Internal Audit be the subject of an external assessment at least once every 5 years.
- 8.3 The Internal Audit Service for the Council received an external assessment in accordance with the Standards in 2017. Another assessment will be due in 2022 for the expanded Regional Service. No areas of non-compliance that would affect the overall scope or operation of the Internal Audit activity were identified and the assessment noted that there were no significant deviations from the Standards.
- 8.4 No significant changes have occurred in respect of the working practices since the expanded Regional Internal Audit Service was set up in April 2019. As a result, the Service continues to conform to the Standards during 2020/21.

**Section 9 – Regional Internal Audit Service Progress**

- 9.1 As stated above in Section 1 the expanded shared service came into existence on 1<sup>st</sup> April 2019. The service is hosted by the Vale of Glamorgan Council and provides internal audit services to the Vale, Bridgend, Merthyr Tydfil & Rhondda Cynon Taf Councils.
- 9.2 A vision for the service has been produced alongside a number of objectives.

## Annual Internal Audit Report 2020/21

**Vision**

To be the provider of Internal Audit Services of choice to the public sector in South Wales and be a centre of excellence for public sector internal auditing.

To be a service that is regarded as:

- ✓ Professional
- ✓ Approachable
- ✓ Flexible
- ✓ Independent but internal to the organisation – a critical friend

9.3 The immediate priorities for the service were identified as follows:

- Ensure a seamless transition from previous arrangements
- Ensure Internal Audit plans for each Council have been developed, consulted on and are deliverable within the likely resources available
- Production of Annual Internal Audit Reports for each Council
- Continue to support all four Audit Committees
- Continue to deliver the planned Audits for each Council

These were all delivered.

9.4 The priorities identified for the first 12 months for the Service were:

- Develop a structure taking into account TUPE requirements and SWOT analysis
- Confirm ICT solution & arrangements
- Identify & evaluate different approaches / methodologies of each Internal Audit team and identify most appropriate to adopt

9.5 A new staffing structure has been developed and agreed. Consultation with the Trade Unions and staff is taking place over the summer with recruitment to vacant posts to commence shortly after.

9.6 Covid has had a major impact on how audit work has been carried out in 2020/21 and all staff have worked remotely for the year. Audits have been conducted remotely using various digital solutions, remote meetings, sharing of screens and sending of data electronically.

9.7 Whilst there was a steep learning curve both for audit staff and auditees all have adjusted well to the new ways of working. Audits have taken longer than usual, in particular where services have been under more pressure, or obtaining evidence has been more time consuming. It is likely that the service will continue to be delivered remotely for the foreseeable future with an element of office based/face to face working introduced over time when restrictions allow.

## Annual Internal Audit Report 2020/21

- 9.8 A new Audit Software solution for the Service was procured in 2020. Intensive work has taken place to set up the system, train the staff and to determine and agree consistent working practices and methodologies across the Service including new report format and consistent terminology. The new approach has been rolled out from April 2021.
- 9.9 The longer-term success of the service includes plans to develop a commercial approach and analysing the potential public sector market. Limited progress has been made on this aspect as the foundations referred to above need to be embedded before progressing this.
- 9.10 Collaborative working arrangements throughout the year benefitted the level of service provided to the Council. External support via the South West Audit Partnership (SWAP) was bought in to augment available resource due to staff being seconded to TTP and 2 long term sickness absences. This support alongside the hard work of the remaining Team enabled sufficient coverage to be provided to enable the annual audit opinion to be formed.

**Section 10 – Support Audit Committee to deliver its Terms of Reference**

- 10.1 A work-plan aimed at helping the Audit Committee to discharge its role was compiled in consultation with the External Audit Manager and the Audit Committee Chairperson. The work-plan was presented to Audit Committee at its meeting held on the [5th October 2020](#).
- 10.2 The work-plan for 2020/21 includes the process of inviting a wider range of Officers of the Council to attend Audit Committee and present specific items, and were available to answer specific questions or queries that Audit Committee Members had (within the Terms of Reference for Audit Committee). An example of this is an update on the Procedure Rules that was provided to Audit Committee on 22<sup>nd</sup> March 2021.
- 10.3 The process of inviting a range of Officers to attend and present items to Audit Committee will continue during 2021/22.

## Annual Internal Audit Report 2020/21

**Section 11 - Opinion Statement 2020/21**

This statement of opinion is underpinned by:

**Internal Control Framework**

The control environment comprises the Council's policies, procedures and operational systems and processes in place to:

- Establish and monitor the achievement of the Council's objectives;
- Facilitate policy and decision making;
- Ensure the economical, effective and efficient use of resources;
- Ensure compliance with established policies, procedures, laws and regulations;
- Safeguard the council's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption.

During the year, core financial and administrative systems were reviewed by Internal Audit either through specific reviews (e.g. Creditors, Benefits, Debtors etc.) or generally in the reviews undertaken in respect of Directorate systems. Many of the audit reviews undertaken also involved providing assurance on the Covid-19 related risks and controls that had been introduced by Management.

In providing my annual audit opinion, it should be noted that assurance can never be absolute. The most that internal audit can provide is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes. The matters raised in this report are only those which came to our attention during our internal audit work in the financial year 2020/21 and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

In arriving at my opinion, the following matters have been taken into account:

- The results of all internal audits undertaken for the year ended 31<sup>st</sup> March 2021;
- The results of follow-up reviews of action taken to address audit recommendations;
- Whether or not any significant recommendations have not been accepted by management and the consequent risks;
- The effects of any material changes in the Council's objectives and activities; and
- Other sources of assurance.

## Annual Internal Audit Report 2020/21

**Risk Management**

Effective Risk Management forms a key aspect of assurance and governance. The Corporate Risk Management Strategy is aligned with Service Delivery Plans, the Strategic Risk Register and the Council's performance management framework.

Key risks are distilled in the Strategic Risk Register. This sets out how the Council is addressing these risks and the mitigating actions it will put in place to reduce them. It is regularly reviewed and challenged by senior management, Cabinet and the Finance and Performance Scrutiny Committee and an update to Audit Committee. A specific audit of the Council's Risk Management arrangements was undertaken during 2020/21 and reasonable assurance was provided that there is a generally sound system of governance, risk management and control in place.

It is not possible to eliminate all risk of failure to meet the Council's policies, aims and objectives and cannot therefore provide absolute assurance of effectiveness, but based on this an opinion of **effective** is given.

**Governance Arrangements**

Good Governance will facilitate effective management that can deliver long term success and performance of an organisation.

Governance arrangements are considered as part of every audit and tested during all school based audit reviews. Assurance can also be drawn from the responses received in relation to the annual Primary School Self-Assessment Process and Returns from Head Teachers and Chairs of Governors.

In response to the Covid-19 pandemic a questionnaire on internal control and governance was issued to all Service Directors within the Council. The responses received, combined with the audits undertaken during 2020/21 provides assurance of the control maintained. The findings of the completed questionnaires has also assisted the audit planning process for 2021/22.

No significant issues were identified from a governance perspective therefore an opinion of **effective** is given.

**Internal Control**

I have based my opinion on internal control using the work undertaken by internal audit during the year.

A total of 30 audit assignments were undertaken (including 1 unplanned audit assignment that was requested by Management), all of which were given an opinion of effective or effective with an opportunity for improvement.

Based on the outcomes of these assignments, which have been summarised in this report an opinion of **effective with a small number of areas identified for improvement** had been given on internal control.

## Annual Internal Audit Report 2020/21

**Head of Internal Audit Opinion Statement 2020/21**

Taking into account the results of internal audit work completed for the financial year 2020/21, and taking into account other sources of assurance, the Head of Internal Audit's annual opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control for 2020-21 is:

**“Effective with a small number of areas identified for improvement”**

The opinion states that, based on the work completed for the financial year no significant cross-cutting control issues have been identified that would impact on the Council's overall control environment. Any areas for improvement that have been identified are service specific.



## Annual Internal Audit Report 2020/21

## Annex 1 – Non-Schools Audits Completed with an Opinion &amp; Recommendations 2020/21

Internal Audit Review	Audit Opinion				Recommendations		
	Effective	Effective with Opportunity for Improvement	Insufficient and Requires Improvement	Not Adequate	High	Med	Low
Regional Consortia School Improvement Grant	√				0	0	0
Local Education Authority Grant	√				0	0	0
Pupil Deprivation Grant	√				0	0	0
CSC – Regional Consortia School Improvement Grant	√				0	0	0
CSC – Pupil Deprivation Grant	√				0	0	0
CSC – General Ledger	√				0	0	0
Administration of Trust Funds	√				0	0	0
Benefits (Including Covid Related Risks)		√			0	2	0
Digitalisation (Including Covid Related Risks)		√			0	1	1
Creditors (Including Covid Related Risks)		√			0	0	1
DCELLS Post 16 Grant Certification	√				0	0	0
Pensions		√			0	0	2
Amgen - General Ledger	√				0	0	0
Amgen - Debtors	√				0	0	0
Amgen – Creditors	√				0	1	1
Amgen - Payroll	√				0	0	0
Refunds & Reimbursements	√				0	0	0
Free School Meals – Self Isolation Payments	√				0	0	0
Remote Working Impact on Governance & Internal Control	√				0	0	0
Purchase Cards – Non Schools Spend		√			0	2	0
Risk Management*		√			0	0	8

## Annual Internal Audit Report 2020/21

Llwydcoed Crematorium	√				0	0	0
Debtors (Including Covid Related Risks)	√				0	0	0
<b>Total Non-School Audits providing an overall assurance opinion (23)</b>	<b>17</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>13</b>

\*Draft Report

## Annual Internal Audit Report 2020/21

## Annex 1 – School Audits with an Opinion &amp; Recommendations 2020/21

Internal Audit Review	Audit Opinion				Recommendations		
	Effective	Effective with Opportunity for Improvement	Insufficient and Requires Improvement	Not Adequate	High	Med	Low
Tonyrefail School – Remote Follow Up		√			5	1	5
Ysgol Llanhari - Remote Follow Up		√			3	1	2
Ysgol Nantgwyn – Remote Follow Up		√			3	1	1
Ysgol Hen Felin – Remote Follow Up*		√			1	3	0
Primary Schools Self-Assessment & Annual Report	√				0	0	0
Comprehensive & All-Through Schools Self-Assessment & Annual Report	√				0	0	0
Special Schools & PRU's Self-Assessment & Annual Report	√				0	0	0
<b>Total School Audits providing an overall assurance opinion (7)</b>	<b>3</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>12</b>	<b>6</b>	<b>8</b>

\*Draft Report

## Annual Internal Audit Report 2020/21

## Annex 2 – Internal Audit Plan 2020/21

Final Report Issued / Review Complete
Draft Report Issued /Awaiting Management Responses
Full C/F into 2021/22 due to re-prioritisation of Audit Resources

DIRECTORATE	AUDITS	CATEGORY
CHIEF EXECUTIVE	DIGITALISATION (INCLUDING COVID RELATED RISKS)	FINAL REPORT ISSUED
CHIEF EXECUTIVE	CREDITORS (INCLUDING COVID RELATED RISKS)	FINAL REPORT ISSUED
CHIEF EXECUTIVE	BENEFITS (INCLUDING COVID RELATED RISKS)	FINAL REPORT ISSUED
CHIEF EXECUTIVE	PENSIONS	FINAL REPORT ISSUED
CHIEF EXECUTIVE	PURCHASE CARDS – NON SCHOOLS SPEND	FINAL REPORT ISSUED
CHIEF EXECUTIVE	ADMINISTRATION OF TRUST FUNDS	FINAL REPORT ISSUED
EDUCATION & INCLUSION SERVICES	DCELLS POST 16 GRANT CERTIFICATION	FINAL REPORT ISSUED
EDUCATION & INCLUSION SERVICES	LOCAL EDUCATION AUTHORITY GRANT	FINAL REPORT ISSUED
EDUCATION & INCLUSION SERVICES	REGIONAL CONSORTIA SCHOOL IMPROVEMENT GRANT (RCSIG)	FINAL REPORT ISSUED
EDUCATION & INCLUSION SERVICES	PUPIL DEPRIVATION GRANT	FINAL REPORT ISSUED
EDUCATION & INCLUSION SERVICES	SCHOOL SELF EVALUATION & ANNUAL REPORT – SECONDARY & ALL-THROUGH SCHOOLS	FINAL REPORT ISSUED
WHOLE AUTHORITY ARRANGEMENTS	REMOTE WORKING IMPACT ON GOVERNANCE & INTERNAL CONTROL	FINAL REPORT ISSUED
WHOLE AUTHORITY ARRANGEMENTS	INFORMATION MANAGEMENT	FINAL REPORT ISSUED
AMGEN	AMGEN – CREDITORS	FINAL REPORT ISSUED
AMGEN	AMGEN – DEBTORS	FINAL REPORT ISSUED
AMGEN	AMGEN – PAYROLL	FINAL REPORT ISSUED
AMGEN	AMGEN – GENERAL LEDGER	FINAL REPORT ISSUED
CENTRAL SOUTH CONSORTIUM	REGIONAL CONSORTIA SCHOOL IMPROVEMENT GRANT (RCSIG)	FINAL REPORT ISSUED
CENTRAL SOUTH CONSORTIUM	GENERAL LEDGER	FINAL REPORT ISSUED
CENTRAL SOUTH CONSORTIUM	PUPIL DEPRIVATION GRANT	FINAL REPORT ISSUED

## Annual Internal Audit Report 2020/21

DIRECTORATE	AUDITS	CATEGORY
EDUCATION & INCLUSION SERVICES	SCHOOL SELF EVALUATION & ANNUAL REPORT – PRIMARY SCHOOLS	FINAL REPORT ISSUED
EDUCATION & INCLUSION SERVICES	TONYREFAIL SCHOOL – REMOTE FOLLOW UP	FINAL REPORT ISSUED
CHIEF EXECUTIVE	DEBTORS (INCLUDING COVID RELATED RISKS)	FINAL REPORT ISSUED
COMMUNITY & CHILDREN'S SERVICES	LLWYDCOED CREMATORIUM	FINAL REPORT ISSUED
EDUCATION & INCLUSION SERVICES	YSGOL NANTGWYN – REMOTE FOLLOW UP	FINAL REPORT ISSUED
EDUCATION & INCLUSION SERVICES	YSGOL LLANHARI – REMOTE FOLLOW UP	FINAL REPORT ISSUED
EDUCATION & INCLUSION SERVICES	SCHOOL SELF EVALUTATION & ANNUAL REPORT – SPECIAL SCHOOL & PRU's	FINAL REPORT ISSUED
EDUCATION & INCLUSION SERVICES	YSGOL HEN FELIN – REMOTE FOLLOW UP	DRAFT REPORT ISSUED
WHOLE AUTHORITY ARRANGEMENTS	RISK MANAGEMENT	DRAFT REPORT ISSUED
WHOLE AUTHORITY ARRANGEMENTS	CORPORATE SAFEGUARDING	FULL C/F INTO 2021/22
WHOLE AUTHORITY ARRANGEMENTS	ANTI-FRAUD, BRIBERY & CORRUPTION	FULL C/F INTO 2021/22
EDUCATION & INCLUSION SERVICES	PARK LANE SPECIAL SCHOOL – REMOTE FOLLOW UP	FULL C/F INTO 2021/22
CHIEF EXECUTIVE	PAYROLL	FULL C/F INTO 2021/22
CHIEF EXECUTIVE	BUDGETARY CONTROL	FULL C/F INTO 2021/22
CHIEF EXECUTIVE	CORPORATE LANDLORD COMPLIANCE	FULL C/F INTO 2021/22
CHIEF EXECUTIVE	CONTRACT VARIATIONS/PAYMENTS IN ADVANCE	FULL C/F INTO 2021/22
CHIEF EXECUTIVE	GRANTS TO BUSINESSES	FULL C/F INTO 2021/22
PROSPERITY, DEVELOPMENT & FRONTLINE SERVICES	EMERGENCY PLANNING	FULL C/F INTO 2021/22
COMMUNITY & CHILDREN'S SERVICES	PREVENTION PAYMENTS (SECTION 17)	FULL C/F INTO 2021/22

## Unplanned Work During 2020/21

DIRECTORATE	AUDITS	CATEGORY
CHIEF EXECUTIVE	FREE SCHOL MEALS – SELF ISOLATION PAYMENTS	FINAL REPORT ISSUED

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## RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

### MUNICIPAL YEAR 2021/22

<p><b>GOVERNANCE AND AUDIT COMMITTEE</b></p> <p><b>12<sup>th</sup> July 2021</b></p>	<p><b>AGENDA ITEM NO. 9</b></p>
<p><b>REPORT OF THE DIRECTOR OF FINANCE AND DIGITAL SERVICES</b></p>	<p><b>AUDIT COMMITTEE ANNUAL REPORT 2020/21, INCORPORATING A SELF ASSESSMENT AGAINST THE CIPFA 2018 PRACTICAL GUIDANCE NOTE</b></p>

Author: Paul Griffiths (Service Director – Finance and Improvement Services)

#### **1. PURPOSE OF THE REPORT**

- 1.1 The purpose of this report is to present the Audit Committee Annual Report 2020/21 together with a self-assessment against the Chartered Institute of Public Finance and Accountancy (CIPFA) publication ‘Audit Committees - Practical Guidance for Local Authorities & Police 2018 Edition’.

#### **2. RECOMMENDATIONS**

It is recommended that Members:

- 2.1 Review the Annual Report and self-assessment (**Appendix 1** and **Appendix 1B** respectively) and determine whether the Annual Report forms a balanced summary of the work undertaken by Audit Committee during 2020/21.
- 2.2 Subject to 2.1, endorse the proposals for improvement to further support Audit Committee in the effective discharge of its Terms of Reference (and incorporate proposals for improvement within the Committee’s Support and Development Action Plan where relevant).
- 2.3 Approve the Audit Committee Annual Report 2020/21 and its presentation to full Council.

#### **3. REASON FOR RECOMMENDATIONS**

3.1 To ensure the Council's Audit Committee is held to account for its work through, amongst other things, the publication of an Annual Report.

#### **4. BACKGROUND**

4.1 The CIPFA publication 'Audit Committees - Practical Guidance for Local Authorities & Police 2018 Edition' (from hereon the CIPFA Guidance) sets out the purpose of audit committees as:

- *Audit Committees are a key component of an authority's governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management.*
- *The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes. By overseeing both internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.*

4.2 The publication also sets out the importance for audit committees to be held to account on the extent to which it has fulfilled its purpose, with an annual report being a helpful way to address this. As Members will recall, an overview of the CIPFA Guidance was presented to the 17<sup>th</sup> September 2018 Audit Committee.

#### **5. DRAFT AUDIT COMMITTEE ANNUAL REPORT 2020/21**

5.1 In line with the CIPFA Guidance, a draft Audit Committee Annual Report setting out the work of Audit Committee during 2020/21 is included at **Appendix 1**.

5.2 As part of compiling the draft Annual Report, a 'self-assessment exercise of good practice' has been undertaken using the checklist provided within the CIPFA Guidance. The outcome of the self-assessment process is included at **Appendix 1B** and has been used to inform new proposals for improvement that will further support Audit Committee in the effective discharge of its Terms of Reference.

5.3 Audit Committee is requested to review the draft Annual Report and self-assessment, and:

- Determine whether it forms a balanced summary of the work undertaken by Audit Committee during 2020/21; and
- Consider and if appropriate, endorse the proposed areas for improvement.

5.4 Subject to consideration of the above, Audit Committee is requested to approve the Annual Report and its presentation to full Council.



## **6. EQUALITY AND DIVERSITY IMPLICATIONS / SOCIO-ECONOMIC DUTY**

- 6.1. There are no equality and diversity or socio-economic implications as a result of the recommendations set out in the report.

## **7. CONSULTATION**

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

## **8. FINANCIAL IMPLICATION(S)**

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

## **9. LEGAL IMPLICATIONS OR LEGISLATION CONSIDERED**

- 9.1 The production of an Audit Committee Annual Report supports the principles within The Local Government (Wales) Measure 2011 (Chapter 2 / section 81) and is in line with the CIPFA Guidance.

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

### THE COUNCIL'S CORPORATE PLAN PRIORITIES

- 10.1 The work of the Council's Audit Committee aims to support the delivery of the priorities contained within the Council's Corporate Plan 2020 – 2024 'Making a Difference', in particular 'Living Within Our Means' through ensuring that appropriate governance arrangements are in place to effectively manage resources.

### WELL-BEING OF FUTURE GENERATIONS ACT

- 10.2 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.

## **11. CONCLUSION**

- 11.1 The Audit Committee Annual Report 2020/21 is attached at Appendix 1. It provides a summary of the work the Committee has undertaken during 2020/21, incorporates a self-assessment against the CIPFA Guidance checklist (Appendix 1B) and sets out new proposed areas for improvement to help further strengthen the effectiveness of Audit Committee's work.

**Other Information:-**

**Relevant Scrutiny Committee - Not applicable.**  
**Contact Officer** – Paul Griffiths

**LOCAL GOVERNMENT ACT 1972**

**AS AMENDED BY**

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

**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**GOVERNANCE AND AUDIT COMMITTEE**

**12<sup>th</sup> July 2021**

**AUDIT COMMITTEE ANNUAL REPORT 2020/21, INCORPORATING A SELF  
ASSESSMENT AGAINST THE CIPFA 2018 PRACTICAL GUIDANCE NOTE**

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

Author: Paul Griffiths (Service Director – Finance and Improvement Services)

**Item: 9**

**Background Papers**

None.

Officer to contact: Paul Griffiths

**APPENDIX 1 – ANNUAL REPORT 2020/21**

**Rhondda Cynon Taf County  
Borough Council**

**Audit Committee**

**Annual Report 2020/21**

## **1. INTRODUCTION**

- 1.1 A key component of good governance for all organisations is to have in place an Audit Committee. Rhondda Cynon Taf County Borough Council complies with this requirement and the [Terms of Reference](#) for its Audit Committee, as included within the Council's Constitution, is set in line with the Local Government Measure 2011 and the Local Government and Elections (Wales) Act 2021. The responsibilities of Audit Committee, as required by the above legislation, is included at Appendix A.
- 1.2 2020/21 has been an unprecedented year, with the Covid-19 pandemic having a widespread impact on the delivery of Council services, local communities and wider society. Audit Committee was mindful of this backdrop in setting its workplan for the year on [5th October 2020](#) and also of the need for robust and proportionate oversight of the Council's governance, internal control and risk managements to be in place. This translated into an approach where Audit Committee focussed on its core responsibilities:
- Reviewing the draft financial statements and monitoring management action in response to the issues raised by external audit;
  - Scrutinising and be satisfied with the Council's Annual Government Statement, to demonstrate how governance supports the achievement of objectives, and monitor management action in-year to further improve arrangements;
  - Monitoring the Council's internal audit function in terms of overseeing independence, objectivity, performance and professionalism, through the regular reporting of performance and finalised audit assignments;
  - Considering the effectiveness of the authority's risk management arrangements;
  - Considering reports and recommendations of external audit in respect of the Council; and
  - Supporting the ongoing development and effectiveness of Audit Committee.
- 1.3 Section 2 of this report summarises the work delivered by Audit Committee during 2020/21 and Section 3 presents the outcome of the self-assessment against the CIPFA publication 'Audit Committees - Practical Guidance for Local Authorities & Police 2018 Edition' (from herein the CIPFA Guidance).

## **2. WORK DELIVERED IN 2020/21**

- 2.1 The CIPFA Guidance identifies 'Core Functions' of an Audit Committee along with what it refers to as possible 'wider functions' of an Audit Committee.
- 2.2 The Core Functions are set out below (capital and bold text headers) and the work delivered in support of these core functions is summarised under each.

## **2.3 BE SATISFIED THAT THE AUTHORITY'S ASSURANCE STATEMENTS, INCLUDING THE ANNUAL GOVERNANCE STATEMENT, PROPERLY REFLECT THE RISK ENVIRONMENT AND ANY ACTIONS REQUIRED TO IMPROVE IT, AND DEMONSTRATE HOW GOVERNANCE SUPPORTS THE ACHIEVEMENT OF THE AUTHORITY'S OBJECTIVES**

2.3.1 Legislation requires the Council to prepare an Annual Governance Statement (AGS). The Draft AGS for 2019/20 was reported to Audit Committee at its meeting on the [20th July 2020](#) and concluded that the '*Council's governance arrangements operated effectively, ensured business was properly conducted and publicly demonstrated the proper use of resources in the delivery of Corporate Plan priorities*'. Audit Committee endorsed the 2019/20 AGS and recommended its certification by the Leader of the Council and the Chief Executive for inclusion with the Council's 2019/20 Statement of Accounts.

2.3.2 During 2020/21 the Committee monitored the extent of progress made by the Council to implement the agreed proposals for improvement set out within the 2019/20 AGS, and this update was reported to Audit Committee on [1st February 2021](#).

2.3.3 The draft AGS for 2020/21 is to be presented to the 12<sup>th</sup> July 2021 Audit Committee and sets out, amongst other things, confirmation that all agreed 2019/20 proposals for improvement have been implemented.

## **2.4 IN RELATION TO THE AUTHORITY'S INTERNAL AUDIT FUNCTIONS:**

- **OVERSEE ITS INDEPENDENCE, OBJECTIVITY, PERFORMANCE AND PROFESSIONALISM**
- **SUPPORT THE EFFECTIVENESS OF THE INTERNAL AUDIT PROCESS**
- **PROMOTE THE EFFECTIVE USE OF INTERNAL AUDIT WITHIN THE ASSURANCE FRAMEWORK**

2.4.1 As set out in the 2019/20 Audit Committee Annual Report, from the 1<sup>st</sup> April 2019 the Council's Internal Audit Service transferred to a regional Internal Audit Service, led by the Vale of Glamorgan Council and comprising four local authorities: Bridgend County Borough Council, Merthyr Tydfil County Borough Council, Rhondda Cynon Taf County Borough Council and Vale of Glamorgan Council.

2.4.2 The Covid-19 pandemic required Council Services to quickly adapt and implement changes to service delivery arrangements to ensure continued provision of essential frontline services during 2020/21. A similar approach was also applied by the Internal Audit Service, whereby an **Interim Risk Based Audit Plan 2020/21** was compiled taking into account: an updated assessment of keys risk; revised service delivery arrangements in place across the Council; and Covid-19 specific functions undertaken by the Council, for example, administration of a range of financial support for businesses and free school meal payments to eligible families, a number of which being administered on

behalf of Welsh Government. The Interim Risk Based Audit Plan was reported to and approved by Audit committee on [20th July 2020](#) and the Head of the Regional Internal Audit Service outlined that the plan would need to be flexible to respond to changing circumstances and events that may occur (e.g. future 'waves' of the coronavirus, ability to access staff and evidence to obtain assurance around internal controls in place, Covid-19 related staff absences).

2.4.3 During the year, Audit Committee received Internal Audit performance updates, including how the Service was adapting and undertaking audit work remotely, and details of all finalised audit assignments; this suite of information enabled Members to consider the effectiveness of the Internal Audit process for 2020/21.

2.4.4 A key part of Audit Committee's role is to support the Council's Internal Audit Service to remain independent, assess whether it has adequate resources available to it and to monitor the performance and quality of work delivered throughout the year. The Internal Audit Service fulfilled this requirement through its Internal Audit Charter<sup>1</sup>, that was presented to and approved by Audit Committee on [5th October 2020](#), and provided the Committee with information to assess the independence of the Internal Audit Service.

## **2.5 MONITOR THE EFFECTIVENESS OF THE CONTROL ENVIRONMENT, INCLUDING ARRANGEMENTS FOR ENSURING VALUE FOR MONEY, SUPPORTING STANDARDS AND ETHICS AND FOR MANAGING THE AUTHORITY'S EXPOSURE TO THE RISKS OF FRAUD AND CORRUPTION**

2.5.1 Summary reports of finalised audit assignments were reported to Audit Committee during the year to assist the Committee in forming an opinion on the overall control environment in place within the Council for 2020/21. The results of Internal Audit's work is brought together at the end of each financial year in the form of **Internal Audit Annual Report**, and for 2020/21 the Annual Report concludes that (subject to approval by Audit Committee on 12<sup>th</sup> July 2021):

*Taking into account the results of the internal audit reviews completed during 2020/21, the recommendations made and considering other sources of assurance the Head of Internal Audit's annual opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control for 2020/21 is **'Effective with a small number of areas identified for improvement'**. No significant cross-cutting control issues have been identified that would impact on the Council's overall control environment. The weaknesses that have been identified are service specific.*

2.5.2 Consistent with the above conclusion, there were:

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<sup>1</sup> Internal Audit Charter - a formal document that establishes the Internal Audit Service's position within the organisation, including the nature of the Head of Internal Audit's functional reporting relationship with the Board (i.e. the Council's Audit Committee).

- No areas identified during the year where the standard of internal control / governance arrangements were insufficient and required improvement; and
- No follow-up reviews have been requested by Governance and Audit Committee to be built into the 2021/22 Annual Audit Plan.

### 2.5.3 With regard to the risks of fraud and corruption:

- At the 2<sup>nd</sup> November 2020 Audit Committee meeting, the Council's Service Director – Pensions, Procurement and Transactional Services provided an overview of the National Fraud Initiative, along with an update on the work delivered by the Corporate Fraud Team. This update provided assurance on the Council's arrangements to tackle potential fraud and covered the internal control environment that supports this area. The Anti-Fraud Annual Report for 2020/21 is to be reported to the 12<sup>th</sup> July 2021 Audit Committee for consideration / approval.
- At the [26th April 2021](#) Audit Committee, the Whistleblowing Annual Report 2020/21 was reported to Audit Committee. The overall conclusion, as set out in the 2020/21 Whistle-blowing Annual Report, was that *'the Council's whistleblowing arrangements are appropriate'*.

## **2.6 CONSIDER THE EFFECTIVENESS OF THE AUTHORITY'S RISK MANAGEMENT ARRANGEMENTS AND THE CONTROL ENVIRONMENT, REVIEWING THE RISK PROFILE OF THE ORGANISATION AND ASSURANCES THAT ACTION IS BEING TAKEN ON RISK-RELATED ISSUES, INCLUDING PARTNERSHIPS AND COLLABORATIONS WITH OTHER ORGANISATIONS**

### 2.6.1 The work-plan for 2020/21 built on the work undertaken in the previous year and continued to widen the coverage of governance and risk management through:

- AGS – the continuation of in-year and year-end progress updates to Audit Committee on the implementation of proposals for improvement.
- A programme of Strategic Risk Register updates to Audit Committee commenced to improve Committee Members' understanding of the strategic risks facing the Council and the arrangements in place to manage / mitigate such risks. During the year, 2 updates were presented to Audit Committee: Delivery of the 21<sup>st</sup> Century Schools Programme (1<sup>st</sup> February 2021) and Workforce Planning – 22<sup>nd</sup> March 2021), and further updates will be built into the 2021/22 workplan as part of Governance and Audit Committee's work in understanding and reviewing the Council's risk profile.
- A Learning and Development plan compiled and reported to Audit Committee on the [1st February 2021](#), following an on-line training needs assessment questionnaire completed by Audit Committee Members. The feedback has identified risk management as an area requiring on-going

support and as such has been built into the Committee's Learning and Development Plan for 2021/22.

## **2.7 REVIEW THE FINANCIAL STATEMENTS, EXTERNAL AUDITOR'S OPINION AND REPORTS TO MEMBERS, AND MONITOR MANAGEMENT ACTION IN RESPONSE TO THE ISSUES RAISED BY EXTERNAL AUDIT**

2.7.1 At the [20th July 2020](#) Audit Committee, the Head of Finance – Education and Financial Reporting presented the certified draft 2019/20 Statements of Account for the Council and the Rhondda Cynon Taf Pension Fund<sup>2</sup>. At the 5<sup>th</sup> October 2020 Audit Committee meeting, Audit Wales provided a verbal update on the progress on the audit of the draft Statements of Account for 2019/20 and informed the Committee, amongst other things, that to date no significant areas of concern had arisen for the Committee to be made aware of in relation to the audit of the draft Statements of Account.

2.7.2 The Council and Pension Fund audited Statement of Accounts for 2019/20 were subsequently reported to and approved by full Council on the [25th November 2020](#), following completion of the external audit process, with both sets of Accounts being issued with unqualified opinions by Audit Wales (i.e. clean bills of health). Following on, at the [1st February 2021](#) Audit Committee, Audit Wales presented the 'Audit of Accounts Report Addendum' that set out two recommendations arising from the 2019/20 audit process. Both recommendations were accepted by the Council and Management agreed for the recommendations to be implemented by 1<sup>st</sup> April 2021.

## **2.8 CONSIDER THE REPORTS AND RECOMMENDATIONS OF EXTERNAL AUDIT AND INSPECTION AGENCIES AND THEIR IMPLICATIONS FOR GOVERNANCE, RISK MANAGEMENT OR CONTROL**

2.8.1 At the [26th April 2021](#) Audit Committee meeting, an update was reported on the progress made to date by the Council to implement proposals for improvement reported by Audit Wales in its Annual Audit Summary 2020 (the Annual Audit Summary 2020 being reported to full Council on 10<sup>th</sup> March 2021). Following Audit Committee's consideration of the progress update, the Committee determined that there were no matters of a governance, internal control or risk management nature that require further action or attention by Audit Committee nor any matters at this stage to be referred to the Council's scrutiny committees.

2.8.2 With regard to possible wider functions of an audit committee, as set out within the Cl<sub>4</sub>FA Guidance, this covers, for example, considering governance, risk or control matters at the request of other committees.

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<sup>2</sup> 20<sup>th</sup> July 2020 Audit Committee – the Committee also considered the certified draft 2019/20 Statement of Accounts for the Central South Consortium Joint Education Service Joint Committee and the certified draft 2019/20 Annual Return for the Llwydcoed Crematorium Joint Committee



2.8.3 At the 5<sup>th</sup> October 2020 Audit Committee, following the Committee's consideration of finalised audit assignments, further information was requested on the areas of Governor Vacancies, Safeguarding and School Attendance. The Council's Director of Education and Inclusion Services provided an update to the 2<sup>nd</sup> November 2020 Audit Committee and following consideration of the information, Audit Committee referred the matter of school attendance and 6<sup>th</sup> form attendance to the Children and Young People Scrutiny Committee for further review. It is noted that the Children and Young People Scrutiny Committee will provide feedback to Audit Committee in 2021/22.

### **3. SELF-ASSESSMENT AGAINST THE CIPFA PRACTICAL GUIDANCE FOR LOCAL AUTHORITIES & POLICE 2018 EDITION**

3.1 The self-assessment checklist included within the CIPFA Guidance has been completed and has been based on the Audit Committee arrangements in place during 2020/21 and from a review of the information reported to Audit Committee over this period. The self-assessment is set out at **Appendix 1B** and also includes the results of previous years self-assessments for information purposes.

3.2 The 2020/21 self-assessment process demonstrates that the Council's Audit Committee has made good progress to implement the proposals for improvement reported in 2019/20 and has also identified a small number of new proposals for improvement to further reinforce the existing arrangements in place.

3.3 An update on the progress made to implement proposals for improvement reported in 2019/20 and also new proposals for improvement are set out in Table 1.

Table 1 – 2019/20 Self-Assessment Progress Update and 2020/21 Self-Assessment Proposals for Improvement

Good Practice Questions		2019/20 Self-Assessment				2020/21 Self-Assessment			
		Yes	Partly	No	Response & Proposal for Improvement	Yes	Partly	No	Progress made since 2019/20 and 2020/21 Proposal for Improvement
12b.	<p><b><u>MEMBERSHIP AND SUPPORT</u></b></p> <p>Has an effective audit committee structure and composition of the committee been selected?</p> <p>This should include:</p> <ul style="list-style-type: none"> <li>an appropriate mix of knowledge and skills among the membership</li> </ul>		✓		<p>Learning and development has continued during 2019/20 in line with the Committee's terms of reference and agreed work-plan for the year. This has been supported through Members having a broad range of knowledge and experience overall (e.g. specific Members having scrutiny committee responsibilities) that has complemented the work of Audit Committee during the year.</p> <p>Work also commenced to compile an approach to enable the knowledge and skills of the Committee to be assessed, as referenced at the 3<sup>rd</sup> February 2020 Audit Committee, and will be shared with the Committee in 2020/21. Thereafter, the assessment process will commence and will be progressed in parallel with the Wales Audit Office Project – Rhondda Cynon Taf Audit Committee Support and Development.</p> <p><u>Proposals for Improvement</u></p> <ul style="list-style-type: none"> <li>Complete the skills assessment for Members of Audit Committee; and</li> <li>Agree a refreshed programme of learning and development (informed by the skills assessment exercise) and incorporate into the Audit Committee annual work-plan.</li> </ul>				<p><u>2019/20 Update</u></p> <ul style="list-style-type: none"> <li>Skills assessment of Audit Committee Members – COMPLETED and reported to Audit Committee on 1<sup>st</sup> February 2021.</li> <li>Agree a refreshed programme of learning and development – COMPLETED and agreed by Audit Committee on 22<sup>nd</sup> March 2021 (and will be incorporated into the Committee's 2021/22 workplan.</li> </ul> <p><u>NEW Proposal for Improvement (2020.21)</u></p> <ul style="list-style-type: none"> <li>As part of the on-going support and development of Audit Committee, the 2021/22 Workplan and Learning and Development Plan should be updated to reflect the work needed in preparation for the implementation of the requirements of the Local Government and Elections (Wales) Act 2021 (for example, the Governance and Audit Committee's new responsibilities in respect of performance assessment and complaints handling).</li> </ul>

Good Practice Questions		2019/20 Self-Assessment				2020/21 Self-Assessment			
		Yes	Partly	No	Response & Proposal for Improvement	Yes	Partly	No	Progress made since 2019/20 and 2020/21 Proposal for Improvement
16	<p><b><u>MEMBERSHIP AND SUPPORT</u></b></p> <p>Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?</p>			✓	<p>As noted for 12b above.</p> <p><u>Proposals for Improvement</u></p> <ul style="list-style-type: none"> <li>• Complete the skills assessment for Members of Audit Committee; and</li> <li>• Agree a refreshed programme of learning and development (informed by the skills assessment exercise) and incorporate into the Audit Committee annual work-plan.</li> </ul>				<p>Completed – see 12b ‘2019/20 Update’ for details of action taken.</p>
19	<p><b><u>MEMBERSHIP AND SUPPORT</u></b></p> <p><u>Good practice question</u></p> <p>Has the Committee obtained feedback on its performance from those interacting with the Committee or relying on its work?</p>				Not Applicable			✓	<p>Due to the need to prioritise reporting arrangements during the Covid-19 pandemic, the Audit Committee Annual Report 2019/20 was not reported to full Council. It is noted however that:</p> <ul style="list-style-type: none"> <li>• Ordinarily the Audit Committee Annual Report would be reported to full Council (i.e. the 2018/19 Annual Report was presented to the Council Annual General Meeting in May 2019); and</li> <li>• The 2019/20 Audit Committee Annual Report was published, reviewed and agreed by Audit Committee at its meeting on 20<sup>th</sup> July 2020.</li> </ul>

Good Practice Questions		2019/20 Self-Assessment				2020/21 Self-Assessment			
		Yes	Partly	No	Response & Proposal for Improvement	Yes	Partly	No	Progress made since 2019/20 and 2020/21 Proposal for Improvement
								<p><u>NEW Proposal for Improvement (2020/21)</u></p> <ul style="list-style-type: none"> <li>An agreed version of the Audit Committee Annual Report 2020/21 should be reported to full Council to enable opportunity for feedback to be provided on the performance of Audit Committee.</li> </ul>	
21	<p><b><u>EFFECTIVENESS OF THE COMMITTEE</u></b></p> <p>Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?</p>			N/A		✓		<p><u>NEW Proposal for Improvement (2020/21)</u></p> <ul style="list-style-type: none"> <li>Progress updates in relation to Audit Wales recommendations are reported to Audit Committee annually. It is recommended that updates on the progress being made by the Council to implement Audit Wales recommendations are timetabled within the Governance and Audit Committee Workplan for 2021/22 at mid-year and year-end intervals (or in line with specific requirements).</li> </ul>	
23	<p><b><u>EFFECTIVENESS OF THE COMMITTEE</u></b></p>		✓		The Committee has undertaken specific work, in line with its Terms of Reference, to add value to the operations of the Council – for example:			<p><u>2019/20 Update</u></p> <p>Audit Committee continues to take steps to improve the impact of its work, for example, undertaking a training needs assessment and agreeing a learning and development</p>	

Good Practice Questions	2019/20 Self-Assessment				2020/21 Self-Assessment			
	Yes	Partly	No	Response & Proposal for Improvement	Yes	Partly	No	Progress made since 2019/20 and 2020/21 Proposal for Improvement
<p><u>Good practice question</u> Has the committee evaluated whether and how it is adding value to the organisation?</p>				<ul style="list-style-type: none"> <li>Reviewing and approving a local code of corporate governance;</li> <li>Reviewing and challenging the AGS; and</li> <li>Monitoring the implementation of recommendations made by the Wales Audit Office (from an internal control perspective).</li> </ul> <p><u>Proposal for Improvement</u></p> <ul style="list-style-type: none"> <li>Using one area of the Audit Committee's Terms of Reference, pilot an approach to evaluating the impact of its work (with the aim of learning lessons and developing an approach to evaluate other areas of the Committee's work).</li> </ul>		✓		<p>plan and referring specific matters for more in-depth review to the Council's Scrutiny function.</p> <p>This area will be an on-going action as part of the Audit Committee's development and completion of the self-assessment process for 2021/22.</p>

- 3.4 Subject to a version of the Audit Committee Annual Report 2020/21 being agreed, the proposals for improvement (as per Table 1) will form the basis of an action plan that will be led and managed by the Governance and Audit Committee during 2021/22. The action plan will be a living document to ensure account is taken of any relevant changes, for example, in service delivery, strategic risks and Audit Committee's on-going responsibilities.

#### **4. CONCLUSIONS**

- 4.1 During 2020/21 the Council's Audit Committee has reviewed and challenged a wide range of topic areas, including the work of Internal and External Audit.
- 4.2 From a review of the coverage of Audit Committee's work and oversight during the year, as set out in Section 2, it is considered that the Committee has delivered its Workplan and responsibilities in line with its Terms of Reference.
- 4.3 The Annual Report also sets out, in Section 3 / Appendix 1B, the results of the self-assessment undertaken against the checklist included within the CIPFA Guidance. The outcome of this process demonstrates that the Council's Audit Committee has made good progress to implement the proposals for improvement reported in 2019/20 and has also identified a small number of new proposals for improvement to further reinforce the existing arrangements in place.

**RESPONSIBILITIES OF AUDIT COMMITTEE IN LINE WITH THE LOCAL GOVERNMENT (WALES) MEASURE 2011 AND LOCAL GOVERNMENT AND ELECTIONS (WALES) ACT 2021**

**Chapter 2, section 81 of the Local Government (Wales) Measure 2011**

**Local authorities to appoint audit committees**

**4.0A** *local authority must appoint a committee (an “Audit Committee”) to—*

- a) review and scrutinise the authority's financial affairs,*
- b) make reports and recommendations in relation to the authority's financial affairs,*
- c) review and assess the risk management, internal control and corporate governance arrangements of the authority,*
- d) make reports and recommendations to the authority on the adequacy and effectiveness of those arrangements,*
- e) oversee the authority's internal and external audit arrangements, and*
- f) review the financial statements prepared by the authority.*

**5.0A** *local authority may confer on its Audit Committee such other functions as the authority considers suitable to be exercised by such a committee.*

**6.0** *It is for an Audit Committee to determine how to exercise its functions.*

**Local Government and Elections (Wales) Act 2021**

**Council Performance Arrangements**

*(i) To consider the Council's draft Annual Performance Self-Assessment report and if deemed necessary may make recommendations for changes to the Council.*

*(ii) To receive the Council's finalised Annual Self-Assessment report in respect of a financial year as soon as reasonably practicable after the end of that financial year.*

*(iii) At least once during the period between two consecutive ordinary elections of councillors to the Council, consider the independent Panel Performance Assessment report into which the Council is meeting its performance requirements.*

*(iv) To receive and review the Council's draft response to the report of the independent Panel Performance Assessment and if deemed necessary may make recommendations for changes to the statements made in the draft response to the Council.*

**Complaints Handling**

*(i) To review and assess the Council's ability to deal with complaints effectively.*

*(ii) To make reports and recommendations in relation to the Council's ability to deal with complaints effectively.*

## Self-assessment of good practice

Good practice questions		2018/19 Self-Assessment			2019/20 Self-Assessment			2020/21 Self-Assessment		
		Yes	Partly	No	Yes	Partly	No	Yes	Partly	No
<b>Audit committee purpose and governance</b>										
1	Does the authority have a dedicated audit committee?	✓			✓			✓		
2	Does the audit committee report directly to Full Council?	✓			✓			✓		
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	✓			✓			✓		
4	Is the role and purpose of the audit committee understood and accepted across the authority?	✓			✓			✓		
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?	✓			✓			✓		
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily?	✓			✓			✓		
<b>Functions of the committee</b>										
7	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement? <ul style="list-style-type: none"> <li>• good governance</li> <li>• assurance framework, including partnerships and collaboration arrangements</li> <li>• internal audit</li> <li>• external audit</li> <li>• financial reporting</li> <li>• risk management</li> </ul>		✓		✓			✓		



Good practice questions		2018/19 Self-Assessment			2019/20 Self-Assessment			2020/21 Self-Assessment		
		Yes	Partly	No	Yes	Partly	No	Yes	Partly	No
	<ul style="list-style-type: none"> <li>value for money or best value</li> <li>counter fraud and corruption</li> <li>supporting the ethical framework</li> </ul>									
8	Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	✓			✓			✓		
9	Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?	✓			✓			✓		
10	Where coverage of core areas has been found to be limited, are plans in place to address this?	N/A			N/A			N/A		
11	Has the committee maintained its advisory role by not taking on any decision-making powers that are not in line with its core purpose?	✓			✓			✓		
<b>Membership and support</b>										
12	Has an effective audit committee structure and composition of the committee been selected?  This should include:									
a.	separation from the executive	✓			✓			✓		
b.	an appropriate mix of knowledge and skills among the membership		✓			✓		✓		
c.	a size of committee that is not unwieldy	✓			✓			✓		
d.	consideration has been given to the inclusion of at least one independent member (where it is not already a mandatory requirement)	✓			✓			✓		

Good practice questions		2018/19 Self-Assessment			2019/20 Self-Assessment			2020/21 Self-Assessment		
		Yes	Partly	No	Yes	Partly	No	Yes	Partly	No
13	Have independent members appointed to the committee been recruited in an open and transparent way and approved by the Full Council?	✓			✓			✓		
14	Does the chair of the committee have appropriate knowledge and skills?	✓			✓			✓		
15	Are arrangements in place to support the committee with briefings and training?	✓			✓			✓		
16	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?			✓			✓			
17	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the Chief Finance Officer?	✓			✓			✓		
18	Is adequate secretariat and administrative support to the committee provided?	✓			✓			✓		
<b>Effectiveness of the committee</b>										
19	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?			✓	✓					✓
20	Are meetings effective with a good level of discussion and engagement from all the members?	✓			✓			✓		
21	Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?	✓			✓				✓	

Good practice questions		2018/19 Self-Assessment			2019/20 Self-Assessment			2020/21 Self-Assessment		
		Yes	Partly	No	Yes	Partly	No	Yes	Partly	No
22	Does the committee make recommendations for the improvement of governance, risk and control and are these acted on?	✓			✓			✓		
23	Has the committee evaluated whether and how it is adding value to the organisation?		✓			✓			✓	
24	Does the committee have an action plan to improve any areas of weakness?	✓			✓			✓		
25	Does the committee publish an annual report to account for its performance and explain its work?	✓			✓			✓		

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## RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

### MUNICIPAL YEAR 2021/22

<p><b>COMMITTEE:</b>  <b>GOVERNANCE AND          AUDIT COMMITTEE</b></p> <p>12<sup>th</sup> July 2021</p>	<p><b>ITEM NO. 10</b></p>
<p><b>REPORT OF:</b>  <b>THE HEAD OF THE REGIONAL INTERNAL          AUDIT SERVICE in consultation with the          DIRECTOR OF FINANCE &amp; DIGITAL          SERVICES</b></p>	<p><b>ANNUAL INTERNAL AUDIT          STRATEGY AND RISK BASED          PLAN 2021/22</b></p>

**Author: Mark Thomas (Head of Regional Internal Audit Service) and Lisa Cumpston (Group Audit Manager)**

#### **1. PURPOSE OF THE REPORT**

- 1.1 The purpose of this report is to provide members of the Governance and Audit Committee with the Annual Internal Audit Strategy and Risk Based Plan for 2021/22.

#### **2. RECOMMENDATIONS**

It is recommended that Members:

- 2.1 Review and approve the Annual Internal Audit Strategy (**Appendix A**) and Risk Based Internal Audit Plan for 2021/22 (**Appendix B**).

#### **3. REASONS FOR RECOMMENDATIONS**

- 3.1 To help ensure that Governance and Audit Committee discharges its responsibilities in respect of reviewing, approving and ensuring the coordination of the Annual Internal Audit Strategy and Risk Based Audit Plan for the financial year.

#### **4. BACKGROUND**

- 4.1 The United Kingdom Public Sector Internal Audit Standards (Performance Standard '2010 Planning') provides the framework within which an internal audit plan should be compiled.
- 4.2 In line with the Public Sector Internal Audit Standards the Head of Internal Audit must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals.
- 4.3 To develop the risk-based plan, the Head of Internal Audit consults with senior management and the Board (Governance & Audit Committee) and obtains an understanding of the organisation's strategies, key business objectives, associated risks and risk management processes. The Head of Internal Audit must review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programmes, systems and controls.
- 4.4 In order to produce the Internal Audit plan the following information is taken into account:
- Corporate Risk Register/Strategic Risk Register;
  - Corporate Plan;
  - Key Financial Systems;
  - Grant Claims that require Internal Audit certification;
  - Follow-up reviews;
  - Audit reviews that are carried forward from the previous audit plan;
  - Recommendations from External Inspectors / Regulators; and
  - Results of discussions with the Senior Leadership Team, including the Chief Executive, Section 151 officer and other senior officers.
- 4.5 The Public Sector Internal Audit Standards require a risk-based audit plan to be produced to cover the Council's overall control environment including risk, governance and internal controls as far as practicable.
- 4.6 By taking into account the sources of information noted above, this supports Internal Audit to achieve the following:
- Comply with the Public Sector Internal Audit Standards in compiling the draft Annual Audit Plan;
  - Enable The Governance & Audit Committee to monitor the adequacy of the risk management framework and the associated control environment of the Council for 2021/22 based on the audit reviews set out in the Risk Based Internal Audit Plan; and
  - Enables the Head of Internal Audit to form an opinion on the risk, governance and internal controls of the organisation.

#### **Current situation/proposal**

- 4.7 Attached as **Appendix A** is the draft Annual Internal Audit Strategy document for 2021/22. It demonstrates how the Internal Audit Service will be delivered and developed in accordance with our Terms of Reference. The Strategy will be reviewed and updated in consultation with stakeholders namely the Governance and Audit Committee, External Auditors and Senior Management as appropriate.
- 4.8 The 2021/22 draft Annual Risk Based Plan of work has been formulated in compliance with the PSIAS. The draft detailed plan is attached at **Appendix B**.
- 4.9 The proposed plan continues to recognise particular risks arising from COVID-19, availability of audit and service staff and challenges arising from the remote ways of working. The plan is also flexible to allow for changing circumstances and events that may occur, such as requests to respond to new issues that may arise. The draft detailed plan has already been shared with the Council's Senior Leadership Team.
- 4.10 Internal Audit work will be undertaken remotely using video conferencing (e.g. Microsoft Teams) and digital solutions as a basis for meetings and sharing documents and data.
- 4.11 The proposed plan at **Appendix B** will provide sufficient coverage to be able to provide an opinion at the end of 2021/22.
- 4.12 The Governance and Audit Committee will receive updates on how the plan is being delivered and any changes that may be required.

## **5. EQUALITY AND DIVERSITY IMPLICATIONS / SOCIO-ECONOMIC DUTY**

- 5.1 There are no equality and diversity or socio-economic 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 2020-2024 “Making a Difference”, 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 Annual Internal Audit Strategy and Risk Based Plan for 2021/22 has been compiled in accordance with the Public Sector Internal Audit Standards and the Council’s Internal Audit Charter taking into account the unprecedented challenges caused by the COVID 19 pandemic.

10.2 The Council's Governance and Audit Committee, in line with its Terms of Reference, is requested to review and approve the Strategy and Risk Based Audit Plan for 2021/22.

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**LOCAL GOVERNMENT ACT, 1972**

**as amended by**

**THE ACCESS TO INFORMATION ACT, 1985**

**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**LIST OF BACKGROUND PAPERS**

**GOVERNANCE AND AUDIT COMMITTEE**

**12<sup>th</sup> July 2021**

**REPORT OF THE HEAD OF THE REGIONAL INTERNAL AUDIT SERVICE in  
consultation with the DIRECTOR OF FINANCE & DIGITAL SERVICES**

Author: Mark Thomas (Head of Regional Audit Service)

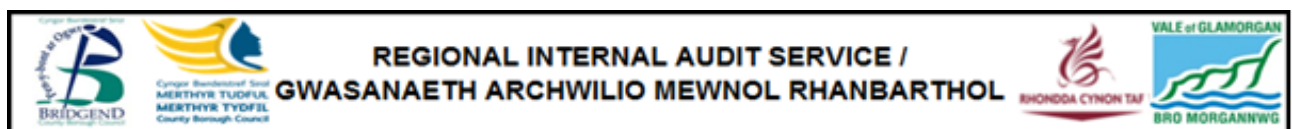
**Item**

10. Draft Annual Audit Strategy and Risk Based Audit  
Plan 2021/22



**RHONDDA CYNON TAF**

**DRAFT**  
**STRATEGY**  
**&**  
**ANNUAL RISK BASED**  
**INTERNAL AUDIT PLAN**  
**2021/2022**



## **1. Introduction**

- 1.1 Internal Audit objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. This opinion forms part of the framework of assurances that the Council receives and should be used to help inform the Annual Governance Statement. The purpose of this document is to provide a detailed Internal Audit Risk Based Plan for 2021/2022.
- 1.2 The audit plan ensures that the risks facing the Council are adequately addressed and internal audit resources are effectively utilised. The standards for “proper practice” in relation to internal audit are laid down in the Public Sector Internal Audit Standards (PSIAS).
- 1.3 The Internal Audit Service is delivered through the expanded shared service that came into existence on 1st April 2019. The service is hosted by the Vale of Glamorgan Council and provides internal audit services to the Vale, Bridgend, Merthyr Tydfil & Rhondda Cynon Taf Councils. The arrangement is underpinned by a detailed legal agreement between the four Councils which sets out a range of obligations (the core service is the same for each Council but there are differences in what is provided outside of the core service). The service reports to the four Governance & Audit Committees and is overseen at a strategic level by the Board which consists of the Chief Finance Officers of the four Councils.

## **2. Definition of Internal Audit**

- 2.1 The Public Sector Internal Audit Standards (PSIAS) defines Internal Audit as follows:

*“Internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”.*

## **3. Requirement for Internal Audit**

- 3.1 Internal Audit is a statutory service. Part 3 of The Accounts and Audit (Wales) Regulations 2018 concerns financial management and internal control. Regulation 5 (responsibility for internal control and financial management) of Part 3 directs that:

*‘The relevant body must ensure that there is a sound system of internal control which facilitates the effective exercise of that body’s functions and which includes:*

- (a) Arrangements for the management of risk, and*
- (b) Adequate and effective financial management.’*

3.2 Regulation 7 (Internal Audit) of Part 3 directs that:

*‘A relevant body must maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control.’*

3.3 PSIAS state:

*“The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals. The risk based plan must take into account the requirement to produce an annual internal audit opinion”*

3.4 The overall opinion issued each year by the Head of Internal Audit on the adequacy and effectiveness of the control environment is used as a key source of assurance to support the Annual Governance Statement.

#### **4. Section 151 Officer Responsibility**

4.1 Internal Audit also has an important role to support the Council’s Section 151 Officer in discharging their statutory responsibilities, which include: -

- S151 Local Government Act 1972 – to ensure the proper administration of financial affairs.
- S114 Local Government Act 1988 – to ensure the Council’s expenditure is lawful.

#### **5. Development of the Internal Audit Plan**

5.1 The annual internal audit plan has been prepared after considering the Strategic Risk Register and the views of Corporate Directors and Senior Management as to where audit resource is most needed. In line with the PSIAS, this plan should enable Internal Audit to maximise the value and assurance it provides to the Council, whilst ensuring it fulfils its statutory obligation to review and report on the Council’s internal control environment, governance and risk management arrangements. As was the case for the 2020-21 plan, risks arising from the ongoing Covid-19 pandemic have also been considered when formulating the 2021-22 plan.

#### **6. Risk Based Approach**

6.1 The internal audit function will be delivered in accordance with the Internal Audit Charter 2021-22, as presented to the Governance & Audit Committee in March 2021. The Charter defines the role, scope, independence, authority and responsibility of the internal audit service and audits will be delivered in accordance with the Charter.

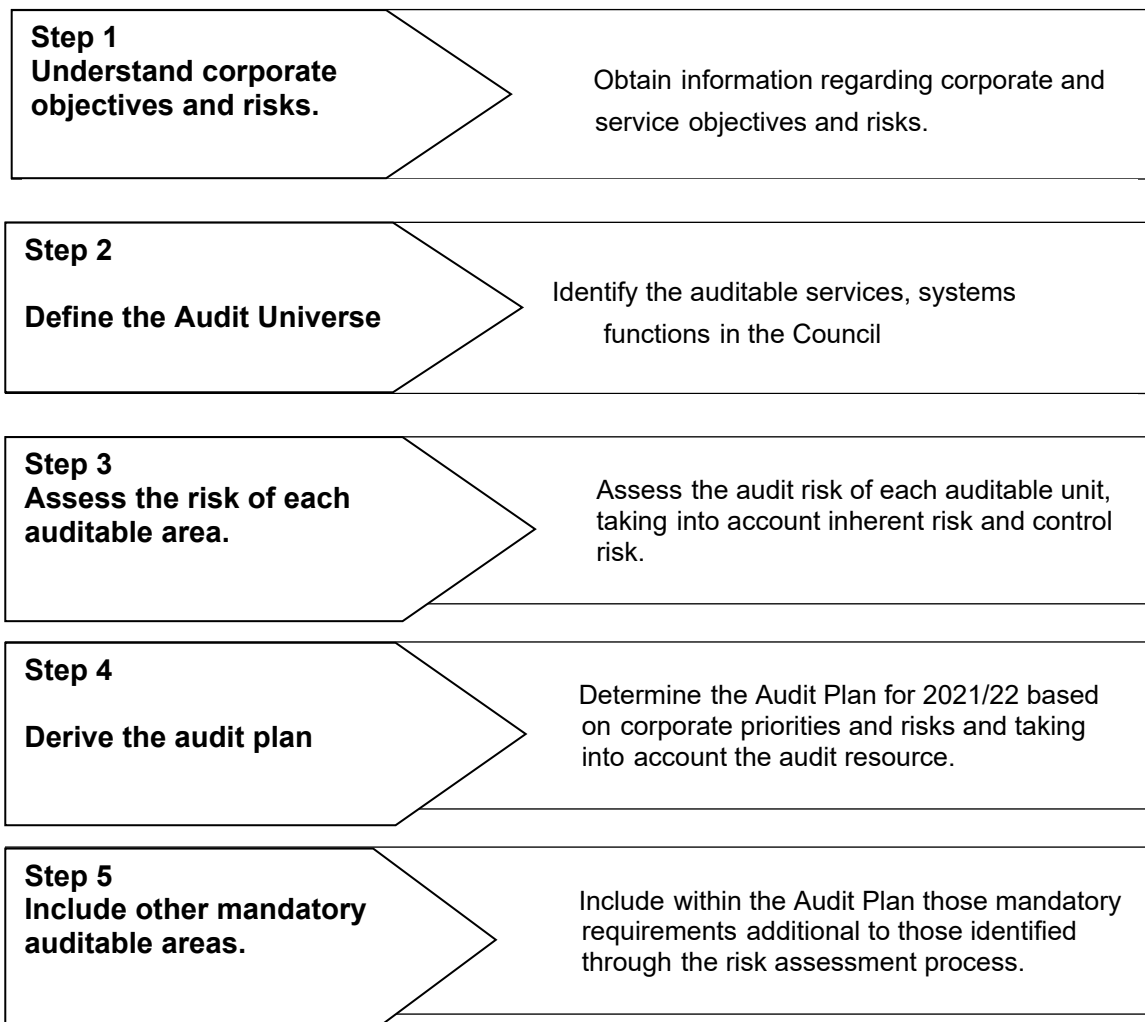
6.2 Risk based work is critical to the Council, as it seeks to improve the risk awareness of staff and improve overall control. The internal audit work

programme is designed to provide assurance that identified significant risks are being managed effectively. As part of this process Internal Audit will also examine the risk management and governance arrangements.

6.3 By adopting a risk-based audit approach there is a clear linkage between the significant risks identified in the Council’s Strategic Risk Register and the work undertaken by Internal Audit in providing assurance against these. As a result, the starting point for the audit plan approach is an understanding of the Council’s objectives and risks.

## 7. Methodology

7.1 A summary of our approach to the development of the Audit Plan for 2021/22 is set out below. The Plan is driven by the Council’s organisational objectives and priorities as set out in the Corporate Plan and the risks that may prevent the Council from meeting these objectives.



## 8. The Risk Assessment Process

- 8.1 The information which has been used to prepare the risk assessment and proposed internal audit plan has been collected and collated from several different sources. The starting point for a risk-based audit approach is an understanding of the Council's priorities and risks. This has been achieved by meeting with all the Corporate Directors to understand what they perceive to be the main risks within their individual areas and where they feel internal audit could provide assurance that such risks are being effectively mitigated and managed, by reviewing the Corporate Plan and the Strategic Risk Register. A questionnaire on internal control and governance was also issued to all Service Directors and the responses received used to inform and design the audit plan.
- 8.2 The plan is based on an underlying risk assessment. The risks existing within each area are identified for audit as part of the audit planning process. The audits which make up the plan have been assessed by priority.

## 9. The Annual Internal Audit Plan

- 9.1 In accordance with the PSIAS, the Head of Audit is responsible for developing a risk-based annual audit plan which considers the Council's risk management framework. Within the Standards there is also a requirement for the Head of Audit to review and adjust the plan, as necessary, in response to changes in the Council's business, risks, operations, programs, systems, controls and resources. The Head of Audit must also ensure that Internal Audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan.
- 9.2 An annual plan is derived following the audit risk assessment, whereby audits will be selected based on the greatest perceived risk. The Internal Audit Service will ensure that most effort is focused on high risk areas while, at the same time, not disregarding the potential for problems that may materialise in other areas.
- 9.3 Whilst the Internal Audit Service will adopt a risk-based approach to determine relative risk, there will remain areas where a purely cyclical approach may still be required i.e. programme of school audits, financial systems, and grant verifications.
- 9.4 Consideration is also given to planned external audit work to minimise duplication and to maximise audit coverage.
- 9.5 **Appendix B** is the detailed schedule of audits planned to be completed during 2021-2022 for each of the Council's Directorates including Whole Authority Arrangements.

9.6 The Head of Internal Audit will monitor progress against the audit plan. Where there is a need for material changes to the plan, a revised plan will be re-submitted to the Governance & Audit Committee for endorsement. The Governance & Audit Committee will also be advised of performance against the audit plan and be kept informed of the results undertaken.

9.7 The COVID 19 pandemic has meant that most Council staff have worked remotely since March 2020 and this is likely to continue to a large extent during 2021-22. Therefore, systems & processes have been adjusted to cater for the new ways of working. Similarly, the Internal Audit team will continue to work remotely, conducting audits and obtaining evidence digitally. Each audit will consider the potential impact of COVID 19 and remote working to ensure adequate controls and governance arrangements remained in place.

## **10. Resource Requirement**

10.1 Resource requirements are reviewed each year as part of the audit planning process and are discussed and agreed with the Regional Internal Audit Service (RIAS) Board.

## **11. Contingencies**

11.1 The internal audit plan needs to be flexible enough to enable the internal audit service to be able to respond, as required, to situations arising during the period covered by the plan. A contingency reserve element has been built in to assist in dealing with any such matters arising.

## **12. Audit Approach**

12.1 The primary purpose of an audit review is to provide an independent and objective opinion to the Council on the framework of internal control, risk management and governance in operation and to stimulate improvement.

12.2 The approach will be :

- Fieldwork will take place following agreement of the audit objectives.
- A draft report will be prepared and provided to Management for review and comment with an opportunity given for discussion or clarification.
- The final report will incorporate Management comments together with a Management Action Plan for the implementation of recommendations.
- The Governance and Audit Committee will be advised of the outcome of the audit and may receive a copy of the Final Report.

- Any serious issues arising during the audit review will be promptly reported to the Head of Internal Audit to determine the impact on the scope of the review. Serious issues will also be brought to management's attention to enable appropriate remedial action to be taken prior to being formally published in the audit report.
- The audit report will provide an overall assurance opinion, based on the auditor's professional judgement of the effectiveness of the framework of internal control, risk management and governance.

12.3 The audit assurance categories are :

AUDIT ASSURANCE CATEGORY CODE	
<b>Substantial</b>	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
<b>Reasonable</b>	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
<b>Limited</b>	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
<b>No Assurance</b>	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

12.4 A Management Action Plan will form an integral part of the report and will be used to record:

- Those risks considered to be inadequately controlled;
- A prioritisation of audit recommendations and the actions management propose to bring the risks within acceptable parameters, the officer(s) responsible for those actions and the dates for completion.



Audit recommendations will be prioritised as follows :

<b>RECOMMENDATION CATEGORISATION</b>	
Risk may be viewed as the chance, or probability, of one or more of the organisation's objectives not being met. It refers both to unwanted outcomes which might arise, and to the potential failure to realise desired results. The criticality of each recommendation is as follows:	
<b>High Priority</b>	Action that is considered imperative to ensure that the organisation is not exposed to high risks.
<b>Medium Priority</b>	Action that is considered necessary to avoid exposure to significant risks.
<b>Low Priority</b>	Action that is considered desirable and should result in enhanced control.

12.5 The implementation of the agreed recommendations will be monitored. Management will be contacted and asked to provide feedback on the status of each agreed recommendation once the target date for implementation has been reached.

12.6 Any audits concluded with a no assurance or limited assurance opinion will be subject to a follow up audit.

### **13. Follow Up Reviews**

13.1 Where significant gaps in the control environment have been identified and where either limited or no assurance has been given, then these audits will be subject to a follow up. The timing of the follow up is very much dependent on available resources, but Internal Audit's aim will be to complete the follow up within three to six months of completion of the audit (depending on the assurance level).

### **14. Reports to the Governance & Audit Committee**

14.1 A status report on internal audit work will be present to the Governance & Audit Committee on a quarterly basis (approximately). The purpose of these reports is to provide an update on the progress made against the delivery of the Internal Audit Plan. The report will provide details of audits completed to date, the assurance opinions given and the number and type of recommendations made.

### **15. Annual Assurance Report**

15.1 A formal annual report to the Governance & Audit Committee presenting the Head of Internal Audit's opinion on the overall adequacy and effectiveness of the framework of governance, risk management and internal control, will be published to enable it to be taken into account when preparing the Council's

Annual Governance Statement. The format of the Head of Internal Audit's report will follow that set out in the Public Sector Internal Audit Standards (PSIAS) and will include:

- An opinion on the overall adequacy and effectiveness of the Council's framework of internal control, risk management and governance,
- Disclose any qualifications to that opinion, together with the reasons for qualification;
- Present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies;
- Any issues considered by the Head of Audit to be particularly relevant to the Annual Governance Statement;
- A comparison of work undertaken with that planned, with a summary of internal audit performance for the year; and comment on compliance with the Public Sector Internal Audit Standards and Internal Audit's Quality Assurance and Improvement Programme.

Appendix B – Draft Internal Audit Plan 2021/22

AUDIT AREA	RISK / PRIORITY	TYPE OF WORK	STRATEGIC RISK REGISTER / CONTROL ENVIRONMENT / FOLLOW-UP / PRIORITY PLANS
<b>CHIEF EXECUTIVE</b>			
<b>HUMAN RESOURCES</b>			
CONTRACT VARIATIONS / PAYMENTS IN ADVANCE	HIGH	ASSURANCE	OVERALL CONTROL ENVIRONMENT
PROCUREMENT ARRANGEMENTS	HIGH	ASSURANCE	OVERALL CONTROL ENVIRONMENT
<b>FINANCE &amp; DIGITAL SERVICES</b>			
ADMINISTRATION OF TRUST FUNDS	LOW	ASSURANCE	GRANT CERTIFICATION
OPERATION OF THE PRIMARY SCHOOL SICKNESS SCHEME	MEDIUM	ASSURANCE	OVERALL CONTROL ENVIRONMENT
GRANTS TO BUSINESSES	HIGH	ASSURANCE	OVERALL CONTROL ENVIRONMENT
SELF ISOLATION PAYMENTS - ADMINISTRATION OF THE WG SCHEME (COVID RELATED RISKS)	MEDIUM	ASSURANCE	OVERALL CONTROL ENVIRONMENT
FAIRER CHARGING FOR ADULT NON-RESIDENTIAL CARE SERVICES - FOLLOW UP	HIGH	ASSURANCE	OVERALL CONTROL ENVIRONMENT
BUDGETARY CONTROL - SCHOOL DEFICIT RECOVERY PROTOCOLS	HIGH	ASSURANCE	OVERALL CONTROL ENVIRONMENT
PAYROLL - IMPLEMENTATION OF THE NEW PAYROLL SYSTEM	HIGH	ASSURANCE	OVERALL CONTROL ENVIRONMENT
ADMINISTRATION OF THE FURLOUGH SCHEME (COVID RELATED RISKS)	MEDIUM	ASSURANCE	OVERALL CONTROL ENVIRONMENT
INCOME MANAGEMENT ARRANGEMENTS (COVID RELATED RISKS)	MEDIUM	ASSURANCE	OVERALL CONTROL ENVIRONMENT
CYBER SECURITY ARRANGEMENTS	HIGH	ASSURANCE	OVERALL CONTROL ENVIRONMENT
DISTRIBUTION OF DEVICES TO DIGITALLY EXCLUDED LEARNERS (COVID RELATED RISKS)	MEDIUM	ASSURANCE	OVERALL CONTROL ENVIRONMENT
<b>CORPORATE ESTATES</b>			
CORPORATE LANDLORD COMPLIANCE	HIGH	ASSURANCE	OVERALL CONTROL ENVIRONMENT
ASSET MANAGEMENT	HIGH	ASSURANCE	OVERALL CONTROL ENVIRONMENT
<b>PROSPERITY, DEVELOPMENT &amp; FRONTLINE SERVICES</b>			
<b>HIGHWAYS &amp; STREETCARE</b>			
EMERGENCY PLANNING	HIGH	CONSULTANCY	GOVERNANCE
COMMUNITY RECYCLING CENTRES	MEDIUM	ASSURANCE	OVERALL CONTROL ENVIRONMENT
<b>PROSPERITY &amp; DEVELOPMENT</b>			
CAPITAL PROJECTS	HIGH	ASSURANCE	OVERALL CONTROL ENVIRONMENT

REGENERATION & PLANNING	HIGH	ASSURANCE	OVERALL CONTROL ENVIRONMENT
BUILDING CONTROL	MEDIUM	ASSURANCE	OVERALL CONTROL ENVIRONMENT
<b>COMMUNITY &amp; CHILDREN'S SERVICES</b>			
<b>ADULT SERVICES</b>			
WCCIS	HIGH	ASSURANCE	OVERALL CONTROL ENVIRONMENT
DEPUTYSHIP	HIGH	ASSURANCE	OVERALL CONTROL ENVIRONMENT
ROTA MANAGEMENT REVIEW	HIGH	ASSURANCE	OVERALL CONTROL ENVIRONMENT
ADAPTION & COMMUNITY EQUIPMENT	MEDIUM	ASSURANCE	OVERALL CONTROL ENVIRONMENT
CARERS ASSESSMENTS	MEDIUM	ASSURANCE	OVERALL CONTROL ENVIRONMENT
THE REVIEW TEAM	MEDIUM	ASSURANCE	OVERALL CONTROL ENVIRONMENT
<b>CHILDREN'S SERVICES</b>			
SECTION 17 PAYMENTS (PREVENTION PAYMENTS)	HIGH	ASSURANCE	OVERALL CONTROL ENVIRONMENT
ADOPTION SUPPORT & FOSTER CARER PAYMENTS	HIGH	ASSURANCE	OVERALL CONTROL ENVIRONMENT
CONTRACT MANAGEMENT PLACEMENTS	HIGH	ASSURANCE	OVERALL CONTROL ENVIRONMENT
<b>PUBLIC HEALTH &amp; COMMUNITY SERVICES</b>			
LLWYDGOED CREMATORIUM	LOW	ASSURANCE	OVERALL CONTROL ENVIRONMENT
REGISTRATION SERVICES	LOW	ASSURANCE	OVERALL CONTROL ENVIRONMENT
<b>EDUCATION &amp; INCLUSION SERVICES</b>			
<b>EDUCATION IMPROVEMENT SERVICES</b>			
SAFEGUARDING ARRANGEMENTS - CAPITA ONE	HIGH	ASSURANCE	OVERALL CONTROL ENVIRONMENT
GOVERNOR SUPPORT - PROVISION OF GOVERNING BODY INFORMATION	MEDIUM	ASSURANCE	OVERALL CONTROL ENVIRONMENT
<b>ATTENDANCE &amp; WELLBEING SERVICE</b>			
EXCLUSIONS & ATTENDANCE	HIGH	ASSURANCE	OVERALL CONTROL ENVIRONMENT
<b>ACCESS &amp; INCLUSION SERVICE</b>			
STEP 4 PROVISIONS	MEDIUM	ASSURANCE	OVERALL CONTROL ENVIRONMENT
TY GWYN PUPIL REFERRAL UNIT	HIGH	ASSURANCE	OVERALL CONTROL ENVIRONMENT
<b>SPECIAL SCHOOLS</b>			
PARK LANE SPECIAL SCHOOL	MEDIUM	ASSURANCE	OVERALL CONTROL ENVIRONMENT
SPECIAL SCHOOL SELF ASSESSMENT PROGRAMME & ANNUAL REPORT	MEDIUM	ASSURANCE	OVERALL CONTROL ENVIRONMENT
<b>PRIIARY SCHOOLS</b>			
ALAW PRIMARY SCHOOL	MEDIUM	ASSURANCE	OVERALL CONTROL ENVIRONMENT

CEFN PRIMARY SCHOOL	MEDIUM	ASSURANCE	OVERALL CONTROL ENVIRONMENT
CRAIG YR HESG PRIMARY	MEDIUM	ASSURANCE	OVERALL CONTROL ENVIRONMENT
CILFYNYDD PRIMARY SCHOOL	MEDIUM	ASSURANCE	OVERALL CONTROL ENVIRONMENT
COEDPENMAEN PRIMARY SCHOOL	MEDIUM	ASSURANCE	OVERALL CONTROL ENVIRONMENT
CWMBACH CHURCH IN WALES PRIMARY SCHOOL	MEDIUM	ASSURANCE	OVERALL CONTROL ENVIRONMENT
CYMMER PRIMARY SCHOOL	MEDIUM	ASSURANCE	OVERALL CONTROL ENVIRONMENT
DOLAU PRIMARY SCHOOL	MEDIUM	ASSURANCE	OVERALL CONTROL ENVIRONMENT
FFYNON TAF PRIMARY SCHOOL	MEDIUM	ASSURANCE	OVERALL CONTROL ENVIRONMENT
LLANTRISANT PRIMARY SCHOOL	MEDIUM	ASSURANCE	OVERALL CONTROL ENVIRONMENT
MAESYBRYN PRIMARY SCHOOL	MEDIUM	ASSURANCE	OVERALL CONTROL ENVIRONMENT
PENDERYN COMMUNITY PRIMARY	MEDIUM	ASSURANCE	OVERALL CONTROL ENVIRONMENT
PENYWAUN PRIMARY SCHOOL	MEDIUM	ASSURANCE	OVERALL CONTROL ENVIRONMENT
PRIMARY SCHOOL SELF ASSESSMENT PROGRAMME & ANNUAL & REPORT	MEDIUM	ASSURANCE	OVERALL CONTROL ENVIRONMENT
<b>SECONDARY / ALL THROUGH SCHOOLS</b>			
HAWTHORN HIGH SCHOOL - FOLLOW UP REVIEW	HIGH	ASSURANCE	REQUESTED BY AUDIT COMMITTEE
BRYNCELYNNOG COMPREHENSIVE SCHOOL	HIGH	ASSURANCE	OVERALL CONTROL ENVIRONMENT
FERNDALE COMMUNITY SCHOOL	HIGH	ASSURANCE	OVERALL CONTROL ENVIRONMENT
YSGOL GYFUN RHYDYWAUN	HIGH	ASSURANCE	OVERALL CONTROL ENVIRONMENT
SECONDARY / ALL THROUGH SCHOOL SELF ASSESSMENT PROGRAMME & ANNUAL REPORT	MEDIUM	ASSURANCE	OVERALL CONTROL ENVIRONMENT
RCT - REGIONAL CONSORTIA SCHOOL IMPROVEMENT GRANT (RCSIG)	HIGH	ASSURANCE	GRANT CERTIFICATION
RCT - EDUCATION IMPROVEMENT GRANT	HIGH	ASSURANCE	GRANT CERTIFICATION
RCT - PUPIL DEVELOPMENT GRANT	HIGH	ASSURANCE	GRANT CERTIFICATION
RCT - POST 16 GRANT CERTIFICATION (DCELLS)	HIGH	ASSURANCE	GRANT CERTIFICATION
<b>WHOLE AUTHORITY ARRANGMENTS</b>			
INFORMATION MANAGEMENT	HIGH	ASSURANCE	GOVERNANCE
PPE STOCK CONTROL ARRANGEMENTS	MEDIUM	ASSURANCE	OVERALL CONTROL ENVIRONMENT
ANTI-FRAUD, BRIBERY & CORRUPTION	HIGH	ASSURANCE	FRAUD, BRIBERY & CORRUPTION
SCHEME OF DELEGATION	HIGH	ASSURANCE	OVERALL CONTROL ENVIRONMENT
PERFORMANCE MANAGEMENT ARRANGEMENTS	HIGH	ASSURANCE	OVERALL CONTROL ENVIRONMENT
CORPORATE SAFEGUARDING (COVID RELATED RISKS)	HIGH	ASSURANCE	OVERALL CONTROL ENVIRONMENT
<b>CENTRAL SOUTH CONSORTIUM JOINT EDUCATION SERVICE</b>			

CSC - REGIONAL CONSORTIA SCHOOL IMPROVEMENT GRANT (RSIG)	HIGH	ASSURANCE	GRANT CERTIFICATION
CSC - PUPIL DEVELOPMENT GRANT	HIGH	ASSURANCE	GRANT CERTIFICATION
CSC - GENERAL LEDGER	LOW	ASSURANCE	CORE FINANCIAL SYSTEM
<b>AMGEN</b>			
AMGEN - PAYROLL	MEDIUM	ASSURANCE	CORE FINANCIAL SYSTEM
AMGEN - DEBTORS	MEDIUM	ASSURANCE	CORE FINANCIAL SYSTEM
AMGEN - CREDITORS	MEDIUM	ASSURANCE	CORE FINANCIAL SYSTEM
AMGEN - GENERAL LEDGER	LOW	ASSURANCE	CORE FINANCIAL SYSTEM

By virtue of paragraph(s) 14 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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