



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: Julia Nicholls - Democratic Services (01443 424098)

YOU ARE SUMMONED to a hybrid meeting of **RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL** to be held on **WEDNESDAY, 23RD NOVEMBER, 2022** at **5.00 PM.**

AGENDA

**Page
No's**

TIME	ITEM	PAGE(S)
5 Minutes	<p>ITEM 1. DECLARATION OF INTEREST</p> <p>To receive disclosures of personal interests from Members in accordance with the Code of Conduct</p> <ol style="list-style-type: none"> 1. Members are requested to identify the item number and subject 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 prejudicial interest they <u>must</u> notify the Chairman when they leave. 	
5 Minutes	<p>ITEM 2. MINUTES</p> <p>To approve as an accurate record, the minutes of the Council Meeting held on the 19th October 2022.</p>	5 - 16
5 Minutes	ITEM 3. ANNOUNCEMENTS	
	OPEN GOVERNMENT:	
10 Minutes	ITEM 4. STATEMENTS	

	In accordance with Open Government Council Meeting Procedure Rule 2, to receive any statements from the Leader of the Council and/or statements from Cabinet Portfolio Holders:	
20 Minutes	<p>ITEM 5. MEMBERS' QUESTIONS</p> <p>To receive Members questions in accordance with Council Procedure Rule 9.2.</p> <p>(N.B a maximum of 20 minutes shall be allowed for questions on notice.)</p>	17 - 24
	<p align="center">COUNCIL WORK PROGRAMME 2022-23- FOR MEMBERS INFORMATION</p> <p align="center">Council Work Programme 2022-23- For Members information</p>	
	OFFICERS' REPORTS	
10 Minutes	<p>ITEM 6. RHONDDA CYNON TAF PENSION FUND 2021/22 STATEMENT OF ACCOUNTS AND EXTERNAL AUDIT REPORT</p> <p>To receive the report of the Director of Finance & Digital Services.</p>	25 - 94
15 Minutes	<p>ITEM 7. 2022-23 MID-YEAR TREASURY MANAGEMENT STEWARDSHIP REPORT</p> <p>To receive the report of the Director of Finance & Digital Services.</p>	95 - 110
45 Minutes	<p>ITEM 8. NOTICE OF MOTION</p> <p>To consider the under-mentioned Notice of Motion standing in the names of:</p> <p>A. Morgan, M. Webber, L. Addiscott, M. D. Ashford, J. Barton. D. R. Bevan, J. Bonetto, S. Bradwick, J. Brencher, G. Caple, J. Cook, A. Crimmings, S. J. Davies, R. Davis, V. Dunn, E. L. Dunning, J. Edwards, J. A. Elliott, L. Ellis, S. Emanuel, R. Evans, A. S. Fox, R. Harris, S. Hickman, G. Holmes, G. Hopkins, W. Hughes, G. Jones, G. O. Jones, R. R. Lewis, W. Lewis, C. Leyshon, M. Maohoub, C. Middle, N. H. Morgan, S. Morgans, M. A. Norris, D. Owen-Jones, D. Parkin, S. Powderhill, C. Preedy, S. Rees, A. Roberts, J. Smith, G. Stacey, L. A. Tomkinson, W. Treeby, J. Turner, G. L. Warren, K. Webb, D. Williams, G. E. Williams, R. Williams, T. Williams, R. Yeo:</p> <p>Unite is running the 'Get me Home safely' campaign to ensure safe home transport is widely available for the night-time economy and shift workers who often struggle to find and pay for transport home after midnight. You can read more about the campaign Get ME Home Safely Make Our Communities & Workplaces Safer (unitetheunion.org)</p> <p>Councils have a key role to play in working with businesses and</p>	111 - 112

community safety partners to ensure that people working and living within their local community can get home safely.

This Council notes that:

- Shift work is widespread in many industries, particularly hospitality as well as health and care workers, retail, cleaning, security and porter staff and can often entail late night working.
- Many workers, especially women are increasingly worried about their safety travelling to and from work at night.
- While employers may feel that their duty of care to staff ends when an employee finishes a shift, they also need to take into consideration journeys home, especially during unsocial hours.
- Information from Unite indicates the weakness of enforcement of the law against sexual assault, including up-skirting, on public transport is appalling and it is understood that only 2% of victims go onto report sexual harassment on public transport.
- Unite, the Union's Get me Home Safely campaign which calls on all employers to take all reasonable steps to ensure workers are able to get home safely from work at night is greatly needed and should be supported.
- Greater numbers of public transport staff trained in how to identify and report sexual harassment and stronger enforcement of the law against sexual assault and harassment on public transport are urgently needed.

This Council will:

- Support Unite, the Trade Union's Get Me Home Safely Campaign.
- Reaffirm its commitment to taking positive action to prevent violence against women and girls and ensuring that people feel safe in public areas across all areas of RCT. This Council will continue to actively contribute to achieving the goals of the Welsh Government Violence against Women, Domestic Abuse and Sexual Violence Strategy 2022-2026.
- Continue to work with the licensed trade to operate a safe night time economy in line with our Licensing Policy Objectives, working with licencees, employers, the Police and Community Safety partners to ensure our communities are safe places late at night.
- Work with our late night premises and organisations employing shift workers to promote the safety of workers and encourage licensees and employers to consider staff transport as an integral part of operating a safe and sustainable business, helping to ensure workers in these sectors are valued This will significantly benefit the safety and wellbeing of hospitality workers, particularly women, who often cannot afford or access safe transport options late at night and benefit our community and the business through improved staff recruitment and retention.

	<ul style="list-style-type: none">• Continue to work with Welsh Government and the WLGA to bring forward Welsh Government's commitment to reforming the national minimum standards for taxis and private hire and how the legislative framework operates in Wales.	
	ITEM 9. URGENT BUSINESS To consider any items which the Chair, by reason of special circumstances, is of the opinion should be considered as a matter of urgency.	

Service Director of Democratic Services & Communication

To: All Members of the Council



RHONDDA CYNON TAF

RHONDDA CYNON TAF COUNCIL

Minutes of the hybrid meeting of the Council held on Wednesday, 19 October 2022 at 5.00 pm

County Borough Councillors – The following Councillors were present in the Council Chamber:-

Councillor G Hughes (Chair)

Councillor L Addiscott	Councillor M Ashford
Councillor J Brencher	Councillor G Caple
Councillor J Cook	Councillor A Crimmings
Councillor S J Davies	Councillor R Davis
Councillor J Edwards	Councillor E L Dunning
Councillor S Evans	Councillor S Emanuel
Councillor S Hickman	Councillor B Harris
Councillor W Hughes	Councillor G Holmes
Councillor G O Jones	Councillor K Johnson
Councillor R Lewis	Councillor W Jones
Councillor C Leyshon	Councillor W Lewis
Councillor M Maohoub	Councillor C Middle
Councillor A Morgan	Councillor N H Morgan
Councillor S Morgans	Councillor L A Tomkinson
Councillor S Trask	Councillor M Webber
Councillor J Turner	Councillor R Williams
Councillor R Yeo	Councillor T Williams

The following Councillors were present online:-

Councillor R Bevan	Councillor P Binning
Councillor J Bonetto	Councillor S Bradwick
Councillor J Elliott	Councillor V Dunn
Councillor L Ellis	Councillor A J Ellis
Councillor R Evans	Councillor D Evans
Councillor D Grehan	Councillor P Evans
Councillor G Jones	Councillor Sera Evans
Councillor A Fox	Councillor C Lises
Councillor M Norris	Councillor W Owen
Councillor M Powell	Councillor D Parkin
Councillor S Rees	Councillor C Preedy
Councillor A O Rogers	Councillor A Roberts
Councillor G Stacey	Councillor J Smith
Councillor G Warren	Councillor B Stephens
Councillor G E Williams	Councillor K Webb
	Councillor D Wood

Officers in attendance

Mr C Bradshaw, Chief Executive
Mr B Davies, Director of Finance & Digital Services
Mr C Hanagan, Service Director of Democratic Services & Communication
Mr A Wilkins, Director of Legal Services

34 Welcome & Apologies for Absence

The Chair welcomed attendees to the hybrid meeting of the Council and apologies for absence were received from County Borough Councillors J Barton, H Gronow, G Hopkins, K Morgan, D Owen-Jones, S Powderhill, W Treeby and D Williams.

35 Declaration of Interest

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

36 Minutes

The Council **RESOLVED** to approve the minutes of the meeting held on the 28th September 2022 as an accurate reflection of the meeting.

37 Announcements

The following announcements were made:

The Presiding Officer announced that since the last meeting, County Borough Councillor M Rees-Jones had resigned from her position as County Borough Councillor for RCT due to personal reasons. He also welcomed the new Member for Ynysybwl, County Borough Councillor Paula Evans to her first meeting of Full Council.

Councillor A Crimmings announced that former Councillor John Evans had sadly passed away and she had attended his funeral earlier in the day. Cllr Crimmings added that Cllr John Evans was formerly the Local Member for Aberdare West and a member of Cynon Valley Borough Council.

Councillor A Morgan announced that former Councillor Edward Hopkins had also passed away, he was formerly the Local Member for Llwynypia, and Ex-Mayor of the Rhondda Borough and the Leader of the Council led a minute's silence in memory of both former Councillors.

Tributes were paid by the Leader of the Council to Mr Chris Bradshaw who was due to retire from his position as Chief Executive. This was to be Mr Bradshaw's

last meeting of Full Council and he was praised for his 21 years' service to the Council and messages of thanks were paid to him by all the Group Leaders for his dedication and commitment to the Council during his service and his 'can do' attitude. The Leader also welcomed Mr Paul Mee as the new, incoming Chief Executive.

Councillor S Bradwick announced that County Borough Councillor Gareth Jones had been appointed as Vice Chair of the Alliance and he wished him well with his new position.

Councillor S Bradwick also paid tribute to one of his residents, Mr Roger Davies who has been litter picking at St. John's Church for over 30 years and only now, due to ill health, is giving up this task. Councillor Bradwick asked if a letter could be sent from the Mayor to Mr Davies in honour of his dedication to the community.

The Presiding Officer led a minute's silence in memory of the 116 children and 28 adults who lost their lives in the Aberfan disaster 56 years ago. The Leader of the Council led the tributes to those who had lost their lives and the Opposition Deputy Leader and other Group Leaders also paid their condolences to mark the anniversary.

38 Statements

- The Deputy Leader made a statement in relation to Rhondda Cynon Taf Council successfully retaining its Armed Forces Covenant Gold Employer recognition award for its continued support of the Armed Forces community, and their families. The Deputy Leader advised that the highly prestigious Ministry of Defence Employer Recognition Scheme Gold Award has been revalidated as the local authority continues to encourage employers and employees to support the Armed Forces and its community and inspire others to do the same. She acknowledged the work carried out by Jamie Island, the Armed Forces Liaison Officer who also works with other local authorities.
- The Leader made a statement in respect of the Council's financial position and ongoing work for this and next year. He referred to an earlier meeting he held with Group Leaders, the Finance Director and Deputy Leader to discuss information which he intended on sharing with all Members today. As outlined in the recent report, the Medium-Term Financial Plan, to Full Council he advised that the local authority was facing a potential £21M overspend this year due to pay pressures, pay awards and the demands on inflation and the increase in energy costs. This is in line with other Local Authorities of a similar size and Local Government in Wales could face an overspend of £257M.

The Leader advised that next year could be a very difficult period of time for the local authority and it was likely that the financial gap outlined in the medium-term financial plan report to Council of £36m would be between £45-47M which is an unprecedented figure even compared to the years of austerity previously experienced. The Leader feared that the medium-term fiscal plan to be announced on the 31st October would

mean spending cuts and the RSG, originally considered based on the local government provisional settlement, would likely fall. A 2% reduction in RSG (a 1 ½% uplift) will add approximately £9M to the financial gap.

The Leader commented that approximately 80% of the Council's budget is spent on staff, and therefore it is inevitable that the staffing levels across the local authority would have to reduce. He added that the Council does have a good working relationship with the Trade Unions who are involved in discussions regarding any service changes and meetings with the local Branch representative would be undertaken to discuss the current situation. The Leader commented that this situation is not unique to RCT council or to other local authorities as other public bodies will also be facing the same difficulties and pressures.

The Leader reminded Council that it does have a statutory responsibility to set a legally balanced budget and in agreement with his Cabinet, the intention is to continue to update cross party and to bring regular updates to Cabinet and Full Council.

In conclusion, the Leader attributed the recent challenges to the UK Government, the continued u turns on tax cuts, the course of the Government together with recent resignations has added to the chaos. He added that tough decisions will have to be made over the coming months, but he gave assurance that the commitments to the public and those promises set out in the Labour Group manifesto will be delivered (and good progress has already been made) to improve the lives of the local residents.

39 Members' Questions

1) Question from County Borough Councillor D. Parkin to the Leader of the Council, County Borough Councillor A. Morgan:

"Can the Council Leader provide an update on the implementation of the Real Living Wage to the social care sector in RCT?"

Response of the Leader, Councillor A Morgan:

The Leader advised that good progress is being made agreeing contract prices across Adult Services social care contracts and rates have been reviewed and uplifted for independent providers to enable them to pay staff the Real Living Wage and the £10 per hour RCT rate agreed by Cabinet.

The Leader added that of the 40 providers operating within RCT, only five external providers are paying the Real Living Wage rate of £9.90 rather than the requested Council commitment of £10 per hour. In the main, these providers are national organisations where internal pay structures are set but the Council is in discussions with them and is of the view that all the external providers should provide the Real Living Wage.

The Leader advised that with regards to Children's Services, the Council is currently engaging with External Residential Care providers to assess impact of

service costs and the current pay and grading information. He emphasised that anyone working in the Local Authority already receives the Real Living Wage plus 10p per hour more which equates to an additional half a million pounds. The Council is not yet accredited as a Real Living Wage employer although steps are being made to achieve this accreditation in the future.

There was no supplementary question

2) Question from County Borough Councillor V. Dunn to the Leader of the Council, County Borough Councillor A. Morgan:

“The U.K. Government are continuing to provide minimal support as millions are starting to feel the true effects of the Cost-of-Living crisis. With further energy rises forecast for the autumn, can the Leader outline what discussions or measures this Council is taking to help protect residents?”

Response of the Leader, Councillor A Morgan:

The Leader advised that the Council is doing what it can to deal with the cost-of living crisis although he referred to the need for the UK Government to provide the financial interventions necessary and was pleased to hear that the triple lock on pensions had been recently confirmed.

The Leader expressed his concern for families on Universal Credit. He added that the council has recently announced a £2.89m local supplementary cost of living support scheme to further support families and residents likely to be affected by the crisis. The Leader outlined 4 specific areas of support such as £75 payment to families with one child or more of compulsory school age (per family); a £50,000 support package provided to local food banks and for food support schemes; a £125 payment to support lower paid Council staff such as litter collectors, School cooks and refuse collectors and a £250,000 discretionary fund for residents who demonstrate extreme financial hardship as a direct result of the Cost-of-Living crisis.

The Leader confirmed that Welsh Government has recently announced a series of funds and package of measures and funding is working its way to the local authority, further measures will be announced over the coming weeks. He added that there are a number of small steps the Council can make such as providing phone chargers into Libraries to support residents.

There was no supplementary question

3) Question from County Borough Councillor L. A. Tomkinson to the Cabinet Member for Public Health & Communities, County Borough Councillor B. Harris:

“Will the Cabinet Member please make a statement on the Council’s work with Voluntary and Third Sector organisations in Rhondda Cynon Taf?”

Response of County Borough Councillor B. Harris:

Councillor Harris responded that the Arts, Culture and Libraries Service Department consists of RCT Theatres, Libraries, One4All, Gartholwg Lifelong Learning Centre and the Community Development Team, along with the Community Resilience Hubs.

Councillor Harris added that the Department undertakes a considerable amount of work with the Voluntary & 3rd sector organisations, including:

- Establishing a Community Support Steering Group - partnership meeting for voluntary & 3rd sector groups, including Interlink, the County's CVC, which developed out of Covid to ensure on-going engagement and to include a broader focus on all issues relating to resident support.
- Community Resilience Hubs and Neighbourhood Networks - bringing together a range of services, including those provided by the public sector, private/voluntary organisations and community groups. Community Resilience Hubs serve to support the 7 Neighbourhood Networks to actively influence developments and support communities and residents.
- CAT – supporting local groups and organisations through the process of 'taking over' the responsibility of managing Council buildings or land.
- Provision of the Neighbourhood Network Fund and other financial support, including the Food Support Fund, Age friendly grant, Period dignity grant, and Loneliness and Social Isolation Grant
- Coordination of resident support: Central phone number, e-form, requests passed on to Community Coordinators who refer to the relevant service/partner for support, including the voluntary and 3rd sector.
- Support for community groups to undertake consultations. Examples recently include supporting Cwm Clydach Country Park Action Group to develop an online survey
- Co-ordination of Climate change and Food partnerships, and of Older Persons Support partnerships.
- Working in partnership with voluntary & 3rd sector organisations to deliver a programme of events, activities and courses within Gartholwg Lifelong Learning Centre.
- Upskilling staff and programme development through support from voluntary & 3rd sector organisations with RCT, such as: provision of facilities across Community Resilience Hubs, Libraries, Theatres and Gartholwg Lifelong Learning Centre for voluntary & 3rd sector groups to meet and share their work.
- Libraries regularly work in partnership with voluntary & 3rd sector organisations to provide free access to community spaces to develop and provide services to local communities.
- Libraries form partnerships with 3rd sector organisations such as the Reading Agency and Booktrust Cymru to deliver national literacy programmes such as the Summer Reading Challenge - instrumental in

developing reading skills in young people.

There was no supplementary question

4) Question from County Borough Councillor R. Evans to the Leader of the Council, County Borough Councillor A. Morgan:

“Can the Council Leader provide an update on what flood alleviation schemes are expected to be carried out this year?”

Response of the Leader, Councillor A Morgan:

The Leader advised that the current 2022/23 Flood Risk Management programme consists of 64 projects and stages of major projects and the current anticipated investment will be approximately £5m for 2022/23.

He added that over 12 major Flood Risk Management projects are under development in funding business case stages which are programmed over a number of years, but in terms of schemes with works completed this year the Leader outlined the following; Treorchy flood alleviation scheme – Phase 1 – Culvert repairs, inlet rebuild and scour repairs (£600k), Upper Bronallt Terrace flood alleviation scheme – flow attenuation and storage basin and debris control - (£720k). Work has also commenced on the Glenboi Pump Station upgrade with completion due in May 2023 (£1.4m).

The Leader announced that seven NRW/WG Small scale schemes works (£1m), and Resilient Roads Fund works funding of £440k have been secured (these are primarily road drainage schemes) and 5 NRW/RCT core funded small scale schemes – (£300k).

The Leader referred to the ongoing close working partnership between the Local Authority, Welsh Government, NRW and Welsh Water with regular meetings to discuss ongoing and future schemes through a joint approach.

There was no supplementary question

5) Question from County Borough Councillor D. Grehan to the Leader of the Council, County Borough Councillor A Morgan:

“Can the appropriate member of Cabinet inform the Council if there are any plans to create accessible communities for all by implementing a program to install low curbs? At the moment it is very difficult for users of wheelchairs and mobility scooters to travel from one place to another safely in a large number of our villages, including my ward in Tonyrefail”.

Response of the Leader, Councillor A Morgan:

Councillor Morgan stated that the Council has committed to making the highways more accessible for all users as well as improvements which are carried out as part of wider maintenance schemes, in the last 2 financial years over £300,000 has been invested in specific schemes to improve access.

The Leader added that while a high priority, the scale of the task is enormous

with thousands of junctions across the County requiring improvements, which are, therefore, targeted at the busier routes or those which provide a wider community benefit in order to assist the most people.

The Leader commented that within the core capital programme each year, £45K is included to improve the highways programme (to include drop curbs).

The Leader advised that in the past 2 financial years specific access improvement schemes have been carried out in Blaenllechau, Beddau, Gilfach Goch, Hawthorn, Brynna and Groesfaen with further schemes programmed in Ynyswen, Church Village, Llantwit Fardre and Blaenrhondda. In addition, Councillor Morgan added that localised improvements are also carried out in conjunction with Community Councils and WG or other funding to carry out these improvements.

Supplementary question:

“Will the Council be willing to work with Tonyrefail Community Council as it has developed a programme of work for dropped curbs?”

Response of the Leader, Councillor A Morgan:

The Leader responded that the Council would, he understood that Councillor Grehan and his fellow ward member have had discussions with officers in relation to the Tonyrefail area, and a potential scheme that could incorporate joint working with the Community Council is being explored for future Capital investment.

6) Question from County Borough Councillor W. Hughes to the Cabinet Member for Environment and Leisure, County Borough Councillor A. Crimmings:

“Will the Cabinet Member make a statement on the Council’s investment in outdoor leisure facilities?”

Response of the County Borough Councillor A Crimmings:

Councillor Crimmings advised that the Council has committed substantial investment into improving outdoor leisure facilities over recent years, most visibly in ensuring Rhondda, Cynon and Taf residents have access to the athletics facilities in Bryncelynog Comprehensive School in Beddau; the Ron Jones Stadium in Aberdare; and, King George V in nearby Tonypany/Clydach Vale. In addition, the Council has supplemented this with an outdoor fitness class programme at a number of its leisure facilities. These operated for a number of years prior to the pandemic, and they were very well received when the regulations provided for their resumption during the various lockdown periods.

Councillor Crimmings added that recently the Council had utilised funding from Sport Wales to purchase 2 outdoor exercise rigs which are mobile and are currently based in Ynysangharad and Dare Valley Country Park. This year the Council has already developed 2 outdoor balance bike tracks at Abercynon and Dare Valley Country Park, with a third being developed at Wattstown alongside a re-purposed MUGA. Additional funding is being sought to expand the outdoor rig options and additional balance bike tracks, but this will be dependent on

available funds and grants applications.

Councillor Crimmings advised that at Cabinet on 17th October, the new Sport and Physical Activity Strategy 2022-27 was presented for consideration and formal adoption which will guide the leadership and management of the service ensuring that it can continue to provide a diverse range of sport and leisure opportunities, that good quality indoor and outdoor facilities are maintained, that the Council can respond positively to a volatile and challenging trading environment and we continue to meet the needs of customers and the residents of RCT.

In conclusion Councillor Crimmings added that the new strategy identifies 8 key areas for focus in the next 5 years and these will make a positive contribution to the Corporate Priorities of People and Place, for example, ensuring participation in sport and physical activity is accessible and inclusive for all by maintaining low cost, high value provision and giving residents access to health and wellbeing information and activities through the GP referral schemes, and other health and wellbeing intervention programmes.

There was no supplementary question

40 Council Work Programme 2022/23 - For information

The Service Director Democratic Services & Communications presented the Council Work Programme for the 2022/23 Municipal Year and advised that the draft Corporate Performance report for 2022/23 will be reported to Full Council in the new year. He also advised that there may be a need to convene a special Council meeting in December once the details of the Local Government Settlement are known, as previously outlined by the Leader of the Council.

The Service Director advised that there will be a special Council meeting at 3.30pm next month to receive representatives from the Cwm Taf Morgannwg University Health Board. In conclusion, it was reported that the consultation responses for the Boundary Review are required by the 15th November therefore the opportunity to formulate the substantive Council response will be sought through the Overview & Scrutiny Committee to which all Members of the Council will be invited to attend.

41 Council Tax Discounts

The Director of Finance & Digital Services presented his report in respect of Council Tax Discounts – Prescribed Class of Dwellings and advised that the report satisfies the requirement for Council to annually confirm the application of discounts for classes of dwellings, namely second homes and long-term empty properties. The Director stated that the Council does not currently award discounts to the full amount of council tax payable in respect of second homes neither does it award any discounts in respect of empty properties beyond the statutory 6-month period of exemption.

The Director proposed that the Council continues with the existing arrangements for the 2022/23 Municipal Year.

Following consideration of the report it was **RESOLVED** to agree the continuation of no Council Tax discount in respect of Class A, B and C

properties.

42 Urgent Executive Decisions

In accordance with the Overview and Scrutiny Procedure Rules 17.2(a), the Service Director of Democratic Services and Communications presented an overview of the Urgent Decisions taken forward by the Cabinet Committee and Urgent Key Officer Delegated Decisions taken forward outside of the Cabinet Committee during the period June-September 2022.

It was **RESOLVED** to note the information contained within the report.

43 Changes to Membership

Changes to Membership

It was agreed to consider the membership reports set out at agenda item 8 and the urgent report set out at agenda item 11 at this juncture. The Service Director Democratic Services & Communication advised of the changes to the Labour representation on both the Pension Fund Committee and Overview & Scrutiny Committee and he sought nominations for the role of Vice-Chair of the Overview & Scrutiny Committee for the 2022/23 Municipal Year. The Service Director also advised of the change to the Plaid Cymru Group's representation on both the Governance & Audit Committee and the Democratic Services Committee.

Following consideration of the report it was **RESOLVED** to note that:

1. County Borough Councillor Gareth Jones is to be nominated in place of County Borough Councillor R. Evans on the Pension Fund Committee;
2. County Borough Councillor Martin Ashford is to be nominated in place of former County Borough Councillor Marcia Rees- Jones on the Overview & Scrutiny Committee;
3. To appoint County Borough Councillor J Brencher as Vice Chair of the Overview & Scrutiny Committee for the 2022-2023 Municipal Year;
4. County Borough Councillor Paula Evans is to be nominated for appointment to the Governance & Audit Committee; and
5. County Borough Councillor Paula Evans is to be nominated for appointment to the Democratic Services Committee.

44 Standards Committee -Appointment of Independent and Community Council Member

The Director of Legal Services presented his report in respect of the outcome of the process which had been undertaken to fill vacancies that have arisen on the Council's Standards Committee, specifically an Independent (lay) Member and Community Council representative member (plus reserve).

The Director advised that on the 30th September 2022 the Appointments Panel met to interview for the appointment of an Independent Member of the Standards Committee for a term of six years and a Community Council Member (Plus, reserve) for a term until the next ordinary elections (in 2027).

Following ratification from the Chair of the Appointments Panel, it was **RESOLVED** to :

1. Approve the recommendation of the Appointments Panel to appoint Mrs. Helen John as an Independent Member of the Standards Committee for a term of six years commencing 20th October 2022;
2. Approve the recommendation of the Appointments Panel to appoint Community Councillor Lynwen Law (Hirwaun & Penderyn Community Council) as the Community Council Member of the Standards Committee for a term until the next ordinary Local Government elections; and
3. Approve the recommendation of the Appointments Panel to appoint Community Councillor Carl Thomas (Pontypridd Town Council) as a reserve Community Council Member of the Standards Committee for a term until the next ordinary Local Government elections.

This meeting closed at 6.05 pm

**Councillor G Hughes
Chair.**

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RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

COUNCIL

23 NOVEMBER 2022

MEMBERS QUESTIONS ON NOTICE

REPORT OF THE SERVICE DIRECTOR, DEMOCRATIC SERVICES & COMMUNICATION.

1. PURPOSE OF THE REPORT

- 1.1 To present the order of questions in respect of the Members Questions on Notice, following the amendment to the process agreed at the [Council AGM 2019](#).

2. RECOMMENDATIONS

It is recommended that Members:

- 2.1 Receive the Questions and any supplementary questions proposed, as in accordance with the running order advised upon in 4.3 of the report, which should not exceed a 20-minute time period.

3. REASONS FOR RECOMMENDATIONS

- 3.1 As agreed at the Council AGM on the 15th May, 2019, Members agreed to amend Council Procedure Rule 9.2 in respect of Members Questions on Notice. A further amendment was made to Council Procedure Rule 9.2 at the Council AGM on the 26th May 2021 in respect of supplementary questions following expiry of the 20 minute time duration. [Council AGM 2021](#)

4. MEMBERS QUESTION ON NOTICE

- 4.1 The closing date for receipt of Members Questions on Notice to the Council Business Unit for the Council meeting on the 23rd November 2022 was 5pm on the 10th November 2022.
- 4.2 Twenty-seven questions were received and put forward to the Council Ballot held on the 14th November 2022, to determine the running order of the questions at the Council Meeting.
- 4.3 The results of the ballot are outlined below:-

Number	Corresponding Question
1	<p>Question from County Borough Councillor L. Addiscott to the Leader of the Council, County Borough Councillor A. Morgan:</p> <p><i>“What impact has the U.K. Government’s economic plans had on energy prices, in particular for local authorities?”</i></p>
2	<p>Question from County Borough Councillor D. Parkin to the Leader of the Council, County Borough Councillor A. Morgan:</p> <p><i>“What representations are being made to the U.K. Westminster Government regarding the funding crisis that local authorities are facing in the forthcoming financial year?”</i></p>
3	<p>Question from County Borough Councillor K. Morgan to the Leader of the Council, County Borough Councillor A. Morgan:</p> <p><i>“What proactive measures are the council undertaking to ensure drains and gullies are clear in order to prevent flooding incidents?”</i></p>
4	<p>Question from County Borough Councillor J. Smith to the Leader of the Council, County Borough Councillor A. Morgan:</p> <p><i>“Will the Leader please make a statement on the Council’s budget planning ahead of the forecasted lower settlements for Local Authorities in the next two financial years?”</i></p>
5	<p>Question from County Borough Councillor M. D. Ashford to the Cabinet Member for Health and Social Care, County Borough Councillor G. Caple:</p> <p><i>“What engagement has the Council received from Pontyclun Community Council on the future of Café 50+?”</i></p>
6	<p>Question from County Borough Councillor S. Rees to the Leader of the Council, County Borough Councillor A. Morgan:</p> <p><i>“How will the measures in the recent autumn statement affect Welsh local authorities with regards to the Barnett formula and the block grant?”</i></p>

7	<p>Question from County Borough Councillor D. Grehan to the Cabinet Member for Prosperity and Development, County Borough Councillor M. Norris:</p> <p><i>“Yn dilyn y ‘problemau’ gyda’r system gosod cartrefi yn Nhonyrefail yn ddiweddar, ac o ystyried anniddigrwydd o bob plaid gyda’r drefn, a fyddai’r Cyngor yn teimlo ei bod yn briodol i drefnu sesiwn ar gyfer yr holl aelodau i drafod y system a’r polisiau sy’n arwain y penderfyniadau”.</i></p> <p><i>“Following the ‘problems’ with the property letting system in Tonyrefail recently, and considering the discontent from all parties with this arrangement, would the Council consider it appropriate to organise a session for all Members to discuss the system and the policies that guide the decisions?”</i></p>
8	<p>Question from County Borough Councillor J. Brencher to the Leader of the Council, County Borough Councillor A. Morgan:</p> <p><i>“Can the Leader provide an update on the Council’s ongoing programme of investment in the County’s Highways network?”</i></p>
9	<p>Question from County Borough Councillor W. Lewis to the Leader of the Council, County Borough Councillor A. Morgan:</p> <p><i>“How is the Council working with and supporting local food banks through the effects of the Cost of Living crisis?”</i></p>
10	<p>Question from County Borough Councillor S. Bradwick to the Leader of the Council, County Borough Councillor A. Morgan:</p> <p><i>“Can the Leader provide an update on the progress of any funding bids planned or submitted under the U.K. Government’s Shared Prosperity Fund?”</i></p>
11	<p>Question from County Borough Councillor N. H. Morgan to the Cabinet Member for Climate Change and Corporate Services, County Borough Councillor T. Leyshon:</p> <p><i>“Will the relevant Cabinet Member please make a statement on the Council’s biodiversity policy?”</i></p>
12	<p>Question from County Borough Councillor G. E. Williams to the Leader of the Council, County Borough Councillor A. Morgan:</p> <p><i>“How is the Council preparing for further winter weather events following the first Weather Warnings of the winter?”</i></p>

13	<p>Question from County Borough Councillor J. Bonetto to the Leader of the Council, County Borough Councillor A. Morgan:</p> <p><i>“Can the Leader please make a statement on the Winter Welcome Centres in RCT?”</i></p>
14	<p>Question from County Borough Councillor R. Williams to the Leader of the Council, County Borough Councillor A. Morgan:</p> <p><i>“In light of the funding shortfall facing councils across Wales for next year, please can the Leader provide an update on his discussions with other Council Leaders and Welsh Government?”</i></p>
15	<p>Question from County Borough Councillor M. Powell to the Leader of the Council, County Borough Councillor A. Morgan:</p> <p><i>“Could the Cabinet portfolio holder for highways say what measures or proposals the RCT Highways department are considering, to alleviate the dire traffic congestion problems that the Pontypridd Town centre has been enduring for many, many years please?”</i></p>
16	<p>Question from County Borough Councillor G. O. Jones to the Leader of the Council, County Borough Councillor A. Morgan:</p> <p><i>“We have heard in recent weeks that the combined impacts of both Brexit and the war in Ukraine are having a profound effect on our construction industry. What does this mean for the Council and how can we mitigate these impacts?”</i></p>
17	<p>Question from County Borough Councillor L. A. Tomkinson to the Cabinet Member for Environment and Leisure, County Borough Councillor A. Crimmings:</p> <p><i>“Can the Cabinet Member provide an update on the Council’s Leisure for Life service as we continue to move away from the COVID-19 pandemic?”</i></p>
18	<p>Question from County Borough Councillor M. Maohoub to the Cabinet Member for Health and Social Care, County Borough Councillor G. Caple:</p> <p><i>“Will the Cabinet Member please provide a statement on this year’s Santa Appeal and outline how Members can help to support this fantastic initiative?”</i></p>

19	<p>Question from County Borough Councillor E. L. Dunning to the Cabinet Member for Education, Youth Participation and Welsh Language, County Borough Councillor R. Lewis:</p> <p><i>“Will the Cabinet Member please make a statement on outreach work and detached youth service provision in Rhondda Cynon Taf?”</i></p>
20	<p>Question from County Borough Councillor J. Edwards to the Leader of the Council, County Borough Councillor A. Morgan:</p> <p><i>“Can the Leader outline what support is available to help RCT residents with the cost of living crisis as we enter the winter months?”</i></p>
21	<p>Question from County Borough Councillor C. Middle to the Cabinet Member for Environment, Leisure, County Borough Councillor A. Crimmings:</p> <p><i>“Can the Cabinet Member please provide an update on the Council’s programme to improve outdoor play facilities for children?”</i></p>
22	<p>Question from County Borough Councillor D. Owen-Jones to the Leader of the Council, County Borough Councillor A. Morgan:</p> <p><i>“Can the Leader please provide an update on the progress of schemes awarded funding under the Levelling Up fund?”</i></p>
23	<p>Question from County Borough Councillor D. Wood to the Leader of the Council, County Borough Councillor A. Morgan:</p> <p><i>“With the massive financial and environmental costs involved in clearing drains of “FOG”, why doesn’t RCTCBC require, record and monitor, the use of grease traps in all food outlets in RCT?”</i></p>
24	<p>Question from County Borough Councillor J. Cook to the Leader of the Council, County Borough Councillor A. Morgan:</p> <p><i>“Community-run buildings and organisations provide invaluable services to our residents, but they are due to suffer immensely from the effects of the Cost-of-Living crisis with eye-watering rises in their energy bills. What action can be taken to ease the strain on these community assets?”</i></p>

25	<p>Question from County Borough Councillor S. Emanuel to the Cabinet Member for Environment and Leisure, County Borough Councillor A. Crimmings:</p> <p>“Can the Cabinet Member provide an update on the development of the Council’s 14th 3G pitch facility at the Baglan Field in Treherbert?”</p>
26	<p>Question from County Borough Councillor A. Rogers to the Leader of the Council, County Borough Councillor A. Morgan:</p> <p><i>“How has the Council responded to issues that were highlighted regarding management of the COVID pandemic?”</i></p>
27	<p>Question from County Borough Councillor S. Morgans to the Leader of the Council, County Borough Councillor A. Morgan:</p> <p><i>“Can the Leader outline what measures are being considered to help bridge the funding gap that this Council faces in the next financial year, including whether the use of reserves is necessary?”</i></p>

4.4 At the Council meeting a maximum of 20 minutes shall be allowed for Questions on Notice. Any questions that are not dealt with in this time limit shall fall. Any questions on notice not answered will need to be resubmitted to the Proper Officer for the next full Council meeting in accordance with these rules.

5. CONSULTATION / INVOLVEMENT

5.1 The amendments to the Council Procedure Rule in respect of Members Questions was considered and agreed at the Council’s AGM 2019 and AGM 2021, following consultation with the Constitution Committee.

6. EQUALITY AND DIVERSITY IMPLICATIONS

6.1 The amendment to the Council procedure rule taken forward at the Council AGM, allows the opportunity for more Members to ask a question at Council

7. FINANCIAL IMPLICATIONS

7.1 There are no financial implications aligned to this report.

8. LEGAL IMPLICATIONS OR LEGISLATION CONSIDERED

8.1 The report has been prepared in accordance with Council Procedure Rule 9.2.

9. LINKS TO THE COUNCILS CORPORATE PLAN / OTHER CORPORATE PRIORITIES.

9.1 The opportunity for Members to propose questions at Council meetings allows Members to receive information which potentially detail the Council priorities. It also embraces the Future Generations Act as all work and

decisions taken by Council seek to improve the social, economic, environmental and cultural well-being of the County Borough.

10. CONCLUSION

- 10.1 Detailing the procedure for Members Questions on Notice assists in transparency for both Members and for public engagement.

Other Information:-

Relevant Scrutiny Committee – Overview & Scrutiny Committee

LOCAL GOVERNMENT ACT 1972

AS AMENDED BY

THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

COUNCIL

23 NOVEMBER 2022

**REPORT OF THE SERVICE DIRECTOR, DEMOCRATIC SERVICES &
COMMUNICATION.**

Item: MEMBERS QUESTIONS ON NOTICE

Background Papers

[Council AGM 2019.](#)

[Council AGM 2021](#)

Officer to contact: Emma Wilkins, Council Business Unit

Audit of Accounts Report – Rhondda Cynon Taf Pension Fund

Audit year: 2021-22

Date issued: November 2022

Document reference: 3248A2022

This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at infoofficer@audit.wales.

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

Contents

We intend to issue an unqualified audit report on your Accounts.

Audit of accounts report

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Audit of accounts report

Introduction

- 1 We summarise the main findings from our audit of your 2021-22 annual report and accounts in this report.
- 2 We have already discussed these issues with the Director of Finance and Digital Services.
- 3 Auditors can never give complete assurance that accounts are correctly stated. Instead, we work to a level of 'materiality'. This level of materiality is set to try to identify and correct misstatements that might otherwise cause a user of the accounts into being misled.
- 4 We set this level at £45 million for this year's audit.
- 5 There are some areas of the accounts that may be of more importance to the reader and we have set a lower materiality level for these:
 - Related parties £10,000 for individuals in positions of influence.
- 6 In our professional view, we have complied with the ethical standards that apply to our work; remain independent of yourselves; and our objectivity has not been compromised in any way. There are no relationships between ourselves and yourselves that we believe could undermine our objectivity and independence.

Impact of COVID-19 on this year's audit

- 7 The COVID-19 pandemic has had a continuing impact on how our audit has been conducted. We summarise in **Exhibit 1** the main impacts. Other than where we specifically make recommendations, the detail in **Exhibit 1** is provided for information purposes only to help you understand the impact of the COVID-19 pandemic on this year's audit process.

Exhibit 1 – impact of COVID-19 on this year’s audit

Timetable	<ul style="list-style-type: none">• We received the draft accounts on 16 August 2022.• In line with the other pension fund audits in Wales, we undertook the audit in Autumn 2022.
Audit evidence	We have been unable to conduct our audit at your premises due to the COVID-19 pandemic. The audit has been conducted remotely via use of Microsoft Teams, emails and we have direct access to the Council’s ledger.

Proposed audit opinion

- 8 We intend to issue an unqualified audit opinion on this year’s accounts once you have provided us with a Letter of Representation based on that set out in **Appendix 1**.
- 9 We issue a ‘qualified’ audit opinion where we have material concerns about some aspects of your accounts; otherwise we issue an unqualified opinion.
- 10 The Letter of Representation contains certain confirmations we are required to obtain from you under auditing standards along with confirmation of other specific information you have provided to us during our audit.
Our proposed audit report is set out in **Appendix 2**.

Significant issues arising from the audit

Uncorrected misstatements

- 11 There are no misstatements identified in the accounts, which remain uncorrected.

Corrected misstatements

- 12 There were initially a few minor misstatements in the accounts that have now been corrected by management. These were presentational or typographical in nature.

Other significant issues arising from the audit

- 13 In the course of the audit, we consider a number of matters relating to the accounts and report any significant issues arising to you. There were no issues arising this year.

Appendix 1

Final Letter of Representation

[Audited body's letterhead]

Auditor General for Wales
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

[Date]

Representations regarding the 2021-22 financial statements

This letter is provided in connection with your audit of the financial statements of Rhondda Cynon Taf Pension Fund for the year ended 31 March 2022 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

Management representations

Responsibilities

We have fulfilled /our responsibilities for:

- The preparation of the financial statements in accordance with legislative requirements and CIPFA Code of Practice on Local Authority Accounting; in particular the financial statements give a true and fair view in accordance therewith.
- The design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

- Full access to:
 - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
 - additional information that you have requested from us for the purpose of the audit; and

- unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects Rhondda Cynon Taf Pension Fund and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.

Financial statement representations

We confirm that:

- All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.
- The methods, the data and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.
- Related party relationships and transactions have been appropriately accounted for and disclosed.
- All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.
- All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.
- The financial statements are free of material misstatements, including omissions.

Representations by those charged with governance being Rhondda Cynon Taf County Borough Council as administering authority for the Rhondda Cynon Taf Pension Fund

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by Council on 23 November 2022.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

[Officer who signs on behalf of management]

Date:

Signed by:

[Officer or Member who signs on behalf of those charged with governance (director only for companies)]

Date:

Appendix 2

Proposed Audit Report

The independent auditor's report of the Auditor General for Wales to the members of Rhondda Cynon Taf CBC as administering authority for Rhondda Cynon Taf Pension Fund

Opinion on financial statements

I have audited the financial statements of Rhondda Cynon Taf Pension Fund for the year ended 31 March 2022 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 international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022.

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 2022, and of the amount and disposition at that date of its assets and liabilities,
- 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 2022.

Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. 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

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 pension fund'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. 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 introduction for the financial year for which the financial statements are prepared is consistent with the financial statements and the annual report has been prepared in accordance with the Local Government Pension Scheme Regulations 2013.

Matters on which I report by exception

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

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 Pension Fund'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 Pension Fund's framework of authority as well as other legal and regulatory frameworks that Rhondda Cynon Taf Pension Fund 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 Pension Fund;

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;
- reading minutes of meetings of those charged with governance and the administering authority;
- 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; and

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 the Rhondda Cynon Taf Pension Fund'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. 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 Pension Fund in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

Adrian Crompton
Auditor General for Wales
[Date]

24 Cathedral Road
Cardiff
CF11 9LJ



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E-mail: info@audit.wales

Website: www.audit.wales

We welcome correspondence and telephone calls in Welsh and English. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.



RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL
COUNCIL

23rd November 2022

**STATEMENT OF ACCOUNTS FOR THE RHONDDA CYNON TAF PENSION
FUND 2021/22**

REPORT OF THE DIRECTOR OF FINANCE AND DIGITAL SERVICES

AUTHOR: Barrie Davies (01443) 424026

1.0 PURPOSE OF REPORT

- 1.1 This report ensures that Rhondda Cynon Taf CBC, as administering authority, complies with the legal requirements relating to the production of a “Statement of Accounts” for the financial year ended 31st March 2022 with regard to the Rhondda Cynon Taf Pension Fund.

2.0 RECOMMENDATIONS

It is recommended that Members:

- (a) Approve and note the Statement of Accounts for the Rhondda Cynon Taf Pension Fund (Appendix 1), and associated Letter of Representation (Appendix 2).
- (b) Note the outcome of the 7th September 2022 Governance and Audit Committee meeting as required by the Local Government Measure (paragraph 8.2).

3.0 STATUTORY APPROVAL PROCESS

- 3.1 Section 13 of the Public Audit Wales Act 2004 requires administering authorities to prepare accounts for the Pension Funds and for these accounts to be audited by the Auditor General for Wales.

- 3.2 The Accounts and Audit (Wales) (Amendment) Regulations 2018 removes the requirement to include the Pension Fund Statement of Accounts within the administering body Statement of Accounts. Regulation 57 of the Local Government Pension Scheme Regulations 2013 (as amended) requires administering bodies to publish an annual report on the Pension Fund accounts, including the Statement of Accounts, by 1st December each year.

4.0 IMPACT OF COVID 19 UPON THE STATUTORY APPROVAL PROCESS

- 4.1 Officers have maintained regular dialogue with Audit Wales with regard to timescales for the production and audit of the Statement of Accounts for Rhondda Cynon Taf Pension Fund. Finance teams have continued to work effectively and the target date was re-set due to the on-going impact of the pandemic.
- 4.2 The draft Statement of Accounts for Rhondda Cynon Taf Pension Fund was subsequently certified by the Director of Finance and Digital Services on the 29th July 2022.

5.0 STATEMENT OF ACCOUNTS

- 5.1 The approval of this year's accounts provides Members with the continued assurance that the Council operates within the statutory requirements and builds further upon the robust financial management arrangements which the Council has in place.
- 5.2 The 2021/22 Statement of Accounts for the Rhondda Cynon Taf Pension Fund is attached at Appendix 1. These accounts are "final" and the external audit process has been completed in line with statutory timescales.

6.0 LETTER OF REPRESENTATION

- 6.1 It is normal practice for Audit Wales to request that the Responsible Finance Officer provides a "Letter of Representation", which highlights material issues relating to the completeness and/or accuracy of the information included in their financial statements and could, therefore, influence his audit opinion. This is to ensure that the accounts properly reflect financial standing and is consistent with the approach taken by Audit Wales in prior years.

7.0 INTERNATIONAL STANDARD ON AUDITING (ISA) 260

- 7.1 The External Auditor is required, under ISA260, to report to "those charged with governance", relevant matters relating to the audit of the financial statements. This is to be provided to those charged with governance, as distinct from management, before an opinion is given on the financial statements.

7.2 The auditor, in his ISA260 report on the Statement of Accounts of the Rhondda Cynon Taf Pension Fund, states there were “initially a few minor misstatements in the accounts that have now been corrected by management. These were presentational or typographical in nature”. There are no misstatements identified in the accounts, which remain uncorrected and there are no other matters which are required to be reported.

7.3 Accordingly, Audit Wales intend to issue an unqualified auditor's report on the financial statements of Rhondda Cynon Taf Pension Fund.

8.0 LOCAL GOVERNMENT MEASURE REQUIREMENTS

8.1 The Statutory Guidance from the Local Government Measure 2011 was published in June 2012 which provided clarity on the role of Audit Committees in the approval process of the 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.*

8.2 The Council’s Governance and Audit Committee considered the draft Pension Fund Accounts on 7th September 2022. The Governance and Audit Committee did not raise any issues at this meeting that would prevent Council from approving the Pension Fund Statement of Accounts.

9.0 EQUALITY AND DIVERSITY IMPLICATIONS AND SOCIO-ECONOMIC DUTY

9.1 The report provides the legal requirements for the approval of the Rhondda Cynon Taf Pension Fund’s Statement of Accounts in accordance with the Local Government Pension Scheme Regulations 2013 (as amended). As a result, there are no equality and diversity or socio-economic duty implications to report.

10.0 WELSH LANGUAGE IMPLICATIONS

- 10.1 There are no Welsh language implications as a result of the recommendations in this report.

11.0 CONSULTATION

- 11.1 There are no consultation requirements emanating from the recommendations set out in the report.

12.0 FINANCIAL IMPLICATION(S)

- 12.1 The financial results / implications within this report have been reported to the Pension Fund Committee, Pension Board and to the Investment and Administration Advisory Panel. Rhondda Cynon Taf Pension Fund's financial performance will continue to be monitored within quarterly Performance Reports during 2022/23.
- 12.2 There are no additional financial implications as a result of the recommendations set out in the report.

13.0 LEGAL IMPLICATIONS OR LEGISLATION CONSIDERED

- 13.1 The report ensures the Council complies with the Local Government Pension Scheme Regulations 2013 (as amended) and the Public Audit Wales Act 2004, and in doing so is in line with the CIPFA Local Government Pension Scheme Code of Practice.

14.0 CONCLUSION

- 14.1 The certification of the draft Pension Fund Statement of Accounts by 29th July 2022 demonstrates the continued effective financial management arrangements at this Council in respect of its role as administering authority.
- 14.2 The completion of the external audit and sign off of the 2021/22 final accounts represents further assurance as to the Rhondda Cynon Taf Pension Fund.

Rhondda Cynon Taf Pension Fund Statement of Account

2021/22

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

The Rhondda Cynon Taf Pension Fund provides pension benefits for employees of Rhondda Cynon Taf, Bridgend and Merthyr Tydfil County Borough Councils, together with employees from around 50 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 2021/22 which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector. A more detailed Pension Fund Annual Report is available on request from the Director of Finance and Digital Services.

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

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

Fund Administration and Investments

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

The Pension Fund Committee is responsible for the strategic management of the Rhondda Cynon Taf Pension Fund in accordance with its Terms of Reference.

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

The Pension Fund Investment and Administration Advisory Panel is chaired by the Director of Finance and Digital Services 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, Passive Gilts and Infrastructure);
- 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 15th March 2017 Council approved the establishment of a Joint Governance Committee to oversee the pooling of the investments of the eight Local Government Pension Scheme (LGPS) funds in Wales. The link to the report can be found here: [All Wales Pension Fund Investment pooling-joint Governance Committee and Inter Authority Agreement](#).

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, with the launch of the fund being October 2021.
- A procurement exercise took place for private markets and infrastructure during September 2021 and February 2022. The approval of the allocator appointments was made by the Joint Governance Committee on 23rd March 2022.

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 2021/22

I certify that the accounts present a true and fair view of the financial position of Rhondda Cynon Taf Pension Fund as at 31st March 2022 and its income and expenditure for the year.

Signature: _____ Date: _____

Barrie Davies

Director of Finance and Digital Services

Rhondda Cynon Taf County Borough Council

The Pavilions, Cambrian Park

Clydach Vale

Tonypandy

CF40 2XX

Fund Account

2020/21			2021/22	
£'000		Note:	£'000	£'000
	Contributions			
(97,624)	Employer contributions	13.0	(102,178)	
(29,766)	Member contributions	13.0	(31,121)	
(127,390)				(133,299)
	Transfers in from other Pension Funds			
(3,643)	Group Transfers in from other schemes or funds		(6,583)	
(4,605)	Individual Transfers from other schemes or funds		(1,673)	
				(8,256)
(2,443)	Other income		(2,865)	
				(2,865)
	Benefits			
110,855	Pensions		112,224	
16,252	Commutation of pensions and lump sum retirement benefits		18,105	
3,875	Lump sum death benefits		3,196	
130,982		13.0		133,525
	Payments to and on account of leavers			
177	Refunds to members leaving scheme or fund		217	
(2)	Payments for members joining state scheme or fund		(1)	
4,702	Individual transfers to other schemes of funds		11,749	
4,877				11,965
135,859				145,490
(2,222)	Net (addition)/withdrawals from dealings with members			1,070
13,084	Management Expenses	14.0	14,329	
				14,329
10,862	Net (additions)/withdrawals Including fund management expenses			15,399
	Investment income			
(14,278)	Dividends from equities		(17,536)	
(15,785)	Income from bonds		0	
(39,607)	Dividends from WPP Global Equities		(21,727)	
(3,992)	Income from WPP UK Credit Fund		(2,201)	
(7,018)	Income from Pooled Property		(10,682)	
1	Interest on cash deposits		(6)	
(80,679)				(52,152)

(1,068,829)	(Profits) and losses on disposal of investments and changes in the value of investments	12.0	20,480	
				20,480
87	Taxes on income		258	
				258
(1,149,421)	Net Returns on Investments			(31,414)
(1,138,559)	Net (increase)/decrease in net assets available for benefits during the year			(16,015)
(3,360,022)	Opening Net Assets			(4,498,581)
(4,498,581)	Closing Net Assets			(4,514,596)

Net Assets Statement

2020/21 £'000		Note:	31/03/2022	
			£'000	£'000
	Investment Assets	7.0		
1,192,224	Equities		862,087	
	Pooled Funds			
1,867,855	WPP Global Equities		1,946,815	
550,961	WPP UK Credit Fund		574,241	
	Other Pooled Investments			
372,929	Passive UK Gilts		523,355	
200,829	Passive Equities		233,295	
282,289	Pooled Property		331,485	
0	Pooled Infrastructure		12,549	
4,467,087				4,483,827
24,964	Cash deposits			26,164
	Other investment balances			
5,232	Investment debtors		3,882	
1,147	Tax recoverable		712	
6,379				4,594
4,498,430				4,514,585
	Investment Liabilities			
(5,023)	Investment creditors			(4,400)
4,493,407	Net Investment Assets			4,510,185
	Current assets			
6,113	Contributions due from employers and employees		6,854	
1,314	Other current assets		600	
7,427				7,454
	Current Liabilities			
(2,253)	Current liabilities			(3,043)
4,498,581	Net assets of the scheme available to fund benefits at period end			4,514,596

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 31st March 2022 obtained from recognised Stock Exchanges.

Sterling valuations of securities denominated in foreign currencies are based on closing exchange rates as at 31st March 2022.

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 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 2021/22 amounted to £1.13m (£1.48m in 2020/21).

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.

1.4 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.

1.5 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 required to meet liabilities, or transfer surplus cash to the Investment Managers for investment.

1.6 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 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:

- IFRS 16 Leases (but only for those that have decided to adopt IFRS 16 in the 2022/23 year).
- Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes four changed standards:
- IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
- IAS 37 (Onerous contracts) – clarifies the intention of the standard
- IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
- IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to pension funds in limited circumstances.

It is not anticipated that the above amendments will have a material impact on the Pension Fund Statement of Accounts.

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.

Item	Uncertainties	Effect if actual results differ from assumptions
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 audited Statement of Accounts was authorised for issue by the Director of Financial and Digital Services, as Chief Finance Officer, on 23rd November 2022. Events taking place after this date are not reflected in the financial statements or notes.

Where events taking place before this date provide information about conditions existing at 31st March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

As a result of the Government's "mini budget" announcement on 22nd September 2022, gilt yields rose significantly causing the value of gilts to fall. This was due in large part to greater debt issuance by the Government to fund various spending

measures. The Bank of England stepped into the market to buy gilts on a temporary basis with the aim of preventing further price fall.

Rhondda Cynon Taf Pension Fund invests in UK gilts within its passive mandate and has therefore experienced a material fall in the value of these assets.

There are no further events that took place after 31st March 2022 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 31st 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:

	31/03/2019	31/03/2016
	£'m	£'m
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 from those used for funding purposes. The actuary has also used valued ill health and death benefits in line with IAS 19.

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

	Value as at 31/03/2019	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.

McCloud / Sargeant Judgement

The actuarial present value of the defined benefit obligation at 31st March 2018 includes an estimated liability in relation to the McCloud / Sargeant judgement of £28.7M. 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) ((now department for Levelling Up, Housing and Communities) (DLUHC)) undertook a consultation on the remedy and confirmed they would be proceeding with the key principles as laid out in the consultation.

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 6th April 2016 and 5th 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 5th 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 were made over 2021, allowing SAB and HMT reviews to proceed. The outcome of the SAB review has been published and recommended no changes to the provisions of the scheme. It is expected that the outcome of the HMT review will also recommend no changes. The legality of the Government's decision to include McCloud costs as a member cost within the 2016 HMT process is being challenged by a Judicial Review brought by trade unions. If the Judicial Review is successful, this may cause the 2016 HMT

process to be re-run and could result in changes to benefits or member contributions backdated to 1st April 2019.

7.0 Analysis of Investments at Fair Value

	2020/21		2021/22	
	£'000	£'000	£'000	£'000
Equities				
Global	1,192,224		862,087	
		1,192,224		862,087
Pooled funds				
WPP Global Equities	1,867,855		1,946,815	
WPP UK Credit Fund	550,961		574,241	
Overseas - other	0		0	
		2,418,816		2,521,056
Other Pooled Investments				
Pooled UK Gilts	372,929		523,355	
Pooled Passive Equities	200,829		233,295	
Pooled Property	282,289		331,485	
Pooled Infrastructure	0		12,549	
		856,047		1,100,684
Total long-term investments		4,467,087		4,483,827

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 2021/22 is £208k.

All investments held are quoted investments with the exception of property and infrastructure, which are 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. Pooled property and pooled investments within the WPP are classified as fair value hierarchy level 2. Infrastructure is classed as fair value hierarchy level 3, being valued quarterly at NAV, prepared by an external expert. Valuations could be affected by material events occurring between the date of the financial statement provided and the Pension Fund's own reporting date. Refer to note 17.3 for fair value sensitivity analysis.

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	
	31/03/2021 £'000	31/03/2022 £'000	31/03/2021 %	31/03/2022 %
Baillie Gifford (Equities)	1,197,175	866,979	26.6	19.2
BlackRock (Passive Low Carbon Equities)	200,880	233,295	4.5	5.2
BlackRock (Passive Gilts)	372,929	523,355	8.3	11.6
BlackRock (Infrastructure)	0	12,549	0.0	0.3
CBRE (Property)	287,956	342,350	6.4	7.6
Link (Global Growth)	1,501,146	1,540,312	33.4	34.2
Link (Global Opportunities)	366,709	406,503	8.2	9.0
Link (UK Credit Fund)	550,961	574,241	12.3	12.7
Internal	15,651	10,601	0.3	0.2
Total	4,493,407	4,510,185	100	100

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

The market value of investments shown in this table includes short-term investments such as cash balances and money deposits, and so differs from the total of long-term investments only, as shown in note 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. Due to the nature of the pooled investments, we are unable to provide the geographical spread for assets held under this basis. The table below shows the value of stocks and shares held by the Fund Managers as at 31st March 2022:

Area	£'000	%
UK Equities	327,822	7.30%
Europe	167,330	3.70%
US and Canada	170,353	3.80%
Japan	60,693	1.30%
Pacific	45,901	1.00%
Other International	89,988	2.00%
Passive Low Carbon Pooled Equities	233,295	5.20%
Global Equities (WPP)	1,946,815	43.20%
UK Credit (WPP)	574,241	12.70%
UK Gilts	523,355	11.60%
Property	331,485	7.30%
Infrastructure	12,549	0.30%
Cash & Equivalents	26,358	0.60%
Total	4,510,185	100%

10.0 Contingent Liabilities

There is a contingent liability of £981k (£987k in 2020/21) 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 01/04/21	Purchases	Sales at Historic Book Cost	Change in Market Value	Market Value 31/03/22
	£'000	£'000	£'000	£'000	£'000
Equities	1,192,224	159,159	(204,566)	(284,729)	862,088
Pooled Global Equities	1,867,855	21,727	0	57,234	1,946,816
Pooled UK Credit	550,961	47,200	0	(23,921)	574,240
Other Pooled UK Gilts	372,929	180,000	0	(29,574)	523,355
Other Pooled Equities	200,829	191	0	32,276	233,296
Other Pooled Property	282,289	44,055	(30,477)	35,616	331,483
Other Pooled Infrastructure	0	12,549			12,549
	4,467,087	464,881	(235,043)	(213,098)	4,483,827
Cash Deposits	24,964			233,578	26,164
Investment Debtors	6,379				4,594
Investment Creditors	(5,023)				(4,400)
Total	4,493,407			20,480	4,510,185

Comparative note for 2020/2021:

	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
	3,321,646	1,681,601	(1,293,886)	757,726	4,467,087
Cash Deposits	25,423			311,103	24,964
Investment Debtors	14,767				6,379
Investment Creditors	(11,612)				(5,023)
Total	3,350,224			1,068,829	4,493,407

12.0 Profits and Losses on Investments

	2020/21	2021/22
	£'000	£'000
Profit on sales	169,241	193,160
Loss on sales	(19,443)	(9,429)
Net profit / (loss) on sales	149,798	183,731
Change in market value	919,031	(204,211)
Net increase/ (decrease) in value	1,068,829	(20,480)

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	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
	£'000	£'000	£'000	£'000	£'000	£'000
Administering	9,671	10,165	33,596	35,146	36,513	38,175
Admitted	3,778	3,867	16,852	17,863	16,501	16,367
Scheduled	16,317	17,089	47,176	49,169	77,968	78,983
Total	29,766	31,121	97,624	102,178	130,982	133,525

Included in employer contributions are £4,154k of deficit funding contributions (£3,663k in 2020/21).

14.0 Management Expenses

The management expenses borne by the Fund in 2021/22 are set out below:

	2020/21	2021/22
	£'000	£'000
Administrative Costs	1,870	2,217
Investment Management Expenses	10,836	11,724
Oversight and Governance Costs	378	388
Total	13,084	14,329

Investment management expenses represent 0.26% (0.24% in 2020/21) of the value of the Pension Fund as at 31st March 2022.

2021/22 Audit Fees of £40k are included in Oversight and Governance Costs (£39k in 2020/21).

The investment management expenses borne by the Fund in 2021/22 are set out below:

2021/22	£'000	£'000	£'000
	Total	Management Fees	Transaction Costs
Equities	2,456	2,109	347
Pooled Funds			
WPP Global Equities	7,472	6,289	1,183
WPP UK Credit Fund	636	516	120
Other Pooled Investments			
UK Gilts	31	31	0
Passive Equities	22	22	0
Pooled Property	512	507	5
	11,129	9,474	1,655
Custody Fees	595		
Total	11,724		

Comparative Note for 2020/21:

2020/21	£'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
	10,103	8,101	2,002
Custody Fees	733		
Total	10,836		

The Fund incurs no performance related fees.

During 2021/22, the equity portfolio was reduced by £180m, to increase the Fund's investments in Passive Gilts and UK Credit. The Pension Fund committed to invest €59.5m into Infrastructure, with the first drawdown of €15.0m taking place in January 2022.

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:

	2020/21	2021/22
	£'000	£'000
WPP Oversight and Governance Costs		
Running Costs	99	135
WPP Investment Management Expenses		
Fund Managers Fees	5,520	7,328
Transaction Costs	763	780
Custody Fees	578	428
Total	6,960	8,671

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 £1.6m (£1.4m in 2020/21). 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 £6.9m (£6.1m in 2020/21), of which £5.2m related to employer contributions and £1.7m 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 31st March is as follows:

	2021	2022
Active Employers	51	52
Contributors	23,931	24,121
Pensioners	17,728	18,220
Dependants	2,786	2,899
Deferred Beneficiaries	28,868	29,548

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 31st March 2022 amounted to £7.33m with the institution shown in the table below:

Institution	Balance at 31/03/22 £'000	Maturity Date
Debt Management Office	7,330	01/04/2022
Total	7,330	

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 2021/22 financial year. The possible impact of movements in each asset type is shown in the following table:

Asset type	31/03/22 Value	Change %	Value on increase	Value on decrease
	£'000		£'000	£'000
Equities	862,087	15.19	993,038	731,136
Pooled Funds - Global Equity	1,946,815	15.19	2,242,536	1,651,094
Pooled Funds UK Credit	574,241	6.43	611,165	537,317
Other Pooled - Gilts	523,355	6.43	557,007	489,703
Other Pooled - Passive Equities	233,295	15.19	268,733	197,857
Other Pooled Property	331,485	3.43	342,855	320,115
Infrastructure	12,549	3.60	13,001	12,097
Cash	26,359	0.78	26,565	26,153

PIRC also advised that the potential market movement for the Fund as a whole, could be 10.02%. The possible impact is shown below:

	31/03/2022 Value	Change %	Value on increase	Value on decrease
	£'000		£'000	£'000
Fund Asset Total	4,510,186	10.02	4,962,107	4,058,265

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	31/03/22 Value	Value on increase	Value on decrease
	£'000	£'000	£'000
Pooled Funds UK Credit	574,241	579,983	568,499
Other Pooled - Gilts	523,355	528,589	518,121
Cash deposits & balances	26,359	26,623	26,095
Total	1,123,955	1,135,195	1,112,715

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 7.3% would have the following effect:

Asset type	31/03/22 Value	Value on increase	Value on decrease
	£'000	£'000	£'000
Overseas Equities	534,264	573,265	495,263
Overseas Pooled Property	14	15	13
Total	534,278	573,280	495,276

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 2022 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 international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022.

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 2022, 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 2022.

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 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

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 pension fund'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 annual report for the financial year for which the financial statements are prepared is consistent with the financial statements and the annual report has been prepared in accordance with the Local Government Pension Scheme Regulations 2013.

Matters on which I report by exception

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

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 Pension Fund'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 Pension Fund's framework of authority as well as other legal and regulatory frameworks that Rhondda Cynon Taf Pension Fund 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 Pension Fund;

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;
- reading minutes of meetings of those charged with governance and the administering authority;
- 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; and

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 the Rhondda Cynon Taf Pension Fund'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. 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 Pension Fund 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
(Date)

24 Cathedral Road
Cardiff
CF11 9LJ

The maintenance and integrity of Rhondda Cynon Taf's website is the responsibility of the Accounting Officer; the work carried out by auditors does not involve consideration of these matters and accordingly auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

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

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'.

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

These are amounts potentially due to 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 1st April and finishes on 31st 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.

Passive Management

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.

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.

Appendix 2

Date/Dyddiad:
23rd November 2022

Please ask for/Gofynnwch am:
Barrie Davies
(01443) 424026

Auditor General for Wales
24 Cathedral Road
Cardiff
CF11 9LJ

Dear Adrian,

Representations regarding the 2021/22 Rhondda Cynon Taf Pension Fund Financial Statements

This letter is provided in connection with your audit of the financial statements of the Rhondda Cynon Taf Pension Fund (the Pension Fund) for the year ended 31st March 2022 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

Management Representations

Responsibilities:

We have fulfilled our responsibilities for:

- the preparation of the financial statements in accordance with legislative requirements and CIPFA Code of Practice on Local Authority Accounting; in particular the financial statements give a true and fair view in accordance therewith:
- the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information Provided:

We have provided you with:

- Full access to:
 - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- our knowledge of fraud or suspected fraud that we are aware of and that affects Rhondda Cynon Taf Pension Fund and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others;
- our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements; and
- the identity of all related parties and all the related party relationships and transactions of which we are aware.

Financial Statement representations:

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

The methods, the data and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions.

Representations by those charged with governance being Rhondda Cynon Taf County Borough Council as administering authority for the Rhondda Cynon Taf Pension Fund

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Members of Rhondda Cynon Taf County Borough Council on 23rd November 2022.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by

Director of Finance & Digital Services
(S.151 Officer)

Leading Member

Date

Date

Appendix A

Matters in relation to fraud

International Standard for Auditing (UK and Ireland) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both management and 'those charged with governance', which for the Rhondda Cynon Taf Pension Fund is Full Council. Management, with the oversight of those charged with governance, should ensure there is a strong emphasis on fraud prevention and deterrence and create a culture of honest and ethical behaviour, reinforced by active oversight by those charged with governance.

As external auditors, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

What are we required to do?

As part of our risk assessment procedures we are required to consider the risks of material misstatement due to fraud. This includes understanding the arrangements management has put in place in respect of fraud risks. The ISA views fraud as either:

- the intentional misappropriation of assets (cash, property, etc); or
- the intentional manipulation or misstatement of the financial statements.

We also need to understand how those charged with governance exercises oversight of management's processes. We are also required to make enquiries of both management and those charged with governance as to their knowledge of any actual, suspected or alleged fraud, for identifying and responding to the risks of fraud and the internal controls established to mitigate them.

Enquiries of management - in relation to fraud	
Question	2021-22 Response
1. What is management's assessment of the risk that the financial statements may be materially misstated due to fraud and what are the principal reasons?	<p>As "Scheme Manager" for the Rhondda Cynon Taf Pension Fund, the controls applied in Rhondda Cynon Taf CBC also apply to the administration of the Pension Fund.</p> <p>Good governance flows from a shared ethos and culture, as well as from systems and structures. The Council expects all representatives (i.e. Members and Officers) to conduct their duties with the highest levels of honesty and integrity.</p> <p>Policies underpin the culture in place and the Regional Internal Audit Shared Service test compliance with relevant Policies linked to the core financial systems (in line with the approved Annual Audit Plan).</p> <p>To ensure a consistent approach to working practices and processes, all officers are subject to the Council's terms and conditions of employment. A comprehensive suite of information such as policies and procedures are available for officers on "The Source" such as:</p> <ul style="list-style-type: none"> • Financial Procedure Rules • Contract Procedure Rules • Human Resources policies • Anti-Fraud, Bribery & Corruption Strategy • Whistleblowing Policy • Gifts and Hospitality Policy. <p>New employees attend a virtual corporate induction and an induction checklist encompasses key policies and procedures.</p> <p>All Members receive Code of Conduct training and newly elected Member and refresher training is available annually. Code of conduct training is also provided to co-opted Members. The following codes and protocols are included as part of the member induction programme and provided on a one to one basis if requested by a Member via the Council Business Unit.</p> <p>Codes and Protocols</p> <ul style="list-style-type: none"> • Members' Code of Conduct • Protocol Standard of Conduct to be followed by Members • Officers' Code of Conduct • Protocol for Member/Officer Relations

Enquiries of management - in relation to fraud	
Question	2021-22 Response
	<p>Where Members and/or Officers do not undertake their duties in accordance with the expected standards then governance arrangements are in place within the Council to manage this process in an equitable, fair and transparent manner.</p> <p>Taking all of the above into account, our assessment of the risk of fraud arising and having a material impact on the financial statements is considered to be low.</p>
<p>2. What processes are employed to identify and respond to the risks of fraud more generally and specific risks of misstatement in the financial statements?</p>	<p>The Council has a number of governance arrangements in place that help in the prevention and detection of fraudulent and/or improper activities. These include:</p> <ul style="list-style-type: none"> • Financial & Contract Procedure Rules • Systems of Internal Control • Recruitment Policies • Whistleblowing Policy • Local procedures within departments, for example, authorisation arrangements and quality assurance processes (a number of which were undertaken remotely during 2021/22 due to revised working arrangements as a result of the pandemic) • An independent Internal Audit Service (the 'scopes' for specific audit assignments included in the 2021/22 Audit Plan took account of revised working arrangements / potential risks as a result of the pandemic). • An independent Corporate Fraud Team • Combining with Others to Prevent and Fight Fraud, for example, Participation in the National Fraud Initiative <p>The Anti-Fraud, Bribery & Corruption Strategy provides a clear path for raising concerns and facilitating 'tip-offs', and the fraud response arrangements outlined enables such information or allegations to be properly dealt with and reported. The Council's Whistleblowing Policy also gives advice on how to raise a concern, as well as providing information on the safeguards and support that are available to those who raise concerns.</p> <p>Given the governance arrangements in place, management can give assurance that the risk of material misstatement is low.</p>

Enquiries of management - in relation to fraud	
Question	2021-22 Response
3. What arrangements are in place to report fraud issues and risks to the Audit Committee?	<p>Rhondda Cynon Taf County Borough Council is resolute in its determination to maintain its reputation as a Council that will not tolerate fraud, bribery, corruption or abuse of position for personal gain, wherever it may be found in any area of Council activity.</p> <p><u>Arrangements in place to report fraud issues</u></p> <p><u>Whistleblowing</u></p> <p>An updated Whistleblowing Policy and Procedure for Rhondda Cynon Taf County Borough Council was reported to and approved by the Council's Audit Committee at its meeting held on 26th April 2021 and staff awareness was undertaken via a Council wide email to employees on 9th March 2022 and whistle-blowing was part of staff induction arrangements. The purpose of the Policy is to provide a means by which complaints of malpractice or wrongdoing can be raised by those who feel that other avenues for raising such issues are inappropriate. The Policy confirms that so far as possible, those raising concerns under the Policy will be treated confidentially.</p> <p>Workers are encouraged to report any concerns they have via the Council's <u>Whistleblowing webpage "Get Involved"</u>.</p> <p><u>Anti-Fraud, Bribery & Corruption Strategy</u></p> <p>The purpose of the Strategy is to communicate the Council's main principles for countering fraud, bribery and corruption. It sets out the:</p> <ul style="list-style-type: none"> • Council's zero tolerance approach against fraud, bribery & corruption; • Reporting avenues for suspected irregularities; • Resources that are in place to support a counter fraud, bribery & corruption culture; and • Governance arrangements in respect of reporting to the Governance and Audit Committee. <p>In the Council's <u>Report It</u> section of the website, instructions for those who wish to raise anti-fraud, bribery or corruption concerns are provided along with the means to complete an on-line form.</p> <p><u>Arrangements in place to report to the Governance and Audit Committee:</u></p> <p>Anti-fraud, Bribery and Corruption Strategy updates were reported to the Governance and Audit Committee during the year (a mid-year update on 6th December 2021 and a year-end update including a proposed work programme for 2022/23 on 23rd March 2022).</p>

Enquiries of management - in relation to fraud	
Question	2021-22 Response
	<p>The overall conclusion set out in the March 2022 report, based on the work undertaken during the year, was that the Council has taken necessary preventative steps to raise awareness around vigilance and appropriate sharing of intelligence across the anti-fraud network. This report was endorsed by the Governance and Audit Committee.</p> <p>The 23rd March 2022 Governance and Audit Committee meeting also considered the Whistleblowing Annual Report 2021/22 and concluded that the Whistleblowing Policy and Procedure continues to be fit for purpose and that the Council's whistleblowing arrangements are appropriate.</p> <p>The arrangements in place demonstrate the Council's commitment to promoting the highest standards of service and ensuring that workers know how they can bring matters of alleged wrongdoing to the attention of the Council.</p> <p>Related information is also included under question 5 'Enquiries of management - in relation to fraud'.</p> <p>The Pension Fund has its own governance structure which includes the Council's Governance and Audit Committee and also details that the Pensions Board may report directly to the Pensions Regulator in the event of non compliance with the Code of Practice or in the event of breaches. The Annual Review of the Fund's Governance and Strategy documents which fall within the remit of the Pension Fund Committee, as detailed in the terms of reference, were agreed by the Pension Fund Committee on 22nd March 2021.</p>
4. How has management communicated expectations of ethical governance and standards of conduct and behaviour to all relevant parties, and when?	<p><u>Elected Councillors</u></p> <p>All elected Councillors are provided with an induction (when they start their role as a Councillor) and an on-going programme of support is in place that includes an overview of the Council's Code of Conduct.</p> <p>Every elected Councillor has signed up to his/her individual Role Description, a copy of which is retained by the Council's Democratic Services division.</p> <p>The Council's Scrutiny Committee meeting minutes and the Pension Fund Committee meeting minutes were examined to determine whether proceedings were conducted in line with the Council's Code of Conduct. Declarations of interest were sought and declarations were made by elected Councillors, as a standard agenda item, where appropriate.</p> <p>On 15th November 2021 Cabinet received the report on the Public Services Ombudsman for Wales – Annual Report and Letter 2020/21. In addition, a Standards Committee was in place during 2021/22 and received a summary of complaints against Members submitted to the Ombudsman on 19th November 2021.</p>

Enquiries of management - in relation to fraud	
Question	2021-22 Response
	<p><u>Pensions Board</u></p> <p>The Pensions Board has its own Terms of Reference which details the expectation that Board members comply with the Seven Principles of Public Life and also provides information on the legal duty of members to disclose conflicts of interest.</p> <p><u>Pensions Board Terms of Reference</u></p> <p><u>Council Employees</u></p> <p>The Council has a number of recruitment and selection Policies in place that help to ensure that new recruits have the integrity and ethical values of the organisation and also the competencies to undertake the duties required of them.</p> <p>Employees have contracts of employment and competency based job descriptions which set out grade, roles and responsibilities. The Human Resources Service oversees terms and conditions of employment, and the Council have a suite of policies and procedures that are available for officers to access.</p> <p>Each new recruit is provided with a 'Basic Rules – A Guide for Employees' booklet, via The Source, that gives each employee information in relation to (amongst other things) expected behaviour, use of social media, appearance and attendance. The expectations of each employee are set out from the outset.</p> <p>The Council describes 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.</p>
5. Are you aware of any instances of actual, suspected or alleged fraud within the council since 1 April 2021?	<p>To support transparency and openness, the Council's arrangements during 2021/22 included:</p> <p><u>Whistle-blowing arrangements</u></p> <p>Since April 2017 the Council is required to report annually on whistle-blowing disclosures. The Regulation required the Council to publish the annual report on its website or by other means appropriate for bringing the report to the attention of the public. For Rhondda Cynon Taf, this requirement was met for the 2021/22 financial year via an Annual Report to the Governance and Audit Committee on 23rd March 2022.</p> <p><u>Anti-fraud, Bribery & Corruption arrangements</u></p>

Enquiries of management - in relation to fraud	
Question	2021-22 Response
	<p>As set out for question 3 above, the Anti-Fraud Annual Report for 2021/22 was reported to the Governance and Audit Committee on 23rd March 2022 (and an Anti-Fraud, Bribery and Corruption mid-year update was reported to the Governance and Audit Committee on 6th December 2021). The year-end update included information on (amongst other things): communication arrangements to help drive proactive preventative and awareness raising measures; a targeted fraud awareness training plan; coordination and recording of fraud referrals; engagement with services within the Council (for example, the Cyber Security Team) and other external bodies to counter fraudulent activities and undertake data matching activities; and financial probity work around the award of Covid-19 business payments..</p> <p>A targeted 'Fraud Awareness – Manager Briefing' was designed and circulated to all service area managers during the year highlighting proactive measures and support, together with the appropriate reporting lines.</p>
6. Are you aware of any fraud within the council since 1 April 2021?	Please refer to the response to question 5, above.
7. Are you aware of any instances of actual, suspected or alleged fraud within the council since 1 April 2021?	Please refer to the response to question 5, above.

Enquiries of those charged with governance – in relation to fraud	
Question	2021-22 Response
<p>1. How does the Full Council, exercise oversight of management's processes for identifying and responding to the risks of fraud within the audited body and the internal control that management has established to mitigate those risks?</p>	<p>Full Council has ensured that the Governance & Audit Committee's Terms of Reference are comprehensive and compliant with the Local Government Measure 2011 and Local Government and Elections (Wales) Act 2021 (as reported to Audit Committee (26/4/21) and full Council (26/5/21)).</p> <p>The Governance and Audit Committee has a detailed <u>work plan</u> for each Municipal Year that helps ensure the delivery of its Terms of Reference. The 23/3/22 Governance and Audit Committee also considered an Annual Report setting out the work undertaken by the Committee during the year (including consideration of Fraud related reports) in line with its Terms of Reference and a self-assessment against the Chartered Institute of Public Finance and Accountancy (CIPFA) publication 'Audit Committees - Practical Guidance for Local Authorities & Police 2018 Edition.</p> <p>The Rhondda Cynon Taf Pension Fund Accounts are reported to full Council, alongside the external auditor's report, for consideration and if appropriate, approval.</p> <p>Audit Wales reports its Annual Audit Summary Report to full Council setting out, amongst other things, the results of its work undertaken within the Authority in the previous financial year. The most recent being reported 19 January 2022. Further to review by Council, this report was reviewed by the Governance and Audit Committee (23/3/22) – as part of this report, a detailed update was provided on the progress being made by the Council to implement agreed proposals for improvement reported by Audit Wales.</p>
<p>2. Are you aware of any instances of actual, suspected or alleged fraud with the audited body since 1 April 2021</p>	<p>Please refer to response within "Enquiries of Management" section, Question 5</p>

Appendix 2

Matters in relation to laws and regulations

International Standard for Auditing (UK and Ireland) 250 covers auditors responsibilities to consider the impact of laws and regulations in an audit of financial statements.

Management, with the oversight of those charged with governance (Full Council), is responsible for ensuring that the Council's operations are conducted in accordance with laws and regulations, including compliance with those that determine the reported amounts and disclosures in the financial statements.

As external auditors, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. The ISA distinguishes two different categories of laws and regulations:

- laws and regulations that have a direct effect on determining material amounts and disclosures in the financial statements;
- other laws and regulations where compliance may be fundamental to the continuance of operations, or to avoid material penalties.

What are we required to do?

As part of our risk assessment procedures we are required to make inquiries of management and the Full Council as to whether the Council is in compliance with relevant laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Enquiries of management – in relation to laws and regulations	
Question	2021-22 Response
1. How have you gained assurance that all relevant laws and regulations have been complied with?	The accounts are prepared in accordance with the Accounts & Audit Regulations and Pensions Statement of Recommended Practice. In addition, the Pension Fund has undertaken an assessment of its compliance with the Pensions Regulator Code of Practice.
2. Have there been any instances of non-compliance or suspected non-compliance with relevant laws and regulations since 1 April 2021, or earlier with an ongoing impact on the 2021-22 financial statements?	There are no instances of non-compliance with relevant laws and regulations. Full Council receives assurance on this from the appointed External Auditor.
3. Are there any potential litigations or claims that would affect the financial statements?	Any potential litigations and/or claims are accounted for in accordance with the Code of Practice and where appropriate, disclosed in the letter of representation.
4. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	No.
5. Are you aware of any non-compliance with laws and regulations within the council since 1 April 2021?	No.

Enquiries of those charged with governance – in relation to laws and regulations	
Question	2021-22 Response
1. How does the Full Council, in its role as those charged with governance, obtain assurance that all relevant laws and regulations have been complied with?	<p>Full Council appoints Governance and Audit Committee and sets its Terms of Reference.</p> <p>Full Council ratifies the appointment of the Section 151 Officer and the Council's Monitoring Officer, whose roles are defined by statute and referenced within the Constitution.</p> <p>Full Council receives assurance from the appointed External Auditor.</p> <p>The Annual Review of the Fund's Governance and Strategy documents which fall within the remit of the Pension Fund Committee, as detailed in the terms of reference, were agreed by the Pension Fund Committee on 22nd March 2021.</p>
2. Are you aware of any instances of non-compliance with relevant laws and regulations?	There are no instances of non-compliance with relevant laws and regulations. Full Council receives assurance on this from the appointed External Auditor.

Appendix 3

Matters in relation to related parties

International Standard for Auditing (UK and Ireland) 550 covers auditors responsibilities relating to related party relationships and transactions.

The nature of related party relationships and transactions may, in some circumstances, give rise to higher risks of material misstatement of the financial statements than transactions with unrelated parties.

Because related parties are not independent of each other, many financial reporting frameworks establish specific accounting and disclosure requirements for related party relationships, transactions and balances to enable users of the financial statements to understand their nature and actual or potential effects on the financial statements. An understanding of the entity's related party relationships and transactions is relevant to the auditor's evaluation of whether one or more fraud risk factors are present as required by ISA (UK and Ireland) 240, because fraud may be more easily committed through related parties.

What are we required to do?

As part of our risk assessment procedures, we are required to perform audit procedures to identify, assess and respond to the risks of material misstatement arising from the entity's failure to appropriately account for or disclose related party relationships, transactions or balances in accordance with the requirements of the framework.

Enquiries of management – in relation to related parties	
Question	2021-22 Response
<p>1. Confirm that you have disclosed to the auditor:</p> <ul style="list-style-type: none"> • the identity of any related parties, including changes from the prior period; • the nature of the relationships with these related parties; • details of any transactions with these related parties entered into during the period, including the type and purpose of the transactions. 	<p>Related party transactions are disclosed within the notes to the statement of accounts in accordance with the Code of Practice on Local Authority Accounting.</p>
<p>2. What controls are in place to identify, authorise, approve, account for and disclose related party transactions and relationships?</p>	<p>Governance arrangements are in place to ensure that a Register of Members Interests is in place and also that Declarations of Interest at each committee are asked for as a standard agenda item.</p> <p>Within the Annual Statement of Accounts of the Pension Fund, there is a requirement for the disclosure of “Related Party Transactions”. This relates to payments made to, or income received from, any organisation in which a Member or Chief Officer (who sits on the Senior Leadership Team) of the Council has an interest, financial or otherwise.</p> <p>Independent checks are also undertaken by finance officers against publicly available national databases to minimise the risk of non-disclosure.</p> <p>Additional controls are in place to ensure records of related parties are captured prior to a Member or officer of the Senior Leadership team leaving the local authority.</p> <p>Further additional Controls in place include:</p> <ul style="list-style-type: none"> • Gifts & Hospitality Policy • Contract Procedure Rules • The Anti-Fraud, Bribery & Corruption Strategy

Enquiries of the those charged with governance – in relation to related parties

Question	2021-22 Response
<p>1. How does the Council, in its role as those charged with governance, exercise oversight of management's processes to identify, authorise, approve, account for and disclose related party transactions and relationships?</p>	<p>Governance arrangements are in place to ensure that a Register of Members Interests is in place and also that Declarations of Interest at each committee are asked for as a standard agenda item.</p> <p>Within the Annual Statement of Accounts of the Pension Fund, there is a requirement for the disclosure of "Related Party Transactions". This relates to payments made to, or income received from, any organisation in which a Member or Chief Officer (who sits on the Senior Leadership Team) of the Council has an interest, financial or otherwise.</p> <p>Additional Controls in place include:</p> <ul style="list-style-type: none">• Gifts & Hospitality Policy• Contract Procedure Rules <p>The Anti-Fraud, Bribery & Corruption Strategy.</p>

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RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2022/23

COUNCIL

23rd November 2022

2022/23 MID YEAR TREASURY MANAGEMENT STEWARDSHIP REPORT

REPORT OF THE DIRECTOR OF FINANCE AND DIGITAL SERVICES : Barrie Davies (01443) 424026

1.0 PURPOSE OF REPORT

1.1 The CIPFA Code of Practice on Treasury Management requires a Mid Year Review to be presented to Council. This report provides Members with information on:-

- The Council's Treasury Management activity during the first six months of 2022/23; and
- Prudential and Treasury Indicators for the same period.

2.0 RECOMMENDATIONS

2.1 It is recommended that Members note the content of this report.

3.0 REASON FOR RECOMMENDATION

3.1 To report to Council the Treasury Management Mid-Year Review in line with the requirements of the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities.

4.0 INTRODUCTION

- 4.1 The Treasury Management function operates within the Treasury Management Strategy and Capital Strategy, both approved by Council on the 9th March 2022.
- 4.2 Treasury Management is defined as:
“The management of the organisation’s borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”
- 4.3 The Council sets a balanced budget to ensure that all planned expenditure is financed by various sources of income / reserves. Treasury Management is concerned with monitoring the cash flows of such income and expenditure and planning investments and borrowing prudently.
- 4.4 This report includes the following areas of treasury activity during the first six months of 2022/23:
- Economic background;
 - Borrowing activity and results;
 - Estimated and actual treasury position, treasury management and prudential indicators;
 - Investments;
 - Treasury management advisors;
 - Training;
 - Minimum Revenue Provision; and
 - Sustainable Communities for Learning.

5.0 ECONOMIC BACKGROUND

- 5.1 General Economic Background
- 5.2 The United Kingdom economic backdrop during April to September 2022 has continued to be characterised by high oil, gas and commodity prices, primarily due to the conflict in Ukraine, and is driving high levels of inflation, supply chain pressures and placing significant strain on household budgets through the on-going cost of living crisis. The economic climate is also impacting globally, through rising inflation levels, and the outlook for both United Kingdom and world growth remains weak.
- 5.3 GDP growth increased by 0.8% for the quarter ending 30th June 2022 and by 0.2% for the quarter ending 30th September 2022, driven by household and government spending, and year-on-year GDP growth to the 30th September 2022 was 8.7%. In the 3 months June to August 2022, the

unemployment rate fell to 3.5% (3.8% March to May 2022) and although wage growth picked up it continued to be outstripped by inflation.

- 5.4 The Consumer Prices Index inflation increased by 10.1% over the course of the previous 12 months to September 2022, up from 9.9% in August and 7% in March. From April 2020, the beginning of the first Covid 19 lockdown, until March 2021, the annual rate was less than 1.2%.
- 5.5 The Council's investment income is subject to changes in short term interest rates. The level of the Bank Base Rate or 'Bank Rate' is one of the main determinants of the rate of interest the Council receives on its short-term investments. The Bank Rate has changed as follows for the year to date:

	% Increase	Interest Rate
May 22	0.25%	1.00%
June 22	0.25%	1.25%
August 22	0.50%	1.75%
September 22	0.50%	2.25%
November 22	0.75%	3.00%

The Bank of England Monetary Policy Committee confirmed it will take the actions necessary to return inflation to the 2% target sustainably in the medium term, in line with its remit.

- 5.6 The majority of the Council's borrowing is from the PWLB (Public Works Loans Board). Long-term borrowing rates are influenced by gilt yields and these have risen sharply due to energy price caps and international energy markets priced in dollars. Further rises are expected in the short term due to lower confidence in the UK fiscal policy, higher inflation expectations and asset sales by the Bank of England. Over the longer term, gilt yields are forecast to fall slightly in the next 2-3 years.
- 5.7 PWLB maturity rates (certainty rate) during the first half of the financial year were as follows:

	5 years	10 years	20 years	50 years
Average	2.93%	3.16%	3.47%	3.17%
Highest	5.43%	5.36%	5.75%	5.51%
Lowest	2.21%	2.38%	2.55%	2.25%

- 5.8 Estimates of future rates are as follows:

	Base Rate	PWLB Maturity Rates			
		5 years	10 years	20 years	50 years
2022/23 (current as at 7 th Nov 2022)	3.00%	4.16%	4.26%	4.68%	4.04%
31/03/23	4.00%	4.70%	4.55%	4.80%	4.20%
31/03/24	4.25%	4.60%	4.50%	4.70%	4.10%

6.0 BORROWING ACTIVITY AND RESULTS

- 6.1 The borrowing strategy for 2022/23, approved by Council in March 2022, reported that the Director of Finance and Digital Services, as Section 151 Officer (or in his absence the Deputy Section 151 Officer), under delegated powers, will take the most appropriate form of borrowing depending upon the prevailing interest rates at the time, and taking into account advice provided by our advisors.
- 6.2 In March, the borrowing requirement was estimated to be £18.4m based on the Capital Programme at that time. The borrowing requirement has increased for 2022/23 mainly due to the addition of schemes under the Sustainable Communities for Learning programme, and is now £24.3m as at 30th September 2022. Details of this funding is provided in section 16.
- 6.3 It was also reported that the Council would monitor prevailing PWLB rates for any opportunities to reschedule debt to generate savings. I can report that to the 30th September this financial year, the Council has not had a viable option to reschedule debt. Affordability and the cost of carry remained important influences on the Council's borrowing strategy. No short-term or long-term borrowing was taken during the first half of 2022/23.
- 6.4 In line with the above strategy, this Council has not borrowed in advance of need during the first 6 months of the year and has no current intention to borrow in advance during the remainder of 2022/23.
- 6.5 No variance is being reported for net capital charges which have a budget for 2022/23 of £21.308m.

7.0 CERTAINTY RATE

- 7.1 The "certainty rate", whereby local authorities are able to access borrowing at 0.2% below published PWLB rates is available from HM Treasury again for this year. Authorities were required to provide an indication of their potential borrowing requirements for the next 3 years. This Council provided such information to HM Treasury and will continue to be able to access the discounted rate up to 31st March 2023.

8.0 **ESTIMATED AND ACTUAL TREASURY POSITION AND PRUDENTIAL AND TREASURY MANAGEMENT INDICATORS**

8.1 During the six months to 30th September 2022, the Council operated within its prudential limits set out in the Prudential Code report approved by Council in March 2022. Details of limits and actual performance are as follows:

8.2 **Capital Expenditure and the Capital Financing Requirement**

8.2.1 The Capital Expenditure plans of the Council are primarily financed by capital receipts and capital grants. The remaining element which cannot be immediately financed from other resources will constitute our borrowing requirement. The estimated level of available capital resources is provided in summary as the Capital Expenditure Indicator below.

Indicator: Capital Expenditure

	2022/23 Original Estimate £M	2022/23 Projected Outturn £M	2023/24 Revised Estimate £M	2024/25 Revised Estimate £M
Supported spend	82.498	154.672	60.506	25.484
Unsupported spend	11.502	17.448	9.112	8.692
Total spend	94.000	172.120	69.618	34.176
Financed by:-				
Borrowing	18.369	24.315	15.979	15.559
Other Capital Resources (Grants, Capital Receipts)	75.631	147.805	53.639	18.617

8.2.2 The Capital Financing Requirement (CFR) represents the Council's underlying need to borrow for capital purposes. The CFR is capital expenditure that has not yet been paid for from either revenue or capital resources.

8.2.3 The Council's expectation for the CFR for the next three years is shown below.

Indicator: Capital Financing Requirement (CFR)

	2022/23 31/03/23 Original Estimate £M	31/03/23 Projected Outturn £M	2023/24 31/03/24 Revised Estimate £M	2024/25 31/03/25 Revised Estimate £M
CFR	509.293	511.964	512.461	513.381
Net movement in CFR			0.497	0.920

8.2.4 The expected external debt for each year is as detailed below.

	30/09/22 Actuals £M	2022/23 31/03/23 Original Estimate £M ¹	2022/23 31/03/23 Revised Estimate £M	2023/24 31/03/24 Revised Estimate £M	2024/25 31/03/25 Revised Estimate £M
Borrowing	381.451	440.242	411.242	378.423	427.004
Other long term liabilities ²	0.453	2.458	0.582	0.581	1.829
Total External Debt	381.904	442.700	411.824	379.004	428.833

Indicator: External Debt

8.2.5 Other Long Term Liabilities represents the Council's obligation under its finance leases.

9.0 LIMITS TO BORROWING ACTIVITY

9.1 The first key control over the Council's activity is to ensure that, over the medium term, borrowing will only be for a capital purpose. The Council needs to ensure that external borrowing does not exceed the total of the capital financing requirement in the preceding year plus the estimate of the additional capital financing requirement for the next three financial years. This allows some flexibility within a three-year period to deliver an effective Treasury Management strategy.

¹ The indicators and limits have been updated (for 2022/23) in line with the Council approval of 9th March 2022 detailing the funding arrangements for Transport (Rail) Infrastructure works.

² The indicators as set out in '2022/23 Capital Strategy Report Incorporating Prudential Indicators' approved by Council on 9th March 2022, included figures for future lease liabilities, as required by the prevailing Code of Practice on Local Authority Accounting at that time. Since that point, CIPFA has delayed the implementation of proposals until April 2024.

	2022/23 30/09/22 Actuals £M	2022/23 31/03/23 Original Estimate £M	2022/23 31/03/23 Revised Estimate £M	2023/24 31/03/24 Revised Estimate £M	2024/25 31/03/25 Revised Estimate £M
Gross Borrowing (inc. Other Long Term Liabilities)	381.904	442.700	411.824	379.004	428.833
Capital Financing Requirement		509.293	511.964	512.461	513.381

Borrowing Activity (Gross Borrowing)

- 9.2 The Authorised Limit represents the limit beyond which borrowing is prohibited, and needs to be set, monitored and revised by Members. It reflects the maximum level of borrowing to fund existing capital commitments, which could be afforded in the short term, but is not sustainable. It is the expected maximum borrowing need, with some added headroom for unexpected movements. It is proposed that these limits be amended in line with increases to the underlying need to borrow, that is, the Capital Financing Requirement.

Indicator: The Authorised Limit

	2022/23 30/09/22 Actuals £M	2022/23 Limit £M	2023/24 Limit £M	2024/25 Limit £M
Gross Borrowing	381.451	607.400	525.000	525.000
Other long term liabilities	0.453	5.000	5.000	5.000
Authorised Limit	381.904	612.400	530.000	530.000

- 9.3 The Operational Boundary is based on the probable external debt during the course of the year; actual borrowing could vary around this boundary, for short times, during the year. It should act as an indicator to ensure the Authorised Limit is not breached.

Indicator: The Operational Boundary

	2022/23 30/09/22 Actuals £M	2022/23 Estimate £M	2023/24 Estimate £M	2024/25 Estimate £M
Gross Borrowing Limit	381.451	452.400	370.000	370.000
Other long term liabilities	0.453	3.000	3.000	3.000
Operational Boundary	381.904	455.400	373.000	373.000

10.0 **AFFORDABILITY PRUDENTIAL INDICATORS**

- 10.1 Previous sections have covered overall capital and control of borrowing indicators, but there is also a requirement to assess the affordability of capital investment plans. This provides an indication of the impact of the capital investment plans on the overall Council finances.
- 10.2 The Ratio of Financing Costs to Net Revenue Stream identifies the trend in the cost of capital (borrowing costs net of interest and investment income) against the "net revenue stream". The net revenue stream for the General Fund is the amount collectable from Council Tax payers added to the Council's Revenue Support Grant (RSG) and Non Domestic Rates (NDR). The key use of this indicator is to compare trends in the ratio of financing costs to the net revenue stream, over time.

Indicator: Ratio of Financing Costs to Net Revenue Stream

	2022/23 Original Estimate	2022/23 Revised Estimate	2023/24 Revised Estimate	2024/25 Revised Estimate
General Fund	4.76%	4.57%	4.87%	5.35%

- 10.3 The Ratio of Net Income from Commercial and Service Investments to Net Revenue Stream is a new indicator introduced in the 2021 Prudential Code update. It identifies the net income from financial and commercial investments (other than treasury management investments) and is intended to show the financial exposure of the Council to the loss of income. Direct costs of the investment may be netted off.

Indicator: Ratio of Net Income from Commercial and Service Investments Financing Costs to Net Revenue Stream

	2022/23 Original Estimate	2022/23 Revised Estimate	2023/24 Revised Estimate	2024/25 Revised Estimate
General Fund	0.28%	0.30%	0.29%	0.28%

- 10.4 A LOBO is a financial instrument called a “Lender’s Option Borrower’s Option”. It provides a lower rate of interest for the initial period and a higher rate for the rest of its term (reversionary period), albeit that the higher rate was comparable with interest rates prevailing at the time the loans were taken. At the end of the initial period and at six monthly intervals, the lender has the option to increase the interest rate payable. This provides the Council with the option to repay the loan if the terms are not acceptable. No banks exercised their option during the six months to September.
- 10.5 The amount of LOBO debt held in 2022/23 is £31m, 8% of total debt as at 30th September. Although not a requirement of the Prudential Code, an internal limit of LOBO debt is set as follows:

	£M	% of Debt Portfolio
LOBO Limits	50	20

- 10.6 The maturity structure indicator sets gross limits to reduce the Council’s exposure to large fixed rate sums falling due for refinancing annually. The Code of Practice requires LOBO’s to be represented in the maturity structure at the next option date, hence the table below demonstrates a high maturity within 12 months.

Indicator: Maturity Structure

	2022/23 Actuals as at 30/09/22	Upper Limit	Lower Limit
Under 12 months	31%	70%	0%
12 months to 2 years	3%	70%	0%
2 years to 5 years	8%	60%	0%
5 years to 10 years	12%	70%	0%
10 years to 20 years	4%	90%	0%
20 years to 30 years	0%	90%	0%
30 years to 40 years	42%	90%	0%
40 years to 50 years	0%	90%	0%

- 10.7 In order to maximise investment returns there could be opportunities for sums to be invested for longer than one year. This would only be undertaken with a prudent view of the primary considerations of security and liquidity.

11.0 FINANCIAL INVESTMENTS

- 11.1 The Investment Strategy enables lending to organisations upon which we undertake appropriate due diligence and put in place appropriate security arrangements. Such loans could result in the Council being able to achieve better investment returns at an acceptable level of risk and to secure base budget savings over the short to medium term to protect frontline services.
- 11.2 These investment decisions are classed as “Financial Investments” and are subject to S151 officer determination, following appropriate due diligence and subject to appropriate and acceptable security arrangements being in place as part of the commercial agreement.
- 11.3 The maximum exposure for this type of investment is set at £25m with a maximum maturity limit of 30 years.
- 11.4 Such transactions will be included in the indicators reported as part of the quarterly performance reports and statutory Treasury Management Reports.

Indicator: Total principal funds invested for periods longer than 1 year:

	Limit	30/09/22 Actual
Maximum principal sums invested over 1 year	£25m	£2.20m

- 11.5 The £2.20m represents a 25-year loan to Cynon Taf Housing Community Group (£2.30m outstanding in total, £0.10m of which to be repaid within 12 months).
- 11.6 For measuring the Council's exposure to interest rate risk, the following table shows the revenue impact of a 1% rise or fall in interest rates (based on borrowing and investments as at 30th September 2022):

Interest Rate Risk	Impact £M
One year revenue impact of a 1% rise/fall in interest rates	0.644

12.0 INVESTMENT STRATEGY, ACTIVITY & RESULTS

- 12.1 The Council manages its investments in-house, investing in line with the Council's approved lender criteria as approved by Council on the 9th March 2022.
- 12.2 Members will recall that following the onset of the unprecedented national and international economic crisis in 2008, all of this Council's cash flows are

currently being invested in the Debt Management Account Deposit Facility and other Government backed public sector bodies, in line with the aforementioned approved strategy. This strategy ensures we prioritise **Security** (protecting monies invested), then **Liquidity** (cashflow) and finally **Yield** (return on investment). The order of these “SLY” priorities are detailed in Investment Guidance produced by the Welsh Government.

12.3 I have kept this under constant review subsequently with a view to returning to market investment activity at an appropriate time. To date, the Council has not returned to market investments. Members will be kept informed of any changes as part of the Council’s quarterly performance reports.

12.4 The following table shows the overall result of the investment activities undertaken by the Council:

	Interest Received £M	Average Cash Balance £M	Return on Investments %	Benchmark Return %
General Balances	0.460	46.556	0.99	1.277

The benchmark for Local Authority internally managed funds is the average 7-day Sterling Overnight rate (SONIA) rate.

12.5 The Council also holds non-specified investments in Cynon Valley Waste Disposal Company Ltd, trading as Amgen Cymru Ltd and Amgen Rhondda Ltd. These are shown in the Council’s 2021/22 balance sheet as £3.032m, under “Investments in Subsidiaries”.

12.6 The Council also holds non-financial investments.

- Non-financial commercial investment in Ty Dysgu, Cefn Coed Business Park, Nantgarw. The building and site have a fair value of £3.0m, with an annual rental of £322k.
- The Council has investments it categorises as non-financial and other investments relevant to Council functions. These buildings have a fair value of £19.9m, with an annual rental of £1.4m. They relate to 50-53 Taff St, Pontypridd; Unit 1 Cambrian Industrial Estate, Clydach Vale; Rhos Surgery, Mountain Ash; Llys Cadwyn, Pontypridd; Coed Ely Units; 103-110 Taff Street, Pontypridd; and 13-17 Sardis Road, Pontypridd.

12.7 Decision making on commercial activities will be regeneration led in line with Council’s Constitution, approved strategies and policies and will in all instances be with the express approval of the Council’s Section 151 Officer and the Director of Legal Services.

13.0 TREASURY MANAGEMENT ADVISORS

- 13.1 The Council appointed Arlingclose as its Treasury Management Advisors from 1st April 2019 for the 3 year period up to 31st March 2022, with the option to extend for up to 2 years. Following a review of the service provision, the option to extend for a further two years was agreed.

14.0 TRAINING

- 14.1 Officers regularly attend webinars hosted by Arlingclose which provide an overview of the economic environment, investment advice, updates on Codes of Practice and technical guidance. A virtual online strategy meeting has also been held between Arlingclose and officers in August. Officers continue to receive interest rate information, economic data, credit ratings and general market environment information on a regular basis. All Elected Members were invited to a virtual training event facilitated by Arlingclose on 7th September 2022.

15.0 MINIMUM REVENUE PROVISION (MRP)

- 15.1 In accordance with legislative requirements applicable to local government (Local Government Act 2003), there is a requirement to charge an amount to revenue each year in respect of capital expenditure that is funded by borrowing. This charge is known as Minimum Revenue Provision (MRP) and must be a prudent amount in accordance with Welsh Government Statutory Guidance.
- 15.2 The method of charging MRP for Supported Borrowing is a straight line policy over 40 years. With regard to finance leases MRP is equivalent to the principal value of repayments. With regard to the method of charging MRP to Council Fund Balances in respect of Unsupported Borrowing only, the method used is dependent upon the type of asset being created as set out in the approved MRP Policy statement approved by Council on the 9th March 2022.

16.0 FUNDING OF PROJECTS SUPPORTED BY THE SUSTAINABLE COMMUNITIES FOR LEARNING PROGRAMME (FORMERLY, 21ST CENTURY SCHOOLS AND COLLEGES PROGRAMME)

- 16.1 This Council continues to successfully deliver new, improved and modern schools to make a significant improvement to the learning environment for our young people.
- 16.2 On the 4th October 2021, Cabinet considered a report which detailed a significant increase in the approved Strategic Outline Programme (SOP) for Band B of the programme from £167M to £252M. The individual school

projects were reported as part of that update, which are being funded by a combination of WG Grant Funding (at 65%) and the WG Mutual Investment Model (MIM) Funding (at 81%, subsequently updated to 82.3%). The Council is also responsible for funding fit out costs at 35% for the MIM projects. The Council's contributions are funded using prudential borrowing and revenue funding respectively.

16.3 The individual schemes continue to evolve through the Welsh Government's five case business model and approval process, with procurement processes running alongside to enable the delivery of timetabled on-site development.

16.4 Whilst absolute costs are not known until the completion of procurement processes and WG approvals, the overall envelope has previously been agreed by WG and accordingly the Council's contributions in line with the agreed envelope likewise need to be secured to avoid unnecessary delays to the programme.

16.5 The Council's contributions to the respective funding packages are and will continue to be built into the Council's Medium Term Financial Plan and Capital Programme accordingly. On the 6th July via the 2021/22 Annual Treasury Management Review report, Council agreed the overall level of contribution of £43.2M borrowing to fund the full programme in line with the detail set out above and up to and within the overall envelope. Set against this, current borrowing amounts to £30.0M.

17.0 EQUALITY AND DIVERSITY IMPLICATIONS AND SOCIO-ECONOMIC DUTY

17.1 The report provides an overview of the Council's Treasury Management activities during the first six months of 2022/23 in line with the Treasury Management and Capital Strategies approved by Council in March 2022. As a result, there are no equality and diversity or socio-economic duty implications to report.

18.0 WELSH LANGUAGE IMPLICATIONS

18.1 There are no Welsh language implications as a result of the recommendations in this report.

19.0 CONSULTATION

19.1 Following consideration by Council, this report will be presented to the Governance and Audit Committee in line with the laid down code of practice "CIPFA Treasury management in the Public Services 2017" and also the Terms of Reference for this Committee.

20.0 FINANCIAL IMPLICATION(S)

- 20.1 The financial results / implications of the Council's Treasury Management arrangements during the first six months of 2022/23 have been incorporated into quarterly Performance Reports during the year.

21.0 LEGAL IMPLICATIONS OR LEGISLATION CONSIDERED

- 21.1 The report ensures the Council complies with its legal duty under the Local Government Act 2003 and in doing so is in line with the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities.

22.0 LINKS TO CORPORATE AND NATIONAL PRIORITIES AND THE WELL-BEING OF FUTURE GENERATIONS ACT

- 22.1 This report evidences the progress made in delivering the Council's Corporate Plan 2020-24 – 'Making a Difference' in particular through supporting the 'Living Within Our Means' theme by pursuing optimum treasury management performance or return at the same time as managing associated risk.
- 22.2 The report also supports the Well-being of Future Generations Act in particular 'a globally responsible Wales' through responsible management and investment of the Council's resources.

23.0 CONCLUSION

- 23.1 The 2022/23 financial year continues to be a challenging period for Treasury Management and this report highlights for Members the Treasury Management activities that have been undertaken between April and September 2022.

**Other information:
Relevant Committee – Governance and Audit Committee**

LOCAL GOVERNMENT ACT 1972

AS AMENDED BY

THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

COUNCIL 23rd NOVEMBER 2022

REPORT OF THE DIRECTOR OF FINANCE AND DIGITAL SERVICES

**Item: 2022/23 MID YEAR TREASURY MANAGEMENT STEWARDSHIP
REPORT**

Background Papers

- 9th March 2022 Council meeting – Reports:
 - Treasury Management Strategy Incorporating Investment Strategy, Treasury Management Indicators and Minimum Revenue Provision Statement for 2022/23.
<https://rctcbc.moderngov.co.uk/documents/s34286/Report.pdf?LLL=0>
 - 2022/23 Capital Strategy Report Incorporating Prudential Indicators.
<https://rctcbc.moderngov.co.uk/documents/s34291/Report.pdf?LLL=0>

Officer to contact: Barrie Davies (Director of Finance and Digital Services)

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CYNIGYDD yn cyflwyno cynnig
PROPOSER moves and presents motion

EILYDD y Cynnig
(Noder - mae'n cael rhoi araith yn hwyrach yn y ddaol - CPR 12.3)
SECONDER of the motion
(N.B. Can reserve speech until later in debate - CPR 12.3)

Diwygiad i'r cynnig wedi'i gyflwyno?
Amendment(s) to motion tabled?



Cynigydd y diwygiad yn cyflwyno'r diwygiad (*dim hawl i ymateb ar ddiwedd y ddaol CPR 12.9(c)*)
 Proposer of amendment to motion presents the amendment (*no right of reply at end of debate - CPR 12.9(c)*)

Eilydd y diwygiad
(Noder - mae'n cael rhoi araith yn hwyrach yn y ddaol - CPR 12.3)
 Secunder of the amendment
(N.B. Can reserve speech until later in debate - CPR 12.3)

Dadl ar y diwygiad
 Debate on the amendment

Hawl i gynigydd y cynnig gwreiddiol ymateb ar ddiwedd y ddaol ynglŷn â'r diwygiad (*CPR 12.9(b)*)
 Proposer of the original motion has the right of reply at close of debate on amendment (*CPR 12.9(b)*)

Pleidlais i'w chymryd ar y diwygiad
 Vote on the amendment

Diwygiad yn methu (*ailadrodd y broses wedi'i nodi uchod ar gyfer unrhyw ddiwygiadau eraill*)
 Amendment falls (*repeat above process for any other amendments*)

Diwygiad i'r cynnig wedi'i gymeradwyo - hwn bellach yw'r cynnig gwreiddiol (*CPR 12.6(d)*)
 Amendment to motion carried - becomes substantive motion (*CPR 12.6(d)*)

Dadl ar y cynnig
(Hawl i'r cynigydd ymateb ar ddiwedd y ddaol cyn i'r bleidlais gael ei bwrw - CPR 12.9(a))
Debate on motion
(Proposer of motion has right of reply at end of debate immediately before vote taken - CPR 12.9(a))

Pleidlais i'w chymryd ar y cynnig
 Vote taken on the motion

Y Maer i ddarllen y cynnig gwreiddiol
 Ailadrodd y broses wedi'i nodi uchod ar gyfer unrhyw ddiwygiadau eraill
 Dim rhagor o ddiwygiadau? Pleidlais i'w chymryd ar y cynnig gwreiddiol (*CPR 12.6(e)*)
 Mayor reads out substantive motion
 Repeat above process for any further amendments
 If none, vote taken on the substantive motion (*CPR 12.6(e)*)

Noder - Rhaid i'r Cynigydd ac Eilydd y Cynnig neu'r Diwygiad fod yn bresennol yn y cyfarfod. Os dydyn nhw ddim yn bresennol, bydd y cynnig neu'r diwygiad yn methu (CPR 10.6)
NB - The Proposer and Secunder of a motion or an amendment *must be in attendance* at the meeting. If they are not the motion or amendment falls (CPR 10.6)

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