



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

**GWŶS I GYFARFOD O'R CYNGOR**

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

Dolen gyswllt: J Nicholls - Gwasanaethau Democrataidd (07385 086814)

**DYMA WŶS I CHI** i gyfarfod hybrid o'r **Pwyllgor LLYWODRAETHU AC ARCHWILIO** yn cael ei gynnal ar **Dydd MERCHER, 7FED MEDI, 2022** am **5.00 PM.**

Caiff Aelodau nad ydyn nhw'n aelodau o'r pwyllgor ac aelodau o'r cyhoedd gyfrannu yn y cyfarfod ar faterion y cyfarfod er bydd y cais yn ôl doethineb y Cadeirydd. Gofynnwn i chi roi gwybod i Wasanaethau Democrataidd erbyn Dydd Llun, 5 Medi 2022 trwy ddefnyddio'r manylion cyswllt uchod, gan gynnwys rhoi gwybod a fyddwch chi'n siarad Cymraeg neu Saesneg.

**AGENDA**

**Tudalennau**

**1. DATGAN BUDDIANT**

Derbyn datganiadau o fuddiannau personol gan Aelodau, yn unol â'r Cod Ymddygiad.

Nodwch:

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

## 2. COFNODION

Derbyn cofnodion o gyfarfod blaenorol y Pwyllgor Archwilio a gafodd ei gynnal ar 18 Gorffennaf 2022.

5 - 14

## 3. ADRODDIAD BLYNYDDOL RHEOLI'R TRYSORLYS 2021/22

15 - 30

## 4. RHAGLEN WAITH AC AMSERLEN ARCHWILIO CYMRU

Cyngor Bwrdeistref Sirol Rhondda Cynon Taf (diweddariad chwarterol hyd at 30 Mehefin 2022).

31 - 48

## 5. ADRODDIADAU ARCHWILIO CYMRU

- CBSRhCT - Rheoli Asedau Strategol
- CBSRhCT - Gweithlu
- Adroddiad Cenedlaethol – Taliadau Uniongyrchol ar gyfer Gofal Cymdeithasol i Oedolion

49 - 122

## 6. DATGANIADAU O GYFRIFON DRAFFT 2021/22 (GAN GYNNWYS TROSOLWG O BOLISI'AU CYFRIFYDDU)

123 - 432

## 7. ARCHWILIO CYMRU - DIWEDDARIAD LLAFAR AR GYNNYDD YR ARCHWILIAD O'R DATGANIADAU O GYFRIFON DRAFFT AR GYFER 2021/22

## 8. RHAGLEN WAITH DDRAFFT Y PWYLLGOR LLYWODRAETHU AC ARCHWILIO AR GYFER 2022/23

433 - 446

## 9. DYSGU A DATBLYGU O FEWN Y PWYLLGOR LLYWODRAETHU AC ARCHWILIO

447 - 456

## 10. MATERION BRYD

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

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

**Y Cyngorwyr Bwrdeistref Sirol:**

Y Cynghorydd G Hopkins, Y Cynghorydd M Maohoub, Y Cynghorydd S Rees,  
B. Stephens and Y Cynghorydd L A Tomkinson a un swydd wag.

Aelodau Lleyg –  
Mr C Jones  
Mr M Jehu  
Mr J Roszkowski

Tudalen wag





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

Minutes of the hybrid meeting of the Governance and Audit Committee held on Monday, 18 July 2022 at 5.00 pm

### **County Borough Councillors:**

#### **Chair in attendance – Mr C Jones**

Councillor Geraint Hopkins (Committee Member)  
Councillor Mustapha Maohoub (Committee Member)  
Councillor Sharon Rees (Committee Member)  
Councillor Barry Stephens (Committee Member)  
Councillor Loretta Ann Tomkinson (Committee Member)

#### **Officers in attendance**

Mr P Griffiths, Service Director, Finance & Improvement Services  
Mr P Nicholls, Service Director, Legal Services  
Ms L Cumpston, Group Audit Manager  
Mr M Thomas, Head of Regional Audit Service  
Ms S Jane-Byrne, Audit Wales  
Mr C Rees, Audit Wales

#### **Lay Member:**

Mr M Jehu

### **1 WELCOME AND APOLOGIES**

The Service Director, Legal Services welcomed attendees to the first Governance and Audit Committee meeting for the Municipal Year 2022/23.

Apologies of absence were received from Lay Member J Roszkowski.

### **2 DECLARATION OF INTEREST**

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

### **3 MINUTES**

It was **RESOLVED** to approve the minutes of the 23<sup>rd</sup> March 2022 as an accurate reflection of the meeting.

#### **4 APPOINTMENT OF CHAIR**

The Service Director, Legal Services reminded Members of the requirements of the Local Government and Election (Wales) Act 2021, where Members were required to elect a Lay Member as the Chair for the Governance and Audit Committee.

The Service Director, Legal Services sought nominations for the position. It was **RESOLVED** that Mr C Jones be elected as Chairman of the Governance and Audit Committee for the Municipal Year 2022/23.

#### **5 APPOINTMENT OF VICE-CHAIR**

The Chair sought nominations for the position of Vice-Chair for the Governance and Audit Committee for the Municipal Year 2022/23. It was **RESOLVED** to elect County Borough Councillor M Maohoub as Vice-Chair.

#### **6 AUDIT WALES - 2022 AUDIT PLAN - RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

The Audit Wales Lead provided Members with a brief overview of the Audit Plan 2022 for Rhondda Cynon Taf Council. The document aimed to set out Audit Wales responsibilities and the requirements of the Auditor General for Wales for 2022.

Members were informed of the 2 main responsibilities of Audit Wales within the plan which covered auditing the Council's financial statements annually and providing an opinion on their "truth and fairness".

The Audit Wales Lead continued by informing Members of the main audit risks which have been identified in relation to the financial statements. These included, management override and Members were informed that the risk of management override of controls is present in all entities and due to the unpredictable way in which such override could occur, this is viewed as a significant risk. The other risks identified were Covid funding, Asset valuations, Borrowings, City deal, Group Accounts and Related parties. Members were informed that these areas will be identified by Audit Wales as risks across a number of Welsh Local Authorities as part of the external audit of 2021/22 statement of accounts.

Specifically in relation to Group Accounts, the Audit Lead advised that there is a requirement for the Council to prepare Group Accounts for 2021/22 due to the construction of a Materials Recycling Facility by Cynon Valley Waste Disposal Company, for which the Council is the controlling party, and the resultant increase in the value of the property, plant and equipment held by the Company.

The Audit Lead advised Members that the risks identified will be the key focus for Audit Wales in addition to the work undertaken year on year.

The Audit Manager directed Members to Paragraph 15 of the report which

provided an overview of the Performance Audit and the duties of Audit Wales in relation to the Audit Plan 2022. Members were informed of Audit Wales' approach in relation to the Well-being of Future Generations (Wales) Act 2015. It was confirmed that Audit Wales are integrating their consideration of the extent to which Councils act in accordance with sustainable development principles within all of the audit work undertaken and noted that the 2022/23 programme includes work that focusses on the setting of well-being objectives.

The Audit Manager directed Members to Exhibit 2 of the report; the table summarised the performance audit programme for 2022/23. Members were informed of the Assurance and Risk Assessment process work which is undertaken at all 22 Councils and will aid Audit Wales in undertaking risk assessments across a range of core arrangements, services and duties, and will inform the work areas that should be focused on.

The Audit Manager continued by informing Members of the key areas within the Performance Audit Programme for 2022/23. These included the Assurance and Risk Assessment work that will focus on the Council's financial position, capital programme management and a thematic review of governance. The Performance Audit Programme also included a thematic review of unscheduled care; Audit Wales intend to undertake a cross-sector review focussing on the flow of patients out of hospital and the review will consider how the Council is working with its partners to address the risks associated with the provision of social care to support hospital discharge. The Audit Manager added that the Performance Audit Programme also includes a thematic review of digital work and a bespoke local project focusing on the Council's performance dashboard.

The Audit Manager directed Members to paragraph 30 of the report which covered the audit fee. It was advised that the audit fee for Rhondda Cynon Taf Council has increased this year by 3.7%, as set out exhibit 3 of the report.

Lastly the Audit Manager directed Members to exhibit 5 of the report which set out the audit timetable for the work which will be undertaken by Audit Wales. It was advised that further updates will be provided to Members regarding the progress of the performance work programme during the year.

Mr M Jehu requested further details on the timescales for the thematic review of unscheduled care. The Audit Manager advised that a project brief will be released to the Local Authority that will provide the scope and detail on the timescales later in the year.

A Member supported Mr Jehu's enquiry and noted the importance for the Committee to receive the project brief in light of the current workforce challenges within the Health and Social Care sector.

A Member enquired around the fee increase and whether this would impact on future costs. The Audit Manager advised that the fees are an estimate based on a number of assumptions and will be updated, as appropriate, to reflect actual costs at year-end.

Mr M Jehu enquired around any legal implications on the Council if well-being objectives are not achieved in a timely manner. The Audit Manager advised that the Council already has well-being objectives and processes are in place to report and scrutinise progress.

Following discussion, the Governance and Audit Committee **RESOLVED** to note the content of the report.

## **7 AUDIT WALES - 2022 AUDIT PLAN - RHONDDA CYNON TAF PENSION FUND**

The Audit Lead presented the report to Members that outlined the financial audit risks identified by Audit Wales for the audit of the Pension Fund Accounts.

The Audit Lead fed back that two main risks have been identified, these being management override and the Wales Pension Partnership (WPP). It was advised that the WPP is evolving and Audit Wales works with Auditors of the Joint Governance Committee to obtain the required assurances over the valuation of the funds transferred from the Rhondda Cynon Taf Pension Fund into the WPP.

The Audit Lead directed Members to exhibit 2 of the report which set out the estimated audit fee for 2022, this increasing by 3.8% compared to the actual fee for 2021.

The Audit Lead continued by advising Members that no specific risks for the Pension Fund had been identified linked to the Rhondda Cynon Taf Council Statement of Accounts. The Audit Lead completed the overview by referring Members to Exhibit 4 that set out the audit timetable.

The Governance and Audit Committee **RESOLVED** to note the content of the report.

## **8 HEAD OF INTERNAL AUDIT ANNUAL REPORT 2021/22**

The Head of Regional Internal Audit Service presented the report to Members. The report set out the Head of Internal Audit's annual opinion on the Council's control environment in relation to governance, risk management and internal control, and to inform the Governance and Audit Committee of the work and performance of Internal Audit for the financial year 2021/22.

In accordance with the Public Sector Internal Audit Standards, the Head of Internal Audit is required to develop a risk-based annual audit plan which considers the Council's risk management framework. Within the Standards there is also a requirement for the Head of Audit to review and adjust the plan, as necessary, in response to the changes in the Council's business, risks, operations, programmes, systems, controls and resources. The Head of Internal Audit must ensure that Internal Audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.

The Head of Regional Internal Audit Service informed Members of the approved draft Internal Audit plan for 2021/22 which was presented to the Governance and Audit Committee on the 12<sup>th</sup> July 2021. The approved plan was flexible in order to respond to changing circumstances and events that may occur during the year as a result of the pandemic and remote working.

The Head of Regional Internal Audit Service directed Members to Appendix A of the report which summarised the reviews undertaken during 2021/22, the recommendations made, and any control issues identified. It was noted that a total of 42 reviews were completed with an audit opinion, 1 audit assignment was undertaken on a consultancy basis, and a further 10 pieces of work have been completed where no audit opinion was required; in total 148 recommendations have been made. Members were informed that a detailed breakdown is included in Annex 1 of the report.

The Head of Regional Internal Audit Service directed Members to Annex 2 of the report that set out the final position against the 2021/22 approved plan and illustrated that many planned audit reviews had been undertaken during the year despite the continuing impact of the Covid-19 pandemic on services. Members were reassured that where planned work has not been undertaken, assurance has been gained where possible from other sources such as previous work and coverage in other audits. Members were advised that some planned reviews were not undertaken during the year due to requests from services that were under intense pressure; these will be considered in the 2022/23 planning process and 14 audits from the draft 2022/23 internal audit plan are already in progress and will be completed during 2022/23.

The Head of Regional Internal Audit Service continued by advising Members that based on the testing of the effectiveness of the internal control environment, 25 reviews (60%) received a 'substantial assurance' audit opinion, 14 reviews (33%) a 'reasonable assurance' audit opinion and 3 reviews (7%) a 'limited assurance' audit opinion. Members were informed that whilst there is a slightly higher number of limited assurance audit opinions compared to the previous year there does not appear to be any indication of any particular reasons or connection from these reviews or wider underlying concerns.

The Head of Regional Internal Audit Service concluded by informing Members that based on the results of the internal audit reviews completed during 2021/22, the recommendations made and consideration of other sources of assurance, the opinion drawn of the effectiveness of the Council's framework of governance, risk management and internal control for 2021/22 is 'reasonable assurance'.

The Chair thanked the Head of Regional Internal Audit Service for the detailed report; he then referred to Members for any questions.

A Member requested reassurance that there is no risk involved relating to fostering and adoption payments and that the service is operating effectively.

The Audit Manager advised that when this area was examined, the need for formal agreements to be reviewed on a regular basis was recommended, recognising the challenges that could be prevalent where collaborative arrangements are in place. The Audit Manager reassured Members that Management had agreed to implement all recommendations made following the audit and it was advised that a follow up audit review will be undertaken in 2022/23 and feedback will be reported to Members in due course. The Audit Manager added that Management have provided assurance that a number of recommendations were implemented at the time of the review and the remaining recommendations will be followed up to provide assurance that the required controls are in place and there are no risks of payments not being made.

Mr M Jehu raised a query in relation to the controls made relating to Park Lane

Special School and Ty Gwyn Pupil Referral Unit. Mr M Jehu reminded Members of the recommendations made and high priority areas identified in relation to both establishments. The Member requested reassurance that the high priority areas identified will be subject to high priority timescales and will be monitored.

The Audit Manager advised that in respect of Park Lane Special School, the audit is currently in progress and no draft report has been issued as the field work is still on-going. In respect of Ty Gwyn Pupil Referral Unit, the audit will be undertaken in September. The Audit Manager added that in respect of the follow up review relating to Adoption Support and Foster Carer Payments, it would be necessary to look at the implementation dates prior to any follow up review being undertaken to ensure progress can be measured.

Following discussion, the Governance and Audit Committee **RESOLVED** to:

- Note the content of the report.
- Consider the Annual Internal Audit Report for the financial year 2021/22 including the Head of Internal Audit's Annual Opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control.

## **9 COUNCIL ANNUAL GOVERNANCE STATEMENT 2021/22**

The Service Director, Finance and Improvement Services presented the report to Members that set out the Council's draft Annual Governance Statement (AGS) for the 2021/22 financial year.

The Service Director, Finance and Improvement Services directed Members to paragraph 4 of the report; it was advised that the report was produced in line with the Accounts and Audit (Wales) Regulation 2018 which requires an authority to conduct a review at least once a year of the effectiveness of its system of internal control and include a statement reporting on the review within any published statement of accounts.

Members were directed to section 5 of the report which introduced the Council's draft AGS for 2021/22, with the document being included at Appendix 1. The Service Director informed Members that the AGS had been compiled in accordance with the 'Delivering Good Governance in Local Government: Framework (2016)', as set out in the Accounts and Audit (Wales) Regulations 2018, and also in line with the CIPFA Bulletin 06.

The Service Director, Finance and Improvement Services continued by informing Members that the compilation of the draft AGS has entailed reviewing the activities in place around the Council's main governance arrangements as set out in the Local Code of Corporate Governance and associated key processes; engagement with senior officers across services in respect of these arrangements; and taking account of the findings from a range of existing reports including external regulatory reports. The Service Director added that the review has also had regard to the impact of the coronavirus pandemic and cost-of-living crisis on the Council's governance arrangements.

The Service Director, Finance and Improvement Services went on to advise Members that recommendations made within the 2020/21 AGS have been

implemented and a position statement was set out at Appendix A of the report.

Members were directed to paragraphs 5.17.4 to 5.17.8 that provided an overview of the work undertaken by Internal Audit and External Audit (Audit Wales) during 2021/22, noting that the outcomes from this work have been used as sources of assurance as part of reviewing the Council's governance arrangements.

The Service Director, Finance and Improvement Services advised Members that based on the review undertaken, it has identified 7 proposals for improvement which aim to further improve the governance arrangements in place within the Council, these being set out at Section 6 of the AGS. The Service Director confirmed that the proposals for improvement have been reviewed and agreed by the Council's Senior Leadership Team (SLT) and that a progress update will be reported to the Governance and Audit Committee during the year.

Following the Service Director's overview, the Chair proposed for an additional paragraph to be incorporated within the AGS confirming the adequacy of the arrangements in place based on the review undertaken. Committee Members supported this update and instructed the Service Director, Finance and Improvement Services to reflect this narrative within the AGS.

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

- For the Service Director, Finance and Improvement Services to include further narrative within the AGS confirming the adequacy of the arrangements in place, based on the review undertaken.
- To critically review the Annual Governance Statement (Appendix 1), suggest any material amendments and recommend its certification by the Leader of the Council and the Chief Executive for inclusion within the Council's 2021/22 certified draft Statement of Accounts.
- In the event that reports from relevant External Inspectors be provided to the Council before the Statement of Accounts are approved, authorise the Director of Finance and Digital Services to include reference within the Annual Governance Statement.

## **10 INTERNAL AUDIT CHARTER 2022/23**

The Audit Manager presented the Regional Internal Audit Service Charter for 2022/23 Report to Members.

The Internal Audit Charter is a formal document that defines the purpose, authority, and responsibility of Internal Audit activities. The Internal Audit Charter establishes Internal Audit's position within the organisation; it authorises access to records, personnel, and physical properties relevant to the performance of engagements and defines the scope of internal audit activities.

The Audit Manager advised that the Internal Audit Charter defines the responsibilities of the Regional Internal Audit Shared Service across Bridgend, Merthyr Tydfil, Rhondda Cynon Taf and the Vale of Glamorgan Councils. It was confirmed that the Charter was fully reviewed and amended for 2020/21 in order to have a consistent Charter for the four Councils and to ensure it is consistent

with the objectives of the Regional Shared Service.

Members were informed that the Head of Internal Audit is responsible for reviewing the Charter and presenting it to each Council's Governance and Audit Committee annually for review and approval in line with the Public Sector Internal Audit Standards which are applicable to all UK Public Bodies (PSIAS).

The Audit Manager advised that the Regional Internal Audit Service is committed to meeting the standards laid down by the Public Sector Internal Audit Standards Framework and any significant deviations from the Standards will be reported to the Governance and Audit Committee.

It was advised that the Charter is split into four sections:

- Purpose, Authority and Responsibility;
- Independence and Objectivity;
- Proficiency and Due Professional Care; and
- Quality Assurance and Improvement Programme.

The Audit Manager advised that when reviewing the Charter for 2022/23, it was identified that no changes were necessary other than a change of designation of 'Managing Director' to 'Chief Executive' at the Vale of Glamorgan Council.

The Governance and Audit Committee **RESOLVED** to:

- Consider and approve the Regional Internal Audit Charter for 2022/23 as attached as Appendix A to the report.

## 11 INTERNAL AUDIT ANNUAL PLAN 2022/23

The Audit Manager presented to the Governance and Audit Committee the Annual Internal Audit Strategy and Risk Based Internal Audit Plan for 2022/23.

In line with the Public Sector Internal Audit Standards (PSIAS) the Head of Internal Audit must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisations goals.

The Audit Manager advised Members that to develop the risk-based plan, the Head of Internal Audit consulted with senior management in order to obtain an understanding of the organisation's strategies, key business objectives, associated risks and risk management processes. The Head of Internal Audit must review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programmes, systems and controls.

It was noted that in order to produce the Internal Audit Plan the following information is taken into account:

- Corporate Risk Register/Strategic Risk Register;
- Corporate Plan;
- Key Financial Systems;
- Grant Claims that require Internal Audit certification;
- Follow-up reviews;
- Audit reviews that are carried forward from the previous audit plan;



- Feedback from questionnaires issued to Service Directors;
- Recommendations from External Inspectors / Regulators; and
- Results of discussions with the Senior Leadership Team, including the Chief Executive, Section 151 officer and other senior officers as necessary.

The Audit Manager advised that the Internal Audit Plan has also taken into account any new risks which the Council may face as a result of remote working and the Covid-19 pandemic.

Members were directed to Appendix A of the report which detailed the Draft Internal Audit Strategy document for 2022/23. The document demonstrates how the internal audit service will be delivered and developed in accordance with the Terms of Reference. Members were also directed to Appendix B which detailed the draft Internal Audit Risk Based Plan 2022/23 which has been formulated in accordance with the standards.

To conclude, the Audit Manager advised that the proposed plan presented will aim to offer sufficient coverage in order to provide an opinion at the end of 2022/23.

A Member commented on the value of the Audit Scope being included alongside each assignment as it provides useful information. The Chair also commented on the inherent flexibility within the plan which will be useful to manage any changes during the year.

Following discussion, the Governance and Audit Committee **RESOLVED** to:

- Consider and approve the draft Annual Internal Audit Strategy (Appendix A) and the Risk-Based Internal Audit Plan for 2022/23 (Appendix B).

**This meeting closed at 6.07 pm**

**C Jones  
Chairman.**

Tudalen wag



## MUNICIPAL YEAR 2022 / 2023

<b>GOVERNANCE AND AUDIT COMMITTEE</b>  <b>7<sup>TH</sup> SEPTEMBER 2022</b>	<b>AGENDA ITEM NO 3</b>
<b>REPORT OF THE DIRECTOR OF FINANCE &amp; DIGITAL SERVICES</b>	<b>2021/22 ANNUAL TREASURY MANAGEMENT REVIEW</b>

Author : Barrie Davies (01443) 424026

### **1.0 PURPOSE OF REPORT**

- 1.1 The purpose of this report is to provide Members with the opportunity to scrutinise the Annual Treasury Management Review presented to Council on 6<sup>th</sup> July 2022 (Appendix 1).

### **2.0 RECOMMENDATIONS**

It is recommended that Members:

- 2.1 Scrutinise and comment on the information provided.
- 2.2 Consider whether they wish to receive further detail on any matters contained in the report.

### **3.0 BACKGROUND INFORMATION**

- 3.1 The 2021/22 Annual Treasury Management Review was reported to and agreed by Council on 6<sup>th</sup> July 2022.
- 3.2 The Governance and Audit Committee has responsibility for scrutinising the Council's Treasury Management activity, as agreed by full Council on

[25th May 2022](#), this being consistent with the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice and Prudential Code Guidance Notes.

- 3.3 The Treasury Management Code of Practice sets out that “*The treasury management strategy should be supplemented by the provision of monitoring information and regular review by board members/councillors in both executive and scrutiny functions. CIPFA considers clearly defined responsibilities for the approval and scrutiny of treasury management activities to be an essential element of a public service organisation’s treasury management arrangements.*”

#### **4.0 ANNUAL TREASURY MANAGEMENT REVIEW (Appendix 1)**

- 4.1 This report details the activities undertaken by the Treasury Management function during 2021/22.

- 4.2 I would like to highlight key points as follows:

- The Council has complied with all relevant Codes of Practice, regulations and guidance (para 4.2).
- The revised guidance on Public Works Loan Board lending (para 6.1).
- The Council continues to adopt a low-risk strategy in terms of investing and borrowing (paras 7.1.8, 8.1 and 11.2).
- Repayable Funding was received from Welsh Government to support investment in rail infrastructure (para 8.3).
- Net Capital Charges for the year were within budget (para 9.4).
- Compliance has been achieved in terms of all Prudential and Treasury indicators (para 10.1).
- Funding packages for Sustainable Communities for Learning will be reported within Treasury management reports (Paras 13.0 to 13.6).

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

- 5.1 The report provides an overview of the Council’s Treasury Management activities during 2021/22 in line with the Strategy reports approved by Council in March 2021. As a result, there are no equality and diversity or socio-economic duty implications to report.

#### **6.0 WELSH LANGUAGE IMPLICATIONS**

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

#### **7.0 CONSULTATION**

- 7.1 Following consideration by Council, the report at Appendix 1 is now being 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 remit of the Committee.

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

8.1 The financial results / implications of the Council’s Treasury Management arrangements in 2021/22 have been incorporated into quarterly Performance Reports during 2021/22, reported to Council on 24<sup>th</sup> November 2021 as part of the 2021/22 Mid-Year Treasury Management Stewardship Report and also incorporated into the year-end Council Performance Report reported to Cabinet on 18<sup>th</sup> July 2022.

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

9.1 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.

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

10.1 This report evidences the progress made in delivering the Council’s Corporate Plan 2020-24 “Making a Difference” through the ‘Living Within Our Means’ theme by pursuing optimum treasury management performance or return at the same time as managing associated risk.

10.2 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.

## **11.0 CONCLUSION**

11.1 This report, together with Appendix 1, provides Members with the opportunity to review the 2021/22 activities of Treasury Management.

\*\*\*\*\*

Tudalen wag



**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**MUNICIPAL YEAR 2022 / 2023**

**COUNCIL**

**6<sup>th</sup> July 2022**

**2021/22 ANNUAL TREASURY MANAGEMENT REVIEW**

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

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

**1.0 PURPOSE OF REPORT**

1.1 This report constitutes the statutory requirement to provide Members with information on :-

- the Council's Treasury Management activity during 2021/22; and
- the actual Prudential and Treasury Indicators for 2021/22.

**2.0 RECOMMENDATION**

2.1 It is recommended that Members:

- a) note the content of the report; and
- b) agree the funding proposals for the Sustainable Communities for Learning programme as set out at section 13.

**3.0 REASON FOR RECOMMENDATION**

3.1 To report to Council the Annual Treasury Management Review in line with the requirements of the CIPFA Code of Practice on Treasury Management.

## **4.0 INTRODUCTION**

- 4.1 Treasury Management is defined as:  
*“The management of a local authority’s cash flows, its borrowings and its investments, the management of the associated risks, and the pursuit of the optimum performance or return consistent with those risks”.*
- 4.2 This report meets the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Council is required to comply with both Codes through Regulations issued under the Local Government Act 2003.
- 4.3 The primary requirements of the Codes are as follows:
- Creation and maintenance of a Treasury Management Policy.
  - Creation and maintenance of Treasury Management Practices, which set out the manner in which the Council will seek to achieve stated policies and objectives.
  - Approval by Council (by 31<sup>st</sup> March) of:
    - A Treasury Management Strategy Report including Treasury Indicators and an Investment Strategy for the year ahead; and
    - A Capital Strategy Report (including Prudential Indicators) to support the Council’s strategic and financial planning arrangements.
  - Council approval of a Mid-Year Treasury Management Stewardship Report and an Annual Treasury Management Review Report for the previous year.
  - Effective scrutiny of the Treasury Management function.
- 4.4 Rhondda Cynon Taf County Borough Council complies with these requirements and supplements this by including information on treasury activities and prudential indicators in the quarterly Council performance reports to Members.
- 4.5 During 2021/22, the Finance and Performance Scrutiny Committee undertook scrutiny of the Treasury Management function including the Treasury Management activity reported within the quarterly performance reports.
- 4.6 This annual report will cover the following areas of treasury activity during 2021/22:
- Treasury Management advisors;
  - Revised CIPFA codes and updated PWLB lending guidance;
  - Economic background;
  - Borrowing strategy;
  - Borrowing activity and results;
  - Estimated and actual treasury position and prudential and treasury indicators;



- Investment strategy; and
- Investment activity and results.

4.7 It should be noted that the accounting practice to be followed by the Council requires financial instruments in the statutory accounts (debt, investments, etc.) to be measured in a method compliant with International Financial Reporting Standards. The figures in this report are based on the principal amounts borrowed and invested and so may differ from those in the Council's Statement of Accounts.

## **5.0 TREASURY MANAGEMENT ADVISORS**

5.1 The Council appointed Arlingclose as its Treasury Management Advisors from 1<sup>st</sup> April 2019 for the 3 year period up to 31<sup>st</sup> 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 has been agreed.

5.2 During the last two years the service provided has adapted effectively to take into account the pandemic with strategy meetings taking place virtually and technical updates being carried out via webinars. The Council will continue to monitor the advisor's performance. If any adverse performance or contractual issues arise, Members will be advised accordingly.

5.3 The Council recognises that although information and advice is provided via the contract, responsibility for Treasury Management decisions remains with the Council.

## **6.0 REVISED CIPFA CODES & UPDATED PWLB LENDING GUIDANCE**

6.1 In August 2021 HM Treasury revised guidance for the PWLB lending facility providing details of permitted and prohibited use of PWLB loans. Authorities that are purchasing or intending to purchase investment assets primarily for yield will not be able to access the PWLB except to refinance existing loans or externalise internal borrowing. Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing and treasury management.

6.2 CIPFA published its revised Prudential Code for Capital Finance and Treasury Management Code on 20<sup>th</sup> December 2021. The key changes in the two codes relate to permitted reasons to borrow, knowledge and skills, and the management of non-treasury investments.

## **7.0 ECONOMIC BACKGROUND**

7.1 General Economic Background

- 7.1.1 The continuing economic recovery from the coronavirus pandemic, together with the war in Ukraine, higher inflation and higher interest rates were significant issues during 2021/22.
- 7.1.2 In the UK CPI was 0.7% in March 2021 but thereafter began to steadily increase. Initially driven by energy prices and sectors such as retail and hospitality which were re-opening after the pandemic lockdowns, inflation then was expected to be temporary. However, price rises slowly became more widespread, as a combination of rising global costs and strong demand was exacerbated by supply shortages and transport issues. The surge in wholesale gas and electricity prices led to elevated inflation expectations. CPI for March 2022 was 7.0% year on year, up from 6.2% and 5.5% in the previous months.
- 7.1.3 Having increased the Bank Rate from 0.10% to 0.25% in December 2021, the Bank of England continued with stepped increases to its current rate of 1.25% (June 2022).
- 7.1.4 In its March meeting, the Bank of England Monetary Policy Committee noted that the invasion of Ukraine had caused further large increases in energy and other commodity prices, with the expectation that the conflict will worsen supply chain disruptions around the world and push CPI inflation to higher levels than their previous month's forecast. The Committee also noted that although GDP in January was stronger than expected with business confidence holding up and the labour market remaining robust, consumer confidence had fallen due to the squeeze in real household incomes.
- 7.1.5 The conflict in Ukraine served to add further volatility to the already uncertain inflation and interest rate outlook over the period. The Dow Jones started to decline in January but remained above its pre-pandemic level by the end of the period while the FTSE 250 and FTSE 100 also fell and ended the quarter below their pre-March 2020 levels.
- 7.1.6 Bond yields were similarly volatile as the tension between higher inflation and flight to quality impacted, with a general upward trend from higher interest rates dominating as yields generally climbed.
- 7.1.7 The 5-year UK benchmark gilt yield began the quarter at 0.82% before rising to 1.41%. Over the same period the 10-year gilt yield rose from 0.97% to 1.61% and the 20-year yield from 1.20% to 1.82%.
- 7.1.8 The Council continued to maintain a low risk strategy throughout the year to ensure exposure to risk of any capital loss was minimised.
- 7.2 Short term investment rates

7.2.1 The Council's investment income is subject to changes in short term interest rates. The level of the Bank Rate is one of the main determinants of the rate of interest the Council receives on its short term investments. The latest (June 2022) forward looking estimate of the Bank Rate, provided by our Treasury Management advisors, is for the rate to rise to 2.25% by December 2022.

### 7.3 Longer term interest rates

7.3.1 The majority of the Council's borrowing is from the PWLB (Public Works Loan Board). Long-term borrowing rates are influenced by gilt yields which are driven by inflation and demand/supply considerations.

7.3.2 During August 2012, HM Treasury introduced "the certainty rate", whereby local authorities are able to access borrowing at 0.2% cheaper than published PWLB rates. In order to access the discounted rate, authorities were required to provide Welsh Government (and onward, the Debt Management Office) with an indication of their potential borrowing requirements for the next 3 years.

7.3.3 PWLB loans are no longer available to Councils planning to acquire investment assets primarily for yield or solely for exploiting commercial opportunities.

7.3.4 PWLB maturity loan rates during 2021/22 were as follows (these are the "certainty rates"):

	<b>5 years</b>	<b>10 years</b>	<b>20 years</b>	<b>50 years</b>
Average	1.49%	1.81%	2.09%	1.85%
Highest	2.38%	2.55%	2.76%	2.49%
Lowest	1.08%	1.42%	1.69%	1.25%

## 8.0 BORROWING STRATEGY

8.1 The borrowing strategy for 2021/22, as included in the 2021/22 Treasury Management Strategy and approved by Council on 10<sup>th</sup> March 2021, stated that the borrowing requirement to fund the 2021/22 Capital Programme was £19.3m. In line with the capital programme, the borrowing requirement decreased to £12.4m during the year largely due to the re-profiling of the Sustainable Communities for Learning Programme (formerly 21<sup>st</sup> Century Schools schemes). It was also reported that the Council's policy will continue to maximise "internal borrowing", run down cash balances and forego interest earned at historically low rates. This also minimises counterparty risk (risk that an investment may become irrecoverable).

- 8.2 The Strategy also reported that the Section 151 Officer, under delegated powers, would take the most appropriate form of borrowing depending upon the prevailing interest rates at the time, taking into account advice provided by our advisors and an assessment of risk.
- 8.3 Affordability and the cost of carry remain important influences on the Council's borrowing strategy. Short term borrowing was taken during the year to manage cashflow volatility and no long term borrowing was taken other than £82.4M repayable funding from Welsh Government to support investment in rail infrastructure.
- 8.4 The 2021/22 Treasury Management Strategy also reported that the Council has previously taken advantage of debt rescheduling opportunities, for example, to generate savings at minimum risk, and that the Section 151 Officer would monitor prevailing rates for any opportunities during the year based upon information provided by the Council's Treasury advisors. PWLB loan redemption rates have reduced the attractiveness of early repayments associated with rescheduling and as a result no debt rescheduling took place during 2021/22.

## 9.0 **BORROWING ACTIVITY AND RESULTS**

- 9.1 A summary of the Council's borrowing activity (excluding Finance Leases) is set out in the table below:

	Opening Balance 01/04/21	Movement	Closing Balance 31/03/2022	Average Debt	Total Interest	Weighted Average Interest
	£M	£M	£M	£M	£M	%
PWLB*	229.726	(10.419)	219.307	224.839	6.962	3.10
Banks LOBO**	31.000		31.000	31.000	1.396	4.50
Banks Fixed Term	54.500		54.500	54.500	2.749	5.00
Local Auths	18.000	(13.000)	5.000	3.485	0.008	0.22
Other***	0	82.400	82.400	0.452	0.00	0.00
Total	333.226	58.981	392.207	314.276	11.115	3.54

\* The movements in PWLB debt include the repayment of instalments of existing Equal Instalment of Principal (EIP) loans.

\*\* A "LOBO" loan is one where the lender has options to vary the interest rate. If the lender chooses to exercise that option, the borrower has an option to repay.

\*\*\* "Other" relates to Welsh Government repayable funding for investment in transport (rail) infrastructure works.

- 9.2 The average interest rate of debt as at 31<sup>st</sup> March 2022 was 2.81%

- 9.3 Short term borrowing of £5M at the 31<sup>st</sup> March 2022 was in place to meet day-to-day cash-flow requirements at a rate of 0.15%.
- 9.4 At the end of the year there was no variance reported in the Council's Net Capital Financing Budget of £19.950M.
- 9.5 There were no opportunities to further reduce the cost of our borrowing via rescheduling during the year.

## **10.0 ESTIMATED AND ACTUAL TREASURY POSITION AND PRUDENTIAL AND TREASURY INDICATORS**

- 10.1 During the financial year 2021/22, the Council operated within its limits set out in the 'Capital Strategy Report Incorporating Prudential Indicators' and 'Treasury Management Strategy', both of which were approved by Council on 10<sup>th</sup> March 2021. Details of limits and actual performance are as follows:

	£	2021/22 Actual £
Capital Expenditure 2021/22		105.946M
Capital Financing Requirement (CFR) as at 31 <sup>st</sup> March 2022		502.763M

Limit / Indicator	2021/22 Limit / Indicator	2021/22 Actual
Authorised Limit (£) (Limit beyond which borrowing is prohibited)	614.400M	392.660M (at highest point in year)
Operational Boundary (£) (Indicator to ensure Authorised Limit not breached)	563.400M	392.660M (at year end)
External Debt (£)	560.207M	392.207M
Other Long Term Liabilities	<u>0.383M</u>	<u>0.071M</u>
Sub total	560.590M	392.278M
Other: Finance Lease	<u>0.200M</u>	<u>0.382M</u>
Borrowing + Other Long Term Liabilities	560.790M	392.660M
Ratio of Financing Costs to Net Revenue Stream	5.10%	4.88%

Funds invested for greater than 1 year (£)	25M	2.2M
LOBO Limit	£50M / 20% of debt portfolio	£31M / 8% of debt portfolio
Maturity Structure of Fixed Rate Debt	Under 12 mths 0-70% 12 mths – 2 yrs 0-70% 2-5 years 0-60% 5-10 years 0-70% 10-20 years 0-90% 20-30 years 0-90% 30-40 years 0-90% 40-50 years 0-90%	Under 12 mths 11% 12 mths – 2 yrs 24% 2-5 years 8% 5-10 years 12% 10-20 years 4% 20-30 years 0% 30-40 years 41% 40-50 years 0%

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

## 11.0 **INVESTMENT STRATEGY**

11.1 The Council manages its investments in-house, investing during 2021/22 in line with the lender criteria as set out in the Treasury Management Strategy approved by Council on the 10<sup>th</sup> March 2021. Investment policy is governed by Welsh Government guidance.

11.2 The Council's temporary cash flows are currently being invested in the Debt Management Account Deposit Facility and other Government backed public sector bodies. The Council supplements this strategy with lending to organisations subject to Section 151 officer determination, following appropriate due diligence and subject to appropriate and acceptable security arrangements being put in place. This low risk strategy was determined balancing risk and return. It is acknowledged that low risk investment strategies result in lower investment returns.

11.3 During the year, the Council has complied with the approved 2021/22 Treasury Management Strategy and there have been no liquidity difficulties.

## 12.0 **INVESTMENT ACTIVITY AND RESULTS**

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

	Interest Received	Average Cash Balance	Return on Investments	Benchmark Return*
	£M	£M	%	%
Cash Balances	0.040	45.181	0.09	0.146

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

- 12.2 The Economic Background section of this report set out the continuing challenging economic conditions during this period. As a result of these conditions and our low risk strategy, interest rates on investments remain low.
- 12.3 The average return on investments has slightly under-performed the benchmark return over the year.
- 12.4 The £2.20m for “funds invested for greater than 1 year” represents a loan to Cynon Taf Community Housing Group (£2.3m outstanding, £0.1m of which to be repaid within 12 months).
- 12.5 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:

<b>Interest Rate Risk</b>	<b>Impact £M</b>
One year revenue impact of a 1% rise/fall in interest rates	0.508

- 12.6 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 draft balance sheet as £3.032m, under “Investments in Subsidiaries”.
- 12.7 The Council also holds non-financial investments.
- Non-financial commercial investment in Ty Dysgu, Cefn Coed Business Park, Nantgarw. The building and site has a fair value of £2.980m, with an annual rental of £322k. This asset was reclassified as an investment property on the balance sheet following a change in use of the building.
  - The Council has investments it categorises as non-financial and other investments relevant to Council functions. These buildings have a fair value of £17.5m, with an annual rental of £1.3m. They relate to:
    - 50-53 Taff St, Pontypridd;
    - Unit 1 Cambrian Industrial Estate, Clydach Vale;
    - Rhos Surgery, Mountain Ash;
    - Coed Ely Business Units;
    - Llys Cadwyn, Pontypridd, and;
    - 96-102 Taff Street, Pontypridd.

### **13.0 FUNDING OF PROJECTS SUPPORTED BY THE SUSTAINABLE COMMUNITIES FOR LEARNING PROGRAMME (FORMERLY, 21<sup>ST</sup> CENTURY SCHOOLS AND COLLEGES PROGRAMME)**

- 13.1 This Council continues to successfully deliver new, improved and modern schools to make a significant improvement to the learning environment for our young people.
- 13.2 On the 4<sup>th</sup> 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.
- 13.3 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.
- 13.4 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.
- 13.5 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, and it is proposed that Council agrees the Council's overall level of contribution to funding the full programme in line with the detail set out above and up to and within the overall envelope. The detail will be subsequently reported through our existing Treasury Management reporting processes.
- 13.6 The latest modelled Council contribution level would be £43.2M in respect of the 35% grant funding contribution and £2.2M in respect of our revenue costs for the MIM projects. Council has previously agreed to £13.9M of borrowing in respect of the Band B envelope.

### **14.0 EQUALITY AND DIVERSITY IMPLICATIONS / SOCIO-ECONOMIC DUTY**

- 14.1 The report provides an overview of the Council's Treasury Management activities during 2021/22 in line with the Strategy reports approved by Council in March 2021. As a result, no Equality Impact Assessment is required for the purposes of this report.

### **15.0 WELSH LANGUAGE IMPLICATIONS**



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

## **16.0 CONSULTATION**

16.1 Following consideration by Council, this report will be subject to review by the Council's Governance and Audit Committee.

## **17.0 FINANCIAL IMPLICATION(S)**

17.1 The financial results / implications of the Council's Treasury Management arrangements in 2021/22 have been incorporated into quarterly Performance Reports during the year and also reported to Council on 24<sup>th</sup> November 2021 as part of the 2021/22 Mid-Year Treasury Management Stewardship Report.

## **18.0 LEGAL IMPLICATIONS OR LEGISLATION CONSIDERED**

18.1 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.

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

19.1 This report evidences the progress made in delivering the Council's Corporate Plan – '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.

19.2 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.

## **20.0 CONCLUSION**

20.1 The 2021/22 financial year has continued to be challenging in relation to Treasury Management and this report highlights for Members that all related activities have operated effectively and within budgetary and prudential limits.

**LOCAL GOVERNMENT ACT 1972**

**AS AMENDED BY**

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

**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**COUNCIL 6<sup>th</sup> JULY 2022**

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

**Item: 2021/22 ANNUAL TREASURY MANAGEMENT REVIEW**

**Background Papers**

- 10<sup>th</sup> March 2021 Council meeting – Report: Treasury Management Strategy Incorporating Investment Strategy, Treasury Management Indicators and MRP Statement for 2021/22.  
<https://rctcbc.moderngov.co.uk/documents/s25360/Report.pdf?LLL=0>
- 10<sup>th</sup> March 2021 Council meeting – Report: 2021/22 Capital Strategy Report Incorporating Prudential Indicators.  
[Report.pdf \(moderngov.co.uk\)](https://rctcbc.moderngov.co.uk/documents/s25360/Report.pdf?LLL=0)
- 24<sup>th</sup> November 2021 Council meeting – Report: 2021/22 Mid-Year Treasury Management Stewardship Report.  
<https://rctcbc.moderngov.co.uk/documents/s32184/Report.pdf?LLL=0>

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

\*\*\*\*\*

## Audit Wales Work Programme and Timetable – Rhondda Cynon Taf County Borough Council

**Quarterly Update: 30 June 2022**

### Annual Audit Summary

Description	Timetable	Status
A report summarising completed audit work since the last Annual Audit Summary, which was issued in February 2022.	December 2022	n/a

### Financial Audit work

Description	Scope	Timetable	Status
Audit of the Council's 2021-22 statement of accounts	To provide a true and fair audit opinion on the Council's financial Statements	January – September 2022	Ongoing
RCTPF statement of accounts	To provide a true and fair audit opinion on the Council's financial Statements	January – November 2022	Ongoing

Description	Scope	Timetable	Status
<b>CSCJES statement of accounts</b>	To provide a true and fair audit opinion on the Council's financial Statements	January – July 2022	Ongoing
<b>2021-22 grant certification</b>	To certify grants received by the Council that require certifications	October 2022 – January 2023	Ongoing

## Performance Audit work

2020-21 Performance Audit Work	Scope	Timetable	Status
<p><b>Review relating to the Cwm Taf Morgannwg health partnership</b></p>	<p>A review (covering RCT, Bridgend and Merthyr Tydfil councils and Cwm Taf Morgannwg University Health Board) to gain assurance that the health board and the three councils are working together effectively through the aegis of the Transformation Leadership Programme Board to support regional integrated working across the Cwm Taf Morgannwg region</p>	<p>October 2021 – January 2022</p>	<p>Draft report issued and being cleared with bodies</p>

2021-22 Performance audit work	Scope	Timetable	Status
<b>Well-being of Future Generations Act (Wales) 2015 (WFG Act) examinations</b>	We will seek to integrate the delivery of our WFG examinations of steps to deliver well-being objectives with our other audit work. We will discuss this with the council as we scope and deliver the audit projects listed in this plan.	N/A	N/A
<b>Improvement reporting audit</b>	Audit of discharge of duty to publish an assessment of performance.	October/November 2021	Certificate issued November 2021

2021-22 Performance audit work	Scope	Timetable	Status
<b>Assurance and Risk Assessment</b>	<p>Project to identify the level of audit assurance and/or where further audit work may be required in future years in relation to risks to the Council putting in place proper arrangements to secure value for money in the use of resources.</p> <p>At the Council the project focused on:</p> <ul style="list-style-type: none"> <li>• Financial position</li> <li>• Self-assessment arrangements</li> <li>• Recovery planning</li> <li>• Implications of the Local Government and Elections (Wales) Act</li> <li>• Carbon reduction plans</li> </ul>	<p>April 2021 – March 2022</p>	<p>Financial position and carbon reduction plans work is ongoing, the rest is complete.</p>

2021-22 Performance audit work	Scope	Timetable	Status
<b>Springing Forward – Examining the building blocks for a sustainable future</b>	As the world moves forward, learning from the global pandemic, this review looks at how effectively councils are strengthening their ability to transform, adapt and maintain the delivery of services, including those delivered in partnership with key stakeholders and communities.	Autumn 2021 onwards.	Strategic asset management report finalised. Workforce draft report issued to Council.
<b>Digital review</b>	Project to understand the Council's progress and plans around its digital agenda	September 2021 – March 2022	Complete. Summary of findings will be included in the Assurance and Risk Assessment summary report.



2022-23 Performance audit work	Scope	Timetable	Status
<b>Assurance and Risk Assessment</b>	<p>Project to identify the level of audit assurance and/or where further audit work may be required in future years in relation to risks to the Council putting in place proper arrangements to secure value for money in the use of resources and acting in accordance with the sustainable development principle.</p> <p>The project is likely to focus in particular on:</p> <ul style="list-style-type: none"> <li>• Financial position</li> <li>• Capital programme management</li> <li>• Use of performance information – with a focus on service user feedback and outcomes</li> <li>• A consideration of other core arrangements and services</li> </ul>	April 2022 – March 2023	Ongoing

2022-23 Performance audit work	Scope	Timetable	Status
<b>Thematic Review – Unscheduled Care</b>	A cross-sector review focusing on the flow of patients out of hospital. This review will consider how the Council is working with its partners to address the risks associated with the provision of social care to support hospital discharge, as well as prevent hospital admission. The work will also consider what steps are being taken to provide medium to longer-term solutions.	July – December 2022	Scoping
<b>Thematic review – Digital</b>	This project will be scoped over the summer with further details of the specific focus of the review to be confirmed.	To be confirmed.	Scoping
<b>Bespoke local project</b>	Exact scope to be confirmed but the project will relate to the Council's performance information dashboard	During 2022-23	Drafting project brief

## Local government national studies planned/in progress

Study	Scope	Timetable	Status	Fieldwork planned at Rhondda Cynon Taf County Borough Council
<b>Poverty</b>	Understanding how local authorities ensure they deliver their services to minimise or reduce poverty.	Autumn 2021 – Autumn 2022	Drawing Conclusions	Yes – interview with nominated officer at the Council
<b>Social Enterprises</b>	Review of how local authorities are supporting and utilising social enterprises to deliver services	Autumn 2021 – Autumn 2022	Drawing conclusions	Yes – interview with nominated officer at the Council
<b>Building Social Resilience and Self reliance</b>	Review of how local authorities can build greater resilience in communities	Autumn 2021 – Autumn 2022	Drawing conclusions	Yes – interview with nominated officer at the Council

## Estyn

Estyn planned work 2022-23	Scope	Timetable	Status
<p><b>Local Government Education Services Inspections</b></p>	<p>Estyn inspected Anglesey and Swansea local government education services during the summer term. The reports will be published in August and early September. The <a href="#">Torfaen</a> report was published on 18 May. Estyn will be reviewing the inspection guidance to reflect a greater emphasis on socio-economic disadvantage and inequity and to make minor tweaks in response to feedback from inspections in 2021-22</p>	<p>Inspection guidance review – July. Published on website 1 September.</p>	<p>N/A</p>
<p><b>Curriculum Reform thematic review</b></p>	<p>The Welsh Government have also asked Estyn to review the school improvement services in south-west Wales.</p>	<p>Evidence collecting in June/July – published in September.</p>	<p>N/A</p>

## Care Inspectorate Wales (CIW)

CIW planned work 2022-23	Scope	Timetable	Status
<b>Programme 2022-23</b>	CIW will continue to run its pilot cyclic programme of assurance checks, improvement checks and performance evaluation inspections.	April 2022 – March 2023	In progress
<b>Development</b>	CIW will continue to develop its approach to inspection and review of local authorities.  CIW will consult further regarding its approach.	September 2022 – December 2022	In progress
<b>Deprivation of Liberty Safeguards Annual Monitoring Report for Health and Social Care 2021-22</b>	Following the publication of the 2020-21 report, planning is underway for the next report publication date to be confirmed.	Publication to be confirmed	Data collecting
<b>Annual meeting with Statutory Directors of Social Services</b>	CIW will meet with all Directors of Social Services	December 2022 and January 2023	Planning

CIW planned work 2022-23	Scope	Timetable	Status
<p><b>National review of Care Planning for children and young people subject to the Public Law Outline pre-proceedings</b></p>	<p>Purpose of the review</p> <p>To provide external scrutiny, assurance and to promote improvement regarding the quality of practice in relation to the care planning for children and young people subject to the public law outline pre-proceedings.</p> <p>To consider the extent to which practice has progressed since the publication of both the CIW 'National Review of care planning for children and young people subject to public law outline pre proceedings' and the publication of the PLO working group report 2021 including best practice guidance.</p>	<p>September 2022</p>	<p>Planning</p>
<p><b>Joint Inspection Child Protection Arrangements</b></p>	<p>Cross-inspectorate approach. Area to be determined. We will complete a further four multi agency joint inspections.</p> <p>We will publish a national report in late 2023.</p>	<p>Autumn 2022-Spring 2023</p>	<p>Planning</p>
<p><b>Cafcass Assurance Check</b></p>	<p>CIW will continue to develop its approach to inspection and review of Cafcass Cymru. We will evaluate our approach and will consult on our revised approach in late 2022.</p> <p>Assurance check completed. Drafting letter. Due to be published August 2022</p>	<p>September – December 2022</p> <p>August 2022</p>	<p>Review</p> <p>Drafting</p>



## Audit Wales national reports and other outputs published since January 2022

Report title	Publication date and link to report
Tackling the Planned Care Backlog in Wales – and waiting times data tool	<a href="#">May 2022</a>
The new Curriculum for Wales	<a href="#">May 2022</a>
Unscheduled care – data tool and commentary	<a href="#">April 2022</a>
Direct Payments for Adult Social Care	<a href="#">April 2022</a>
Local Government Financial Sustainability data tool	<a href="#">February 2022</a>
Joint Working Between Emergency Services (including data tool)	<a href="#">January 2022</a>

## Audit Wales national reports and other outputs (work in progress/planned)<sup>1</sup>

Title	Anticipated publication date
NHS finances data tool update	July 2022
Welsh Community Care Information System  (Update for the Public Accounts and Public Administration Committee)	July 2022
COVID response and recovery/Welsh Government grants management – third sector support  (Briefing for the Public Accounts and Public Administration Committee)	July 2022
Climate change – baseline review <sup>2</sup>	July/August 2022
Sustainable Tourism in Wales' National Parks <sup>3</sup>	July 2022
Welsh Government setting of well-being objectives	July 2022

<sup>1</sup> We will continue to keep our plans under constant review, taking account of the evolving external environment, our audit priorities, the context of our own resourcing and the capacity of audited bodies to engage with us. This includes maintaining some flexibility so that we can respond to developments in Welsh Government policy and areas of possible interest for the Public Accounts and Public Administration Committee.

<sup>2</sup> An initial overview report followed by a more detailed evidence paper.

<sup>3</sup> Summary based on local audit work.



Title	Anticipated publication date
Collaborative arrangements for managing local public health resources	July 2022
Welsh Government workforce	August 2022
Orthopaedic services	August/September 2022
Equality impact assessment	August/September 2022
Quality governance in the NHS	September 2022
Flood risk management	September 2022
Cyber resilience	October 2022
Digital inclusion/Broadband infrastructure	October 2022
National Fraud Initiative (summary report)	October 2022
Welsh Government accounts commentary	To be confirmed – plans for this work have been under review
COVID-19 response and recovery – business support	To be confirmed
Affordable housing	To be confirmed

## Good Practice Exchange resources

Title	Link to resource
<p>Direct Payments Provision – A webinar discussing our report on Direct Payments Provision and how they can be a key part in implementing the principles of the Social Service and Well-Being (Wales) Act 2014</p>	<p><a href="#">Direct Payments Provision webinar recording</a></p>
<p>Responding to the Climate Emergency in Wales A webinar discussing emerging findings from our baseline review of public bodies' arrangements to respond to the Welsh Government's carbon reduction targets for 2030.</p>	<p>Responding to the Climate Emergency in Wales recording [link to be added]</p>
<p>Covid Perspectives: A series of recorded conversations learning how organisations have adapted to the extended period of uncertainty following the initial covid emergency.</p>	<p><a href="#">Good Practice   Audit Wales</a></p>

## Recent Audit Wales Blogs

Title	Publication date
<p><a href="#">Direct Payments in Wales</a></p>	<p>15 June 2022</p>
<p><a href="#">Unscheduled Care in Wales – a system under real pressure</a></p>	<p>21 April 2022</p>
<p><a href="#">Skills Competition Wales</a></p>	<p>18 February 2022</p>

Title	Publication date
<u>Cyber resilience – one year on</u>	9 February 2022
<u>Helping to tell the story through numbers</u> (Local government financial sustainability data tool)	3 February 2022
<u>Call for clearer information on climate change spending</u>	2 February 2022
<u>Actions speak louder than words</u> (Building social resilience and self-reliance in citizens and communities)	14 January 2022

Tudalen wag

## Springing Forward – Strategic Asset Management – Rhondda Cynon Taf County Borough Council

Audit year: 2021-22

Date issued: June 2022

Document reference: 3014A2022

This document has been prepared for the internal use of Rhondda Cynon Taf County Borough Council as part of work performed/to be performed in accordance with helping discharge the Auditor General's duties under section 17 of the Public Audit (Wales) Act 2004 (the 2004 Act) and section 15 of the Well-being of Future Generations (Wales) Act 2015. It may also inform a study for improving value for money under section 41 of the 2004 Act.

No responsibility is taken by the Auditor General or the staff of Audit Wales in relation to any member, director, officer or other employee in their individual capacity, or to any third party.

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 Audit Wales are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to Audit Wales at [info.officer@audit.wales](mailto:info.officer@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.

Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

# Contents

The Council has good arrangements to deliver its current corporate asset management strategy but now needs to put the sustainable development principle at the heart of its considerations when renewing its strategy and supporting arrangements.

## Summary report

Summary 4

## Detailed report

The Council has good arrangements to deliver its current corporate asset management strategy but now needs to put the sustainable development principle at the heart of its considerations when renewing its strategy and supporting arrangements 6

The Council is preparing to renew its corporate asset management strategy and needs to ensure this is fully shaped by the sustainable development principle 6

The Council has good arrangements to deliver its current corporate asset management strategy and having responded to the COVID-19 crisis with agility and in partnership with other public sector organisations is looking to retain some benefits of new ways of working 9

The Council has strengthened its arrangements to monitor progress with its asset management plan, but, like other councils, will need to compare its data and performance with others to help it demonstrate its asset management arrangements are value for money 11

# Summary report

## Summary

### What we reviewed and why

- 1 We reviewed the Council's arrangements for managing its assets. We looked at how the Council strategically plans the use of its assets, how it monitors the use of its assets and how it reviews and evaluates the effectiveness of its arrangements.
- 2 We delivered this review as the world moves forward, using the experiences from the global COVID-19 pandemic, to look at how councils are strengthening their ability to transform, adapt and maintain the delivery of services, including those delivered in partnership with key stakeholders and communities.
- 3 When we began our audit work under the Well-being of Future Generations (Wales) Act 2015 we recognised that it would take time for public bodies to embed the sustainable development principle, but we did also set out our expectation that over the medium term we would expect public bodies to be able to demonstrate how the Act is shaping what they do. It is now approaching seven years since the Well-being of Future Generations Act was passed and we are now into the second reporting period for the Act. Therefore, we would now expect public bodies to be able to demonstrate that the Act is integral to their thinking and genuinely shaping what they do.
- 4 This project had three main aims:
  - to gain assurance that councils are putting in place arrangements to transform, adapt and maintain the delivery of services;
  - to explain the actions that councils are taking both individually and collectively to strengthen their arrangements as well as further embed the sustainable development principle; and
  - to inspire councils and other organisations to further strengthen their arrangements through capturing and sharing notable practice examples and learning and making appropriate recommendations.
- 5 We undertook the review during the period November and December 2021, reviewing key Council documents and speaking with officers and elected members of the Council. We provided some verbal feedback on our work to the Director of Corporate Estates in January 2022.
- 6 The Council has a substantial land and property portfolio that consists of 450 Council sites and 933 individual buildings. As at the end of March 2021, these were valued above £709 million. The Council's principal office accommodation and storage facilities are in 20 of its operational buildings from which approximately 1,700 members of staff operate.



## What we found

- 7 Our review sought to answer the question: Is the Council's strategic approach to its assets effectively helping the Council to strengthen its ability to transform, adapt and maintain the delivery of its services in the short and longer term?
- 8 Overall, we found that the Council has good arrangements to deliver its current corporate asset management strategy, but now needs to put the sustainable development principle at the heart of its considerations when renewing its strategy and supporting arrangements.
- 9 We reached this conclusion because:
- the Council is preparing to renew its corporate asset management strategy and needs to ensure this is fully shaped by the sustainable development principle;
  - the Council has good arrangements to deliver its current corporate asset management strategy and having responded to the COVID-19 crisis with agility and in partnership with other public sector organisations is looking to retain some benefits of new ways of working; and
  - the Council has strengthened its arrangements to monitor progress with its asset management plan, but, like other councils, will need to compare its data and performance with others to help it demonstrate its asset management arrangements are value for money.

## Recommendation

### Exhibit 1: recommendation

The table below sets out the recommendation that we have identified following this review.

Recommendation	
R1	<p>The Council needs to ensure the sustainable development principle is driving and shaping its approach to all its assets. For example:</p> <ul style="list-style-type: none"><li>• the Council should develop a longer-term approach to its assets; and</li><li>• the Council will need to fully integrate its workforce and digital strategies with its longer-term plans for its assets.</li></ul>

# Detailed report

**The Council has good arrangements to deliver its current corporate asset management strategy but now needs to put the sustainable development principle at the heart of its considerations when renewing its strategy and supporting arrangements**

**The Council is preparing to renew its corporate asset management strategy and needs to ensure this is fully shaped by the sustainable development principle**

## **Why setting a clear vision is important**

- 10 A clear asset management strategy and well-developed delivery plans are important to identify the intended usage of assets over the short and longer term; the funding available to maintain and develop assets, as well as the anticipated future level of demand for, and cost of, providing services. It is also important to identify how the asset management strategy can deliver wider strategic objectives, including: agile working, workforce, digital and carbon reduction. Learning from the changes brought about by the global COVID-19 pandemic can help councils strengthen their ability to transform, adapt and maintain the delivery of services.

## **Why the Well-being of Future Generations (Wales) Act 2015 is important**

- 11 When we began our audit work under the Well-being of Future Generations (Wales) Act 2015 we recognised that it would take time for public bodies to embed the sustainable development principle, but we did also set out our expectation that over the medium term we would expect public bodies to be able to demonstrate how the Act is shaping what they do. It is now approaching seven years since the Well-being of Future Generations Act was passed and we are now into the second reporting period for the Act. Therefore, we would now expect public bodies to be able to demonstrate that the Act is integral to their thinking and genuinely shaping what they do.
- 12 Under the Well-being of Future Generations (Wales) Act 2015 (the Act) councils must carry out sustainable development in accordance with the sustainable development principle. To do something in accordance with the sustainable development principle requires the Council to act in a manner which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs. To act in that manner, the Council

must take account of the five ways of working: Long-term, Integration, Involvement, Collaboration and Prevention. Statutory guidance on the Act sets out the seven core organisational activities that it is essential that the sustainable development principle is applied to. Assets are one of those core organisational activities.

13 The Well-being Future Generations (Wales) Act 2015 requires the Council to demonstrate that it considers the longer-term consequences of its decisions.

14 In reaching this conclusion we found that:

- the Council has a clear vision for its assets as set out in its Corporate Asset Management Plan (CAMP) 2018-23. The primary aim of the CAMP 'is to maximise the benefits derived from land and buildings, to support delivery of the Council priorities, to meet service requirements, to raise revenue through rental income and to comply with regulatory and statutory duties'.
- at the heart of the CAMP 2018-23, the Council has a core objective to reduce the number of council office buildings, reducing the revenue costs of running and maintenance costs, by consolidating staff into fewer buildings and disposing of the surplus buildings. 'Making the best use of the Council's land and property portfolio' is one of the Council's key priorities in its Corporate Plan 2020-24.
- to inform the CAMP, service departments are required to produce annual Service Asset Management Plans (SAMPs). The yearly SAMPs include information on the management, condition and maintenance issues of the assets.
- the Council was aiming to deliver budget efficiencies of £4.6 million within its revenue budget for 2021-22. The Council plans that the future use and optimisation of the Council's buildings as set out in their draft 'Built Asset Review Workspace Plan – Fit for the Future' will contribute to these budget efficiencies.
- at the time of our fieldwork, the Council was reviewing its land, property and workspace portfolio, known as the 'Built Asset Review Workspace Plan – Fit for the Future'. This review will inform the future of the Council's assets and its delivery plan beyond 2023.
- we found some positive examples where the Council can show it has applied the five ways of working in its asset management planning and decision-making. For example:
  - the Council has significantly reduced the number of Council office buildings in accordance with its CAMP 2018-23 and, using its experience of the COVID-19 pandemic and subsequent changes to how and where many of its staff are now working, is again considering the future of its office accommodation in the longer term;
  - how the Council has been mindful of the impact its decisions could have on the regeneration of its town centres and decarbonisation; and

- the introduction of the seven partnership Community Resilience Hubs, which the Council established prior to the COVID pandemic, that signposts service users to the services provided by 18 partner organisations. In its 2021-22 Corporate Performance report, the Council reported the Hubs helped over 3,000 residents during the pandemic, including ensuring vulnerable people continued to receive services.
- however, more broadly, we found that the Council needs to more fully demonstrate that the sustainable development principle is actively shaping its Built Asset Review and its future asset planning. For example, the Council should:
  - take a much longer-term approach to its planning, underpinned by consideration of long-term trends and how they may impact upon what the Council wants/needs to do in the short and medium term.
  - involve stakeholders and service users in its asset management planning. For example, the Council needs to understand how service users want to access services both now and in the future in order to inform its plans for its estate.
  - take an integrated approach to its planning from the outset so that outcomes and resources are maximised. Our review found that not all relevant areas had been involved in the draft Built Asset Review. The Council needed to strengthen the alignment between its different strategies, such as its asset review, workforce plan, draft digital strategy and carbon reduction plans, which all impact upon each other. This would help ensure its asset planning makes a valuable contribution to delivering the Council’s well-being objectives.
  - consider how its asset planning can help the Council deliver its own well-being objectives and how it may impact on the delivery of other organisations’ well-being objectives.
- we raised these points with the Director of Estates when we met in January 2022 as we recognised that the Built Asset Review was ongoing. We were reassured by the officer’s response to our feedback. For example, the Council has since established a senior officer working group to ensure alignment of the Council’s key asset strategies.

## **The Council has good arrangements to deliver its current corporate asset management strategy and having responded to the COVID-19 crisis with agility and in partnership with other public sector organisations is looking to retain some benefits of new ways of working**

### **Why effectively managing the delivery of planned changes to assets is important**

- 15 It is important that asset management plans deliver the intended outcomes efficiently and effectively so that actual expenditure is as close to the levels planned as possible and councils meet their statutory duties. Effective collaboration with other organisations and involving communities about their needs can improve the services delivered to residents. Where councils do not have the range of skills, knowledge and expertise to effectively manage both ongoing asset management and deliver strategic changes, this may reduce the ability to deliver the intended outcomes.
- 16 In reaching this conclusion we found that:
- in line with its Corporate Plan objective, since 2018 the Council has reduced the number of buildings it either owns or rents by 30%. This exceeds its original 20% target. Between 2018-20, the Council disposed of 66 surplus buildings and generated approximately £5.9 million of capital receipts.
  - the Council has an established broad outline process for assessing the range of potential uses of buildings that have been identified as surplus both within the Council and onto broader public service. These arrangements do include integration, collaboration and longer-term arrangements, which is that the Council:
    - explores whether another of its own services would have a use for the asset;
    - explores whether there is an interest in the asset amongst the wider public service;
    - engages with the Council's elected member for the ward in which the building is located; and
    - gauges the possibility of community asset transfer. The Council launched its 'RCT Together programme' in 2015 to enable community-based organisations to use premises that were no longer required for Council services. A recent example of the Council identifying an alternative to asset disposal is the Ferndale Community Partnership Hub that now leases an old school from the Council.
    - then, if the Council is unable to identify an alternative public service use for the asset, then sells the asset.

- the Council relies solely upon the service areas to consider and engage with its service users when managing its use of built assets. The Council should ensure that the perspective of service users is appropriately gathered, considered and influences the decision-making process on the future of the Council's operational buildings, especially those that are used for direct service delivery to the public.
- maintaining vital Council services during the pandemic required the flexibility of its staff, increased digitisation of services and practical solutions to enable over 3,000 previously office-based staff to work from home. Whilst the Council was already reviewing and rationalising its assets, the pandemic has accelerated some of its plans and arrangements.
- the Council can demonstrate that it is monitoring and learning from the changes brought about by the pandemic and how this can help it transform, adapt and maintain the delivery of its services. An example is that the Council has identified changing work patterns: some offices are now under-utilised. The Council's previous objective to reduce the number of office buildings and consolidate staff into fewer buildings has evolved. At the time of our fieldwork, the Council was trialling more flexible collaborative spaces for its staff to meet in its Porth offices, whilst also retaining a significant portion of staff working from home.
- in April 2018, the Council began developing community hubs and neighbourhood networks with a phased programme of investment over three years. It has established ten community hubs as part of the Council's approach to building resilient communities and early intervention and prevention. Many of these community hubs played a vital role in the pandemic, from where staff delivered food parcels, provided benefit advice and helped residents with shopping.
- there are examples where the Council has used its assets collaboratively with other organisations, such as Cwm Taf Morgannwg University Health Board, the Welsh Government, neighbouring local authorities, South Wales Police, the third sector and other partners. These examples include:
  - vaccination centres having been located within the Council's leisure centres.
  - developing and expanding their community partnership hubs that signpost service users to the services provided by 18 other organisations. The Council told us that they intend to extend these arrangements to 25 organisations in the near future.
  - relocation of food banks following the flooding damage caused by Storm Dennis in 2020.

## **The Council has strengthened its arrangements to monitor progress with its asset management plan, but, like other councils, will need to compare its data and performance with others to help it demonstrate its asset management arrangements are value for money**

### **Why effectively reviewing the delivery of planned changes to assets is important**

- 17 Councils should use data to monitor whether they are achieving their intended outcomes effectively and efficiently over the short and longer term. Using benchmarking data can provide useful insight into councils' individual performance and can identify opportunities for learning from other organisations
- 18 In reaching this conclusion we found that:
- in our strategic asset management report in 2016 <sup>1</sup>, we recommended that 'The Council should develop mechanisms for reporting a comprehensive picture of the management of its assets to senior managers and elected members to enable ongoing oversight and to inform decision making.' Following this report, the Council has strengthened its arrangements and its Cabinet receives regular and comprehensive updates on the current CAMP to allow monitoring of its progress. Given the links to other strategies and plans, such as workforce, digital and decarbonisation, the Council should consider how future reports and monitoring arrangements can help it understand and challenge progress against targets and the integration of its plans.
  - as part our examination of councils' performance assessments covering the 2020-21 financial year, we noted a reduced reference to comparative performance information although we recognise that the pandemic led to the suspension of some national data collection. The ability to compare data and performance with other organisations will continue to be an important element of arrangements to secure value for money and will be a challenge for councils to consider particularly as they continue to implement the requirements relating to self-assessment set out in the Local Government and Elections Act (Wales) 2021.
  - whilst the Council is very supportive of comparison through benchmarking, with a senior officer and elected member holding roles with the Consortium of Local Authorities in Wales<sup>2</sup> (CLAW), the opportunity for comparison and

<sup>1</sup> [Audit Wales, Rhondda Cynon Taf County Borough Council – Improvement Assessment 2015-16: Review of the Council's Strategic Approach to Asset Management, January 2016](#)

<sup>2</sup> [CLAW | About Us](#)

learning between councils has been temporarily suspended during the COVID-19 pandemic.

- the Council reported that it follows the best practice guidelines produced by the National Assets Working Group for the transfer or disposal or sharing occupation of land and property between public bodies in Wales.
- officers in the Council's Estates section have regular interaction with their professional body, the Association of Chartered Estates Surveyors and have benefitted from shared learning and training.
- whilst the Council currently has good arrangements to deliver its current corporate asset management strategy, it should actively seek to compare its arrangements and the learning from other organisations to continue to enhance its own arrangements, maximising its professional networks where possible.







Audit Wales  
24 Cathedral Road  
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: [info@audit.wales](mailto:info@audit.wales)

Website: [www.audit.wales](http://www.audit.wales)

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

# Springing Forward – Workforce – Rhondda Cynon Taf County Borough Council

Audit year: 2021-22

Date issued: July 2022

Document reference: 3042A2022

This document has been prepared for the internal use of Rhondda Cynon Taf County Borough Council as part of work performed/to be performed in accordance with helping discharge the Auditor General's duties under section 17 of the Public Audit (Wales) Act 2004 (the 2004 Act) and section 15 of the Well-being of Future Generations (Wales) Act 2015. It may also inform a study for improving value for money under section 41 of the 2004 Act.

No responsibility is taken by the Auditor General or the staff of Audit Wales in relation to any member, director, officer or other employee in their individual capacity, or to any third party.

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 Audit Wales are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to Audit Wales at [info.officer@audit.wales](mailto:info.officer@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.

Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

# Contents

The Council has sound arrangements for managing its workforce, but needs to put the sustainable development principle at the heart of its considerations as it updates its workforce strategy.

## Summary report

Summary 4

## Detailed report

The Council has sound arrangements for managing its workforce, but needs to fully embrace the sustainable development principle as it updates its workforce strategy 6

The Council has a clear vision and effective planning arrangements for its workforce but as it renews its workforce strategy will need to ensure this is fully shaped by the sustainable development principle 6

The Council has made good progress delivering its current workforce strategy, has a good understanding of the current challenges and is dealing with the impact that the pandemic has on its workforce 8

The Council has arrangements to monitor and review its workforce and whilst it does engage with other organisations to share knowledge and experience, examples of active and meaningful benchmarking are few 9

# Summary report

## Summary

### What we reviewed and why

- 1 We reviewed how the Council strategically plans for its workforce requirements both now and in the future, how it monitors its workforce and how it reviews and evaluates the effectiveness of its arrangements.
- 2 We delivered this review as the world moves forward, using the experiences from the global COVID-19 pandemic, to look at how councils are strengthening their ability to transform, adapt and maintain the delivery of services, including those delivered in partnership with key stakeholders and communities.
- 3 When we began our audit work under the Well-being of Future Generations (Wales) Act 2015 (the Act), we recognised that it would take time for public bodies to embed the sustainable development principle, but we did also set out our expectation that over the medium term we would expect public bodies to be able to demonstrate how the Act is shaping what they do. It is now approaching seven years since the Act was passed and we are now into the second reporting period for the Act. Therefore, we would now expect public bodies to be able to demonstrate that the Act is integral to their thinking and genuinely shaping what they do.
- 4 Under the Act, councils must carry out sustainable development in accordance with the sustainable development principle. To do something in accordance with the sustainable development principle requires the Council to act in a manner which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs. To act in that manner, the Council must take account of the five ways of working: long-term, integration, involvement, collaboration, and prevention. Statutory guidance on the Act emphasises the importance of applying the sustainable development principle to seven core organisational activities, including workforce planning.
- 5 This project had three main aims:
  - to gain assurance that councils are putting in place arrangements to transform, adapt and maintain the delivery of services;
  - to explain the actions that councils are taking both individually and collectively to strengthen their arrangements as well as further embed the sustainable development principle; and
  - to inspire councils and other organisations to further strengthen their arrangements through capturing and sharing notable practice examples and learning and making appropriate recommendations.
- 6 We undertook the review during the period November and December 2021, reviewing key council documents and speaking with officers and elected members of the Council.

7 At the end of March 2021, the Council employed almost 10,000 people. In terms of full time equivalents (FTE), the Council employs 33.6 FTEs for every 1,000 residents which is greater than the 32.4 average for all Welsh Councils.

## What we found

8 Our review sought to answer the question: Is the Council's strategic approach to its workforce effectively helping the Council to strengthen its ability to transform, adapt and maintain the delivery of its services in the short and longer term?

9 Overall, we found that: the Council has sound arrangements for managing its workforce, but needs to put the sustainable development principle at the heart of its considerations as it updates its workforce strategy. We reached this conclusion because:

- the Council has a clear vision and effective planning arrangements for its workforce but as it renews its workforce strategy will need to ensure this is shaped by the sustainable development principle;
- the Council has made good progress delivering its current workforce strategy, has a good understanding of the current challenges and is dealing with the impact that the pandemic has on its workforce; and
- the Council has arrangements to monitor and review its workforce and whilst it does engage with other organisations to share knowledge and experience, examples of active and meaningful benchmarking are few.

## Recommendations

### Exhibit 1: recommendation

The table below sets out the recommendation that we have identified following this review.

Recommendation	
R1	Extend existing workforce management data to include comparative benchmarking with other organisations to inform planning and strengthen the assessment of workforce initiatives.

# Detailed report

**The Council has sound arrangements for managing its workforce, but needs to fully embrace the sustainable development principle as it updates its workforce strategy**

**The Council has a clear vision and effective planning arrangements for its workforce but as it renews its workforce strategy will need to ensure this is shaped by the sustainable development principle**

## Why setting a clear vision is important

- 10 A clear strategy for its workforce and well-developed delivery plans are important to ensuring an efficient and effective workforce over the short and longer term. It is also important to identify how the workforce strategy aligns and is integrated with other relevant strategies including, asset management, digital and carbon reduction. Learning from the changes brought about by the global COVID-19 pandemic, can help councils strengthen their ability to transform, adapt and maintain the delivery of services.
- 11 We found that:
- the Council established a solid base for workforce planning when it set out a clear vision and priorities for its workforce within its Human Resources (HR) Strategy 2017-22. The current HR Strategy has two strategic pillars: People and Performance; and Organisational Development. The strategic pillars are underpinned by five key themes for action:
    - developing a flexible and agile workforce that shares organisational knowledge;
    - recruiting and retaining the best talent to create a diverse workforce;
    - leadership and management development ;
    - enabling a high performing engaged and committed workforce; and
    - supporting health and wellbeing to maximise attendance.
  - the Council also has a clear Workforce Plan 2017-22 which was last reviewed in 2020. The Workforce Plan provides clear links with the priorities of the HR Strategy and actions have been allocated to officers.
  - like other public sector bodies, the Council has been focusing on responding to the pandemic and on maintaining the delivery of key services. The pandemic has had an unprecedented and immediate impact on the Council's workforce as the Council had to quickly enable over 3,000 previously office-



based staff to work from home. The pandemic has accelerated operational plans with staff moving to more agile forms of working.

- during the pandemic, the Council has engaged its staff to understand their responses to home working, their wellbeing and how the Council could support its staff, and more recently their working arrangements preferences.
- the Council has a well-embedded annual service self-evaluation process, which will help shape the Council's planning. This process enables the Council to gain a clear understanding of: current workforce demands and pressures; the extent and potential impact of future challenges; and the actions and resources to mitigate those challenges.
- the Council's existing five-year HR strategy and workforce plan will need to be reviewed this year. The Council has not developed longer-term plans for its workforce as it has understandably been prioritising the immediate challenges of the pandemic. The Council accepts that its planning horizon has become shortened to the immediate need since the COVID-19 pandemic but intends to resume extending its workforce planning towards five to ten years.
- as it considers its strategic approach to its workforce, the Council needs to ensure that these considerations are shaped by the sustainable development principle. For example by:
  - embedding long-term thinking and consideration of longer-term trends within its existing arrangements. For example, the Council's self-evaluation process could be strengthened by extending the immediate future challenges to also explicitly require consideration of the longer term. These longer-term considerations for service arrangements then need to inform its strategy development.
  - ensuring that its longer-term workforce planning is integrated fully with the Council's other developing strategies for assets and digital;
  - exploring opportunities with partners to collaborate on workforce arrangements and develop regional solutions to regional challenges.
- the Council has engaged well and acted upon that engagement with its workforce in recent times, examples being:
  - receiving over 2,000 responses to a home working survey of staff in May 2020 – with 78% wishing to work from home at least 50% of the time and 2% not wanting to work from home at all;
  - receiving 2,200 responses to a wellbeing survey in December 2020 – where in response the Council issued greater guidance and support to its operational managers, and began exploring greater support for staff experiencing trauma and long COVID-19 symptoms; and
  - 1,500 responses to a working arrangements survey in December 2021 – 81% of participants would prefer to work from home always or often. The Council response was to continue with staff working from

home where possible; reviewing the suspension of the flexible working policy; and begin introducing a Council- wide booking system for meeting rooms to enhance collaborative working.

- the Council needs to continue to effectively engage with its workforce as part of the process of renewing its HR Strategy.

## **The Council has made good progress delivering its current workforce strategy, has a good understanding of the current challenges and is dealing with the impact that the pandemic has on its workforce**

12 In reaching this conclusion we found that:

- the Council responded swiftly to the rapidly changing challenges and environment of the COVID-19 global pandemic. The lockdown in March 2020 required 3,000 previously office-based staff to work from home. This has understandably resulted in operational plans and new arrangements being implemented at greater pace than previously planned.
- the Council has effective arrangements in place to manage its workforce and to react quickly to new ways of staff working. The Council uses its annual service level evaluations to assess the workforce-related challenges it has and will face in the short term and offers proposals for improvement.
- the Council has made good progress to deliver its current workforce strategy and key themes:
  - in September 2021, the Council introduced the staff well-being system, Wellbeing with Cari. Staff using the system can self-assess their own wellbeing using the artificial intelligent tool and can be signposted to relevant supportive resources. Overall data is also available from the system that enables the Council to monitor and assess its value and impact.
  - the Council's quarterly performance report to its Cabinet in November 2021 reported increasing levels of sickness absence across all parts of the organisation. A key theme of its workforce strategy is to maximise workforce attendance. The Council's arrangements enable both measurement and management of sickness absence through the Council's Vision system. This ICT system highlights issues to enable effective workforce management. In addition, the Council's specialist Occupational Health and Human Resources teams can provide tailored support for individuals to reduce sickness absence. The Council's sickness data is regularly monitored by its senior managers and Cabinet.
  - the Council's quarterly performance report to its Cabinet in November 2021 reported increasing levels of staff turnover. This is not unique to

the Council. A key theme of its workforce strategy is to recruit and retain its staff. As part of this, it is:

- developing apprenticeships schemes;
- redesigning its organisational structure to one that encourages staff retention and succession planning, and provides staff with a clear career path; and
- in January 2022 the Council increased its rate of pay to the Real Living Wage for all social care workers, both directly employed by the Council and for those externally employed.

## **The Council has arrangements to monitor and review its workforce and whilst it does engage with other organisations to share knowledge and experience, examples of active and meaningful benchmarking are few**

### **Why effectively reviewing the workforce is important**

- 13 Councils should use data to monitor whether they are achieving their intended outcomes effectively and efficiently over the short and longer term. Using benchmarking data can provide useful insight into councils' individual performance and can identify opportunities for learning from other organisations.
- 14 In reaching this conclusion we found that:
  - the Council uses its annual service level evaluations to monitor and review workforce-related challenges. The Council's Chief Executive leads pan-Council assessment and challenge to these evaluations that result in a good, broad understanding of workforce issues. The Senior Management team also consider workforce issues and challenges.
  - the Council's Cabinet receive quarterly performance reports that provide elected members with details of the Council's performance both from a financial and operational perspective. The report includes detailed information on staff turnover, sickness absence and strategic risks.
  - the Council's arrangements demonstrate its awareness of workforce pressures. The Council's strategic risk register, reported to its Governance and Audit Committee in November 2021, contained workforce-related concerns on staff recruitment and retention in Children's Services.
  - Council officers meet with other Human Resources directors across the Welsh public sector to share knowledge and experience.
  - the Council does contribute data to the annual workforce survey that is managed by the Welsh Local Government Association but does not contribute to workforce-related performance data comparison.

- whilst Council officers acknowledge the potential value of benchmarking the Council's workforce metrics with other councils, examples of active and meaningful comparison with other organisations are few, thereby limiting the potential value of performance assessment, learning and improvement.





Audit Wales  
24 Cathedral Road  
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: [info@audit.wales](mailto:info@audit.wales)

Website: [www.audit.wales](http://www.audit.wales)

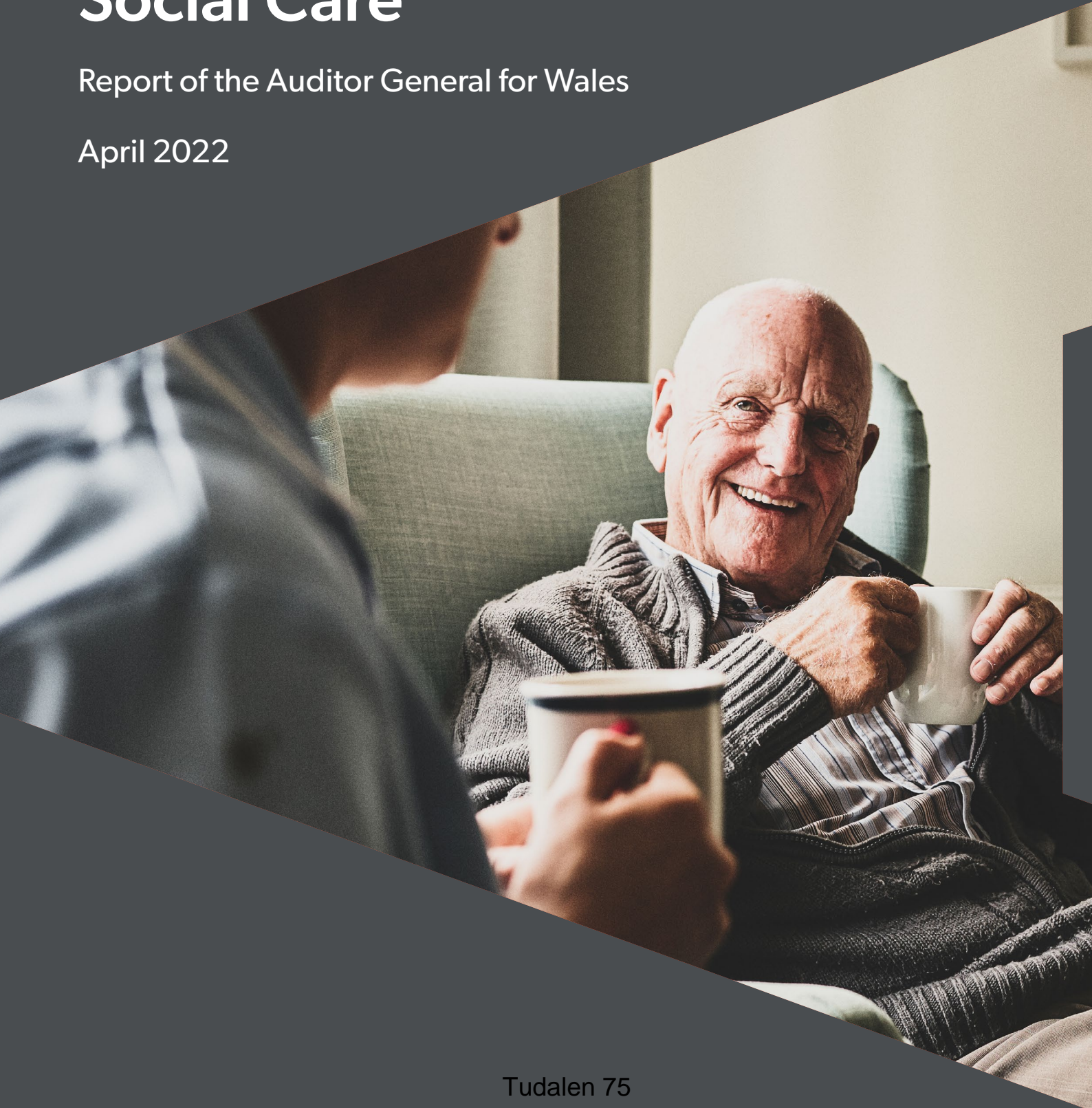
We welcome correspondence and telephone calls in Welsh and English.  
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.



# Direct Payments for Adult Social Care

Report of the Auditor General for Wales

April 2022



This report has been prepared for presentation to the Senedd under the Public Audit (Wales) Act 2004.

The Auditor General is independent of the National Assembly and government. He examines and certifies the accounts of the Welsh Government and its sponsored and related public bodies, including NHS bodies. He also has the power to report to the National Assembly on the economy, efficiency and effectiveness with which those organisations have used, and may improve the use of, their resources in discharging their functions.

The Auditor General also audits local government bodies in Wales, conducts local government value for money studies and inspects for compliance with the requirements of the Local Government (Wales) Measure 2009.

The Auditor General undertakes his work using staff and other resources provided by the Wales Audit Office, which is a statutory board established for that purpose and to monitor and advise the Auditor General.

© Auditor General for Wales 2022

Audit Wales is the umbrella brand of the Auditor General for Wales and the Wales Audit Office, which are each separate legal entities with their own legal functions. Audit Wales is not itself a legal entity. While the Auditor General has the auditing and reporting functions described above, the Wales Audit Office's main functions are to providing staff and other resources for the exercise of the Auditor General's functions, and to monitoring and advise the Auditor General.

You may re-use this publication (not including logos) free of charge in any format or medium. If you re-use it, your re-use must be accurate and must not be in a misleading context. The material must be acknowledged as Auditor General for Wales copyright and you must give the title of this publication. Where we have identified any third party copyright material you will need to obtain permission from the copyright holders concerned before re-use.

For further information, or if you require any of our publications in an alternative format and/or language, please contact us by telephone on 029 2032 0500, or email [info@audit.wales](mailto:info@audit.wales). We welcome telephone calls in Welsh and English. You can also write to us in either Welsh or English and we will respond in the language you have used. Corresponding in Welsh will not lead to a delay.

Mae'r ddogfen hon hefyd ar gael yn Gymraeg.



# Contents

---

## Summary report

Background	4
Key messages	7
Key facts	9
Recommendations	10

## Detailed report

1	People are not consistently supported to take up Direct Payments	13
2	Managing and supporting people to use Direct Payments varies widely with service users and carers receiving different standards of service	21
3	Direct Payments are helping people live independently and improving their wellbeing, but it is difficult to assess overall value for money because of limitations in data and evaluation	35

## Appendices

1	Audit methods and approach	42
2	Determining eligibility for social care and support	44
3	Adults receiving social care services organised by local authority in 2018-19	45
4	Personal Assistant hourly pay rates by local authority	46

# Summary report

---

## Background

### The Social Services and Well-Being (Wales) Act 2014

- 1 The Senedd passed the Social Services and Well-being (Wales) Act in 2014 and it came into force in April 2016. The Act seeks to shift away from the traditional ways of providing social care, which were considered unsustainable, to approaches focused on:
  - a placing the wellbeing of people at the heart of services;
  - b giving people a strong voice and real control over the decisions that affect them;
  - c encouraging new models of service by mobilising community resources and promoting social enterprises and co-operatives;
  - d prioritising preventative services to avoid or delay the need for care;
  - e making systems easier and more accessible by reducing complexity and streamlining assessment and care planning arrangements;
  - f integrated working across professional and organisational boundaries to make the best use of resources and deliver the best outcomes; and
  - g strengthening safeguarding arrangements.

### Direct Payments can improve people's choice, control and independence

- 2 Direct Payments can help meet an individual's eligible need for care and support, or a carer's need for support. They are an alternative to local-authority-arranged care or support. The aim of Direct Payments is to give people more choice, greater flexibility and more control over the support they get. Direct Payments can be provided to people of all ages if they have been assessed as needing social care services to support them with daily living, consent to receiving a Direct Payment and they (or their representative) can manage the payment.

- 3 Many people use their Direct Payments to fund a Personal Assistant to help them with various tasks. In these instances, Direct Payment recipients become employers and must meet the associated legal obligations. Some choose to use a care agency instead. Local authorities are required to provide support and assistance to people to manage their Direct Payment and employment responsibilities. This is often done through a local-authority-commissioned support service.
- 4 Direct Payments can be used to purchase a wide variety of services or equipment if these contribute to meeting an individual's agreed wellbeing outcomes. Payments can be made for day-to-day things such as dressing, cooking, driving and support to facilitate discharge from hospital. They can also be used for social activities – visiting friends, evening classes and gardening – as well as for assistance to access training and employment. The main benefit of Direct Payments is their adaptability. Service users can use them to organise their care in a whole range of new and more effective ways and local authorities are encouraged to explore innovative and creative options for meeting people's needs.
- 5 This report looks at how local authorities provide Direct Payment services to adults, examining their impact and value for money. **Appendix 1** provides more detail about our audit approach and methods. **Exhibit 1** sets out our characteristics of a good approach to Direct Payments.

## Exhibit 1: the characteristics of a local authority that effectively encourages, manages and supports people to use Direct Payments



### Local authorities who are good at **promoting** Direct Payments

Have simple and concise public information that is made available in a wide range of mediums and has been tested to ensure it is effective and tells people what they need to know

Offers and encourages people to use independent advocacy to help people make informed choices

Uses the 'What Matters' conversation in the assessment process to explain Direct Payments

Direct Payments are promoted as an option at least equally with other choices



### Local authorities who are **managing** Direct Payments effectively

Help people to access and use Personal Assistants

'Demystify' what Direct Payments are and provide sufficient support to assure people on employment requirements, liabilities and fallback processes. Bureaucracy is kept to a minimum

Clearly set out what Direct Payments can be used for giving examples of the type of support that is available and, wherever possible, encourage innovation

Have regular and ongoing contact and provide support and information to adults using Direct Payments to clarify responsibilities and ensure people remain safe

Work to shape the 'market' and by improving access to Personal Assistants, encouraging more providers, managing costs and encouraging the pooling of budgets

Jointly agree with NHS bodies on how best to address the needs of clients who use Direct Payments and Continuing Healthcare so they are not disadvantaged



### Local authorities who are **delivering** positive outcomes for people using Direct Payments

Evidencing that people's wellbeing is maintained or improving as a result of Direct Payments

Have a comprehensive system for monitoring and evaluating all aspects of Direct Payments

Involve and value input from all stakeholders/partners in evaluating the impact of services

Compare and benchmark individual and collective performance with others and use the findings of evaluation to shape current plans and future approaches

Know what works and whether the approach of the authority is delivering the aspirations of the Act

## Key messages

---

- 6 Our overall conclusion is that **Direct Payments support people's independence and are highly valued by service users and carers, but inconsistencies in the way they are promoted and managed by local authorities mean services are not always equitable and it is difficult to assess overall value for money.**
- 7 People are not consistently encouraged to take up Direct Payments. A responsive person-centred approach is essential in helping people take up Direct Payments, but current engagement and involvement by local authorities is inconsistent. While the value of Direct Payments is recognised by senior managers, social care staff do not always display confidence in promoting their use with service users and carers. Direct Payments are valued by service users and carers, but this is not always translating into broadening their use.
- 8 Managing and supporting people to use Direct Payments varies widely and service users and carers are receiving different standards of service. Personal Assistants are essential to people making the most of Direct Payments, but service users often struggle to recruit them. People have mixed views on the support they receive from their local authority after they have taken up Direct Payments. The interface between use of NHS continuing healthcare and social care on access to Direct Payments also remains a problem.
- 9 Despite some significant challenges, local authorities ensured service users and carers were mostly supported during the pandemic, but a significant number of service users and carers we surveyed experienced difficulties. While the numbers using Direct Payments slightly grew before the pandemic, local authorities continue to use them differently across Wales. There is a need to address this 'post-code lottery' to ensure people are being treated fairly and equally.

- 10 Direct Payments are seen by recipients and care providers alike as making an important contribution to people’s wellbeing and independence. However, it is difficult to assess the overall value for money of Direct Payments in their own right, or in comparison with other forms of social care, because systems for managing and evaluating performance are inadequate.



Direct Payments can make an important contribution to meeting an individual’s care and support needs and they are highly valued by service users and carers. The Welsh Government and local authorities need to work together to address weakness in the management and evaluation of performance, which currently means it is not possible to judge how well local authorities are performing and whether Direct Payments represent value for money compared with other forms of social care. There is also a need to address the ‘post-code lottery’ where local authorities are using them differently across Wales, to ensure people are treated fairly and equally.

---

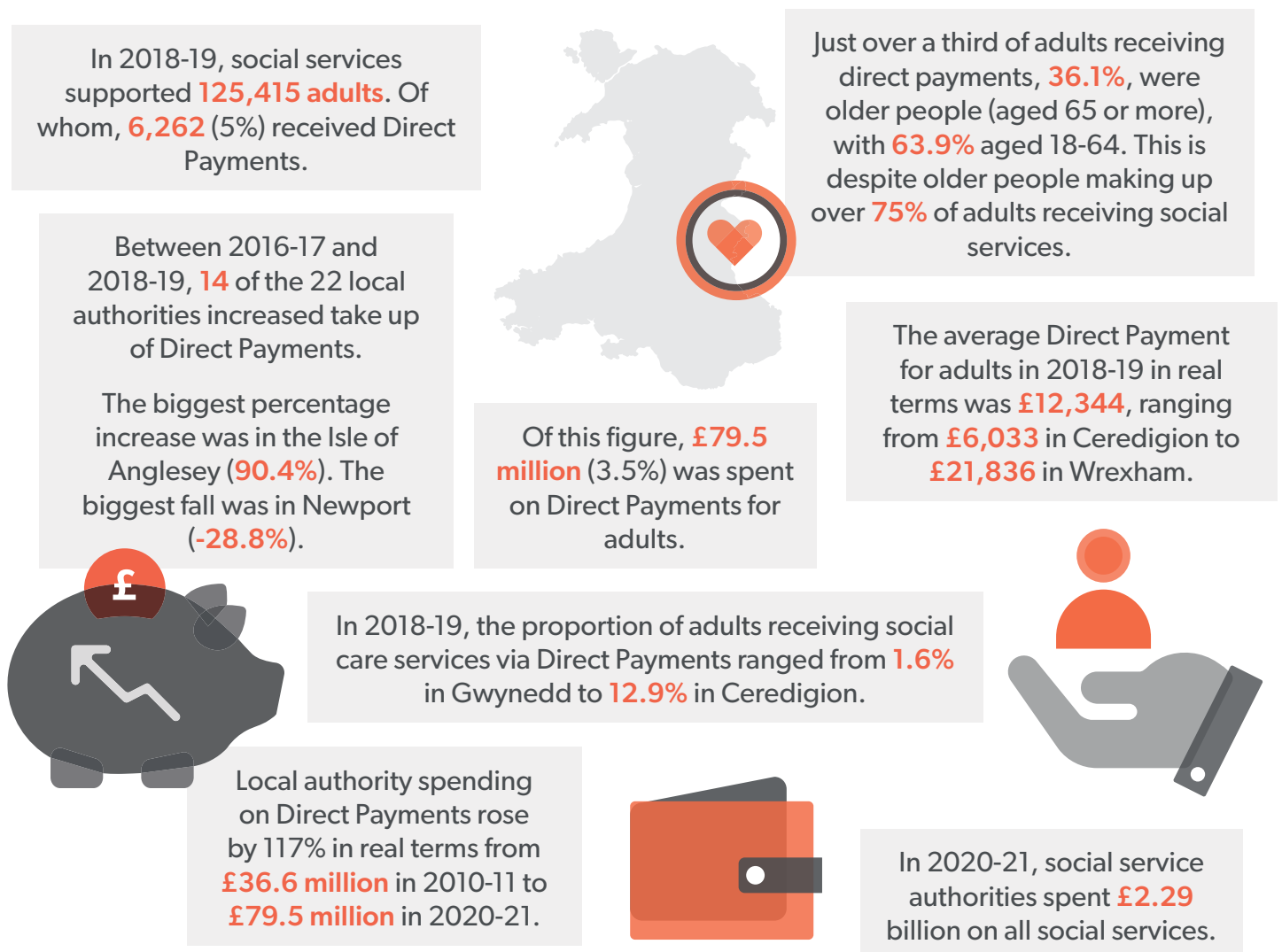
**Adrian Crompton**

Auditor General for Wales



## Key facts

- 11 The infographic below summarises key facts from our report about Direct Payments. Following the Welsh Government's decision to suspend data collection in response to the pandemic in 2020, no data on services other than expenditure has been reported nationally since 2018-19.



- 12 Figures relating to the numbers of people receiving social services support and Direct Payments for 2018-19, including the average value of Direct Payments, do not include Caerphilly due to technical issues with their ICT systems.

Source: Audit Wales analysis of StatsWales data

# Recommendations

---

- 13 Our recommendations are set out below. We expect each local authority to consider the findings of this review and our recommendations, and that its governance and audit committee receives this report and monitors its response to our recommendations in a timely way.

## Exhibit 2: recommendations

### Recommendations

---

In **Part 1** we set out the how local authorities promote and raise awareness of Direct Payments (**paragraphs 1.2 to 1.7**). To ensure people know about Direct Payments, how to access these services and are encouraged to take them up, we recommend that local authorities:

- R1** Review public information in discussion with service users and carers to ensure it is clear, concise and fully explains what they need to know about Direct Payments.
- R2** Undertake additional promotional work to encourage take up of Direct Payments.
- R3** Ensure advocacy services are considered at the first point of contact to provide independent advice on Direct Payments to service users and carers.

In **Part 1** we set out the importance of the ‘What Matters’ conversation and the importance of social workers in helping people make informed choices on Direct Payments (**paragraphs 1.8 to 1.13**). To ensure Direct Payments are consistently offered we recommend that local authorities:

- R4** Ensure information about Direct Payments is available at the front door to social care and are included in the initial discussion on the available care options for service users and carers.
- R5** Provide training to social workers on Direct Payments to ensure they fully understand their potential and feel confident promoting it to service users and carers.



## Recommendations

---

In **Part 2** we highlight the central role of Personal Assistants in helping service users and carers to get the best positive outcomes from their use of Direct Payments (**paragraphs 2.2 to 2.7**). To ensure there is sufficient Personal Assistant capacity, we recommend that local authorities through the All-Wales local authority Direct Payments Forum and with Social Care Wales:

**R6** Work together to develop a joint Recruitment and Retention Plan for Personal Assistants.

In **Part 2** we highlight that while local authorities recognise the value of Direct Payments in supporting independence and improving wellbeing, the differences in approach, standards and the amount paid out means that people with similar needs receive different levels of service (**paragraphs 2.9 to 2.18 and 2.23 to 2.27**). To ensure services are provided equitably and fairly we recommend that local authorities and the Welsh Government:

**R7** Clarify policy expectations in plain accessible language and set out:

- what Direct Payments can pay for;
- how application and assessment processes, timescales and review processes work;
- how monitoring individual payments and the paperwork required to verify payments will work;
- how unused monies are to be treated and whether they can be banked; and
- how to administer and manage pooled budgets.

Public information should be reviewed regularly (at least every two years) to ensure they are working effectively and remain relevant.

## Recommendations

---

In **Part 2** we highlight difficulties in the interface between NHS continuing healthcare and Direct Payments and note that current practices do not support service users and carers to exercise voice, choice and control (**paragraphs 2.28 to 2.31**). We recommend that the Welsh Government:

**R8** Ensure that people who receive both NHS continuing healthcare and Direct Payments have greater voice, choice and control in decision making.

In **Part 3** we note that having the right performance indicators and regularly reporting performance against these are important for local authorities to manage operational performance, identify areas of improvement and evaluate the positive impact of services (**paragraphs 3.8 to 3.10**). To effectively manage performance and be able to judge the impact and value for money of Direct Payments, we recommend that local authorities and the Welsh Government:

**R9** Work together to establish a system to fully evaluate Direct Payments that captures all elements of the process – information, promotion, assessing, managing and evaluating impact on wellbeing and independence.

**R10** Annually publish performance information for all elements of Direct Payments to enable a whole system view of delivery and impact to support improvement.



**People are not  
consistently  
supported to take  
up Direct Payments**

---

**01**

1.1 In this part of the report, we consider how local authorities encourage people to use Direct Payments. We review local authorities' public information, how they promote take up of Direct Payments and the importance of the 'What Matters' conversation.

### Local authorities who are good at promoting Direct Payments



Have simple and concise public information that is made available in wide range of mediums and has been tested to ensure it is effective and tells people what they need to know



Offers and encourages people to use independent advocacy to help people make informed choices



Uses the 'What Matters' conversation in the assessment process to explain Direct Payments



Direct Payments are promoted as an option at least equally with other choices

## **A responsive person-centred approach is essential in helping people choose Direct Payments, but current engagement and involvement by local authorities are inconsistent**

### **Good quality and accessible information, support people to take greater control of their care and support and make well-informed choices**

- 1.2 Information and advice help to promote people's wellbeing and are vital components of preventing or delaying people's need for care and support. Our focus group and survey work with the All-Wales Direct Payments Forum<sup>1</sup> found that all local authorities undertake some form of activity to promote public awareness and understanding of Direct Payments, but the options used vary. Local authorities focus on mediums such as their website, providing bilingual leaflets and promotional activity with established service user, carer groups and partnership forums. Less priority is given to using social media (for example, Facebook or Twitter) and proactive campaigns using press articles, adverts and local authority newsletters. Overall, only 3% of recipients responding to our survey<sup>2</sup> first found out about Direct Payments through published information (for example, online or a leaflet).
- 1.3 Overwhelmingly, service users report relying on a conversation with a local authority officer to find out about Direct Payments. Almost all (96%) of service users who responded to our survey said that they first found out about Direct Payments following a discussion with a local authority officer – most frequently a social work professional. Around half of carers we surveyed said that they first found out about Direct Payments following a discussion with a local authority officer. Carers are more likely than service users to find out about Direct Payments in discussion with other bodies (ie not their local authority), a care and support agency, NHS or third sector body for instance. These findings highlight that local authorities need to do more to ensure carers are better supported to fully access and use services, an issue flagged in recent research by [Carers Wales](#)<sup>3</sup>.

---

1 The All-Wales Direct Payments Forum is made up of officers from all Welsh local authorities with responsibility for Direct Payments within their respective organisations.

2 Our survey covers both service users and carers who receive Direct Payments. We report information at three levels. Where we say Direct Payment recipients, we mean both carers and service users; and where we specifically reference either 'service users' or 'carers' the findings of the survey are specific to these distinct groups of people who receive Direct Payments. In **Appendix 1** we set out our survey methodology in more detail.

3 Carers Wales is part of Carers UK and campaigns on behalf of carers. They recently reported that 40% of carers in Wales say they are unaware of services and sources of support for carers in their local community – [State of Caring 2021: Wales Briefing, Carers Wales, December 2021](#).

- 1.4 Direct Payments Forum members acknowledge that local authorities need to do more promotional work with some partners, in particular health and independent providers, to ensure Direct Payments are adequately promoted in all routes into social care. Roughly a quarter of local authority officers with responsibility for Direct Payments believe they have sufficient capacity to effectively promote Direct Payments and are investing resources to encourage take up. Less than a quarter of local authority officers consider themselves good at promoting awareness and encouraging take up of Direct Payments among hard-to-reach groups such as minority ethnic groups, Gypsies, Roma and Travellers and LGBTQ people.
- 1.5 The best local authorities are innovatively and actively promoting Direct Payments. For example, Isle of Anglesey Council uses a wide range of promotional materials to improve awareness for service users but also local authority staff and care providers. This includes YouTube videos of recipients talking about the positive experience and benefits of Direct Payments and roadshows to promote the benefits of Direct Payments. By proactively encouraging people to choose Direct Payments, the local authority saw the numbers in receipt of Direct Payments rise by 90.4% between 2016-17 and 2018-19.
- 1.6 Regarding the quality of the information and advice provided, three quarters of Direct Payments service users told us this was good but only half of carers in receipt of Direct Payments agreed this was the case. Only half of local authorities have tested or sought feedback on the quality of Direct Payments public information to ensure it is easy to understand, and only around a third of those have involved service users and carers in testing the quality of the information. Several service users who responded to our survey noted that they did not always find the public information they had been provided helpful and too often it reads as if it is written for the 'professional' not the 'client'. Notwithstanding, the overwhelming majority of people (98%) were able to access information about Direct Payments in their preferred language, and 4% chose to use Welsh.
- 1.7 Paragraph 37 of the [Social Services and Well-being \(Wales\) Act 2014 Part 10 Code of Practice \(Advocacy\)](#) notes that 'Advocacy services are fundamental to supporting people to engage actively and participate in development of their own well-being outcomes.' Paragraph 41 of the Code of Practice also says that independent professional advocacy must be made available from 'the moment of first contact'. We found that just over half of All-Wales Direct Payments Forum members believe that their local authority has adequate advocacy services in place to provide independent advice to service users and carers at this time.

## The 'What Matters' conversation

- 1.8 Unlike many community-based, preventative services<sup>4</sup> that people are often signposted to when seeking social care help, service users must be assessed as having 'eligible'<sup>5</sup> needs to receive Direct Payments. When a local authority considers if someone has eligible needs, it looks at what causes that need for care and support; whether their needs affect their ability to do certain things; whether someone has a carer or access to community support that can meet their needs; and whether they are able to achieve a personal outcome without help from the local authority.
- 1.9 Local authorities are required to assess and determine whether someone is eligible for social care following an established process of which the 'What Matters' conversation is a critical element. **Appendix 2** sets this process out in more detail.

### The 'What Matters' conversation

A 'What Matters' conversation is a targeted discussion to establish a person's situation, their current wellbeing, what can be done to support them and what can be done to promote their wellbeing and resilience for the better. It is not an assessment in itself: it is a way of carrying out the assessment by having the right type of conversation to identify with the individual:

- how they want to live their life;
- what might be preventing that; and
- what support might be required to overcome those barriers.

Knowing what matters can play a huge part in helping to make someone's life enjoyable and worthwhile.



4 There is no agreed definition of what constitutes a preventative service. They can range from relatively formal intermediate care services provided by health and social-care professionals to interventions that could include befriending schemes, the fitting of a handrail or help with shopping, to non-health or social-care services.

5 The Welsh Government is working with ADSS Cymru to produce a [national assessment and eligibility tool](#).

- 1.10 Importantly, those seeking help and those assessing what is needed must work as equal partners in identifying issues and solutions in their 'What Matters' discussion. Ultimately, it requires social work professionals to let go of some control when assessing what is best for people. Direct Payments takes this ethos a step further – not only do individuals have an equal voice in shaping their care and support outcomes during the assessment, but they can also go on to take full control over their own care and support. The extent to which professionals feel able to let go shapes people's experience of their assessment, and in many cases the likelihood of them being offered and encouraged to use Direct Payments.
- 1.11 Overall, recipients of Direct Payments that we surveyed are positive about local authority assessment processes; the time spent by local authority staff clarifying employer responsibilities; and the 'What Matters' conversation. For instance:
- a 83% felt that what was agreed during the assessment was right for them;
  - b of the 83% that felt their assessment was right for them, the vast majority (88%) agreed that the subsequent care and support plan accurately set out what was agreed during their assessment;
  - c 76% felt encouraged to tell their local authority about the things that mattered to them, and felt listened to during their needs assessment;
  - d 75% discussed their ability to manage Direct Payments before taking them up; and
  - e 74% felt that they had a clear understanding of their legal obligation as an employer when taking up a Direct Payment.
- 1.12 Despite this, many local authority officers we spoke to acknowledge that they do not always have the capacity to work co-productively and identify creative solutions using Direct Payments. People are often in crisis when they contact social services and in practical terms, delivering early intervention, prevention and co-produced approaches requires time. Effective early intervention works to prevent problems occurring, or to tackle them head on when they do, and before problems get worse. It is important therefore for local authorities to consider the potential impact and value of Direct Payments as early as possible in the information, advice and assistance process to enable meaningful co-production and ensure all possible solutions that can help improve someone's wellbeing are considered.



1.13 We conclude that there is more for local authorities to do to promote awareness and understanding of Direct Payments amongst service users. Addressing this requires local authorities to promote opportunities for early intervention by raising awareness of the front door to adult social care, and ensuring adequate consideration of the potential for Direct Payments at the Information, Advice and Assistance (IAA services) stage. Local authorities are yet to strike this balance, something that echoes our recent review of IAA services<sup>6</sup>.

### **While the value of Direct Payments is recognised by senior managers, social care staff do not always display confidence in promoting their use with service users and carers**

1.14 Strong leadership on Direct Payments is key to making progress and it is important that senior managers set the tone from the top. Through our engagement with local authority staff and representative bodies we found this to be key to creating the right conditions and culture for social workers to feel empowered to promote and encourage take up of Direct Payments.

1.15 We found that roughly three-quarters of Direct Payment managers with responsibility for Direct Payments believe their authority has an open and encouraging culture that promotes making best use of Direct Payments. In addition, a similar number believe that their local authority Corporate Management Team members understand the benefits of Direct Payments, and two-thirds that senior leaders actively encourage increasing take up. However, only a quarter of Direct Payment managers believe that councillors understand the benefits of Direct Payments. Half did not know.

1.16 Most local authorities have information and workflow management systems in place (for example the Welsh Community Care Information System<sup>7</sup>) which include prompts for social workers to offer Direct Payments as part of what matters assessments, or to confirm that they have offered this. However, officers we interviewed highlight the limitations in the assurance that this data provides because the likelihood of service users opting to use Direct Payments is mostly dependent on the tone, sincerity and genuineness of the offer and discussion with their social worker. To do this, social workers need to feel both confident in being able to promote the benefits of Direct Payments and empowered to make this offer. To make this work requires effective leadership and a whole-system approach.

---

6 Auditor General for Wales, [The front door to adult social care](#), September 2019.

7 We reported on the rollout of the [Welsh Community Care Information System](#) in October 2020, including commentary on the performance of the system.

- 1.17 The overwhelming majority of All-Wales Direct Payments Forum members told us that they continue to promote and provide training and information to social workers, care managers and frontline staff to support take up and roll out. Most also believed that social workers understand what Direct Payments can be used for, although officers we interviewed nevertheless identified some concerns.
- 1.18 Only half of Direct Payments Forum members think that their local authority encourages people to take up Direct Payments. Direct Payment managers expressed concerns that, from their experience, too often social workers lack confidence in discussing Direct Payments as an option, partly because of their inherent flexibility and potentially wider use compared to other forms of social care. They also noted that, increasingly, Direct Payments are seen as potentially placing other traditional care services at risk if their take up increases and demand for other services falls off. Just over half of Direct Payment managers believe that their local authority treats Direct Payments as favourably as other social care services and options when developing care plans.



**Managing and supporting people to use Direct Payments varies widely with service users and carers receiving different standards of service**

---

02

2.1 In this section of the report, we look at opportunities to streamline the management and administration of Direct Payments. We look at the change in take up of Direct Payments in Wales and comparison with England. We consider how local authorities support people to make the best use of Direct Payments.

### Local authorities who are managing Direct Payments effectively



Help people to access and use Personal Assistants



'Demystify' what Direct Payments are and provide sufficient support to assure people on employment requirements, liabilities and fallback processes. Bureaucracy is kept to a minimum



Clearly set out what Direct Payments can be used for giving examples of the type of support that is available and, wherever possible, encourage innovation



Have regular and ongoing contact and provide support and information to adults using Direct Payments to clarify responsibilities and ensure people remain safe



Work to shape the 'market' and by improving access to Personal Assistants, encouraging more providers, managing costs and encouraging the pooling of budgets



Jointly agree with NHS bodies on how best to address the needs of clients who use Direct Payments and Continuing Healthcare so they are not disadvantaged

## Personal Assistants are essential to people making the most of Direct Payments, but service users struggle to recruit them

2.2 While some people will need additional support to manage Direct Payments, this should not be a barrier to encouraging people to use them. Local authorities must maintain a support service and make it available to those who need it – for example, help with employment responsibilities, payroll and reporting processes. Often this support is provided via a Personal Assistant.

### Personal Assistants

Personal Assistants work directly with one or more individuals to help them with various aspects of their daily life and to help them live as independently as possible.

They are employed directly by an individual who is managing and paying for their own care through a Direct Payment or personal budget.

Personal Assistants usually support individuals in their own home.

People can be employed directly by one employer or work for a number of different people.

The role can include:

- organising and supporting individuals with their social and physical activities;
- booking and going with individuals to appointments;
- helping individuals to get to work, college or university;
- helping with personal care such as showering and dressing (although not all Personal Assistant roles involve personal care);
- supporting with tasks around the house such as shopping, cleaning and cooking;
- monitoring their health, for example, measuring body temperatures or administering medication; and/or
- managing a team of Personal Assistants if you are in a senior Personal Assistant role.



- 2.3 Employing a Personal Assistant cannot be entered into lightly and people pursuing this option need to be fully aware of their responsibilities. For instance, an employer must provide staff they employ with written information, including start date, hours of work, remuneration (which must meet the National Minimum Wage), place of work and a job title, or brief description of the job. Employers also need to set out whether employment is fixed term or permanent, the employee's statutory entitlement to sick pay, annual leave, pension scheme provision and notice requirements. Although local authorities expect people to take out employer's liability insurance and often provide advice about this, it is down to the individual to ensure they have fully considered the contractual arrangements with the care staff they employ.
- 2.4 People we surveyed noted differences between local authorities regarding their eligibility criteria for Direct Payments, the number of hours of personal assistance that individuals are assessed as needing, and the hourly rates paid. Our research shows that there is variation between hourly rates of pay for Personal Assistants across local authorities, with rates ranging from £8.72 to £12.94 per hour being reported in early 2021 – see **Appendix 4** for more detail.
- 2.5 The importance of Personal Assistants in supporting people to make the best use of Direct Payments cannot be overestimated. One person responding to our survey stated that: 'Direct Payments have given me the opportunity to employ my personal assistant who has been with me for 10 years now. This continuity with my personal assistant has empowered me, improved my self-confidence and given me the freedom to make my own decisions and choice with my personal assistant's support.' While another noted that: 'I think the whole system works around Direct Payments, you get to pick the personal assistants yourself rather than getting strangers thrust upon you.' Comments such as these highlight the value placed on Personal Assistants and the important role they play.
- 2.6 Notwithstanding, several people responding to our survey noted difficulties in both attracting and retaining Personal Assistants. For instance, one respondent stated that: 'there have been periods when we have been unable to find a suitable personal assistant, so I have been unable to use the Direct Payments. At one point this lasted over a year.' Another noted a 'major problem is being able to recruit Personal Assistants' and another 'issues with a Personal Assistant meant I've had to readvertise the job so as a result I haven't yet used my Direct Payment'.

2.7 Direct Payment managers we spoke to also highlighted the ongoing challenge of attracting and retaining Personal Assistants. Ongoing workforce pressures have meant that adult social care employers and providers have needed to adopt a range of strategies to help retain and support their workforce and these approaches need to be extended to Personal Assistants. The Care Provider Alliance, Association of Directors of Adult Social Services and Local Government Association in England have brought together approaches taken by organisations to reduce staff turnover and help retain people in the care and health workforce, which are of use for local authorities to consider in encouraging more Personal Assistants<sup>8</sup>.

### **People have mixed views on the support they receive from their local authority after they have taken up Direct Payments**

2.8 Direct Payments must be embraced as a core component of delivering support – not as an exceptional option – so that the positive impact can be realised. There will be initial costs associated with setting up or commissioning an effective Direct Payment Support Service and training staff in Direct Payment processes. But once fully operational, Direct Payments should at least be cost neutral and should realise savings from, for instance, reduced administration, review and management of providers. It is important for local authorities to therefore focus on setting up the right support service to both encourage take up and to realise the potential for cost savings. Ultimately, the Direct Payment must be enough to cover the reasonable cost of buying services that the local authority has a duty to provide.

### **Some people find the administration of Direct Payments challenging**

2.9 It is important that local authorities provide adequate support and have regular contact with service users and carers. Local authorities should be proactive in organising these discussions to make sure the care and support plan remains right, is legal, affordable and effective in meeting wellbeing outcomes.

---

8 <https://www.local.gov.uk/top-tips-retention-briefing-adult-social-care-providers>

- 2.10 Overall, 78% of people we surveyed said they receive good quality support to help them manage their Direct Payment. However, while 55% say that they can cope with the administration side of Direct Payments, finding the level of paperwork reasonable and manageable, 13% feel it is overwhelming. The other third of respondents stated that they are not required to keep any paperwork (23%) or their local authority rarely asks for paperwork (10%). Carers are generally more dissatisfied than service users with the quality of the Direct Payments services their local authority provides to help meet their needs. Our focus group work with All-Wales Direct Payments Forum members found that just over half of local authorities have sought to streamline their systems for administering Direct Payments to reduce the burden on clients, Personal Assistants and care providers.
- 2.11 Just over a third of care and support providers we surveyed felt that from their experience local authorities did not provide good support to help people manage their Direct Payments. There is also some concern from providers that people who may struggle to manage a Direct Payment are being directed to select this option simply because of pressures on domiciliary care services and reductions in the availability of other care services. Only half of Direct Payment managers stated that their local authority has an up-to-date directory of approved service providers to help people purchase support.

**People in areas where support services to help manage Direct Payments are directly provided by local authorities have a more positive overall experience than those using a 'commissioned' service**

- 2.12 Many local authorities commission others to provide support services for Direct Payments, but according to feedback from members of the Direct Payments Forum, a growing number of councils are in the process of reviewing or considering bringing these services back in house, primarily to improve service quality, to be able to better respond to service user and carer needs, and reduce administration costs. As of January 2021, seven<sup>9</sup> of the 22 local authorities had in-house services.

---

9 The seven councils with in-house provision at the time of our review were: Blaenau Gwent County Borough Council, Caerphilly County Borough Council, Flintshire County Council, Monmouthshire County Council, Neath Port Talbot Council, Powys County Council and Torfaen County Borough Council.



2.13 Our survey of people using Direct Payments sought their views regarding a number of factors which we consider to be indicators of service accessibility and quality. To establish how different service configurations impact on accessibility, quality and user satisfaction, we analysed our survey data by comparing the responses from Direct Payments recipients in areas where the local authority delivers its support function in-house, with those where the service is commissioned externally and provided by third parties. **Exhibit 3** shows that survey responses from those in local authority areas with in-house services have higher levels of positive responses against a number of key metrics.

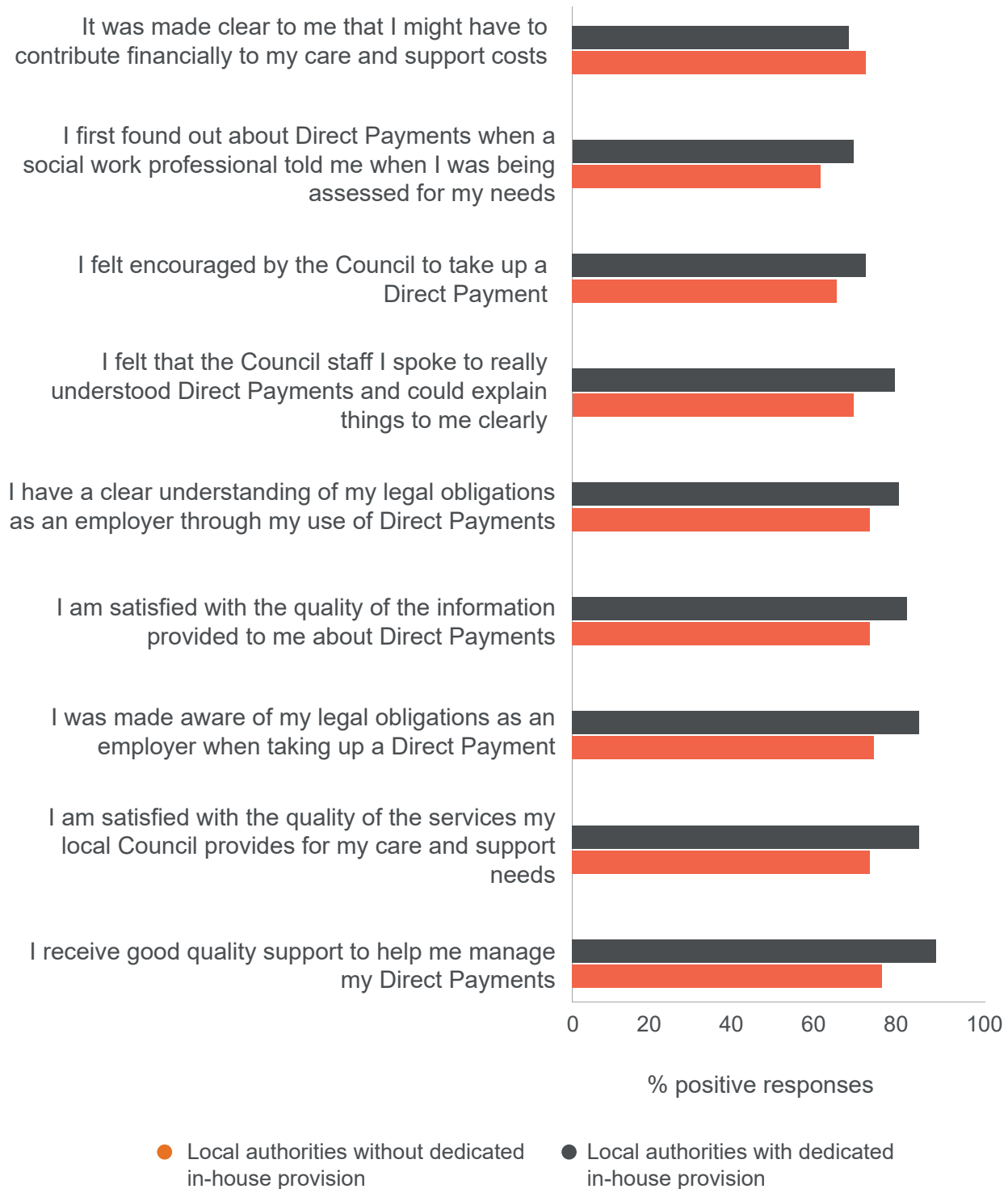
**“ I’m grateful for the support and payments. I don’t have to deal with the money. Going out with someone other than family gives me independence that I’ve longed for**

Source: Audit Wales, Survey of people receiving Direct Payments, September 2021.



**Exhibit 3: Direct Payment recipients’ views about services, by type of administrative support service (in-house or commissioned)**

Overall, people living in areas where support services are provided directly by local authorities are more positive about the service they receive than those provided by a third party.



Source: Audit Wales, Survey of people receiving Direct Payments, September 2021

2.14 Our focus group work with the All-Wales Direct Payments Forum highlighted that, in addition to supporting external clients, in-house Direct Payment teams have greater ability to work flexibly and focus on providing training and expert support to front line social workers who offer and administer Direct Payments. Given the key barriers we highlight in accessing Direct Payments (see **paragraph 1.16**) and coupled with our survey findings, this support is clearly important and is making an impact, leading to greater satisfaction with information about Direct Payments, a greater perception of social workers' understanding, and service users feeling encouraged to take up a Direct Payment.

**Local authorities mostly ensured people were supported during the pandemic, but a significant number of service users and carers we surveyed had no contact during the initial lockdown and restrictions**

2.15 The pandemic created many challenges for social care services and local authorities were forced to respond creatively to ensure vulnerable people were safe and supported. As with other frontline staff working in NHS or care settings, the pandemic has also had a huge impact on people providing care services organised under Direct Payments, especially Personal Assistants.

2.16 We found that where a service was interrupted or could not continue to be provided due to COVID-19, most local authorities arranged alternative provision. Local authorities also made contact to check on individuals' welfare and to ensure services continued to be provided. Direct Payment managers we spoke to however, also noted some difficulties in maintaining services. In particular, the lack of availability of Personal Assistants and/or care staff when people were self-isolating and unable to visit and support service users.

2.17 Officers we spoke to also highlighted their local authority's positive work to ensure social care staff were supported and equipped to work from home. They described how senior leaders acted proactively, keeping staff informed and up to date with changes in services and work priorities, and responded to challenges as they arose quickly and efficiently. For example, relocating staff to fill gaps in services and flexing information gathering systems to reduce the burden of administration on Personal Assistants and care providers.

2.18 57% of people receiving Direct Payments we surveyed said that their local authority did not help source Personal Protective Equipment (PPE) for their care or support provider. Service users and carers we spoke to noted that some local authorities provided PPE free of charge, some reimbursed individuals who purchased their own, but others expected service users and/or their personal assistant to purchase PPE themselves and meet the cost from their Direct Payment. In April 2021, we reported that some frontline health and social care staff experienced shortages of PPE during the pandemic<sup>10</sup>. Some people using Direct Payments experienced similar if not greater difficulties trying to source PPE on an individual level. Some service users and carers we spoke to noted that on occasion the lack of PPE and inability to source this directly resulted in services being suspended. In addition, 40% of the Direct Payments recipients we surveyed said they had received no contact from their local authority specifically to check if they had any problems resulting from the lockdown and restrictions.

### **While the number of people receiving Direct Payments has grown slightly in recent years, local authorities continue to use them differently across Wales**

#### **Just under two-thirds of local authorities increased take up of Direct Payments between 2016-17 and 2018-19, but only 5% of all adults in receipt of social care services were receiving them**

2.19 The most recent data on Direct Payments use published in 2018-19 shows that 125,415 adults were in receipt of social care services in Wales<sup>11</sup>. Of these, 6,262 (5%) received Direct Payments. The proportion of social care services provided via Direct Payments ranged from 1.6% of clients in Gwynedd to 12.9% in Ceredigion. **Appendix 3** provides more information. This data for 2018-19 does not include Caerphilly.

2.20 Just over a third of those receiving Direct Payments (36.1%) are older people (aged 65 or more). This is despite this particular age group making up over 75% of the overall number of adults receiving social services. The bulk of those receiving Direct Payments, 63.9%, are aged between 18 and 64.

---

10 [Procuring and Supplying PPE for the COVID-19 Pandemic, Report of the Auditor General for Wales, April 2021](#)

11 In response to the pandemic, the Welsh Government suspended collection and reporting of social services performance data in 2019-20 and the most up-to-date data is 2018-19.

2.21 Between 2016-17 and 2018-19, there had been a 5.2% increase in the numbers receiving Direct Payments with 14 of the 22 local authorities seeing a growth in take up – **Exhibit 4**. The biggest percentage rise, of 90.4%, was in the Isle of Anglesey, although the proportion of adults receiving social care services via Direct Payments in 2018-19 was still below the Wales average. The biggest fall was in Newport, -28.8%.

**Exhibit 4: the number of adults receiving Direct Payments by local authority in 2016-17 and 2018-19 and change in take up over the period**

Local authority	2016-17	2018-19	% Change
Isle of Anglesey	73	139	90.4%
Gwynedd	158	137	-13.3%
Conwy	221	239	8.1%
Denbighshire	106	177	66.9%
Flintshire	403	437	8.4%
Wrexham	196	272	38.7%
Powys	551	504	-8.5%
Ceredigion	199	336	68.8%
Pembrokeshire	293	331	12.9%
Carmarthenshire	448	538	20.0%
Swansea	521	517	-0.8%
Neath Port Talbot	341	433	26.9%
Bridgend	177	232	31.1%
Vale of Glamorgan	378	271	-28.3%
Rhondda Cynon Taf	372	306	-17.7%
Merthyr Tydfil	95	102	7.4%
Caerphilly	114	-	-
Blaenau Gwent	145	149	2.3%
Torfaen	131	130	-0.8%
Monmouthshire	154	131	-14.9%
Newport	132	94	-28.8%
Cardiff	746	787	5.5%
<b>TOTAL</b>	<b>5,954</b>	<b>6,262</b>	<b>5.2%</b>

Note: Caerphilly was unable to provide data for 2018-19, due to technical issues with their ICT systems.

Source: StatsWales, [CARE0118: Adults receiving services by local authority](#)

2.22 The use of Direct Payments in Wales still lags behind England. Data published by NHS Digital Services<sup>12</sup> shows that in 2020-21, 26.6% of people who receive social care services including 75.3% of carers in England receive Direct Payments. Performance ranges from 19.8% of all service users in the north-east of England to 38.3% in the East Midlands.

### **Direct Payments are used differently across Wales and local authorities have different approaches in how they deal with unused funds**

- 2.23 How Direct Payments are used and what they pay for varies. Through our discussion with Direct Payment Forum members we found that some authorities have few, if any, restrictions and encourage people to use the money flexibly; paying for holiday accommodation, leisure activities, trips abroad and mobile phones. In comparison, other local authorities only allow Direct Payments to pay for practical help directly associated with an individual's personal care and define what Direct Payments can and cannot pay for.
- 2.24 Direct Payment service users and carers we surveyed raised concerns with this situation. One user of Direct Payments noted that: 'It would be very helpful to have a written list of what Direct Payments can actually be used for.' Another survey respondent summed up their experience as follows: 'The council does not make it clear how to spend the money. You still have to continually ask questions and the people in the council don't know the answers. The system is very slow and 'drawn out'. They are not flexible.'
- 2.25 Those who have similar support needs can also pool their Direct Payments to organise joint activities or services by taking some or all of their Direct Payment and adding these funds together to jointly purchase services<sup>13</sup>. This enables people to share the cost of activities, have the opportunity to spend more time with other people and get better value through increasing their spending power. However, we found that pooling budgets is very limited. And past approaches in some local authorities ended relatively quickly, despite the best endeavours of staff we interviewed.
- 2.26 Welsh Government guidance<sup>14</sup> requires local authorities to work flexibly, allowing Direct Payments recipients to be able to 'bank' any unused payment to use as and when they need to. However, in reality the approach taken by local authorities varies and some local authorities seek to recover unspent money. The findings from our survey of recipients (**Exhibit 5**) are echoed in the feedback we received from local authority staff where we found wide differences in approach.

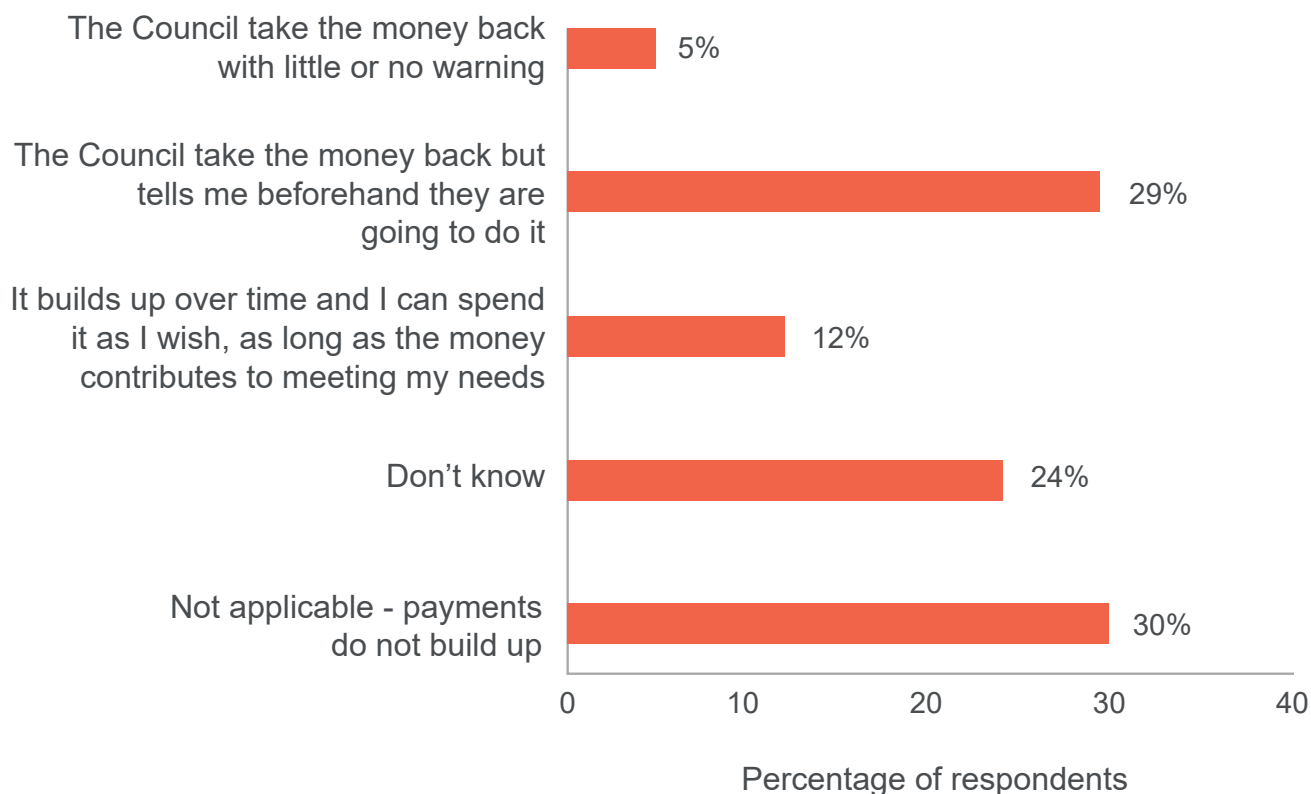
12 NHS Digital Services, [Adult Social Care Outcomes Framework](#), October 2021.

13 The Wales Co-operative Centre has published a guide setting out how people can pool budgets for Direct Payments, [Direct Payments: make them work for you](#)

14 [Social Services and Well-being \(Wales\) Act 2014: Part 4 Code of Practice \(Meeting Needs\)](#), 2015. Paragraph 159 notes that 'The flexibility inherent in direct payments means that recipients, or their representatives, must be able to adjust the amount of the direct payment they use from week to week. They must be able to 'bank' any unused payment to use as and when extra needs arise (this might particularly be relevant for those whose needs fluctuate).'

**Exhibit 5: Direct Payment recipients’ experiences of what happens to payments which build up**

Roughly one in eight recipients of Direct Payments build up ‘unused’ money to be used to meet future needs.



Source: Audit Wales, Survey of people receiving Direct Payments, September 2021

2.27 Taken together, our evidence highlights that further clarification, support and guidance are required to ensure that people are able to fully benefit from Direct Payments and receive a consistent standard of service.

## **The interface between use of NHS continuing healthcare and social care on access to Direct Payments remains a problem**

- 2.28 The Welsh Government's Programme for Government 2021 to 2026 includes a commitment to 'Improve the interface between NHS continuing healthcare and Direct Payments'. In August 2021, the Welsh Government strengthened the wording in the NHS Continuing Healthcare National Framework 2021 and Decision Support Tool.
- 2.29 Importantly, the new guidance reinforces the central ethos of individuals' right to exercise voice and control to decide how, when and who supports them to meet their eligible care and support needs, especially when transitioning from Direct Payments to NHS continuing healthcare. This includes providing specific examples of actions Local Health Boards can take to support this but also recognising that assessments needed to avoid putting up barriers and pushing service users from one service to the other. Theoretically therefore it should be possible for someone to receive a needs-led assessment that supports someone's independence, voice and control.
- 2.30 Some people we surveyed in receipt of Direct Payments noted a reluctance to access NHS continuing healthcare because they fear losing their Personal Assistants and the ability to determine who provides their services. They also raised concerns that the flexibility of Direct Payments – that enables them to access a wide range of non-traditional health and/or social care services that help improve their wellbeing – will be lost.
- 2.31 Direct Payment managers also noted instances where individuals with deteriorating health needs are refusing to access NHS continuing healthcare because of fear of losing the flexibility of Direct Payments and the wellbeing improvements it brings. Direct Payment managers and some providers also raised concerns that NHS colleagues are still not fully on board with service users 'driving' decision making and maximising the opportunity to promote independence, voice and control.





**Direct Payments  
are helping people  
live independently  
and improving their  
wellbeing, but it is  
difficult to assess  
overall value for money  
because of limitations  
in data and evaluation**

---

**03**

3.1 In this final part of the report, we consider the impact of Direct Payments. We summarise spending on Direct Payments in Wales and highlight the variations between local authorities. Finally, we consider whether the current approaches to monitor and evaluate Direct Payments to ensure they provide value for money are effective.

### **Local authorities who are delivering positive outcomes for people using Direct Payments**



Evidencing that people's wellbeing is maintained or improving as a result of Direct Payments



Have a comprehensive system for monitoring and evaluating all aspects of Direct Payments



Involve and value input from all stakeholders/partners in evaluating the impact of services



Compare and benchmark individual and collective performance with others and use the findings of evaluation to shape current plans and future approaches



Know what works and whether the approach of the authority is delivering the aspirations of the Act

## **Direct Payments are seen as making an important contribution to recipients' wellbeing and independence**

- 3.2 Overall, the people we surveyed who receive Direct Payments provided positive feedback on the impact of Direct Payments. 91% of respondents to our survey stated that Direct Payments have had a positive impact on their independence and wellbeing. In addition, 85% stated that Direct Payments were definitely the right option for them. The majority of care and support providers who responded to our survey (87%) also agreed that Direct Payments are helping to support people's independence and maintain their wellbeing.
- 3.3 Some people we surveyed identified the critical role of Direct Payments in helping them remain independent. One Direct Payment recipient noted that: 'I get support to do everything I want to do and achieve' whilst another stated that: 'It's allowed me to do lots of new things and go out and enjoy and meet new people.' Another noted that: 'It (Direct Payments) gives choices and independence which have been very positive' and another that: 'the Direct Payments have enabled me to remain living in my own home'. Finally, one recipient stated that: 'I really like Direct Payments and how it lets me live as independently as I can.' And another person we surveyed noted that: 'Direct Payments allows me to have control and more importantly to have the care I need to be able to get the most out of life.' These comments were echoed by many others who responded to our survey.

## **It is difficult to assess the overall value for money of Direct Payments because systems for managing and evaluating performance are inadequate**

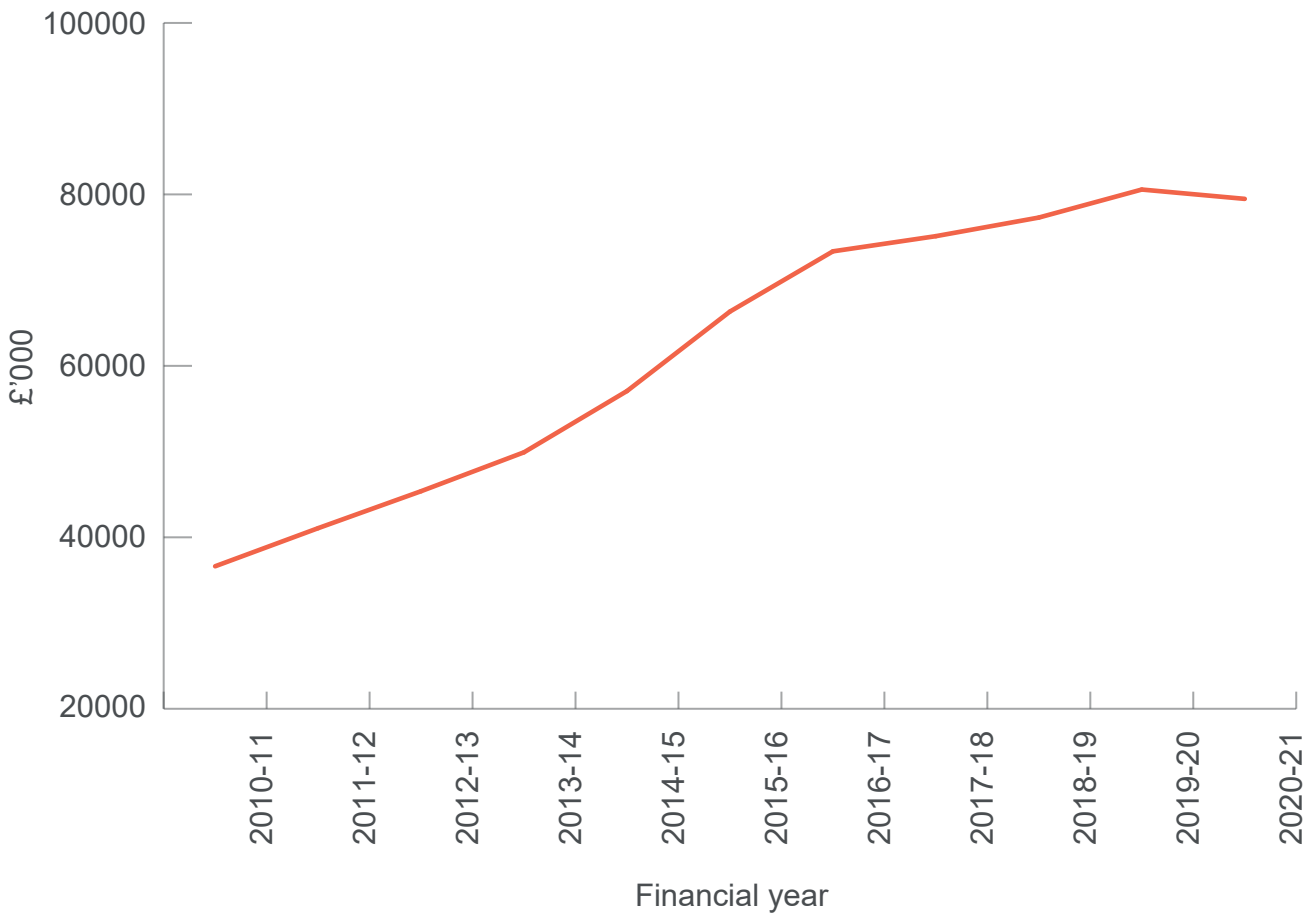
- 3.4 Despite the high value placed on Direct Payments by service users and carers, there is only a small range of national publicly reported indicators to judge performance. These simply cover the numbers receiving Direct Payments by need group (physical disabilities, learning disabilities, mental health and older people) and the amount spent on Direct Payments by local authority. The performance measures were revised following the implementation of the Social Services and Well-being (Wales) Act in 2014, and information has only been collated for three financial years: 2016-17, 2017-18 and 2018-19. Following the Welsh Government's decision to suspend data collection in response to the pandemic in 2020, no data on services other than expenditure has been collected and reported nationally.

**Spending on Direct Payments has more than doubled in the last decade, but marginally fell in 2020-21. The average amount paid out per recipient varies widely**

3.5 The amount of money spent on Direct Payments is growing and in real terms, considering inflation, has increased from £36.6 million in 2010-11 to £79.5 million in 2020-21 – **Exhibit 6**.

**Exhibit 6: total spending on Direct Payments for adults by local authorities in real terms between 2010-11 and 2020-21**

Local authorities' spending on Direct Payments increased by 117% in the period but marginally fell in 2020-21.

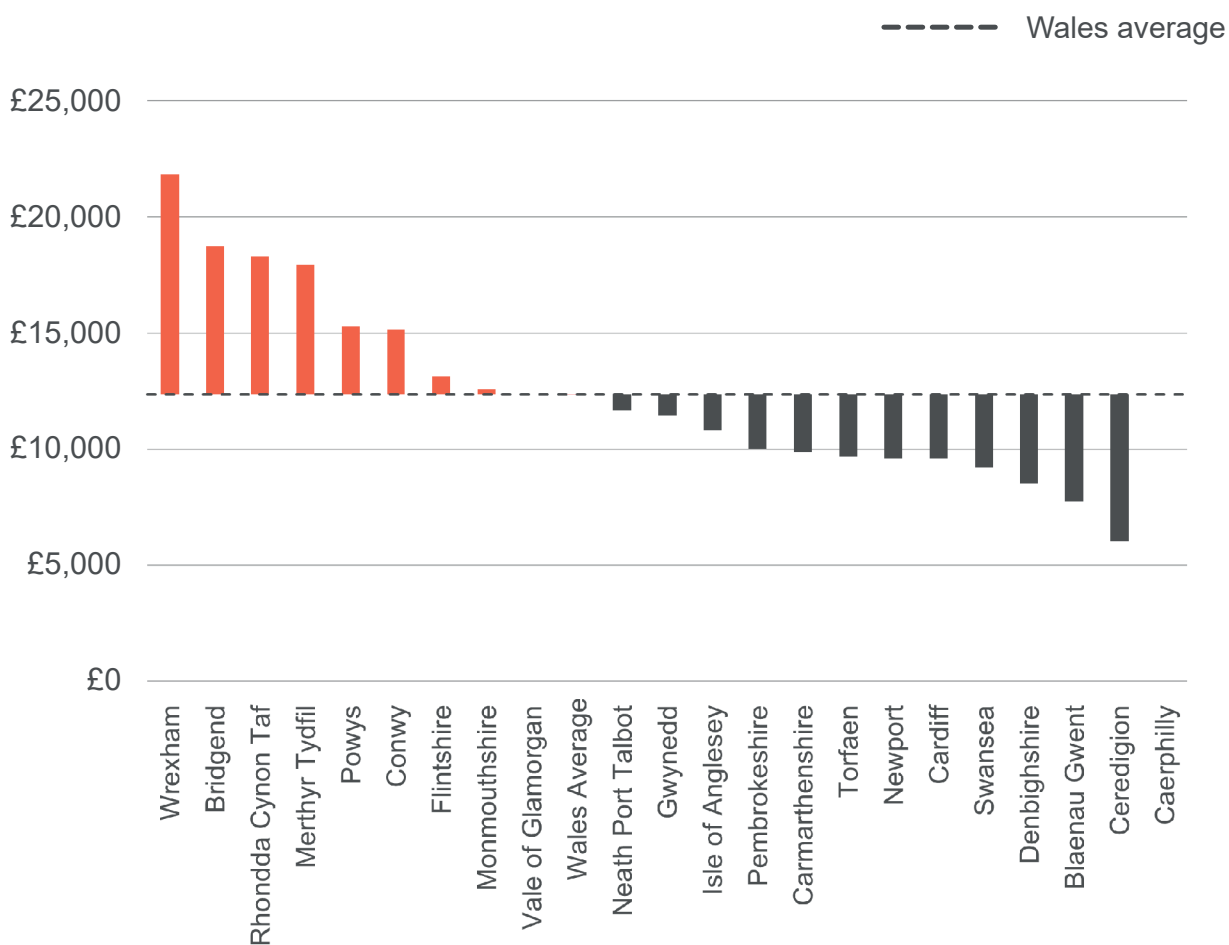


Source: StatsWales, [LGFS0015: Social services revenue outturn expenditure subjective analysis by authority](#). Analysis by Audit Wales

3.6 While each local authority is responsible for the format of care and support plans, they are required to be consistent across the country using the national eligibility criteria<sup>15</sup>. Our analysis in **Exhibit 7** shows that local authorities are paying out widely varying average amounts. Excluding Caerphilly, the average Direct Payment across Wales in 2018-19 in real terms was £12,344. This ranged from £6,033 per person in Ceredigion to £21,836, 3.6 times more, in Wrexham.

**Exhibit 7: average Direct Payment per recipient by local authority in 2018-19 in real terms**

The average amount people receive in Direct Payments varies widely across Wales.



Note: Caerphilly was unable to provide data on the number of recipients for 2018-19, due to technical issues with their ICT systems.

Source: StatsWales, [LGFS0015: Social services revenue outturn expenditure subjective analysis by authority](#) and [CARE0118: Adults receiving services by local authority and age group](#). Analysis by Audit Wales

15 The eligibility criteria are set out in the [Care and Support \(Eligibility\) \(Wales\) Regulations 2015](#) and the Welsh Government’s [Social Services and Well-being \(Wales\) Act 2014: Part 4 Code of Practice \(Meeting Needs\), 2015](#). Paragraph 39 of the Code of Practice notes that while people have a right to care and support from a local authority where that care and support are not otherwise available to them, the ‘pattern of service delivery will vary from authority to authority’.

3.7 Taking this information with the findings set out in **Part 2** of this report, we conclude that the policy choices and decisions of local authorities are resulting in people with similar needs receiving very different standards of service. Given the significant variation in approaches, the Welsh Government needs to set clear standards to ensure consistency for service users.

### **Systems for managing and evaluating performance are inadequate**

- 3.8 Local authorities are mostly focussing their performance management and evaluation on the numbers receiving services and the amount of money spent and not enough on impact, wellbeing and the wider benefits of investment. We found that only a fifth of Direct Payment managers believe that their local authority has robust measures in place and are able to judge quality, cost and outcomes of Direct Payments on individuals and for the local authority.
- 3.9 Through our engagement with Direct Payments lead officers across Wales, we found that most local authorities have some measures in place and evaluate some aspects of Direct Payments, but acknowledge it is not comprehensive and there are gaps. For instance, only:
- a a third capture information that helps to identify what is not working and what needs to change;
  - b a quarter capture and use information in real time;
  - c less than a fifth monitor how Direct Payments contribute to delivery of Corporate Priorities – for example, wellbeing goals, improvement objectives and service priorities; and
  - d less than a fifth capture positive and negative experiences from people who receive Direct Payments and know what it is like to receive them.
- 3.10 These weaknesses mean that it is not possible to fully evaluate and understand the performance or effectiveness of individual local authorities, or the efficiency and impact of Direct Payments. This makes it difficult to judge how well local authorities are performing and whether Direct Payments represent value for money in their own right or in comparison with other forms of social care.



# Appendices

---

- 1 Audit methods and approach**
- 2 Determining eligibility for social care and support**
- 3 Adults receiving social care services organised by local authority in 2018-19**
- 4 Personal Assistant hourly pay rates by local authority**

# 1 Audit methods and approach

## Approach

We focused on local authorities' management and delivery of Direct Payments. The work follows on from our September 2019 report on [The 'Front Door' to Adult Social Care](#), which focussed on the impact of the Social Services and Well-being (Wales) Act 2014 and the prioritisation of preventative services to help reduce demand for social care services.

Our review assessed how Direct Payments are helping people to live independently and enable them to have more voice, choice and control. We looked at how Direct Payments help sustain their wellbeing and whether they are improving people's quality of life. We looked at how local authorities manage and encourage take up of Direct Payments and judge whether these services present value for money.

We established a study reference group and held project meetings with Care Inspectorate Wales, Carers Wales, the Older People's Commissioner, Age Cymru, the Welsh Government, and a small number of service users. The reference group helped to shape the focus of this review and provided challenge at our evidence review stage.

We managed delivery of the review to take account of the challenges facing social services in Wales in dealing with the pandemic. We ensured the scope and coverage of our fieldwork did not detract from local authority responsibilities towards service users and flexed our approach in discussion with individual local authorities when agreeing and delivering fieldwork.

## Methods

We completed our work between September 2020 and February 2022 and used a range of methods to inform our overall findings, conclusions and recommendations:

- **document review** – we reviewed Welsh Government, Association of Directors of Social Services Cymru and Social Care Wales documentation, guidance and announcements; local authority policy documentation and cabinet and committee papers; a range of materials on approaches for management of Direct Payments in England; and reports and information published by research bodies including the Joseph Rowntree Foundation, the Kings Fund and Think Local Act Personal.



- **focus groups** – we held:
  - three on-line focus groups with members of the All-Wales Direct Payments Forum made up of officers from each of the 22 Welsh local authorities with management responsibility for Direct Payments. In each of the focus groups, attendees completed a survey and we held facilitated discussions.
  - Carers Wales focus groups with Direct Payments service users and their carers.
- **local authority interviews** – we interviewed staff from Bridgend, Caerphilly, Cardiff, Flintshire, Gwynedd, Newport, Powys, Torfaen and Wrexham councils with responsibility for direct payments.
- **interviews with national bodies** – ADSS Cymru, the Welsh Local Government Association, British Association of Social Workers Cymru, Social Care Wales, Disability Wales, UK Home Care Association, Care Forum Wales, Wales Co-op Centre, the Equalities and Human Rights Commission Cymru, Wales School of Social Care Research, the Welsh Government, British Deaf Association and Think Local Act Personal.
- **surveys** – we undertook two surveys:
  - a commissioned telephone survey of service users and carers receiving Direct Payments. A total of 1,028 people from a database of 4,650 valid contacts were surveyed, with 71% completed via telephone and the remainder submitting online survey forms. Of this figure 5% surveyed are carers. All contacts were provided by local authorities using secure data transfer. The survey was conducted between 4 August and 24 September 2021, with 5% of responses completed in Welsh. Given our survey covers both service users and carers who receive Direct Payments, we report information at three levels. Where we say Direct Payment recipients, we mean both service users and carers; and where we specifically reference either ‘service users’ or ‘carers’ means the findings of the survey are specific to these distinct groups of people; and
  - a survey of individuals and agencies paid via Direct Payments to provide care and support to adults in need. The online open survey was completed between 11 June 2021 and 18 August 2021. We received a total of 166 responses, and these came from all 22 local authority areas, with 3% of responses completed in Welsh.
- **data analysis** – we analysed data published by StatsWales on Direct Payments expenditure, the number of adults receiving services and their needs. We also analysed data published by NHS Digital Services in England.

## 2 Determining eligibility for social care and support



Widely known as **the Information, Advice and Assistance service**, this is the front door to adult social care and is the first point of contact for most individuals looking for help.



At the first point of contact, individuals will be offered information, advice and assistance to help them make informed decisions about their wellbeing.

From here, local authorities will often signpost individuals to preventative or community-based services. If a person's needs cannot be met in that way, they will be directed to a professional social worker to discuss their needs in more detail.



Often referred to as the 'What Matters conversation', the assessment of needs undertaken with a social worker is a targeted conversation to gather more information about a person's strengths and needs, to identify the best solutions for them.



If a person's needs cannot be met without local authority support, a care and support plan is co-produced to set out how those needs will be met through the provision of services. This is often referred to as having 'eligible needs'.

These services can be arranged directly by the local authority or, alternatively, funded through Direct Payments – a monetary amount that can be used to purchase and arrange a person's own care and support.

---

### 3 Adults receiving social care services organised by local authority in 2018-19

**Exhibit 8: adults receiving social care services organised by local authority in 2018-19**

Local authority	Total number of adults receiving social services	Number of adults in receipt of Direct Payments	Direct Payments as % of adults receiving services
Blaenau Gwent	3,826	149	3.9%
Bridgend	7,059	232	3.3%
Caerphilly	No data submitted due to technical issues with ICT systems		
Cardiff	15,331	787	5.1%
Carmarthenshire	7,658	538	7.0%
Ceredigion	2,595	336	12.9%
Conwy	7,060	239	3.4%
Denbighshire	2,872	177	6.2%
Flintshire	8,041	437	5.4%
Gwynedd	8,774	137	1.6%
Isle of Anglesey	3,382	139	4.1%
Merthyr Tydfil	2,696	102	3.8%
Monmouthshire	4,449	131	2.9%
Neath Port Talbot	3,371	433	12.8%
Newport	4,462	94	2.1%
Pembrokeshire	4,398	331	7.5%
Powys	5,827	504	8.6%
Rhondda Cynon Taf	7,094	306	4.3%
Swansea	8,932	517	5.8%
Torfaen	3,241	130	4.0%
Vale of Glamorgan	5,533	271	4.9%
Wrexham	8,814	272	3.1%
<b>Wales</b>	<b>125,415</b>	<b>6,262</b>	<b>5.0%</b>

Source: StatsWales, [CARE0118: Adults receiving services by local authority and age group](#)

Following the Welsh Government's decision to suspend data collection in response to the pandemic in 2020, no data on services other than expenditure has been reported nationally since 2018-19.

## 4 Personal Assistant hourly pay rates by local authority

The rates in the Vale of Glamorgan, Torfaen and Blaenau Gwent local authorities vary to take account of weekend, evening and unsocial hours working.

### Exhibit 9: personal assistant hourly pay rates by local authority

Local authority	Personal Assistants rate (per hour)
Merthyr	£12.94
Wrexham	£12.67
Swansea	£12.66
Flintshire	£12.63
Gwynedd	£12.62
Pembrokeshire	£12.40
Denbighshire	£12.33
Carmarthenshire	£12.20
Vale of Glamorgan	£11.24 - £12.18
Rhondda Cynon Taf	£12.15
Bridgend	£12.00
Torfaen	£8.72 - £11.85
Conwy	£11.75
Ynys Môn	£11.65
Powys	£11.41
Cardiff	£11.36
Monmouthshire	£11.04
Ceredigion	£11.00
Neath Port Talbot	£10.50
Blaenau Gwent	£8.72 - £10.00
Newport	£9.50
Caerphilly	£9.47

Source: Swansea Council, Corporate Management Team report, January 2021





Audit Wales

24 Cathedral Road

Cardiff

CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

We welcome telephone calls in  
Welsh and English.

E-mail: [info@audit.wales](mailto:info@audit.wales)

Website: [www.audit.wales](http://www.audit.wales)



## RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

### MUNICIPAL YEAR 2022/23

<b>GOVERNANCE &amp; AUDIT COMMITTEE</b>	<b>Item No. 6</b>
<b>REPORT OF THE DIRECTOR OF FINANCE AND DIGITAL SERVICES</b>	<b>DRAFT STATEMENTS OF ACCOUNT FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH 2022</b>

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

#### **1.0 PURPOSE OF REPORT**

- 1.1 This report provides Governance and Audit Committee with the opportunity to consider the certified draft Statements of Account for the 2021/22 financial year in respect of the Council, Rhondda Cynon Taf Pension Fund, Central South Consortium Joint Education Service Joint Committee and the Annual Return for Llwydcoed Crematorium Joint Committee.
- 1.2 To update Members with regard to the continued impact of COVID 19 on progress of proposed plans for earlier production and audit of the Statements of Account in accordance with Accounts and Audit (Wales) (Amendment) Regulations 2018.

#### **2.0 RECOMMENDATIONS**

It is recommended that Members;

- (a) Consider the Council's certified draft Statement of Accounts for the financial year 2021/22 (Appendix 1);

- (b) Consider the Rhondda Cynon Taf Pension Fund certified draft Statement of Accounts for the financial year 2021/22 (Appendix 2);
- (c) Consider the Central South Consortium Joint Education Service Joint Committee certified draft Statement of Accounts for the financial year 2021/22 (Appendix 3);
- (d) Consider the Llwydcoed Crematorium Joint Committee certified draft Annual Return for the financial year 2021/22 (Appendix 4);
- (e) Consider the impact, if any, upon the Statements of Account and Annual Return of issues and audit reports brought before the Committee during the year; and
- (f) Note the impact of COVID 19 on progress of the proposed plans for earlier production and audit of the Statements of Account and Annual Return in accordance with the requirements of the Accounts and Audit (Wales) (Amendment) Regulations 2018.

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

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

<b>Financial Year</b>	<b>Draft Statement of Accounts certification</b>	<b>Audited Statement of Accounts publication</b>
2017/18	30 <sup>th</sup> June	30 <sup>th</sup> September
2018/19	15 <sup>th</sup> June	15 <sup>th</sup> September
2019/20	15 <sup>th</sup> June	15 <sup>th</sup> September
2020/21	31 <sup>st</sup> May	31 <sup>st</sup> July
2021/22	31 <sup>st</sup> May	31 <sup>st</sup> July

- 3.2 As can be seen from the table, the revised regulations required officers (by 2020/21) to produce the draft Statement of Accounts one month earlier than the 2017/18 deadline and to publish audited accounts two months earlier than the 2017/18 deadline.
- 3.3 To enable officers to work towards the earlier closure requirements, and prior to the COVID 19 outbreak, a draft timetable was prepared. Timescales defined by regulations, the RCT CBC “pre-Covid” closure plan and actual performance are detailed as follows:



Financial Year	Draft Statement of Accounts certification			Audited Statement of Accounts publication		
	Regs	RCT CBC Plan	RCT CBC Actual	Regs	RCT CBC Plan	RCT CBC Actual
2016/17	30 <sup>th</sup> June	15 <sup>th</sup> June	15 <sup>th</sup> June	30 <sup>th</sup> Sept	20 <sup>th</sup> Sept	20 <sup>th</sup> Sept
2017/18	30 <sup>th</sup> June	31 <sup>st</sup> May	31 <sup>st</sup> May	30 <sup>th</sup> Sept	20 <sup>th</sup> Sept	19 <sup>th</sup> Sept
2018/19	15 <sup>th</sup> June	31 <sup>st</sup> May	31 <sup>st</sup> May	15 <sup>th</sup> Sept	31 <sup>st</sup> July	31 <sup>st</sup> July
<b><i>Financial Years impacted by Covid :</i></b>						
2019/20	15 <sup>th</sup> June	31 <sup>st</sup> May	14 <sup>th</sup> July	15 <sup>th</sup> Sept	31 <sup>st</sup> July	25 <sup>th</sup> Nov
2020/21	31 <sup>st</sup> May	31 <sup>st</sup> May	2 <sup>nd</sup> July	31 <sup>st</sup> July	31 <sup>st</sup> July	29 <sup>th</sup> Sept
2021/22	31 <sup>st</sup> May	31 <sup>st</sup> May	28 <sup>th</sup> July	31 <sup>st</sup> July	31 <sup>st</sup> July	<i>Planned 19<sup>th</sup> Oct</i>

3.4 Members will note that for 2017/18, draft accounts were certified by 31<sup>st</sup> May. This was three years ahead of requirements of the regulations. Similarly, the publication date of the 2018/19 audited accounts was 31<sup>st</sup> July 2019, two years ahead of the regulation requirements. Accordingly, we had managed to locally meet the new deadlines two years ahead of the regulatory requirement which positioned us extremely well.

3.5 The above timetable allowed officers to work with Audit Wales to streamline processes, learn from issues with early closure and address them on a timely basis.

3.6 The impact of COVID 19 however required the reprioritisation of resources to support key front line and essential support services to our residents and businesses which resulted in a necessary and managed change to our accounts preparation timetable from 2019/20 to date.

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

4.1 The regulations include a provision whereby if the Responsible Financial Officer does not certify the draft accounts by 31<sup>st</sup> May, there is a requirement to publish a statement setting out the reasons for non-compliance.

4.2 Welsh Government clarified their expectation for the timescales for the preparation and publication of 2021/22 statutory financial accounts, confirming there is no requirement to amend regulations and, in line with the revised 2019/20 and 2020/21 timetable, would require preparation and certification of draft accounts by 31<sup>st</sup> August 2022 and publication of final audited accounts by 30<sup>th</sup> November 2022 for all local government bodies in Wales. However, the Welsh Government encourages Councils to approve earlier wherever possible.

- 4.3 Officers have maintained regular dialogue with Audit Wales with regard to timescales for the production and audit of the Statements of Account. Finance teams are currently working on a hybrid basis (i.e. a mix of home and office based working) and whilst the original timetable, pre Covid-19, was initially targeting the 31<sup>st</sup> May to prepare a draft Statement of Accounts (to be audited by July) this target date was re-set to enable focus and priority to continue to be afforded to supporting key front line and essential support services to our residents and businesses and to manage the ongoing financial implications of COVID-19 on the Council.
- 4.4 In accordance with the requirements set out in paragraph 4.1, appropriate [notices](#) were published on the Council website.
- 4.5 The draft Statement of Accounts for Rhondda Cynon Taf County Borough Council was certified by the Director of Finance and Digital Services on the 28<sup>th</sup> July 2022 and the draft Statement of Accounts for the Rhondda Cynon Taf Pension Fund was certified on the 29<sup>th</sup> July 2022. Subject to ongoing prioritisation of resources and discussions with Audit Wales, we are currently targeting the completion of the audit process and submission to Council of the Rhondda Cynon Taf County Borough Council accounts in October 2022 with the Pension Fund accounts anticipated to be completed slightly later in the autumn and submitted to Council in November 2022.
- 4.6 The Council has administrative responsibility for the production of accounts for the Central South Consortium Joint Education Service Joint Committee. The draft unaudited accounts were presented to the Joint Committee on 7<sup>th</sup> June 2022 and were certified by the Director of Finance and Digital Services on 14<sup>th</sup> June. The audited accounts are scheduled to be presented for approval at the Joint Committee meeting on 20<sup>th</sup> September 2022.
- 4.7 The Council also has administrative responsibility for the production of the Annual Return for the Llwydcoed Crematorium Joint Committee. The Annual Return replaced the requirement for a full Statement of Accounts for the Llwydcoed Crematorium Joint Committee effective from the 2015/16 financial year due to the increase in the threshold of gross income or gross expenditure for smaller relevant bodies, from £1m per year to not more than £2.5m. The draft unaudited Annual Return was certified by the Director of Finance and Digital Services on 31<sup>st</sup> May 2022 and was reported to and approved by the Joint Committee on 2<sup>nd</sup> August 2022.

## **5.0 LOCAL GOVERNMENT MEASURE 2011**

- 5.1 The Statutory Guidance from the Local Government Measure 2011 was published in June 2012 and provided clarity on the role of Audit Committees in the approval process of a Council's Statement of Accounts. The relevant excerpt is shown below.

### **Financial statements**

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

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

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

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

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

5.3 The Guidance (referenced as para 9.22 above) refers to the use of the CIPFA toolkit for local authority Audit Committees. Section 5 of the "toolkit" deals with "Financial reporting and regulatory matters" and attached at Appendix 5 is the full narrative from this section of the toolkit.

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

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

## **7.0 CONSULTATION**

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

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

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

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

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

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

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

## **11.0 CONCLUSION**

- 11.1 Acknowledging the amendment to the planned timescales as a result of managing the impact of COVID 19, the certification of all draft Statements of Account and Annual Return demonstrates the continued effective financial management arrangements at the Council.
- 11.2 The role of the Governance and Audit Committee in the approval process for the Statements of Account of the Council, Pension Fund, Central South Consortium Joint Education Service Joint Committee and Annual Return for Llwydcoed Crematorium Joint Committee is defined in the Statutory Guidance from the Local Government Measure 2011 and this report provides the opportunity for this Committee to discharge these responsibilities.
- 11.3 Officers will continue to work closely with Audit Wales to ensure the continuation of effective joint planning for the audit of the Statements of Account in accordance with the regulations.

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

7<sup>th</sup> September 2022

**DRAFT STATEMENTS OF ACCOUNT FOR THE FINANCIAL YEAR ENDED  
31<sup>st</sup> MARCH 2022**

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

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

**Background Papers**

None.

Officer to contact: Stephanie Davies (Service Director – Finance Services)

Tudalen wag





Draft Statement  
of Accounts  
2021/22



**Rhondda Cynon Taf County Borough Council  
Statement of Accounts 2021/22**

<b>Contents</b>	<b>Page</b>
Narrative Report	1
Statement of Responsibilities for the Statement of Accounts	15
Certificate of the Director of Finance & Digital Services	16
Movement in Reserves Statement	17
Comprehensive Income and Expenditure Statement	24
Balance Sheet	26
Cash Flow Statement	29
Expenditure and Funding Analysis	31
 <i>Notes to the core Financial Statements</i>	
1. Significant Accounting Policies	33
2. Accounting Standards Issued, Not Adopted	46
3. Critical Judgements in Applying Accounting Policies	46
4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty	47
5. Events After the Reporting Period	50
6. Property, Plant & Equipment	50
7. Financial Instruments	55
8. Short Term Debtors	61
9. Cash and Cash Equivalents	62
10. Short Term Creditors	62
11. Provisions	62
12. Other Long-Term Liabilities	63
13. Usable Reserves	64



14.	Unusable Reserves	66
15.	Cash Flow Statement – Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements	70
16.	Cash Flow Statement – Adjustment for Items Included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities	70
17.	Cash Flow Statement – Interest within Operating Activities	70
18.	Cash Flow Statement – Investing Activities	71
19.	Cash Flow Statement – Financing Activities	71
20.	Notes to the Expenditure and Funding Analysis	71
21.	Members’ Allowances	73
22.	Officers’ Remuneration	73
23.	Severance Costs	77
24.	External Audit Costs	77
25.	Non-Domestic Rates	78
26.	Council Tax	78
27.	Grant Income	79
28.	Agency Transactions	79
29.	Related Parties	80
30.	Capital Expenditure and Capital Financing	85
31.	Leases	86
32.	Impairment Losses	88
33.	Retirement Benefits – Defined Benefit Schemes	88
34.	Retirement Benefits – Defined Contribution Schemes	94
35.	Contingent Liabilities	95
36.	Trust Funds	95

**Group Accounts**

Introduction	97
Bodies Consolidation	97
Statement of Group Accounting Policies	98
Group Movement in Reserves Statement	99
Group Comprehensive Income and Expenditure Statement	108
Group Balance Sheet	110
Group Cash Flow	113
<i>Notes to the Group Accounts</i>	
G1. Segmental Analysis (Subsidiary Companies)	114
G2. Long-Term Assets	118
G3. Group Companies Reserve	118
G4. Subsidiary Companies Statutory Accounts	118
G5. Consolidated Adjustment Account	119
G6. Cash Flow- Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements	119
G7. Cash Flow Statement – Adjustment for Items Included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities	119
G8. Cash Flow – Interest with Operating Activities	120
G9. Cash Flow – Investing Activities	120
G10. Cash Flow – Financing Activities	120
G11. Adjustments between Group Accounts and Council Accounts in the Group Movements in Reserve Statement	120
G12. Debtors	121
G13. Creditors	121
G14. Provisions	121

G15. Amgen Cymru Landfill Aftercare	122
Annual Governance Statement	123
Independent Auditor's Report of the Auditor General for Wales	167
Glossary of Terms	172

## **Narrative Report**

### **1. Introduction**

Rhondda Cynon Taf is the third largest Council in Wales with a population of 241,873 (2020 mid-year estimate), serving an area in the South Wales Valleys covering 424 square kilometres, stretching from the Brecon Beacons National Park in the north to the Capital City of Cardiff in the south.

The accounts for 2021/22 have been prepared in accordance with:

- Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 based on International Financial Reporting Standards (IFRS).
- Accounts and Audit (Wales) Regulations 2014 (as amended).

The accounts set out on pages 1 to 166 comply with the above.

### **2. Impact of Major Events**

#### **2.1 Covid-19 and Cost of Living Support**

The Council's financial and operational performance position throughout 2021/22 reflects the context of operating within a very challenging and unprecedented environment as a result of the on-going impact of Covid-19. This has required the Council, like all local authorities in Wales, to continue to adapt and change the way it provides services, many in partnership with others, to help meet the needs of residents and businesses.

The pandemic has resulted in widespread challenges in the delivery of Council services with significant additional cost and income losses that have, throughout 2021/22, been funded by Welsh Government. Specific financial assistance has been provided to local authorities for additional expenditure incurred as a result of Covid-19 (for example, additional costs incurred in respect of housing / homelessness, free school meal payments, Adult Social Services, staff cover due to absence / shielding and increased demand for the Council Tax Reduction Scheme) and also income loss where there has been a need to temporarily suspend or reduce service provision (for example, leisure centres and the provision of school meals).

Welsh Government have stated that they do not intend to continue to provide such additional support going forward and that councils will have to manage these implications through the additional resources provided in the settlement. Exceptions to this are ongoing support for free school meals up to the end of school summer holidays 2022, SSP enhancement and self-isolation payments.

The Council will need to monitor the financial implications of the withdrawal of the Hardship Fund closely moving forward, using any flexibility afforded within its available reserves to transition any permanent additional costs into the base budget over the medium term.

During the financial year, with specific regard to the financial impact of Covid-19, updates have been included within quarterly Performance Reports to Cabinet and the Finance and Performance Scrutiny Committee that have set out actual and projected additional costs and income losses for the year and accompanying Welsh Government Covid-19 funding received. The following table provides details of funding received:

Service Area	Actual Additional Costs / Income Loss Recovered (Quarters 1 - 4)
	£'m
Education & Inclusion Services	(8.050)
Community & Children's Services	(16.112)
Chief Executive	(1.621)
Prosperity, Development & Frontline Services	(2.697)
Authority Wide	(1.600)
<b>TOTAL</b>	<b>(30.080)</b>

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

Due to the impact of the Covid-19 pandemic, Welsh Government continued to make available a large number of grants and financial support packages. Some of these grants are made directly to support local authorities with their additional costs or loss of income because of the pandemic. Others have been to enable local authorities to meet the additional costs related to the pandemic of their commissioned services. There have also been a number of grants or areas of financial support that local authorities have been asked to administer on the Welsh Government's behalf.

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

The table below details the main areas of financial support:

Grant Scheme	£'m	Accounting Treatment
Additional Expenditure and Loss of Income (Hardship Fund)	30.080	Principal
Economic Resilience Fund	0.501	Agent
Economic Resilience Fund - Admin Fee	0.020	Principal
WG - Emergency Non Domestic Rates Scheme	3.120	Agent
WG - NDR Discretionary Grant (Retail, Hospitality, Leisure)	0.238	Agent
WG - Emergency Non Domestic Rates Scheme - Admin Fee	0.291	Principal
Cost of Living (Main Scheme)	13.933	Agent
Cost of Living Admin	0.464	Principal
Cost of Living (Discretionary Scheme)	2.292	Principal
Statutory Sick Pay (SSP) Enhancement	0.157	Agent
Winter Fuel Support Scheme Payments	2.953	Principal
Winter Fuel Support Scheme Payments - Admin Fee	0.140	Principal
Self Isolation payments	4.594	Agent
Self Isolation payments - Admin Fee	0.358	Principal
Freelancer Grant	0.105	Agent
Test Trace Protect	7.973	Principal

## 2.2 The Council's Response to Extreme Weather

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

The recommendations of the Cabinet report of [18<sup>th</sup> December 2020](#), "Review of the Council's response to Storm Dennis" will be monitored by the Council's Cabinet and scrutinised by the Council's Overview and Scrutiny Committee. An update on Flood Alleviation recommendations of the December 2020 report was provided to Council on [29<sup>th</sup> September 2021](#). Updates are provided in quarterly performance reports with a summary of the progress against agreed actions available on this [link](#).

Additional funding from Welsh Government has been made available from the Resilient Road Funding grant.

## 3. Impact of Economic Climate

On the 2<sup>nd</sup> March 2021, the Minister for Housing and Local Government (Julie James AM/MS) announced the 2021/22 Local Government Settlement. This included an overall increase in Revenue Support Grant (RSG) and Non-Domestic Rates funding of 3.8%, with an increase for Rhondda Cynon Taf of 3.8%. Council officers and Members continue to take their fiduciary duty extremely seriously

and this has been demonstrated by the setting of prudent, equitable and fair budgets. The financial results and position demonstrated in this Statement of Accounts reflect sound financial stewardship.

Given the continuing financial pressures the Council is working under, it remains the view of the Director of Finance and Digital Services (Section 151 Officer) that the Council should hold a minimum of £10m as General Fund Balances, (i.e. its working balance). This level is set given the context of the need for continued strong financial management that is felt to be essential to ensure that the Council maintains financial flexibility and stability going forward. As part of year-end arrangements for 2021/22, the Council has utilised additional one-off funding to reinstate general fund reserve balances to the minimum level (i.e. £10.292m as at 31<sup>st</sup> March 2022).

#### **4. Medium Term Financial Plan 2021/22 to 2024/25**

As reported to Council on 29<sup>th</sup> September 2021, the Council has set out assumptions within its [Medium Term Financial Plan 2021/22 to 2024/25](#). The Medium Term Financial Plan is the cornerstone of good governance and is an enabler of service delivery and service improvement within the constraints of available resources. The Public Sector has faced a prolonged period of real term reductions in funding levels for a number of years and unprecedented challenges lie ahead for services across local government, not least as a result of the national and international economic impact of the coronavirus pandemic. This position is also coupled with increasing demand and costs associated with many services, in particular Social Care Services and the need to support our residents, businesses and communities in recovering from the pandemic.

Locally, this Council has demonstrated its ability and willingness to invest in services over a long term period, linked to our priorities as set out in the Council's Corporate Plan "[Making a Difference - 2020 – 2024](#)", in order to meet the changing needs of our residents and communities. The significant 'additional' investment already agreed by Members during recent years is providing real improvements across many areas including Extra Care facilities, Schools, Town Centres, Roads, and Parks and Play Areas.

Whilst investment through the use of one-off funds has been very positive, the Council recognises that it must still address base budget shortfalls and make difficult decisions to balance its ongoing revenue budget into the medium term. The Council continues to focus on the budget gap position over the medium term and has successfully implemented a strategy of early identification and delivery of base budget reducing measures in-year. This has enabled the Council to deliver financial savings early and to replenish the Medium Term Financial Planning and Service Transformation Reserve which has been used proactively as part of the budget strategy for a number of years.

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

For 2021/22 the Council's Corporate Plan 2020-2024 was the key strategic plan, focusing on 3 priorities:

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

A set of key commitments sits underneath each core priority:

- **People:**
  - Supporting our residents who are older, vulnerable or who have disabilities, to remain independent and have a good quality of life
  - Encouraging all residents to lead active and healthy lifestyles and maintain their mental wellbeing
  - Integrating health and social care and providing support for those with mental health problems and complex needs
  - Improving services for children and young people and ensuring the needs of children are considered in everything we do
- **Places:**
  - Keeping RCT clean through efficient street cleaning services, minimising the amount of waste we send to landfill, achieving our recycling targets through weekly recycling and regular refuse collections, and reducing our carbon footprint
  - Keeping the County Borough moving, including improvements to roads and pavements and public transport, whilst also improving air quality
  - Ensuring the County Borough is one of the safest places in Wales, with high levels of community cohesion and where residents feel safe
  - Getting the best out of our parks by looking after and investing in our greenspaces
- **Prosperity:**
  - Investing in our town centres, bringing jobs and homes into our town centres to create vibrant, thriving places people wish to live, work and socialise
  - Delivering major regeneration and transportation schemes, maximising the impact of the new South Wales Metro, to create better places to live and work, whilst protecting and enhancing the County Borough
  - Ensuring we have good schools, so all children have access to a great education
  - Increase the number of quality homes available and affordable to provide greater housing choice for residents
  - Helping people into work and better paid employment

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



During 2021/22, the Council's Cabinet received progress updates on the delivery of the three Corporate Plan priorities, these being reported as part of the Council's quarterly performance reporting arrangements and Cabinet confirmed that they were satisfied with the progress made. Following this, the Performance Reports were reported to the Council's Finance and Performance Scrutiny Committee for review and challenge (the quarter 4 / year-end Performance Report was reported to the Overview and Scrutiny Committee in line with the Council's updated scrutiny arrangements for the Council term 2022 - 2027).

The Council also publishes a Corporate Performance Report each year setting out an assessment of performance across its Corporate Plan priorities for the previous year and priority plans for the year ahead. The 2021/22 [report](#) was approved by Council on 20<sup>th</sup> October 2021. The publication of the Corporate Performance Report ensures the Council complies with its statutory responsibilities to assess its performance and set out plans for the year ahead in line with the Well-being of Future Generations Act 2015.

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

- Digitalisation - in line with the Council's updated Digital Strategy (2022-2026) approved by Cabinet on [21st March 2022](#) setting out the Council's vision of being a truly "Digitally Driven Council," that provides excellent services, which are efficient, effective and designed with the person and modern customer expectations at their heart and delivered by a digitally empowered workforce.
- Commercialisation - creating the conditions within the Council in terms of capacity and capability to widen opportunities to trade with external organisations.
- Early Intervention and Prevention - investing in preventative services to support the delivery of savings in the medium term.
- Independence - modernising and reshaping services to ensure independence is promoted for vulnerable residents; this includes building Extra Care facilities and linking into community hub provision.
- Efficient and Effective Organisation - challenging on-going service delivery and driving out further efficiencies through bringing together similar back-office functions, reducing administration costs and also the size of the property portfolio.

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

- Regeneration Projects;
- Improving school buildings and facilities;

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

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

The Cwm Taf Well-being Objectives are:

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

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

- A globally responsible Wales;
- A prosperous Wales;
- A resilient Wales;
- A healthier Wales;
- A more equal Wales;
- A Wales of cohesive communities; and
- A Wales of vibrant culture and thriving Welsh Language.

## **6. Explanation of Core Financial Statements**

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

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

In the financial statements for 2021/22, two joint committees are consolidated:

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

**Group Accounts** - Amgen Cymru Ltd. and Amgen Rhondda Ltd have been identified as group companies and have been consolidated into the group financial statements. Based on materiality, the associate company is not consolidated. Subsidiary companies are consolidated into the group statements using the acquisition method.

**Annual Governance Statement** – this is included within the Statement of Accounts. This statement details the Council’s governance arrangements and reviews its effectiveness.

## **7. Revenue Income and Expenditure 2021/22**

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

The broad objectives of [The Council’s 2021/2022 Revenue Budget Strategy](#) were to:

- Support the delivery of our key strategic priorities (as set out in the Corporate Plan “Making a Difference” 2020-2024):
  - People – Are independent, healthy and successful
  - Places – Where people are proud to live, work and play
  - Prosperity – Creating the opportunity for people and businesses to: be innovative; be entrepreneurial; and fulfil their potential and prosper;
- Retain the support of Audit Wales for the approach the Council has adopted to securing strong financial management;
- Continue with the delivery of our key services and protect as many local jobs as possible; and
- Take a responsible approach to the level of Council Tax.

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

- **Chief Executive** - Providing the authority wide functions of Human Resources; Democratic Services & Communications; Legal Services; the frontline services of Customer Care, Housing Benefit & Council Tax administration; and key support services of Finance, ICT & Digital Services, Corporate Estates Management and Procurement.
- **Prosperity, Development & Frontline Services** - Providing the frontline services of Highways; Transportation; Strategic Projects; Streetcare (including Waste and Street Cleansing) and Parks Services; together with Regeneration, Housing, Planning Services and Marketing, Events, Tourism & Design.

- **Education & Inclusion Services** - Providing support services to schools; Access and Inclusion; Education Other than At School; School Admissions and Governance; Early Years Services; Attendance and Wellbeing; 21<sup>st</sup> Century Schools; Asset and Data Management; Music Services; Catering Services; and school improvement support in partnership with the Central South Consortium.
- **Community & Children's Services** - Providing Adult Services (Community Care Services and Health & Social Care Services); Children's Services; Community Housing Services; Public Health & Protection; Leisure, Countryside & Cultural Services (including Theatres); Visitor Attractions & Heritage; Community Learning Services; Libraries; Welsh Language Services; Youth Engagement & Participation and Employment Programmes.

The following table details each of the service groups' actual net expenditure and budget during 2021/22. Further details were published on the Council's website within the year-end Performance Report for 2021/22.

This represents the net revenue expenditure of the Council in line with the statutory provisions that need to be taken into account when setting local taxes.

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

Service Group	Budget	Spend	Variance
	£'000	£'000	£'000
Chief Executive	31,720	31,431	(289)
Community & Children's Services	168,059	168,589	530
Education & Inclusion Services	195,536	195,425	(111)
Prosperity, Development & Frontline Services	59,237	59,375	138
<b>Total</b>	<b>454,552</b>	<b>454,820</b>	<b>268</b>
Authority Wide Budgets	73,351	73,296	(55)
<b>Total</b>	<b>527,903</b>	<b>528,116</b>	<b>213</b>

	£'000
<b>Council Fund Reserves as at 31st March 2021</b>	<b>(8,505)</b>
General Fund in-year contribution	(2,000)
Revenue Budget Out-turn (Variance as above)	213
<b>Council Fund Reserves as at 31st March 2022</b>	<b>(10,292)</b>

Expenditure on services amounted to £834m and this can be analysed over the following expenditure categories:

Type of Expenditure	£'m	%
Employees	399	48
Premises	33	4
Transport	25	3
Supplies and Services	88	11
Payments to Third Parties	147	18
Transfer Payments	87	10
Capital Charges	53	6
Other Operating Costs (e.g. Support Services)	2	0
<b>Total Gross Expenditure</b>	<b>834</b>	<b>100</b>

Income during the year totalled £955m and came from the following sources:

Income Analysis	£'m	%
Direct Service Income		
Specific Grants	238	25
Sales, Fees & Charges	35	4
Other Income	47	5
<b>Sub-Total Direct Service Income</b>	<b>320</b>	<b>34</b>
Other Income		
Council Tax	146	15
Non-Domestic Rates	79	8
Non-Ringfenced Government Grants	334	35
Capital Grants and Contributions	74	8
Other	2	0
<b>Total Income</b>	<b>955</b>	<b>100</b>

## 8. Capital Expenditure and Income 2021/22

During the year the Council incurred £105.9m of capital expenditure, as summarised below:

Group	£'000
Chief Executive	3,765
Prosperity, Development & Frontline Services	68,409
Community & Children's Services	6,710
Education & Inclusion Services	27,062
<b>Total</b>	<b>105,946</b>

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

Capital Expenditure	£'000
Tangible Long-Term Assets	90,667
Intangible Long-Term Assets	1,853
Revenue Expenditure Funded from Capital under Statute	13,426
<b>Total</b>	<b>105,946</b>

This expenditure was financed as follows:

<b>Capital Financing</b>	<b>£'000</b>
Revenue Funding	17,265
Borrowing	12,426
Grants	75,446
Third Party Contributions	809
<b>Total</b>	<b>105,946</b>

Significant expenditure was incurred on:

- Disabled Facilities Grants/Adaptations (DFG);
- Fleet Vehicles;
- Highways improvements;
- Robertstown Development;
- Storm Dennis Flood Recovery;
- Transforming Towns, Taff Street and Sardis Road Properties;
- Valleys Taskforce RCT and Empty Homes;
- Ysgol Gyfun Rhydywaun; and
- Ysgol Gynradd Gymraeg Aberdar School Modernisation.

## 9. Summary of Future Capital and Revenue Plans

The priorities included within the Council's Corporate Plan 2020-2024 "Making a Difference" need to be underpinned by robust financial management. Forward looking financial and service planning arrangements are critical in ensuring the Council's priorities are affordable and lead the work to become more efficient, transform services and deliver investment priorities.

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

A summary of the [Capital Programme 2022-2025](#) agreed by Council in March 2022 is as follows:

<b>Group Expenditure</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Chief Executive	2,909	1,975	1,975	<b>6,859</b>
Prosperity, Development & Frontline Services	52,567	19,875	16,112	<b>88,554</b>
Education & Inclusion Services	26,128	4,567	4,265	<b>34,960</b>
Community & Children's Services	12,396	5,011	990	<b>18,397</b>
<b>Total</b>	<b>94,000</b>	<b>31,428</b>	<b>23,342</b>	<b>148,770</b>

Estimated resources required to fund the future Capital Programme are:

Estimated Resources Required to Fund Capital Programme	2022/23	2023/24	2024/25	Total
	£'000	£'000	£'000	£'000
Supported Borrowing	6,867	6,867	6,867	20,601
Unsupported Borrowing	11,502	289	1,000	12,791
Capital Grants	27,074	12,122	4,732	43,928
Third Party Contributions	259	13	0	272
General Fund Capital Resources	20,710	4,287	2,751	27,748
Revenue Contributions	27,588	7,850	7,992	43,430
<b>Total</b>	<b>94,000</b>	<b>31,428</b>	<b>23,342</b>	<b>148,770</b>

As at 31<sup>st</sup> March 2022, major capital commitments over the next three years (per the Capital Programme 2022-2025) include the following schemes:

Scheme	£'000
Porth Interchange Metro+ Local Transport Fund (LTF)	5,939
Disabled Facilities Grants/Adaptations (DFG)	12,000
Highways Improvements	6,800
Structures	6,250
Transportation Infrastructure	27,765
Storm Dennis Flood Recovery	6,441
Vehicles	7,719
School Modernisation	7,577
YG Rhydywaun School Modernisation	5,235
Modernisation Programme (Adults)	6,264
Muni Arts Centre Redevelopment	5,324

A summary of the Council's [revenue budget for 2022/23](#) (agreed in March 2022) is outlined below:

Service Area	£'000
Authority Wide	75,716
Individual Schools Budget	174,966
Community & Children's Services	183,619
Prosperity, Development and Frontline Services	65,993
Chief Executive	32,673
Education & Inclusion Services	33,825
<b>Total</b>	<b>566,792</b>

## 10. Borrowing Arrangements and Sources of Funds

Each year, in accordance with the Local Government Act 2003 and the Prudential Code, the Council is required to set limits in relation to borrowing and to set various other prudential and treasury indicators.

The limit set at the start of the financial year was as follows:

The Authorised borrowing limit approved at the start of the year was £532.0m.

The Council's borrowing totals £392.7m, of which £373.5m is long-term and £19.2m is short-term. This external borrowing is from the Public Works Loan Board (PWLB) £221.5m, Welsh Government repayment funding £80.6m, £90.6m from market loans and other sources.

The Council is required to prepare a Treasury Management Strategy and a Capital Strategy for the forthcoming year, and these were approved by full Council on 10<sup>th</sup> March 2021 for the 2021/22 financial year. The Council's Treasury Management Practices allow the Council to raise funds from a variety of sources, including the PWLB and the money market. The Section 151 Officer is authorised to take the most appropriate form of borrowing from approved sources within the overall borrowing limits set by Council.

## 11. Pensions Assets and Liabilities

As a result of International Accounting Standard (IAS) 19 "Employee Benefits", local authorities are required to account for pensions liabilities in respect of the cost of decisions made up to the Balance Sheet date. Please refer to notes 14.4 and 33.0 to the Core Financial Statements for further details. The effect of IAS 19 upon the reserves of the Council is as follows:

	£'000
Net Assets excluding Pensions Reserve	1,095,794
Net Assets as per Balance Sheet	490,834

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

On 15<sup>th</sup> March 2016, the ten Council Leaders in South East Wales, the First Minister, the Welsh Government Minister for Finance and Government Business, the Secretary of State for Wales and the Chief Secretary to the Treasury signed the Cardiff Capital Region City Deal, an agreement between the UK Government, the Welsh Government and the ten leaders to develop and manage £1.2 billion investment in the Cardiff Capital Region's infrastructure through a 20-year Investment Fund. This investment comprises £734m on a Metro scheme and £495m for Investment in infrastructure, housing, skills and training, innovation, business growth and "Metro plus" transport proposals. On 25<sup>th</sup> February 2021, Rhondda Cynon Taf Cabinet received a report [The Cardiff Capital Region City Deal – Five Years On](#). This report provides an update on the progress made by the Cardiff Capital Region Joint Cabinet in respect of the agreed commitments set out in the CCRCD. Some of the major investments in the last five years are:

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

On [27th January 2022](#), Cabinet received an update on Welsh Government Regulations to establish Corporate Joint Committees and the impact this has on the Cardiff Capital Region Joint Committee. As reported to Cabinet on [4th](#)



[October 2021](#), the CCRCD Cabinet on 20th September 2021 agreed to transition CCR's existing operational and delivery model into a single corporate body, the South East Wales Corporate Joint Committee (SEWCJC). This would mean carrying across CCR's existing governance arrangements under the Joint Working Arrangement to the CJC such that the CJC adopts the existing decision-making and oversight role of the Joint Committee. They also agreed to undertake an exercise analysing existing projects/pipeline projects and, where appropriate (in the case of existing projects), transferring such projects to the CJC to act as the vehicle for project delivery going forwards.

For 2021/22 the Joint Committee accounts of CCRCD (which includes the subsidiary company CSC Foundry Ltd) have been consolidated into the Council's accounts based upon the population figures as specified in the Joint Working Agreement approved by Council on 25<sup>th</sup> January 2017.

## Statement of Responsibilities for the Statement of Accounts

### The Council's Responsibilities

The Council is required:

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

I confirm that these accounts were approved by Council.

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

**Presiding Officer**  
Rhondda Cynon Taf CBC  
The Pavilions  
Cambrian Park  
Clydach Vale  
Tonypany  
CF40 2XX

## The Director of Finance & Digital Services' Responsibilities

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

In preparing this Statement of Accounts, the Director has:


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

The Director has also throughout the financial year:

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

## Certificate of the Director of Finance & Digital Services on the Accounts of Rhondda Cynon Taf CBC for 2021/22

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

Signature:  \_\_\_\_\_ Date: 28 July 2022 \_\_\_\_\_

**Barrie Davies**  
**Director of Finance & Digital Services**  
Rhondda Cynon Taf CBC  
The Pavilions  
Cambrian Park  
Clydach Vale  
Tonypany  
CF40 2XX

## **Movement in Reserves Statement (MiRS)**

This Statement shows the movement in the year on the different reserves held by the Council, analysed into “usable reserves” (i.e. those that can be applied to fund expenditure or reduce local taxation) and “unusable reserves”. The Total Comprehensive Income and Expenditure line shows the economic cost of providing the Council’s services on an International Financial Reporting Standards basis, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the Council Fund Balance for Council Tax setting. The Net Increase/(Decrease) before transfers to Earmarked Reserves line shows the statutory Council Fund Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the Council.

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

	Council Fund Balance	Earmarked Reserves: Capital, Treasury & Insurance	Earmarked Reserves: Other Revenue Related	Delegated Schools Reserve	Usable Capital Receipts Reserve	Capital Grants Unapplied Account	MGCC Insurance Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves of the Council
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Notes:</b>	13.1	13.2	13.2	13.3	13.4	13.5			14.0	
<b>Balance at 1<sup>st</sup> April 2020</b>	8,709	69,616	39,028	2,384	1,750	24,934	136	<b>146,557</b>	53,175	<b>199,732</b>
<b>Movement in reserves during 2020/21:</b>										
Total Comprehensive Income and Expenditure	34,811	0	(118)	0	0	0	0	<b>34,693</b>	(8,950)	<b>25,743</b>
<b>Adjustments between accounting basis and funding under regulations:</b>										
<b>Adjustments primarily involving the Capital Adjustment Account:</b>										
<b>Reversal of items debited/credited to CI&amp;ES:</b>										
Charges for depreciation and impairment of long-term assets	28,566	0	0	0	0	0	0	<b>28,566</b>	(28,566)	<b>0</b>
Revaluation losses on property, plant & equipment	36,900	0	0	0	0	0	0	<b>36,900</b>	(36,900)	<b>0</b>
Movement in the fair value of Investment Properties	215	0	0	0	0	0	0	<b>215</b>	(215)	<b>0</b>
Capital Grants and Contributions applied	0	0	0	0	0	0	0	<b>0</b>	0	<b>0</b>
Amortisation of intangible assets	1,675	0	0	0	0	0	0	<b>1,675</b>	(1,675)	<b>0</b>
Revenue expenditure funded from capital under statute	10,735	0	0	0	0	0	0	<b>10,735</b>	(10,735)	<b>0</b>

*Continued Overleaf...*

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

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

Movement in Reserves Statement for the year ended 31<sup>st</sup> March 2022

	Council Fund Balance	Earmarked Reserves: Capital, Treasury & Insurance	Earmarked Reserves: Other Revenue Related	Delegated Schools Reserve	Usable Capital Receipts Reserve	Capital Grants Unapplied Account	MGCC Insurance Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves of the Council
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Notes:</b>	13.1	13.2	13.2	13.3	13.4	13.5			14.0	
<b>Balance at 1<sup>st</sup> April 2021</b>	8,505	76,829	73,791	12,035	3,954	32,363	185	<b>207,662</b>	17,813	<b>225,475</b>
<b>Movement in reserves during 2021/22:</b>										
Total Comprehensive Income and Expenditure	56,361	0	684	0	0	0	0	<b>57,045</b>	208,312	<b>265,357</b>
<b>Adjustments between accounting basis and funding under regulations:</b>										
<b>Adjustments primarily involving the Capital Adjustment Account:</b>										
<b>Reversal of items debited/credited to CI&amp;ES:</b>										
Charges for depreciation and impairment of long-term assets	3,491	0	94	0	0	0	0	<b>3,585</b>	(3,585)	<b>0</b>
Revaluation losses on property, plant & equipment	34,490	0	1,094	0	0	0	0	<b>35,584</b>	(35,584)	<b>0</b>
Movement in the fair value of Investment Properties	610	0	114	0	0	0	0	<b>724</b>	(724)	<b>0</b>
Capital Grants and Contributions applied	0	0	(603)	0	0	0	0	<b>(603)</b>	603	<b>0</b>
Government Grant Deferred Adjustment	0	0	0	0	0	0	0	<b>0</b>	0	<b>0</b>
Amortisation of intangible assets	1,582	0	0	0	0	0	0	<b>1,582</b>	(1,582)	<b>0</b>
Movement in the Donated Assets Account	(1,020)	0	0	0	0	0	0	<b>(1,020)</b>	1,020	<b>0</b>
Revenue expenditure funded from capital under statute	13,425	0	0	0	0	0	0	<b>13,425</b>	(13,425)	<b>0</b>

Continued Overleaf...



Amounts of long-term assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	758	0	0	0	0	0	0	0	758	(758)	0
<b>Insertion of items not debited/ credited to CI&amp;ES:</b>											
Statutory provision for the financing of capital investment	(14,511)	0	0	0	0	0	0	0	(14,511)	14,511	0
Capital expenditure charged against the Council Fund Balances	(17,264)	0	0	0	0	0	0	0	(17,264)	17,264	0
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>											
Capital grants and contributions unapplied credited to CI&ES	(81,868)	0	0	0	0	81,868	0	0	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	(76,256)	0	(76,256)	76,256	0	0
<b>Adjustments involving the Capital Receipts Reserve:</b>											
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CI&ES	(1,079)	0	0	0	1,079	0	0	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	0	0	0	0	0	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0	423	0	0	423	(423)	0	0
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>											
Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements	(90)	0	0	0	0	0	0	(90)	91	1	0
<b>Adjustments involving the Pensions Reserve:</b>											
Reversal of items relating to retirement benefits debited or credited to the CI&ES	97,810	0	463	0	0	0	0	98,273	(98,273)	0	0
<i>Continued Overleaf...</i>											

Employer's pensions contributions and direct payments to pensioners payable in the year	(37,170)	0	(62)	0	0	0	0	(37,232)	37,232	0
<b>Adjustment involving the Accumulated Absences Account:</b>										
Amount by which officer remuneration charged to the CI&ES on an accruals basis	933	0	7	0	0	0	0	940	(939)	1
<b>Other adjustments include:</b>										
Adjustment between the Capital Adjustment Account and the Revaluation Reserve	0	0	0	0	0	0	0	0	0	0
Depreciation of long-term asset revaluation gains	0	0	0	0	0	0	0	0	0	0
<b>Net increase or (decrease) before transfers to Earmarked Reserves</b>	56,458	0	1,791	0	1,502	5,612	0	65,363	199,996	265,359
<b>Transfers to or from Earmarked Reserves</b>	(54,671)	9,108	36,840	8,526	213	0	(16)	0	0	0
<b>Increase or (decrease) in the year</b>	1,787	9,108	38,631	8,526	1,715	5,612	(16)	65,363	199,996	265,359
<b>Balance at 31<sup>st</sup> March 2022</b>	<b>10,292</b>	<b>85,937</b>	<b>112,422</b>	<b>20,561</b>	<b>5,669</b>	<b>37,975</b>	<b>169</b>	<b>273,025</b>	<b>217,809</b>	<b>490,834</b>

## **Comprehensive Income and Expenditure Statement (CI&ES)**

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

**Comprehensive Income and Expenditure Statement for the year ended  
31<sup>st</sup> March 2022**

2020/21			Note:	2021/22		
Gross Exp	Gross Income	Net Exp		Gross Exp	Gross Income	Net Exp
£'000	£'000	£'000		£'000	£'000	£'000
109,676	(24,785)	84,891	Prosperity, Development & Frontline Services	118,852	(32,872)	85,980
65,526	(10,109)	55,417	Chief Executive	54,428	(11,847)	42,581
257,439	(56,989)	200,450	Education & Inclusion Services	275,610	(71,802)	203,808
262,473	(81,609)	180,864	Community & Children's Services	292,365	(110,540)	181,825
98,130	(113,705)	(15,575)	Authority Wide Budgets	90,373	(90,493)	(120)
1,308	(1,758)	(450)	Joint Committees	2,478	(2,413)	65
<b>794,552</b>	<b>(288,955)</b>	<b>505,597</b>	<b>Cost of Services</b>	<b>834,106</b>	<b>(319,967)</b>	<b>514,139</b>
			<b>Other Operating Expenditure</b>			
23,230	0	23,230	Precepts	24,316	0	24,316
12,406	0	12,406	Levies	12,901	0	12,901
0	(358)	(358)	(Gains) or Losses on Disposal of Non-Current Assets	0	(319)	(319)
		0				
		0	<b>Financing and Investment Income and Expenditure</b>			
11,397	0	11,397	Interest Payable and Similar Charges	11,171	0	11,171
14,579	0	14,579	Net Interest on Net Defined Liability	14,491	0	14,491
0	(597)	(597)	Interest Receivable and Similar Income	0	(640)	(640)
1,310	(324)	986	Income, Expenditure and Changes in the Fair Value of Investment Properties	628	(324)	304
		0				
		0	<b>Taxation and Non-Specific Grant Income</b>			
0	(140,915)	(140,915)	Council Tax Income	0	(146,388)	(146,388)
0	(74,592)	(74,592)	NDR Distribution	0	(79,250)	(79,250)
0	(321,312)	(321,312)	Non-Ringfenced Government Grants	0	(333,966)	(333,966)
0	(64,987)	(64,987)	Capital Grants and Contributions	0	(73,881)	(73,881)
0	(127)	(127)	Corporation Tax - Joint Committees	77	0	77
<b>857,474</b>	<b>(892,167)</b>	<b>(34,693)</b>	<b>(Surplus) or Deficit on the Provision of Services</b>	<b>897,690</b>	<b>(954,735)</b>	<b>(57,045)</b>
14,468	(18,999)	(4,531)	(Surplus) or Deficit on Revaluation of Property, Plant & Equipment Assets	4,149	(47,682)	(43,533)
13,481	0	13,481	Remeasurement of the Net Defined Benefit Liability	0	(164,779)	(164,779)
<b>27,949</b>	<b>(18,999)</b>	<b>8,950</b>	<b>Other Comprehensive Income and Expenditure</b>	<b>4,149</b>	<b>(212,461)</b>	<b>(208,312)</b>
<b>885,423</b>	<b>(911,166)</b>	<b>(25,743)</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>901,839</b>	<b>(1,167,196)</b>	<b>(265,357)</b>

## **Balance Sheet**

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

Balance Sheet as at 31<sup>st</sup> March 2022

31/03/21			31/03/22	
£'000		Note:	£'000	£'000
	<b>Long-Term Assets</b>	Property, Plant & Equipment:	6.0	
709,205		Other Land & Buildings		759,282
497,215		Infrastructure		526,504
11,987		Vehicles, Plant & Equipment		15,129
5,074		Community Assets		5,011
1,983		Assets Under Construction		15,832
145		Heritage Assets		145
8,164		Investment Properties		7,546
0		Defined Benefit Pension Scheme Asset		230
3,204		Long-Term Intangible Assets		3,475
6,615		Long-Term Investments	7.1	2,615
3,035		Investment in Subsidiaries		3,032
4,919		Long-Term Debtors		7,122
<b>1,251,546</b>		<b>TOTAL LONG-TERM ASSETS</b>		<b>1,345,923</b>
	<b>Current Assets</b>	Short-Term Investments	7.1	133,770
23,479		Assets Held for Sale		1,196
705		Inventories		1,443
2,681		Short-Term Debtors	8.0	146,188
123,020		Cash and Cash Equivalents	9.0	18,792
14,533		<b>TOTAL CURRENT ASSETS</b>		<b>301,389</b>
<b>164,418</b>				
	<b>Current Liabilities</b>	Cash and Cash Equivalents	9.0	(15,772)
(20,932)		Short-Term Borrowing	7.1	(19,156)
(32,176)		Short-Term Donated Assets Account		0
(1,515)		Short-Term Provisions	11.0	(1,508)
(1,636)		Short-Term Creditors	10.0	(131,370)
(111,146)		<b>TOTAL CURRENT LIABILITIES</b>		<b>(167,806)</b>
<b>(167,405)</b>				
	<b>Long-Term Liabilities</b>	Long-Term Creditors		(3,986)
(6,770)		Long-Term Provisions	11.0	(3,439)
(3,580)		Capital Grants Receipts in Advance		(1,798)
0		Long-Term Borrowing	7.1	(373,531)
(303,324)		Other Long-Term Liabilities	12.0	(605,795)
(709,287)		Long-Term Donated Assets Account		(123)
(123)		<b>TOTAL LONG-TERM LIABILITIES</b>		<b>(988,672)</b>
<b>(1,023,084)</b>				
<b>225,475</b>	<b>NET ASSETS</b>			<b>490,834</b>

Continued Overleaf...

8,505	<b>Usable Reserves</b>	Council Fund Balance	13.1	10,292	
		Earmarked Reserves:	13.2		
76,829		Capital, Treasury and Insurance Reserves	13.2	85,937	
73,791		Other Revenue Related Reserves	13.2	112,422	
12,035		Delegated Schools Reserve	13.3	20,561	
3,954		Usable Capital Receipts Reserve	13.4	5,669	
32,363		Capital Grant Unapplied Account	13.5	37,975	
185		MGCC Insurance Reserve		169	
<b>207,662</b>			<b>TOTAL USABLE RESERVES</b>		
207,440	<b>Unusable Reserves</b>	Revaluation Reserve	14.1	243,860	
423		Deferred Capital Receipts Reserve		0	
529,843		Capital Adjustment Account	14.2	590,952	
(5,399)		Financial Instruments Adjustment Account	14.3	(5,308)	
(708,698)		Pensions Reserve	14.4	(604,960)	
(5,796)		Short-Term Accumulating Compensated Absence Account		(6,735)	
<b>17,813</b>		<b>TOTAL UNUSABLE RESERVES</b>			<b>217,809</b>
<b>225,475</b>	<b>TOTAL RESERVES</b>				<b>490,834</b>

## **Cash Flow Statement**

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.



**Cash Flow Statement 2021/22**

2020/21 £'000		Note:	2021/22	
			£'000	£'000
(34,693)	Net (Surplus) or Deficit on the Provision of Services		(57,045)	
(96,422)	Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements	15.0	(91,611)	
67,703	Adjustments for Items Included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities	16.0	75,596	
<b>(63,412)</b>	<b>Net Cash Flows from Operating Activities</b>			<b>(73,060)</b>
25,667	Investing Activities	18.0	141,460	
39,420	Financing Activities	19.0	(58,981)	82,479
<b>1,675</b>	<b>Net Increase or Decrease in Cash or Cash Equivalents</b>			<b>9,419</b>
4,724	Cash and Cash Equivalents at the Beginning of the Reporting Period	9.0		(6,399)
<b>6,399</b>	<b>Cash and Cash Equivalents at the End of the Reporting Period</b>	9.0		<b>3,020</b>

## **Expenditure and Funding Analysis**

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

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

The Expenditure and Funding Analysis;

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

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

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

	2020/21		
	Income and Expenditure Chargeable to the Council Fund	Adjustments Between Funding and Accounting Basis	Net Expenditure for the Equivalent Amounts for CI&ES
	£'000	£'000	£'000
Prosperity, Development & Frontline Services	55,510	29,381	84,891
Chief Executive	30,236	25,181	55,417
Education & Inclusion Services	191,767	8,683	200,450
Community & Children's Services	160,351	20,513	180,864
Authority Wide Budgets	71,087	(86,662)	(15,575)
Joint Committees	0	(450)	(450)
<b>Cost of Services</b>	<b>508,951</b>	<b>(3,354)</b>	<b>505,597</b>
<b>Other Income and Expenditure</b>	<b>(508,747)</b>	<b>(31,543)</b>	<b>(540,290)</b>
<b>(Surplus) or Deficit</b>	<b>204</b>	<b>(34,897)</b>	<b>(34,693)</b>
Opening Council Fund at 31 <sup>st</sup> March 2020	(8,709)		
Less (Surplus) Deficit on Council Fund in Year	204		
<b>Closing Council Fund at 31<sup>st</sup> March 2021</b>	<b>(8,505)</b>		

**Expenditure and Funding Analysis Statement for the year ended 31<sup>st</sup> March 2022**

	2021/22		
	Income and Expenditure Chargeable to the Council Fund	Adjustments Between Funding and Accounting Basis	Net Expenditure for the Equivalent Amounts for CI&ES
	£'000	£'000	£'000
Prosperity, Development & Frontline Services	59,374	26,606	85,980
Chief Executive	31,431	11,151	42,582
Education & Inclusion Services	195,435	8,372	203,807
Community & Children's Services	168,589	13,236	181,825
Authority Wide Budgets	73,297	(73,417)	(120)
Joint Committees	0	65	65
<b>Cost of Services</b>	<b>528,126</b>	<b>(13,987)</b>	<b>514,139</b>
<b>Other Income and Expenditure</b>	<b>(529,913)</b>	<b>(41,271)</b>	<b>(571,184)</b>
<b>(Surplus) or Deficit</b>	<b>(1,787)</b>	<b>(55,258)</b>	<b>(57,045)</b>
Opening Council Fund at 31 <sup>st</sup> March 2021	(8,505)		
Less (Surplus) Deficit on Council Fund in Year	(1,787)		
<b>Closing Council Fund at 31<sup>st</sup> March 2022</b>	<b>(10,292)</b>		

## **Notes to the Core Financial Statements**

### **1.0 Significant Accounting Policies**

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

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

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

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

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

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

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

#### **1.2 Cash and Cash Equivalents**

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

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

#### **1.3 Contingent Liabilities**

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

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

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

## 1.4 **Employee Benefits**

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

### **Termination Benefits**

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

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

### **Pensions**

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

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

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

- The liabilities of the Rhondda Cynon Taf Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.7% in 2021/22 (2.1% in 2020/21).
- The assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:

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

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

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

### **Discretionary Benefits**

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

### **Accumulated Absence**

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

## **1.5 Events after the Reporting Period**

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

Two types of events can be identified;

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

## **1.6 Financial Instruments**

Financial Instruments consist of Financial Liabilities and Financial Assets.

### **Financial Liabilities**

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

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

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

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

## Financial Assets

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

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

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

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

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

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

### 1.7 Intangible Assets

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

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

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

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



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

## **1.8 Leases**

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

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

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

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

### **Finance Leases**

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

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

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

### **Operating Leases**

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

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

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

## 1.9 **Property, Plant and Equipment**

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

### 1.9.1 Recognition

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

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

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

### 1.9.2 Measurement

Assets are initially measured at cost, comprising:

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

The Council does not capitalise borrowing costs.

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

Tangible Long-Term assets are valued on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued

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

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

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

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

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

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

In the accounts there are approximately 169 Surplus Assets with a recurring fair value of £4.1m. Most of the assets are valued at level 2 inputs, with the exception of one asset which has been valued at £100k using level 3 inputs. For this asset an adjustment has been made to the level 2 inputs to take into account the condition of the asset.

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

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

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

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

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

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

### 1.9.3 Impairment

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

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

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

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### 1.9.4 Depreciation

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

Exceptions are made for:

- Heritage Assets.
- Assets without a determinable finite useful life such as freehold land.

- Assets that are not yet available for use i.e. assets under construction and assets held for sale.

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

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

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

### 1.9.5 Disposals and Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. These assets are measured at the lower of the value they had when it was agreed they would be sold and fair value less costs to sell.

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

	<b>£'000</b>
Fair value	1,160
Carrying value	36
<b>Total value in Balance Sheet</b>	<b>1,196</b>

The non-recurring fair value is measured using level 2 in the input hierarchy (refer to note 1.9.2 for explanation of levels). Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the (Surplus) or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale. If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to long-term assets and valued at the lower of their carrying amount before they were classified as held for sale (adjusted for depreciation, amortisation or revaluations), and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. The criteria for recognising assets as being held for sale are:

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure section in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if

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

Amounts received for a disposal in excess of £10k are categorised as capital receipts. Receipts are required to be credited to the Usable Capital Receipts Reserve, and can then be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Usable Capital Receipts Reserve from the Council Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of long-term assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Council Fund Balance in the Movement in Reserves Statement.

### **1.10 Reserves**

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

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

### **1.11 Revenue Expenditure Funded from Capital Under Statute**

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

### **1.12 Government Grants and Other Contributions**

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

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

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

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

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

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

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

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

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

### **1.13 Charges to Revenue for Long-Term Assets**

Services are debited with the following items to record the cost of holding Long-Term Assets during the year:

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

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

### **1.14 Minimum Revenue Provision/Provision for the Repayment of Debt**

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

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

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

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

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

### **1.15 Provisions**

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

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

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

### **1.16 Interests in Companies and Other Entities**

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

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

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

Due to materiality Group financial statements have been produced to include Amgen Cymru Ltd. and Amgen Rhondda Ltd. The consolidation has been done using the acquisition method. The accounts for Amgen Cymru Ltd., Amgen Rhondda Ltd. and Capita Glamorgan Consultancy Ltd. will be available separately once audited.

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



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

- Glamorgan Archives
- Vale, Valleys and Cardiff Regional Adoption Collaborative (VVC)
- Coychurch Crematorium
- Llwydcoed Crematorium
- South East Wales Corporate Joint Committee (SEWCJC)

### **1.17 Inventories**

Stock items are held on the balance sheet at latest price within Inventories if received but not used by the end of the financial year.

### **2.0 Accounting Standards Issued, Not Adopted**

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

- IFRS 16 *Leases* (but **only** for those local authorities 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 local authorities in limited circumstances.

These amendments should not materially affect this Council.

The Code requires implementation after 1<sup>st</sup> April 2022, there is therefore no impact on the 2021/22 statement of accounts.

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

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

### **3.1 Grants and Contribution Conditions**

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

### **3.2 Voluntary Aided and Voluntary Controlled Schools**

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

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

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

This Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because assets and liabilities cannot always be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Council's Balance Sheet at 31<sup>st</sup> March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

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

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

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

##### **COVID impact**

The information upon which the actuary bases assumptions on mortality impacted by COVID has moved from a neutral to a negative outlook. This has resulted in an estimated reduction in liabilities of 1%.

## **GMP equalisation and indexation**

The disclosures allow for full CPI inflation pension increases to be paid on Guaranteed Minimum Pension (GMP) for those reaching State Pension Age on or after 6<sup>th</sup> April 2016. This is an approximate method of recognising the cost of the Government's commitment to compensate public service scheme members from the removal of the Additional Pension element of the State Pension from this date, and for the outcome of the Lloyds judgement which found GMPs to be illegally sex discriminatory. Government has consulted on its approach to compensating affected members and announced on 23<sup>rd</sup> March 2021 that it would adopt a long-term policy of uprating GMPs in line with CPI for members whose State Pension Age is on or after 6<sup>th</sup> April 2016. The consultation response recognised that this solution will not address all sex inequalities for a minority of member and further guidance is expected from Department for Levelling Up, Housing and Communities (DLUHC) on how they propose to deal with this. These inequalities are expected to be small.

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

## **Goodwin Ruling**

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

## **McCloud / Sargeant Judgement**

The Court of Appeal found that the transitional protection arrangements put in place when firefighters' and judges' pension schemes were reformed were age discriminatory. This has implications for other public sector schemes that were reformed around the same time (including the LGPS) and could potentially lead to members deemed to be discriminated against being compensated. The Supreme Court denied the Government's application for permission to appeal this judgement on 27<sup>th</sup> June 2019. The matter was referred to Employment Tribunals for remedy hearings and the Ministry for Housing, Communities and Local Government (MHCLG) (now DLUHC) undertook a consultation on the remedy and confirmed they would be proceeding with the key principles as laid out in the consultation. The figures produced by AON for 2020/21 disclosures included a McCloud underpin liability within current service cost, together with an allowance reflecting service since the scheme reforms (2014 in Wales). The same approach has been adopted for 2021/22. The method used by AON to value the McCloud remedy and therefore disclosed within the Statement of Accounts is closely aligned to that which the DLUHC has confirmed they will proceed.

## **Cost Management Process in the LGPS**

Legislation requires HM Treasury and the Scheme Advisory Board (SAB) to undertake periodic valuations to monitor the cost of the LGPS to ensure it remains sustainable and affordable. This is referred to as the “Cost Management Process”. HM Treasury and the Scheme Advisory Board had paused their reviews following the McCloud judgement in the Court of Appeal. These have now been unpaused and HMT Directions 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 1<sup>st</sup> April 2019.

No allowance has been made for the potential cost of improving members benefits under these reviews.

### **4.2 Insurance Provision**

The Council makes provision for all claims received (but not yet paid) according to the “reserve” value attached to that claim. The reserve value represents the most likely value to settle the claim, not taking into account probability of settlement. Reserve values are provided by the Council’s in-house insurance team, claims handlers and loss adjusters depending on the claim type and estimated value of the claim. Motor and property claims are provided for at 100% of the reserve value. Liability claims are provided for at a percentage based on the length of time a claim remains unresolved. This reflects that not all claims received are paid. Some are successfully repudiated. Refer to note 11.0 for further details.

The risks attached to misstatement are that existing claims will change in value (increase or decrease) or be successfully repudiated. An Earmarked Reserve is established to meet the additional costs relating to the impact of these potential changes in estimates. The Earmarked Reserve also funds claims or incidents that have occurred but claims are yet to be received. Refer to note 13.2 for further details.

### **4.3 Property, Plant and Equipment**

External valuers undertake formal valuations within a maximum of a 5-year rolling programme to ensure that assets in the Balance Sheet are represented at “current value”. Due to the significant increases in construction costs reflected in the General Building Cost Index in 2021/22, the current value of DRC assets has been updated for indexation. The transactions have been shown as a revaluation and either reversed previous impairments through a credit in revenue with a corresponding entry in the MIRS, or shown as a credit in the revaluation reserve.

Valuations are undertaken in accordance with guidance issued by the Royal Institute of Chartered Surveyors (RICS). Within the computation of the current value valuation, assumptions are made upon the useful lives of assets which could be subject to change in future years.

## 5.0 Events After the Reporting Period

The draft, unaudited Statement of Accounts was authorised for issue by the Director of Finance & Digital Services, as Chief Finance Officer, on 28<sup>th</sup> July 2022. Where events taking place before this date provided information about conditions existing at 31<sup>st</sup> March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## 6.0 Property, Plant and Equipment

### 6.1 Movements on Balances

#### Movements in 2020/21

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

*Continued Overleaf...*

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

**Net Book Value:**

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

**Movements in 2021/22**

	<b>Other Land &amp; Buildings</b>	<b>Infrastructure</b>	<b>Vehicles, Plant &amp; Equipment</b>	<b>Community Assets</b>	<b>Assets Under Construction</b>	<b>Total Property, Plant and Equipment</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or Valuation</b>						
At 1 <sup>st</sup> April 2021	789,816	716,336	42,507	6,470	1,593	<b>1,556,722</b>
Joint Committees Opening Balance	0	0	0	0	390	<b>390</b>
Additions	25,790	44,357	6,678	0	14,238	<b>91,063</b>
Donated Assets	0	0	1,020	0	0	<b>1,020</b>
Revaluation Increases/ (Decreases) Recognised in the Revaluation Reserve	17,106	0	0	0	0	<b>17,106</b>
Revaluation Increases/ (Decreases) Recognised in the Surplus/Deficit on the Provision of Services	(34,445)	0	0	0	0	<b>(34,445)</b>
Derecognition – Disposals	(780)	0	(6,588)	0	0	<b>(7,368)</b>
Derecognition – Other	0	0	(1,284)	0	0	<b>(1,284)</b>
Assets Reclassified (to)/from Held for Sale	(496)	0	0	0	0	<b>(496)</b>
Other Reclassifications	158	0	389	(158)	(389)	<b>0</b>
Other Movements in Cost or Valuation	0	0	0	0	0	<b>0</b>
<b>At 31<sup>st</sup> March 2022</b>	<b>797,149</b>	<b>760,693</b>	<b>42,722</b>	<b>6,312</b>	<b>15,832</b>	<b>1,622,708</b>

*Continued Overleaf...*

<b>Accumulated Depreciation and Impairment</b>						
At 1 <sup>st</sup> April 2021	(80,611)	(219,121)	(30,520)	(1,396)	0	<b>(331,648)</b>
Joint Committees	0	0	0	0	0	<b>0</b>
Opening Balance						
Depreciation Charge	(17,718)	(14,704)	(3,647)	0	0	<b>(36,069)</b>
Depreciation Written Out of the Revaluation Reserve	23,526	0	0	0	0	<b>23,526</b>
Depreciation Written Out to the Surplus/Deficit on the Provision of Service	8,736	0	0	0	0	<b>8,736</b>
Impairment (Losses)/Reversals Recognised in the Revaluation Reserve	2,855	0	0	0	0	<b>2,855</b>
Impairment (Losses)/Reversals Recognised in the Surplus/Deficit on the Provision of Services	25,398	(364)	(1,284)	0	0	<b>23,750</b>
Derecognition – Disposals	36	0	6,574	0	0	<b>6,610</b>
Derecognition – Other	0	0	1,284	0	0	<b>1,284</b>
Assets Reclassified (to)/from Held for Sale	6	0	0	0	0	<b>6</b>
Other Reclassifications	(95)	0	0	95	0	<b>0</b>
Other Movements in Cost or Valuation	0	0	0	0	0	<b>0</b>
<b>At 31<sup>st</sup> March 2022</b>	<b>(37,867)</b>	<b>(234,189)</b>	<b>(27,593)</b>	<b>(1,301)</b>	<b>0</b>	<b>(300,950)</b>

**Net Book Value:**

<b>At 31<sup>st</sup> March 2022</b>	<b>759,282</b>	<b>526,504</b>	<b>15,129</b>	<b>5,011</b>	<b>15,832</b>	<b>1,321,758</b>
<b>At 31<sup>st</sup> March 2021</b>	<b>709,205</b>	<b>497,215</b>	<b>11,987</b>	<b>5,074</b>	<b>1,983</b>	<b>1,225,464</b>



## 6.2 Investment Properties

	2020/21	2021/22
	£'000	£'000
<b>Balance at 1<sup>st</sup> April</b>	<b>3,805</b>	<b>8,164</b>
Net Gains/Losses from fair value adjustments	(1,210)	(618)
Other Reclassifications - City Deal Joint Committee reclassification from Other Land & Buildings	5,569	0
<b>Balance at 31<sup>st</sup> March</b>	<b>8,164</b>	<b>7,546</b>

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

## 6.3 Capital Commitments

At 31<sup>st</sup> March 2022 the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2021/22 and future years, budgeted to cost £13.2m. Similar commitments at 31<sup>st</sup> March 2021 were £10.4m.

Within this amount the significant contract values as at 31<sup>st</sup> March 2022 are:

Scheme	£'000
Ysgol Gyfun Rhydywaun	4,346
Ffynnon Taf Primary	1,735
Porth Interchange	2,945
<b>Total</b>	<b>9,026</b>

## 6.4 Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every 5 years. Valuations are carried out by the Council's appointed valuer. Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

The significant assumptions applied in estimating the current values are:

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

## 7.0 Financial Instruments

### 7.1 Categories of Financial Instruments

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

Assets	Long-Term		Current	
	31/03/21	31/03/22	31/03/21	31/03/22
	£'000	£'000	£'000	£'000
Investments: Loans and Receivables	6,615	2,615	23,479	133,770
Debtors: Financial Assets Carried at Contract Amounts	4,919	7,122	123,020	146,188
<b>Total</b>	<b>11,534</b>	<b>9,737</b>	<b>146,499</b>	<b>279,958</b>

Liabilities	Long-Term		Current	
	31/03/21	31/03/22	31/03/21	31/03/22
	£'000	£'000	£'000	£'000
Borrowings: Financial Liabilities at Amortised Cost	303,324	373,531	32,176	19,156
Finance Lease Liabilities	382	382	1	1
Creditors: Financial Liabilities at Amortised Cost	0	0	34,346	31,253
<b>Total</b>	<b>303,706</b>	<b>373,913</b>	<b>66,523</b>	<b>50,410</b>

There are no expected credit loss calculations for the financial assets. The value of creditors in the table relates to invoices authorised for payment by the Council but remaining unpaid at year-end. This balance is included within the Balance Sheet heading *Short-Term Creditors*.

### 7.2 Income, Expense, Gains and Losses

	2020/21			2021/22		
	Financial Liabilities Measured at Amortised Cost	Financial Assets: Loans and Receivables	Total	Financial Liabilities Measured at Amortised Cost	Financial Assets: Loans and Receivables	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Interest Expense	11,397	0	11,397	11,171	0	11,171
Impairment Losses	0	0	0	0	0	0
<b>Total Expense in (Surplus) or Deficit on the Provision of Services</b>	<b>11,397</b>	<b>0</b>	<b>11,397</b>	<b>11,171</b>	<b>0</b>	<b>11,171</b>
Interest Income	0	(597)	(597)	0	(640)	(640)
Interest Income Accrued on Impaired Financial Assets	0	0	0	0	0	0
<b>Total Income in (Surplus) or Deficit on the Provision of Services</b>	<b>0</b>	<b>(597)</b>	<b>(597)</b>	<b>0</b>	<b>(640)</b>	<b>(640)</b>
<b>Net (Gain)/Loss for the Year</b>	<b>11,397</b>	<b>(597)</b>	<b>10,800</b>	<b>11,171</b>	<b>(640)</b>	<b>10,531</b>

### 7.3 Fair Value of Assets and Liabilities

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

- Loans borrowed by the Council have been valued by discounting the contractual cashflows over the whole life of the instrument at the appropriate market rate for Local Authority loans.
- No early repayment or impairment is recognised.
- Where a financial instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.
- Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

The fair values calculated are as follows:

	31/03/21		31/03/22	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
PWLB Debt	231,925	300,462	221,471	302,762
Market Debt	85,515	139,154	85,540	121,912
Local Authority Debt	17,988	17,988	5,000	5,000
Welsh Government Repayable Funding	0	0	80,605	80,605
Other Debt	72	72	71	71
Finance Lease	383	383	383	383
Trade Creditors	34,346	34,346	31,253	31,253
<b>Total</b>	<b>370,229</b>	<b>492,405</b>	<b>424,323</b>	<b>541,986</b>

	31/03/21		31/03/22	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Loans and Receivables	29,780	29,780	136,070	136,070

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

#### **Soft Loans Receivable**

In March 2022, the Council received a £82.4m interest free loan (Repayable Funding) from Welsh Government relating to investment in rail infrastructure. The purpose of the funding is to deliver rail infrastructure improvements around the Treforest and Taffs Well area. The repayable funding is subject to a schedule of repayment being agreed by 30<sup>th</sup> April 2023. Officers are progressing the legal documents with Transport for Wales and Welsh

Government. Subject to agreement, the Council will subsequently release funds to Transport for Wales in line with the expenditure profile for the development works. The loan would be repaid to Welsh Government, following completion of the works, by the Council over a 30 year period, with the repayments being fully funded by income received from Transport for Wales aligned to their future financial income streams. If the development agreement is not entered into, then the Council will repay the loan to Welsh Government. As the loan has an interest rate below market rate, it has been treated as a soft loan in the financial statements. It has been included in the Balance Sheet at Fair Value, with the difference being recognised as a Capital Grant Received in Advance.

Soft Loans	2021/22
	£'000
<b>Balance as at 1<sup>st</sup> April 2021</b>	<b>0</b>
Nominal Value of New Loans	82,400
Fair Value Adjustment on Initial Recognition	<b>(1,798)</b>
<b>Balance as at 31<sup>st</sup> March 2022</b>	<b>80,602</b>

The fair value of the soft loan has been calculated based upon the 35 year PWLB Equal Instalments of Principal (EIP) certainty rate.

#### **7.4 Nature and Extent of Risks Arising from Financial Instruments**

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

##### **Key Risks**

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

#### **7.5 Overall Procedures for Managing Risk**

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

- Formally adopting the requirements of the Code of Practice.
- By adopting a Treasury Management Policy Statement and Treasury Management Clauses being incorporated into Financial Procedure Rules.
- Approving annually in advance Prudential and Treasury Indicators for the following three years.

- Approving an Investment Strategy for the forthcoming year setting out criteria for both investing and selecting investment counterparties in compliance with guidance from the Welsh Government.
- Approving a Capital Strategy report which provides a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of Council services along with an overview of the associated risk, its management and the implications for future financial sustainability.

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

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

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

## **7.6 Credit Risk**

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

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

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

	31/03/22	Historical Experience of Default	Adjustment for Market Conditions at 31/03/22	Estimated Maximum Exposure to Default at 31/03/22	Estimated Maximum Exposure to Default at 31/03/21
	(a)	(b)	(c)	(a*c)	
	£'000	%	%	£'000	£'000
Deposits with Government Departments & Local Authorities	136,070	0	0	0	0
Trade Debtors	17,978	0.48	0.48	86	73

The 0.48% Historical Experience of Default represents debt written off in 2021/22 expressed as a percentage of invoices raised during that year. This percentage is not the basis of the Bad Debt Provision, which is calculated using various percentages designed to reflect the risk of debts of various ages not being collectable, as opposed to the far lower rate of actual write-offs for the year.

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

The Council does not generally allow credit for its trade debtors. However, £4.6m of the £18.0m balance is debt greater than 30 days old. This debt can be analysed as follows:

	31/03/21	31/03/22
	£'000	£'000
Less than 3 months	1,110	1,059
3 – 6 months	627	563
6 months to 1 year	842	603
More than 1 year	1,937	2,336
<b>Total</b>	<b>4,516</b>	<b>4,561</b>

## 7.7 Liquidity Risk

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

The Council has ready access to borrowings from the money markets to cover any day-to-day cash flow need, and whilst the PWLB provides access to longer-term funds, it also acts as a lender of last resort to Councils. However the PWLB updated its guidance in August 2021 whereby loans are no longer available to Council's planning to buy investment assets primarily for yield or solely for exploiting commercialisation opportunities. The Council is also required to produce a balanced budget in accordance with the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

## 7.8 Refinancing and Maturity Risk

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

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

This includes;

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

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

	<b>31/03/21</b>	<b>31/03/22</b>
	<b>£'000</b>	<b>£'000</b>
Less than 1 year	28,491	16,038
Between 1 and 2 years	10,967	92,820
Between 2 and 5 years	31,259	31,259
Between 5 and 10 years	37,115	31,965
More than 10 years	225,848	220,578
<b>Total</b>	<b>333,680</b>	<b>392,660</b>

The maturity analysis of financial assets is as follows:

	<b>31/03/21</b>	<b>31/03/22</b>
	<b>£'000</b>	<b>£'000</b>
Maturity greater than one year	6,300	2,300
Maturity less than one year	23,480	133,770
<b>Total</b>	<b>29,780</b>	<b>136,070</b>

Trade Debtors are not included in the table above.

## 7.9 Market Risk

### Interest Rate Risk

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

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy and the Annual Capital Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. The Council's Treasury Management team, together with the appointed Treasury Management Advisors, monitor the market and forecast interest rates within the year to adjust the Council's exposures appropriately.

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

	<b>£'000</b>
Increase in interest payable on variable rate borrowings	1
Increase in interest receivable on variable rate investments	N/A
<b>Impact on Comprehensive Income and Expenditure Statement</b>	<b>1</b>
Decrease in fair value of fixed rate borrowing liabilities (no impact on CI&ES)	50,861

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

## 8.0 Short-Term Debtors

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

<b>31/03/21</b>		<b>31/03/22</b>
<b>£'000</b>		<b>£'000</b>
67,860	Central Government Bodies	95,507
18,563	Other Local Authorities	9,593
11,404	NHS Bodies	13,244
1,028	Public Corporations and Trading Funds	816
24,165	Other Entities and Individuals	27,028
<b>123,020</b>	<b>Total</b>	<b>146,188</b>

### Debtors for Local Taxation

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



<b>2020/21</b>		<b>2021/22</b>
<b>£'000</b>		<b>£'000</b>
4,012	Less than 1 year	3,982
1,773	1 year to 2 years	1,786
1,001	2 years to 3 years	1,229
631	3 years to 4 years	780
442	4 years to 5 years	522
1,039	More than 5 years	1,269
<b>8,898</b>	<b>Total</b>	<b>9,568</b>

## 9.0 Cash and Cash Equivalents

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

<b>31/03/21</b>		<b>31/03/22</b>
<b>£'000</b>		<b>£'000</b>
14,533	Cash Held by the Council	18,792
(20,932)	Bank Current Accounts	(15,772)
<b>(6,399)</b>	<b>Total Cash and Cash Equivalents</b>	<b>3,020</b>

Short-term cash surpluses are invested in line with the investment strategy and are represented in the Balance Sheet as "Short-Term Investments". Bank Current Accounts represent the position of the bank account as at 31<sup>st</sup> March 2022 adjusted for unrepresented cheques.

## 10.0 Short-Term Creditors

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

<b>31/03/21</b>		<b>31/03/22</b>
<b>£'000</b>		<b>£'000</b>
(18,391)	Central Government Bodies	(18,012)
(19,003)	Other Local Authorities	(13,758)
(9,329)	NHS Bodies	(1,495)
(522)	Public Corporations and Trading Funds	(249)
(63,901)	Other Entities and Individuals	(97,856)
<b>(111,146)</b>	<b>Total</b>	<b>(131,370)</b>

## 11.0 Provisions

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

Movements in provisions during the year were:

Short-Term Provision	Land Purchases and Part 1 Claims	Insurance Claims	Total
	£'000	£'000	£'000
<b>Balance at 1<sup>st</sup> April 2021</b>	<b>(520)</b>	<b>(1,116)</b>	<b>(1,636)</b>
Additional provisions made in 2021/22	0	(1,046)	<b>(1,046)</b>
Amounts used in 2021/22	8	924	<b>932</b>
Unused amounts reversed in 2021/22	0	242	<b>242</b>
<b>Balance at 31<sup>st</sup> March 2022</b>	<b>(512)</b>	<b>(996)</b>	<b>(1,508)</b>

Long-Term Provision	Insurance Claims	Joint Committees	Total
	£'000	£'000	£'000
<b>Balance at 1<sup>st</sup> April 2021</b>	<b>(3,253)</b>	<b>(327)</b>	<b>(3,580)</b>
Additional provisions made in 2021/22	(1,712)	(63)	<b>(1,775)</b>
Amounts used in 2021/22	1,045	0	<b>1,045</b>
Unused amounts reversed in 2021/22	871	0	<b>871</b>
<b>Balance at 31<sup>st</sup> March 2022</b>	<b>(3,049)</b>	<b>(390)</b>	<b>(3,439)</b>

## 12.0 Other Long-Term Liabilities

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

31/03/21		31/03/22
£'000		£'000
(708,698)	Pension Liability (IAS19)	(605,190)
(589)	Other	(2,403)
<b>(709,287)</b>	<b>Total</b>	<b>(607,593)</b>

**13.0 Usable Reserves**

31/03/21			31/03/22
£'000			£'000
8,505	Council Fund Balance	13.1	10,292
76,829	Capital, Treasury and Insurance Reserves	13.2	85,937
73,791	Other Revenue Related Reserves	13.2	112,422
12,035	Delegated Schools Reserve	13.3	20,561
3,954	Usable Capital Receipts Reserve	13.4	5,669
32,363	Capital Grant Unapplied Account	13.5	37,975
185	MGCC Insurance Reserve		169
<b>207,662</b>	<b>Total Usable Reserves</b>		<b>273,025</b>

**13.1 Council Fund Balance**

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

Movements in the Council Fund Balance during 2021/22 were:

	£'000
<b>Balance as at 31<sup>st</sup> March 2021</b>	<b>8,505</b>
General Fund In-Year Contribution	2,000
Revenue Budget Outturn	(213)
<b>Balance as at 31<sup>st</sup> March 2022</b>	<b>10,292</b>

**13.2 Earmarked Reserves**

This note sets out the amounts set aside from the Council Fund Balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet Council Fund expenditure in 2021/22. All earmarked reserves are deemed to be revenue reserves.

**Capital, Treasury and Insurance Reserves**

Reserve	Purpose	Balance at	Transfers	Transfers	Balance at
		31/03/21	Out	In	31/03/22
		£'000	£'000	£'000	£'000
<b>Capital Developments</b>	Resources set-aside from revenue budget, earmarked to fund the Council's approved 3-year capital programme.	<b>66,365</b>	(12,629)	21,798	<b>75,534</b>
<b>Treasury Management Reserve</b>	Funding for known and potential future pressures upon the Capital Financing budget.	<b>2,465</b>	0	0	<b>2,465</b>
<b>Insurance Reserve</b>	To provide for estimated costs of incidents that have occurred during the policy year but have not yet resulted in a claim being received.	<b>7,999</b>	(61)	0	<b>7,938</b>
<b>Total</b>		<b>76,829</b>	<b>(12,690)</b>	<b>21,798</b>	<b>85,937</b>

**Other Revenue Related Reserves**

Reserve	Purpose	Balance at 31/03/21	Transfers Out	Transfers In	Balance at 31/03/22
		£'000	£'000	£'000	£'000
<b>Revenue Budget Strategy 2021/22</b>	Medium Term Financial Planning & Service Transformation (transitional funding) to be released to fund the 2021/22 budget.	711	(711)	0	0
<b>Revenue Budget Strategy 2022/23</b>	Medium Term Financial Planning & Service Transformation (transitional funding) to be released to fund the 2022/23 budget.	0	0	963	963
<b>Joint Committee Reserve</b>	Reflects the Council's share of General and Earmarked Reserves of the Joint Committees in which it has an interest.	669	(669)	2,247	2,247
<b>Revenue Grant Reserves (IFRS)</b>	Carry forward of Revenue Grants not yet applied to spend - required accounting treatment to comply with International Financial Reporting Standards.	4,824	(4,824)	5,743	5,743
<b>Financial Management and Human Resources Risk Management</b>	Resources set aside as cover for future liabilities relating to various risks identified and being managed.	31,641	(7,905)	12,321	36,057
<b>Investment / Infrastructure</b>	To fund current and future costs of maintaining and enhancing infrastructure across the County Borough.	9,497	(6,697)	17,000	19,800
<b>Prior Year Commitments</b>	Carry forward of existing funding to finance projects for which commitments have already been made in the prior year.	18,636	(5,999)	22,139	34,776
<b>Medium Term Financial Planning and Service Transformation</b>	Resources set aside as transitional (one-off) funding to support the Council's medium-term financial and service planning requirements.	3,619	(963)	989	3,645
<b>Other Specific Reserves</b>	Represents a number of reserves held for specific and identified purposes.	3,158	(795)	1,859	4,222
<b>Invest to Save</b>	Funding identified (pump priming) to support Invest to Save opportunities as and when they arise.	1,036	(480)	4,413	4,969
<b>Total</b>		<b>73,791</b>	<b>(29,043)</b>	<b>67,674</b>	<b>112,422</b>
<b>Total Earmarked Reserves</b>		<b>150,620</b>	<b>(41,733)</b>	<b>89,472</b>	<b>198,359</b>

**13.3 Delegated Schools Reserve**

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

The movements on the reserve are as follows:

	Balance at 31/03/21 £'000	Balance at 31/03/22 £'000
Delegated Primary Schools	7,654	10,461
Delegated Secondary Schools	2,546	6,529
Delegated Special Schools	760	1,262
Delegated All Through Schools	1,075	2,309
<b>Total</b>	<b>12,035</b>	<b>20,561</b>

### 13.4 Usable Capital Receipts Reserve

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

The movements on the reserve are as follows:

2020/21 £'000		2021/22 £'000
<b>1,750</b>	<b>Balance as at 1<sup>st</sup> April</b>	<b>3,954</b>
	Receipts during the year:	
2,716	Sale of assets	1,715
3	Mortgage repayments	0
	Application during the year:	
(515)	Financing of capital expenditure	0
<b>3,954</b>	<b>Balance as at 31<sup>st</sup> March</b>	<b>5,669</b>

### 13.5 Capital Grant Unapplied Account

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

2020/21 £'000		2021/22 £'000
<b>24,934</b>	<b>Balance at 1<sup>st</sup> April</b>	<b>32,363</b>
70,103	Grants received	81,868
(62,674)	Grants utilised to fund capital expenditure	(76,256)
<b>32,363</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>37,975</b>

### 14.0 Unusable Reserves

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

31/03/21			31/03/22
£'000			£'000
207,440	Revaluation Reserve	14.1	243,860
423	Deferred Capital Receipts Reserve		0
529,843	Capital Adjustment Account	14.2	590,952
(5,399)	Financial Instruments Adjustment Account	14.3	(5,308)
(708,698)	Pensions Reserve	14.4	(604,960)
(5,796)	Short-Term Accumulating Compensated Absence Account		(6,735)
<b>17,813</b>	<b>Total Unusable Reserves</b>		<b>217,809</b>

#### 14.1 Revaluation Reserve

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

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

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

2020/21		2021/22	
£'000		£'000	£'000
<b>209,318</b>	<b>Balance at 1<sup>st</sup> April</b>	<b>207,440</b>	
10,717	Upward revaluation of assets	47,682	
(6,186)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(4,149)	
<b>213,849</b>	<b>Surplus or Deficit on revaluation of Long-Term Assets not posted to the Surplus or Deficit on the Provision of Services</b>		<b>250,973</b>
(447)	Adjustment between the Capital Adjustment Account and the Revaluation Reserve	0	
(5,725)	Difference between Current Value Depreciation and Historical Cost Depreciation	(6,735)	
(237)	Accumulated Gains on Assets sold or scrapped	(378)	
<b>(6,409)</b>	<b>Amount written off to the Capital Adjustment Account</b>		<b>(7,113)</b>
<b>207,440</b>	<b>Balance at 31<sup>st</sup> March</b>		<b>243,860</b>

#### 14.2 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of Long-Term Assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as

depreciation, impairment losses and amortisation are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

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

2020/21		2021/22	
£'000		£'000	£'000
511,372	<b>Balance at 1<sup>st</sup> April</b>	529,843	
	Reversal of items relating to Capital Expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(28,566)	Charges for depreciation and impairment of Long-Term Assets*	(3,585)	
(36,900)	Revaluation losses on Property, Plant and Equipment	(35,584)	
(215)	Movement in the market value of Investment Properties	(724)	
(1,675)	Amortisation of Intangible Assets	(1,582)	
(10,735)	Revenue Expenditure Funded from Capital Under Statute	(13,425)	
(1,512)	Amounts of Long-Term Assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(758)	
6,409	Adjusted items written out of the Revaluation Reserve	7,113	
0	Donated Assets	1,020	
<b>438,178</b>	<b>Net written out amount of the cost of Long-Term Assets consumed in the year</b>		<b>482,318</b>
	Capital Financing Applied in the Year:		
515	Use of the Capital Receipts Reserve to finance new Capital Expenditure	0	
61,517	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	72,360	
1,863	Application of grants to capital financing from the Capital Grants Unapplied Account	4,499	
13,561	Statutory provision for the financing of capital investment charged against the Council Fund	14,511	
14,209	Capital Expenditure charged against the Council Fund	17,264	
<b>91,665</b>			<b>108,634</b>
<b>529,843</b>	<b>Balance at 31<sup>st</sup> March</b>		<b>590,952</b>

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

### 14.3 Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account represents the accumulated difference between the financing costs included in the Comprehensive Income and Expenditure Statement and the accumulated financing costs required in accordance with regulations to be charged to the Council Fund Balance. As at 31<sup>st</sup> March 2022 there was a debit balance of £5.3m (debit balance of £5.4m as at 31<sup>st</sup> March 2021).

### 14.4 Pensions Reserve

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

2020/21		2021/22
£'000		£'000
<b>(657,634)</b>	<b>Balance at 1<sup>st</sup> April</b>	<b>(708,698)</b>
(13,481)	Actuarial gains or (losses) on Pensions Assets and Liabilities	164,779
(72,755)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(98,273)
35,172	Employer's pensions contributions and direct payments to pensioners payable in the year	37,232
<b>(708,698)</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>(604,960)</b>



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

2020/21		2021/22
£'000		£'000
(65,682)	Depreciation and Impairment	(39,893)
(1,675)	Amortisation	(1,582)
(16,485)	(Increase)/Decrease in Creditors	(12,501)
39,521	Increase/(Decrease) in Debtors	25,371
1,964	Increase/(Decrease) in Stock	(1,238)
(37,583)	Movement in Pension Liability	(61,041)
(818)	Contribution to Provisions	269
(130)	Short-Term Accumulated Absence Accrual	(939)
(1,512)	Carrying amount of Long-Term Assets and Assets Held For Sale, sold or derecognised	(758)
(14,022)	Other non-cash items charged to the Net (Surplus) or Deficit on the Provision of Services	701
<b>(96,422)</b>	<b>Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements</b>	<b>(91,611)</b>

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

2020/21		2021/22
£'000		£'000
2,716	Proceeds from the sale of Property, Plant & Equipment, Investment Property and Intangible Assets	1,715
64,987	Any other items for which the cash effects are investing or financing cash flows	73,881
<b>67,703</b>		<b>75,596</b>

**17.0 Cash Flow Statement – Interest within Operating Activities**

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

2020/21		2021/22
£'000		£'000
(921)	Interest received	(964)
11,397	Interest paid	11,171
<b>10,476</b>	<b>Interest within Operating Activities</b>	<b>10,207</b>

**18.0 Cash Flow Statement - Investing Activities**

2020/21		2021/22
£'000		£'000
102,931	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	110,765
(9,561)	Purchase and Redemption of Short-Term and Long-Term Investments	106,291
(2,716)	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(1,715)
(64,987)	Other receipts from Investing Activities	(73,881)
<b>25,667</b>	<b>Net Cash Flows from Investing Activities</b>	<b>141,460</b>

**19.0 Cash Flow Statement - Financing Activities**

2020/21		2021/22
£'000		£'000
(18,000)	Cash receipts of Short and Long-Term Borrowing	(87,400)
1	Cash payments for the reduction of the outstanding liabilities relating to Finance Leases	0
57,419	Repayments of Short and Long-Term Borrowing	28,419
<b>39,420</b>	<b>Net Cash Flows from Financing Activities</b>	<b>(58,981)</b>

**20.0 Notes to the Expenditure and Funding Analysis****20.1 Adjustments between Funding and Accounting Basis 2020/21**

Adjustments from General Fund to Arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000s	£'000s	£'000s	£'000s
Prosperity, Development & Frontline Services	24,694	3,740	947	29,381
Chief Executive	19,882	3,357	1,942	25,181
Education & Inclusion Services	17,534	6,072	(14,923)	8,683
Community & Children's Services	6,225	9,596	4,692	20,513
Authority Wide Budgets	(23,734)	5	(62,933)	(86,662)
Joint Committees	0	0	(450)	(450)
<b>Net Cost of Services</b>	<b>44,601</b>	<b>22,770</b>	<b>(70,725)</b>	<b>(3,354)</b>
Other income and expenditure from the Expenditure and Funding Analysis	(64,424)	14,570	18,311	(31,543)
<b>Difference between General Fund (surplus) or deficit and Comprehensive Income and Expenditure Statement (Surplus) or Deficit on the Provision of Services</b>	<b>(19,823)</b>	<b>37,340</b>	<b>(52,414)</b>	<b>(34,897)</b>

**Adjustments between Funding and Accounting Basis 2021/22**

Adjustments from General Fund to Arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000s	£'000s	£'000s	£'000s
Prosperity, Development & Frontline Services	20,979	6,327	(700)	26,606
Chief Executive	2,786	7,370	995	11,151
Education & Inclusion Services	9,229	12,437	(13,295)	8,371
Community & Children's Services	3,632	20,005	(10,401)	13,236
Authority Wide Budgets	(10,727)	11	(62,701)	(73,417)
Joint Committees	0	0	65	65
<b>Net Cost of Services</b>	<b>25,899</b>	<b>46,150</b>	<b>(86,037)</b>	<b>(13,988)</b>
Other income and expenditure from the Expenditure and Funding Analysis	(87,284)	14,490	31,524	(41,270)
<b>Difference between General Fund (surplus) or deficit and Comprehensive Income and Expenditure Statement (Surplus) or Deficit on the Provision of Services</b>	<b>(61,385)</b>	<b>60,640</b>	<b>(54,513)</b>	<b>(55,258)</b>

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

**20.2 Expenditure and Income Analysed by Nature**

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

	2020/21	2021/22
	£'000	£'000
<b>Expenditure</b>		
Employee Benefits Expenses	366,612	411,328
Other Services Expenses	365,952	384,986
Depreciation, Amortisation and Impairment	77,877	52,988
Interest Payments	11,397	11,171
Precepts and Levies	35,636	37,217
<b>Total Expenditure</b>	<b>857,474</b>	<b>897,690</b>
<b>Income</b>		
Fees, Charges and Other Service Income	(289,082)	(319,969)
Interest and Investment Income	(921)	(962)
Income from Council Tax and NNDR	(215,507)	(225,638)
Gain on the Disposal of Assets	(358)	(319)
Government Grants and Contributions	(386,299)	(407,847)
<b>Total Income</b>	<b>(892,167)</b>	<b>(954,735)</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>(34,693)</b>	<b>(57,045)</b>

## 21.0 Members' Allowances

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

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

	2020/21	2021/22
	£'000	£'000
Allowances	1,338	1,361
Expenses	21	20
<b>Total</b>	<b>1,359</b>	<b>1,381</b>

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

## 22.0 Officers' Remuneration

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

Rhondda Cynon Taf CBC's remuneration ratio is 1:8 (1:8 in 2020/21) with the median earnings being £20,043 (£19,698 in 2020/21). This is the ratio between the Chief Executive's pay and the median earnings of the workforce within the Council, using current pay levels.

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

Remuneration Band	2020/21	2021/22		
	No. of Employees	No. of Employees		
	Total	At 31/03/22	Left in Year	Total
£60,000 - £64,999	47	51	4	55
£65,000 - £69,999	67	61	1	62
£70,000 - £74,999	30	27	1	28
£75,000 - £79,999	7	15	1	16
£80,000 - £84,999	6	3	0	3
£85,000 - £89,999	5	4	0	4
£90,000 - £94,999	3	4	1	5
£95,000 - £99,999	8	7	0	7
£100,000 - £104,999	1	2	0	2
£105,000 - £109,999	3	2	0	2
£110,000 - £114,999	0	0	0	0
£115,000 - £119,999	0	1	0	1
£120,000 - £124,999	0	0	0	0
<b>Total</b>	<b>177</b>	<b>177</b>	<b>8</b>	<b>185</b>

Officers employed by Voluntary Aided Schools have been excluded.

Salary costs for Joint Committees are not included in the above table, but can be found in the relevant Joint Committee Statement of Accounts. However, a percentage of Joint Committee salaries has been consolidated into the Net Cost of Services within the Comprehensive Income and Expenditure Statement.

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

The following table sets out the remuneration for specific Senior Officers;

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

Post Holder Information (Post Title)	2020/21			2021/22						
	Total Remuneration	Employer's Pension Contributions	Total Remuneration Including Employer's Pension Contributions	Salary	Taxable Benefits in Kind	Compensation for		Total Remuneration	Employer's Pension Contributions	Total Remuneration Including Employer's Pension Contributions
						Redundancy	Early Access Costs			
£'000			£'000							
Chief Executive - Chris Bradshaw	155	33	188	156	1	0	0	157	33	190
Group Director, Community & Children's Services & Deputy Chief Executive to 31/12/2020	93	20	113	0	0	0	0	0	0	0
Director of Public Health, Protection & Community Services to 31/12/2020	73	16	89	0	0	0	0	0	0	0
Group Director, Community & Children's Services wef 01/01/2021 to 30/09/2021	31	7	38	63	0	0	0	63	13	76
Group Director, Community & Children's Services & Deputy Chief Executive wef 01/10/2021	0	0	0	63	0	0	0	63	13	76
Group Director, Prosperity, Development & Frontline Services to 31/12/2020	93	20	113	0	0	0	0	0	0	0
Group Director, Prosperity, Development & Frontline Services & Deputy Chief Exec wef 01/01/2021 to 30/09/2021	31	7	38	62	0	41	0	103	13	116

*Continued Overleaf...*

Director of Education & Inclusion Services	93	20	<b>113</b>	99	0	0	0	<b>99</b>	22	<b>121</b>
Director of Human Resources	100	22	<b>122</b>	102	0	0	0	<b>102</b>	22	<b>124</b>
Director of Finance & Digital Services (& Section 151 Officer)	100	22	<b>122</b>	102	0	0	0	<b>102</b>	22	<b>124</b>
Director of Legal Services	93	20	<b>113</b>	93	1	0	0	<b>94</b>	20	<b>114</b>
Director of Legal Services - Returning Officer	0	0	<b>0</b>	4	0	0	0	<b>4</b>	0	<b>4</b>
Director of Corporate Estates	93	20	<b>113</b>	99	0	0	0	<b>99</b>	22	<b>121</b>
Director of Prosperity & Development	94	20	<b>114</b>	99	0	0	0	<b>99</b>	21	<b>120</b>
Director of Public Health, Protection & Community Services wef 01/01/2021	23	5	<b>28</b>	94	0	0	0	<b>94</b>	20	<b>114</b>
Service Director - Democratic Services & Communications	71	15	<b>86</b>	72	0	0	0	<b>72</b>	16	<b>88</b>
Director of Frontline Services wef 01/10/2021	0	0	<b>0</b>	52	0	0	0	<b>52</b>	11	<b>63</b>

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

## 23.0 Severance Costs

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

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

Severance Cost Band	Number of Compulsory Terminations		Number of Other Terminations		Total Number of Terminations		Total Cost of Severance		
	£	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	£'000	2020/21
£0 - £20,000		2	7	75	118	77	125	336	640
£20,001 - £40,000		2	1	13	30	15	31	416	894
£40,001 - £60,000		0	0	6	8	6	8	276	382
£60,001 - £80,000		0	0	5	4	5	4	333	294
£80,001 - £100,000		0	1	4	6	4	7	326	605
£100,001 - £150,000		0	3	2	3	2	6	258	724
£150,001 - £200,000		0	0	1	0	1	0	153	0
£200,001 - £250,000		0	0	0	0	0	0	0	0
£250,001 - £300,000		0	0	0	1	0	1	0	282
<b>Total</b>		<b>4</b>	<b>12</b>	<b>106</b>	<b>170</b>	<b>110</b>	<b>182</b>	<b>2,098</b>	<b>3,821</b>

During 2021/22, the Council saved annual payroll costs of £1,756k (£1,264k 2020/21) through Voluntary Redundancy and Voluntary Early Retirement. Severance Costs for Joint Committees are not included in the above note but can be found in the relevant Joint Committee Statement of Accounts. However, a percentage of Joint Committee severance costs has been consolidated into the Net Cost of Services within the Comprehensive Income and Expenditure Statement.

## 24.0 External Audit Costs

The estimated costs to the Council for financial year 2021/22 in relation to the audit of the Statement of Accounts for certification of grant claims, statutory inspections and other services provided by the Council's external auditors are set out in the table below:

	2020/21	2021/22
	Actual	Estimated
	£'000	£'000
<b>Fees Payable to the Auditor General for Wales</b>		
External audit services carried out by the Statutory Auditor for the year	230	238
Local Government Measure Work	94	97
Certification of Grant Claims and Returns for the year	53	50
<b>Total</b>	<b>377</b>	<b>385</b>



## 25.0 Non-Domestic Rates

The level of Non-Domestic Rates (NDR) is based on a “multiplier” set nationally by the Welsh Government, multiplied by the rateable value of a particular property. This calculation will give the property a rate liability for the year. The multiplier for 2021/22 was 53.5p (53.5p for 2020/21). The total rateable value as at 31<sup>st</sup> March 2022 was £130.0m (£129.0m as at 31<sup>st</sup> March 2021).

The Council is responsible for collecting the business rates in its area and pays the proceeds into the NDR pool administered by the Welsh Government. The Welsh Government redistributes total collections back to local authorities on the basis of a fixed amount per head of population. Total NDR collected from ratepayers in respect of 2021/22 rates is £38.0m (£36.1m in 2020/21). The contribution back to the Council from the pool in the year amounted to £79.3m (£74.6m in 2020/21) and the amount payable to the pool amounts to £53.9m (£54.2m in 2020/21). As the Council acts as an agent collecting income on behalf of the Welsh Government, the income collected is not recognised as income in the Comprehensive Income and Expenditure Statement.

## 26.0 Council Tax

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

The Council Tax base for 2021/22 was calculated to be £77,197.81 (compared with £77,334.38 for 2020/21). This represents the anticipated yield for every £1 of Council Tax levied.

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

Band	A*	A	B	C	D	E	F	G	H	I
No. of Properties	216	39,176	21,943	14,731	8,469	6,296	3,165	1,090	181	30
Multiplier	5/9	6/9	7/9	8/9	1	11/9	13/9	15/9	18/9	21/9

The resultant number of Band D properties is reduced by a percentage to reflect anticipated non-collection. The target collection rate for 2021/22 was 97.25%.

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

Council Tax Analysis	2020/21	2021/22
	£'000	£'000
Council Tax Collectable	140,915	146,388
<b>Net Proceeds from Council Tax</b>	<b>140,915</b>	<b>146,388</b>
Less Payable:		
Police and Crime Commissioner for South Wales	(21,090)	(22,211)
Community Councils	(2,140)	(2,105)
<b>Total</b>	<b>117,685</b>	<b>122,072</b>

## 27.0 Grant Income

The following grants, contributions and donations were credited to the Comprehensive Income and Expenditure Statement in 2021/22:

### 27.1 Credited to Services

A number of grants and contributions have been recognised as income within Net Cost of Services. This income amounts to £286m in 2021/22 (in 2020/21 these grants and contributions amounted to £268m).

### 27.2 Capital Grants Receipts in Advance

All Capital Grants received have been recognised as income within the Comprehensive Income and Expenditure Statement, except the fair value adjustment for the Welsh Government Repayable Funding relating to investment in rail infrastructure. This adjustment is disclosed as Capital Grant Receipts in Advance within Long-Term Liabilities.

## 28.0 Agency Transactions

There have been a number of grants or areas of financial support that the Council has been asked to administer on behalf of Welsh Government. These have been accounted for as an agency arrangement. The following table lists the schemes and the amount received:

Scheme	2021/22
	£'m
Economic Resilience Fund	0.501
WG - Emergency Non Domestic Rates Scheme	3.120
WG - NDR Discretionary Grant (Retail, Hospitality, Leisure)	0.238
Cost of Living (Main Scheme)	13.933
Statutory Sick Pay (SSP) Enhancement	0.157
Self Isolation payments	4.594
Freelancer Grant	0.105
<b>Total</b>	<b>22.648</b>

## 29.0 Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely.

### 29.1 Welsh Government

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

	2020/21	2021/22
	£'000	£'000
Non-Ringfenced Government Grants	(321,312)	(333,966)
Capital Grants and Contributions	(67,128)	(73,469)
Credited to Services	(206,453)	(203,522)
<b>Total</b>	<b>(594,893)</b>	<b>(610,957)</b>

### 29.2 Chief Officers and Members

#### Members of the Council

Under the Code of Conduct incorporated in the Council's Constitution, Members are required to record in the Register of Members Interests any financial and other personal interests, together with any gift, hospitality, material benefit or advantage. The Register is open to inspection by the public and is available on an individual Member basis on the Council website.

Members of the Council are nominated to serve on numerous outside bodies some of which either receive funding from the Council or issue levies and precepts to be paid by the Council. When sitting on these bodies Members are expected to act independently and not to represent the views of the County Borough Council. Membership details are available from the Service Director Democratic Services and Communications, The Pavilions, Clydach Vale.

During 2021/22 there were no Members identified as having a controlling interest in any company commissioned to supply works or services to the Council of any material value. However, Members have identified interests with organisations with which the Council has had financial transactions during 2021/22. The value of these transactions amounted to payments of £3,812k (£2,326k in 2020/21), of which £639k was outstanding at year end (£124k in 2020/21), and receipts of £273k (£181k in 2020/21), of which £35k was outstanding at year end (£19k in 2020/21).

The Council has transactions with a Construction Company that carries out work on Council owned properties. A Member of the Council declared that a relative is an

Electrical and Project Manager within this company. Payments to the company amount to £3,188k (£3,106k in 20/21) with £106k (nil in 20/21) outstanding at year end. No receipts were received during 2021/22 (nil in 20/21). The Member did not take part in any discussion, decision or administration relating to the services.

The Council has transactions with a Transport Company that leases a Council owned property. A Member of the Council declared that a relative is a director within this company. Payments to the company amount to £454k (£710k in 20/21) with £103k (£335k in 20/21) outstanding at year end and receipts of £10k (£1,421k in 20/21), of which £4k was outstanding (nil in 20/21). The Member did not take part in any discussion, decision or administration relating to the services.

### **Chief Officers (Senior Leadership Team)**

Under the Employees' Code of Conduct, Officers are required to declare potential conflicts of interest arising from employment arrangements together with gifts or hospitality and offers thereof and, under Section 117 of the 1972 Local Government Act, contractual arrangements where there is a conflict of interest. Most professional bodies also have codes of professional conduct to which members of those bodies are expected to adhere.

The Council has transactions with a Construction Company that carries out work on Council owned properties. A Member of the Senior Leadership Team of the Council declared that a relative is a director of the company. The value of these transactions amounted to payments of £3,096k (£2,197k in 2020/21), of which £176k was outstanding at year end (£33k in 2020/21), and receipts of nil (£1k in 2020/21), of which nothing was outstanding at year end (£1k in 2020/21). The Officer did not take part in any discussion, decision or administration relating to the services.

The Council has transactions with a neighbouring University Health Board and a Member of the Senior Leadership Team of the Council declared that a relative holds an Executive Director position within this organisation. The value of these transactions amounted to payments of £494k (£450k in 2020/21), of which £33k was outstanding at year end (nil in 2020/21), and receipts of £106k (no receipts in 2020/21), of which £106k was outstanding at year end (nil in 2020/21). The Officer did not take part in any discussion, decision or administration relating to the services.

The Council has transactions with Coleg Y Cymoedd and a member of the Senior Leadership Team declared that they are a member of the governing body. The value of these transactions amounted to payments of £124k, of which £2k was outstanding at year end, and receipts of £70k with nothing outstanding at year end.

There were no other related party transactions for members of the Senior Leadership Team.

### **29.3 Precepts and Levies**

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

An analysis of precepts is given in the following table:

	2020/21	2021/22
	£'000	£'000
Police and Crime Commissioner for South Wales	21,090	22,211
Community Councils	2,140	2,105
<b>Total</b>	<b>23,230</b>	<b>24,316</b>

An analysis of levies is given in the following table:

	2020/21	2021/22
	£'000	£'000
South Wales Fire and Rescue Service	11,730	12,117
Coroner	464	542
Brecon Beacons National Park	48	53
Glamorgan Archives Joint Committee	164	189
<b>Total</b>	<b>12,406</b>	<b>12,901</b>

#### **29.4 Rhondda Cynon Taf Pension Fund**

The Director of Finance & Digital Services is also the responsible Finance Officer to the Rhondda Cynon Taf Pension Fund. The Council charged the Pension Fund an amount of £1.6m (£1.4m in 2020/21) in respect of administration and support during financial year 2021/22. The amount owed from the Council to the Pension Fund as at 31<sup>st</sup> March 2022 is nil (nil as at 31<sup>st</sup> March 2021).

#### **29.5 Associated and Subsidiary Companies**

The Council has an interest in three companies: namely; Amgen Cymru Ltd., Amgen Rhondda Ltd. and Capita Glamorgan Consultancy Ltd. Officers of the Council are directors of Amgen Cymru Ltd and Amgen Rhondda Ltd. During 2021/22 the following related party transactions took place with these companies.

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

The Council paid Amgen Cymru £9,468k (£10,233k in 2020/21) in respect of waste management and waste disposal charges, with £1,392k (£1,554k in 2020/21) due to the company at the year-end. Amgen Cymru paid the Council £573k (£1,067k in 2020/21) in respect of goods and services, with £115k (£110k in 2020/21) due to the Council at the year-end.

In December 2019, Amgen Cymru's new Materials Recycling Facility (MRF) was opened which was jointly funded by Rhondda Cynon Taf CBC and Cynon Valley Waste Disposal Company Limited (CVWDCL) (trading as Amgen Cymru). The total cost of the asset was £10,517k with RCTCBC funding £6,128k and the remaining £4,390k funded from CVWDCL. As ultimate parent undertaking of CVWDCL, Rhondda Cynon Taf CBC provided a loan for the £4,390k over a 10 year period at market rates. As at 31<sup>st</sup> March 2022 £3,402k was outstanding (as at 31<sup>st</sup> March 2021 £4,663k was outstanding).

**Amgen Rhondda Ltd.**

The Council paid Amgen Rhondda £176k (£175k in 2020/21) in respect of site management fees, with nil (nil in 2020/21) outstanding at 31<sup>st</sup> March 2022. Amgen Rhondda paid the council nil (nil in 2021), with £13k outstanding at 31<sup>st</sup> March 2022.

**Capita Glamorgan Consultancy Ltd.**

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

During 2021/22, the Council was charged £4,161k (£6,490k in 2020/21) in respect of goods, services and capital works. The balance owed to Capita Glamorgan Consultancy Ltd at 31<sup>st</sup> March 2022 was £686k (£1,136k in 2020/21).

Capita Glamorgan Consultancy Ltd paid the Council nil (nil in 2020/21) in respect of goods and services, with £1k (nil in 2020/21) due to the Council at the year-end.

**29.6 Joint Committees**

The Council participates in the following Joint Committees.

**Glamorgan Archives Joint Committee**

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

During 2021/22, the Council contributed to the Joint Committee an amount of £164k (£164k in 2020/21). This was calculated proportionately based upon population.

**Llwydcoed Crematorium**

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

During 2021/22, the Council charged Llwydcoed Crematorium £41k (£41k in 2020/21) in respect of central establishment charges. As at 31<sup>st</sup> March 2022 the Council held cash balances relating to the Crematorium of £1,395k (£1,519k in 2020/21).

**Education School Improvement Service (ESIS)**

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

Exit agreement negotiations are ongoing.

### **Central South Consortium Joint Education Service (CSCJES)**

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

The Council consolidates 27.29% of the assets, liabilities and transactions of CSCJES into its financial statements.

During 2021/22, the Council received income of £109k from CSCJES (received income of £391k in 2020/21) in respect of advisory and training services, along with grants of £24,464k (£19,856k in 2020/21), and charged CSCJES £126k (£112k in 2020/21) in respect of central establishment charges. The Council also paid CSCJES expenditure of £997k (£1,009k in 2020/21). As at 31<sup>st</sup> March 2022 the Council owed cash balances of £1,338k relating to CSCJES (the Council owed cash balances to CSCJES of £1,984k as at 31<sup>st</sup> March 2021). As part of the Joint Committee consolidation process, offsetting transactions and balances are removed from the accounts to ensure individual values are not overstated. CSCJES distributes grants to participating authorities on behalf of Welsh Government.

### **Coychurch Crematorium**

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

At 31<sup>st</sup> March 2022 there were no balances outstanding between the Council and Coychurch Crematorium (no balances outstanding as at 31<sup>st</sup> March 2021).

### **Vale, Valleys and Cardiff Regional Adoption Collaborative (VVC)**

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

During 2021/22, the Council contributed £562k to the Vale, Valleys and Cardiff Regional Adoption Collaborative (£579k in 2020/21).

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

On 15<sup>th</sup> March 2016, the ten Council Leaders in South East Wales, the First Minister, the Welsh Government Minister for Finance and Government Business, the Secretary of State for Wales and the Chief Secretary to the Treasury signed the Cardiff Capital Region City Deal, an agreement between the UK Government, the Welsh Government and the ten leaders to develop and manage £1.2 billion investment in the Cardiff Capital Region's infrastructure through a 20-year Investment Fund.

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

During 2021/22, there was a revenue contribution to CCRCD of £183k (£346k in 2020/21), there was no capital contribution (£315k in 2020/21).

## **29.7 Partnership Agreement**

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

The Biogen Food Waste Plant became fully operational on the 19<sup>th</sup> July 2015. The 3 local authorities who form the Hub (Rhondda Cynon Taf CBC, Merthyr CBC and Newport City Council) send a combined annual contracted guaranteed minimum tonnage of 13,500 tonnes to be treated at the facility. In 2021/22 a total amount of £1,127k (£1,117k in 2020/21) associated costs have been incurred by the parties, of which RCT's associated costs in 2021/22 were £613k (£613k in 2020/21), with Welsh Government contributing £124k (£124k in 2020/21) of grant funding.

## **29.8 Other Related Parties**

### **Trivallis**

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

During 2021/22, the Council paid Trivallis £944k (£1,614k in 2020/21) and received income of £1,746k (£1,282k in 2020/21). At year-end, Trivallis owed £187k to the Council (£253k in 2020/21).

In line with the Council's agreed Investment Strategy, following appropriate due diligence and subject to appropriate and acceptable security arrangements being put in place, the Council entered into a commercially agreed loan arrangement with Trivallis, for an amount of £5,250k. The opening balance as at 1<sup>st</sup> April 2021 was £4,250k, and the loan was fully repaid during 2021/22.

## **30.0 Capital Expenditure and Capital Financing**

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



	2020/21	2021/22
	£'000	£'000
Opening Capital Financing Requirement	493,487	504,848
<b>Capital Investment:</b>		
Property, Plant & Equipment	90,255	90,668
Intangible Assets	1,330	1,853
Revenue Expenditure Funded from Capital Under Statute	10,735	13,425
	<b>102,320</b>	<b>105,946</b>
<b>Sources of Finance:</b>		
Capital Receipts	(515)	0
Government Grants and Other Contributions	(62,674)	(76,256)
	<b>(63,189)</b>	<b>(76,256)</b>
<b>Sums Set Aside from Revenue:</b>		
Direct Revenue Contributions	(14,209)	(17,264)
Minimum Revenue Payment	(13,561)	(14,511)
	<b>(27,770)</b>	<b>(31,775)</b>
<b>Closing Capital Financing Requirement</b>	<b>504,848</b>	<b>502,763</b>
<b>Explanation of Movements in Year</b>		
Increase/(Decrease) in underlying need to borrowing supported by government financial assistance)	(663)	(790)
Increase in underlying need to borrowing (unsupported by government financial assistance)	12,025	(1,295)
Finance Leases	(1)	0
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>11,361</b>	<b>(2,085)</b>

### 31.0 Leases

The following disclosures relate to the Council as a lessee.

#### 31.1 Finance Leases

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

	31/03/21	31/03/22
	£'000	£'000
Other Land and Buildings	153	155

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

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired and finance costs that will be payable in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31/03/21	31/03/22
	£'000	£'000
Finance Lease Liabilities:		
Current	1	1
Long-Term	383	382
Finance costs payable in future years	1,188	1,166
<b>Minimum Lease Payments</b>	<b>1,572</b>	<b>1,549</b>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31/03/21	31/03/22	31/03/21	31/03/22
	£'000	£'000	£'000	£'000
Less than 1 year	23	23	1	1
1 to 5 years	90	113	3	5
Greater than 5 years	1,459	1,413	379	377
<b>Total</b>	<b>1,572</b>	<b>1,549</b>	<b>383</b>	<b>383</b>

### 31.2 Operating Leases

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

	31/03/21			31/03/22		
	Other Land & Buildings	Vehicles, Plant & Equip.	Totals	Other Land & Buildings	Vehicles, Plant & Equip.	Totals
	£'000	£'000	£'000	£'000	£'000	£'000
Not later than 1 year	526	746	1,272	427	801	1,228
Later than 1 year and not later than 5 years	1,991	1,528	3,519	1,435	1,655	3,090
Later than 5 years	6,983	304	7,287	8,604	207	8,811
<b>Total</b>	<b>9,500</b>	<b>2,578</b>	<b>12,078</b>	<b>10,466</b>	<b>2,663</b>	<b>13,129</b>

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

	31/03/21	31/03/22
	£'000	£'000
Minimum Lease Payments	1,478	1,546

### 31.3 Sub-Leases

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

	2020/21	2021/22
	£'000	£'000
Less than 1 year	113	331
1 to 5 years	193	842
Greater than 5 years	75	814
<b>Total</b>	<b>381</b>	<b>1,987</b>

### 31.4 Operating Leases with Council as Lessor

The following disclosures relate to the Council as lessor:

	2020/21	2021/22
	£'000	£'000
Less than 1 year	990	988
1 to 5 years	4,002	3,941
Greater than 5 years	8,540	7,637
<b>Total</b>	<b>13,532</b>	<b>12,566</b>

### 32.0 Impairment Losses

During 2021/22, the Council has recognised an impairment loss of £15.6m (a loss of £20.7m in 2020/21) in relation to its Long-Term Assets. This impairment charge is included within the Long-Term Asset note 6.1, which also includes reversal of impairment from previous years.

### 33.0 Retirement Benefits - Defined Benefit Schemes

#### 33.1 Participation in Pension Schemes

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

The Council participates in two pension schemes:

- Teachers - Please refer to note 34.0.
- Other Employees and Members - The Local Government Pension Scheme administered by Rhondda Cynon Taf CBC. This is a funded defined benefit career average scheme. The Council and participants pay contributions into the fund calculated at a level intended to balance the pensions liabilities with investment assets. The pension costs that are charged to the Council's accounts are defined by IAS 19 "Employee Benefits".

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

### **33.2 Transactions Relating to Post-Employment Benefits**

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

	2020/21		2021/22	
		RCT	Joint Comm's	Total
	£'000	£'000	£'000	£'000
<b>Comprehensive Income and Expenditure Statement:</b>				
Cost of Services:				
Current Service Cost	57,146	82,120	462	82,582
Past Service Cost	1,030	1,200	0	1,200
<i>Financing and Investment Income and Expenditure:</i>				
Net Interest Expense	14,579	14,490	1	14,491
<b>Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>72,755</b>	<b>97,810</b>	<b>463</b>	<b>98,273</b>
<i>Remeasurement of the Net Defined Benefit Liability Comprising:</i>				
Return on Plan Assets (Excluding the Amount Included in the Net Interest Expense)	(346,938)	(4,180)	(158)	(4,338)
Actuarial (Gains) and Losses Arising on Liabilities - Demographic Assumptions	0	(21,250)	(91)	(21,341)
Actuarial (Gains) and Losses Arising on Liabilities - Financial Assumptions	380,035	(144,930)	(609)	(145,539)
Actuarial (Gains) and Losses Arising on Liabilities - Experience	(19,617)	6,410	29	6,439
<b>Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>86,235</b>	<b>(66,140)</b>	<b>(366)</b>	<b>(66,506)</b>
<b>Movement in Reserves Statement:</b>				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code	(72,755)	(97,810)	(463)	(98,273)
<i>Actual amount charged against the Council Fund Balance for pensions in the year:</i>				
Employers' contributions payable to scheme	35,172	37,170	62	37,232

The total remeasurement of the Net Defined Benefit Liability recognised in Other Comprehensive Income and Expenditure to the 31<sup>st</sup> March 2022 is a gain of £164.8m (£13.5m loss in 2020/21).

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the year ending 31<sup>st</sup> March 2022 is a gain of £36.5m.

**33.3 Reconciliation of Present Value of the Scheme Liabilities**

	2020/21	2021/22		
		RCT	Joint Comm's	Total
	£'000	£'000	£'000	£'000
<b>Balance at 1<sup>st</sup> April</b>	<b>1,760,955</b>	<b>2,171,220</b>	<b>9,037</b>	<b>2,180,257</b>
Current Service Cost	57,146	82,120	462	82,582
Interest Cost on Defined Obligation	40,074	45,170	190	45,360
Contributions by scheme participants	9,742	10,160	84	10,244
<b><i>Remeasurement (Gains) and Losses</i></b>				
Actuarial (Gains) and Losses Arising on Liabilities - Demographic Assumptions	0	(21,250)	(91)	(21,341)
Actuarial (Gains) and Losses Arising on Liabilities - Financial Assumptions	380,035	(144,930)	(609)	(145,539)
Actuarial (Gains) and Losses Arising on Liabilities - Experience	(19,617)	6,410	29	6,439
Benefits paid	(49,108)	(51,970)	(91)	(52,061)
Past service costs	1,030	1,200	0	1,200
<b>Balance at 31<sup>st</sup> March</b>	<b>2,180,257</b>	<b>2,098,130</b>	<b>9,011</b>	<b>2,107,141</b>

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

	2020/21	2021/22		
		RCT	Joint Comm's	Total
	£'000	£'000	£'000	£'000
<b>Balance at 1<sup>st</sup> April</b>	<b>1,103,321</b>	<b>1,462,720</b>	<b>8,839</b>	<b>1,471,559</b>
Interest Income	25,495	30,680	189	30,869
<b><i>Remeasurement (Gains) and Losses:</i></b>				
The Return on Plan Assets, Excluding the Amount Included in the Net Interest Expense	346,938	4,180	158	4,338
Employer contributions	35,172	37,170	62	37,232
Contributions by scheme participants	9,741	10,160	84	10,244
Benefits paid	(49,108)	(51,970)	(91)	(52,061)
<b>Balance at 31<sup>st</sup> March</b>	<b>1,471,559</b>	<b>1,492,940</b>	<b>9,241</b>	<b>1,502,181</b>

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

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was a gain of £35.07m (£365.37m gain in 2020/21).

**33.5 Scheme History**

	2017/18	2018/19	2019/20	2020/21	2021/22
	Inc Joint Comm's £'000	Inc Joint Comm's £'000	Inc Joint Comm's £'000	Inc Joint Comm's £'000	Inc Joint Comm's £'000
Present Value of the Defined Obligation	(1,644,122)	(1,741,294)	(1,760,955)	(2,180,257)	(2,107,141)
Fair Value of Plan Assets	1,032,264	1,132,656	1,103,321	1,471,559	1,502,181
<b>Surplus/(Deficit)</b>	<b>(611,858)</b>	<b>(608,638)</b>	<b>(657,634)</b>	<b>(708,698)</b>	<b>(604,960)</b>

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £605m has a substantial impact on the Net Worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council is not impacted upon. The deficit on the local government scheme will be made good in line with actuarial assumptions.

**33.6 Local Government Pension Scheme Assets**

As at 31<sup>st</sup> March 2022, the Rhondda Cynon Taf Pension Fund Assets used in IAS19 calculations comprised of:

Fair Value of Scheme Assets		
	2020/21	2021/22
	£'000	£'000
UK Equities	491,294	443,448
Overseas Equities	2,769,614	2,870,331
UK Fixed Interest Gilts	372,929	563,640
UK Corporate Bonds	550,961	607,650
Property	282,289	317,833
Cash and Net Current Assets	26,320	16,991
<b>Total</b>	<b>4,493,407</b>	<b>4,819,893</b>

**33.7 Basis for Estimating Assets and Liabilities****Roll-forward of Assets**

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

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

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

## Roll-forward of Liabilities

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

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

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

	31/03/21	31/03/22
Long-Term Expected Rate of Return on Assets in the Scheme (in line with the discount rate)	4.3%	4.25%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21.8	21.6
Women	24.1	23.9
Longevity at 65 for future pensioners:		
Men	22.8	22.6
Women	25.6	25.4
Rate of inflation (CPI)	2.7%	3.0%
Rate of increase in salaries	3.95%	4.25%
Rate of increase in pensions	2.7%	3.0%
Rate for discounting scheme liabilities	2.1%	2.7%
Take-up of option to convert annual pension into retirement lump sum:		
Post-2010 Service	80%	80%
Pre-2010 Service	80%	80%

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



	RCT		Joint Committes		Total	
	Increase in Assumption	Decrease in Assumption	Increase in Assumption	Decrease in Assumption	Increase in Assumption	Decrease in Assumption
	£'000	£'000	£'000	£'000	£'000	£'000
Longevity (Increase or Decrease in 1 Year)	73,120	(71,030)	315	(306)	73,435	(71,336)
Rate of Increase in Salaries (Increase or Decrease by 0.1%)	6,270	(6,270)	18	(18)	6,288	(6,288)
Rate of Increase in Pensions (Increase or Decrease by 0.1%)	37,600	(37,600)	171	(171)	37,771	(37,771)
Rate for Discounting Scheme Liabilities (Increase or Decrease by 0.1%)	(43,870)	43,870	(189)	189	(44,059)	44,059

### **33.8 Contributions for the Accounting Period ending 31<sup>st</sup> March 2023**

The Employer's regular contributions to the Fund for the accounting period 31<sup>st</sup> March 2023 are estimated to be £37.6m. In addition, "strain on fund" contributions may be required.

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

### **34.0 Retirement Benefits - Defined Contribution Schemes**

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

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

In 2021/22, the Council paid £20.0m to Teachers' Pensions in respect of teachers' retirement benefits, representing 23.68% of pensionable pay. The figures for 2020/21 were £19.7m, representing 23.68% of pensionable pay. In addition, the Council is responsible for all pension payments relating to added years that it has awarded, together with related increases. In 2021/22 these amounted to £689k (£753k in 2020/21).

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

## **35.0 Contingent Liabilities**

### **35.1 Insurance**

The Council is liable for insurance claims made against it in respect of certain events. A provision is made in respect of claims received as at 31<sup>st</sup> March 2022. There is a further contingent liability in respect of events which will have occurred but which have not resulted in a claim being made as at the date of the accounts. The “statute of limitation” sets out the timescale by which a claim will have to be made in respect of such past events. An earmarked reserve has been set up to provide towards the costs of these incidents.

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

Insurance claims are also referenced in note 4.2.

### **35.2 Municipal Mutual Insurance Ltd.**

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

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

## **36.0 Trust Funds**

The Council acts as sole trustees for various charities. Separate accounts are maintained for these. Net assets as at 31<sup>st</sup> March 2022 are shown as follows and are not included in the Council’s Balance Sheet. The 2021/22 figures are draft, subject to audit (Audit Wales for Welsh Church Act, the Regional Internal Audit Service for the other funds).

	Description	31/03/21	31/03/22
		£'000	£'000
Education & Miscellaneous	Various funds established for educational and community benefits	278	287
Rhondda Cynon Taf Charity for the Visually Impaired	Fund established for the benefit of visually impaired citizens	59	14
Welsh Church Act Fund	Fund established under the Welsh Church Act for various charitable aims within the counties of Rhondda Cynon Taf, Merthyr Tydfil and Bridgend	13,512	13,891

## Group Accounts

### 1. Introduction

To reflect the changing nature of service provision in the public sector, all local authorities are required to prepare a full set of group financial statements, in addition to their single entity accounts, where they hold material interests in subsidiaries, associates or joint ventures.

The Group Accounts Statements comprise:

- Statement of Group Accounting Policies.
- Group Movement in Reserves Statement.
- Group Comprehensive Income and Expenditure Statement.
- Group Balance Sheet.
- Group Cash Flow Statement.

### 2. Bodies Consolidated

Following a review of the Council's activities, the following have been identified as group companies and have been consolidated into the group financial statements:

- **Amgen Cymru Ltd.** - This company was set up by the former Cynon Valley Borough Council as an arms length company under the 1990 Environment Act. It is registered as "Cynon Valley Waste Disposal" but trades as "Amgen Cymru Ltd.". The principal activities of the company are the provision of recycling services and waste disposal facilities. The Council has a 100% interest in the company of £2.8m. The company is a subsidiary of the Council.
- **Amgen Rhondda Ltd.** - This company was set up during September 1999 as a wholly owned subsidiary of Amgen Cymru Ltd. The principal activity of the company continues to be that of the stewardship of a closed landfill site and associated opportunities for income recognition. In April 2005 the company entered into a formal stewardship agreement with Rhondda Cynon Taf CBC, which provides for the remediation and long-term stewardship of the facility in conjunction with the shareholder.

Rhondda Cynon Taf CBC holds 100% of the voting rights of Amgen Cymru Ltd., who in turn hold 100% of the voting rights of Amgen Rhondda, and is therefore classed as a subsidiary.

The Council also holds 100% of the allotted preference shares in Amgen Rhondda Ltd.

The individual financial statements of Cynon Valley Waste Disposal Company and Amgen Rhondda Limited have been prepared in compliance with UK Accounting Standards, including Financial Reporting Standard 102 (FRS102).

## **Statement of Group Accounting Policies**

The group financial statements have been prepared in accordance with the accounting policies adopted for the single entity accounts, with the exception of the following items:

### **1. Long-Term Assets (Subsidiary Companies)**

Certain Long-Term Assets of Amgen Cymru Ltd. and Amgen Rhondda Ltd. are valued in the company Balance Sheets at depreciated historical cost. This accounting policy is not consistent with that used by the Council. However, as the land and buildings are specialist assets used in the running of a waste disposal facility, and in the case of landfill cells a distinct class of asset not currently held by the Council, they have been consolidated into the Group Balance Sheet on this basis.

### **2. Basis of Charges for use of Long-Term Assets**

Depreciation is charged to services on a straight-line basis and included within the Cost of Services in the Group Comprehensive Income and Expenditure Statement.

### **3. Basis of Consolidation**

It is a requirement that Group Accounts are prepared using consistent accounting policies, which can differ between company and local authority accounts. The main differences between these accounts are:

- Long-term asset valuations. These should be based on the measurement principles given in the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 based on International Financial Reporting Standards, which generally means assets are carried at a current valuation.
- Criteria for assessing cash equivalents: Short Term lending of surplus balances investments are treated as Cash at bank in the company accounts but as Short Term investments in the local authority accounts

The accounts of Amgen Cymru and Amgen Rhondda have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties at fair value.

Subsidiary companies are consolidated into the group statements using the acquisition method. Based on materiality, the associate company is not consolidated.

**Group Movement in Reserves Statement (MiRS)**

This statement shows the movement in the year on the different reserves held by the Group, analysed into “usable reserves” (i.e. those that can be applied to fund expenditure or reduce local taxation) and “unusable reserves”. The (Surplus) or Deficit on the Provision of Services line shows the economic cost of providing the Group’s services on an International Financial Reporting Standards basis, more details of which are shown in the Group Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the Council Fund Balance for Council Tax setting. The Net (Increase) or Decrease before Transfers to Earmarked Reserves line shows the statutory Council Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Group.

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

	Council Fund Balance	Earmarked Reserves: Capital, Treasury & Insurance	Earmarked Reserves: Other Revenue Related	Delegated Schools Reserve	Usable Capital Receipts Reserve	Capital Grants Unapplied	MGCC Insurance Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves of the Council	Council's share of Reserves of Subsidiaries, Associates & Joint Ventures	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1<sup>st</sup> April 2020</b>	8,709	69,616	39,028	2,384	1,750	24,934	136	146,557	56,752	203,309	(334)	202,975
<b>Movement in reserves during 2020/21</b>												
Surplus or (deficit) on the provision of services (accounting basis)	25,452	0	(118)	0	0	0	0	25,334	(9,067)	16,267	9,248	25,515
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	0	0	0	0
Total comprehensive income and expenditure	25,452	0	(118)	0	0	0	0	25,334	(9,067)	16,267	9,248	25,515
<b>Adjustments between Group Accounts and Authority Accounts:</b>	9,341	0	0	0	0	0	0	9,341	0	9,341	(9,341)	0
<b>Net Increase or decrease before transfers</b>	34,793	0	(118)	0	0	0	0	34,675	(9,067)	25,608	(93)	25,515
<b>Adjustments between accounting basis and funding under regulations:</b>	0	0	0	0	0	0	0	0	0	0	0	0
<b>Adjustments primarily involving the Capital Adjustment Account:</b>	0											
<b>Reversal of items debited / credited to CI&amp;ES:</b>												
Charges for depreciation and impairment of long-term assets	28,585	0	0	0	0	0	0	28,585	(28,585)	0	0	0

Continued Overleaf...

Revaluation losses on property, plant & equipment	36,900	0	0	0	0	0	0	0	36,900	(36,900)	0	0	0
Movement in the fair value of Investment Properties	215	0	0	0	0	0	0	0	215	(215)	0	0	0
Capital Grants and Contributions applied	0	0	0	0	0	0	0	0	0	0	0	0	0
Amortisation of intangible assets	1,675	0	0	0	0	0	0	0	1,675	(1,675)	0	0	0
Revenue expenditure funded from capital under statute	10,735	0	0	0	0	0	0	0	10,735	(10,735)	0	0	0
Amounts of long-term assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	(358)	0	0	0	358	0	0	0	0	0	0	0	0
<b>Insertion of items not debited / credited to CI&amp;ES:</b>													
Statutory provision for the financing of capital investment	(13,561)	0	0	0	0	0	0	0	(13,561)	13,561	0	0	0
Capital expenditure charged against the Council Fund Balances	(14,209)	0	0	0	0	0	0	0	(14,209)	14,209	0	0	0
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>													
Capital grants and contributions unapplied credited to CI&ES	(70,102)	0	(706)	0	0	70,102	0	0	(706)	706	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	(62,674)	0	0	(62,674)	62,674	0	0	0
<b>Adjustments involving the Capital Receipts Reserve:</b>													
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CI&ES	0	0	0	0	1,512	0	0	0	1,512	(1,512)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	0	(515)	0	0	0	(515)	515	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0	849	0	0	0	849	(849)	0	0	0

Continued Overleaf...



<b>Adjustments involving the Financial Instruments Adjustment Account:</b>													
Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements	(88)	0	0	0	0	0	0	(88)	88	0	0	0	0
<b>Adjustments involving the Pensions Reserve:</b>													
Reversal of items relating to retirement benefits debited or credited to the CI&ES	72,460	0	294	0	0	0	0	72,754	(72,754)	0	0	0	0
Employer's pensions contributions and direct payments to pensioners payable in the year	(35,120)	0	(52)	0	0	0	0	(35,172)	35,172	0	0	0	0
<b>Adjustment involving the Unequal Pay Back Pay Adjustment Account:</b>													
Amount by which amounts charged for equal pay claims to the CI&ES are different from the cost of settlements chargeable in the year in accordance with statutory requirements	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Adjustment involving the Accumulated Absences Account:</b>													
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	123	0	6	0	0	0	0	129	(129)	(0)	0	(0)	(0)
<i>Continued Overleaf...</i>													

Tudalen 237

<b>Other adjustments include:</b>												
Adjustment between the Capital Adjustment Account and the Revaluation Reserve	0	0	0	0	0	0	0	0	0	0	0	0
Depreciation of long-term asset revaluation gains	0	0	0	0	0	0	0	0	0	0	0	0
<b>Net increase or (decrease) before transfers to Earmarked Reserves</b>	52,047	0	(576)	0	2,205	7,428	0	<b>61,104</b>	(35,496)	<b>25,608</b>	(93)	<b>25,515</b>
<b>Transfers to or from Earmarked Reserves</b>	(52,251)	7,213	35,339	9,651	(1)	1	49	1	(1)	0	0	0
<b>Increase or (decrease) in the year</b>	(204)	7,213	34,763	9,651	2,204	7,429	49	<b>61,105</b>	(35,497)	<b>25,608</b>	(93)	<b>25,515</b>
<b>Balance at 31<sup>st</sup> March 2021</b>	<b>8,505</b>	<b>76,829</b>	<b>73,791</b>	<b>12,035</b>	<b>3,954</b>	<b>32,363</b>	<b>185</b>	<b>207,662</b>	<b>21,255</b>	<b>228,917</b>	<b>(427)</b>	<b>228,490</b>

Group Movement in Reserves Statement for the year ended 31<sup>st</sup> March 2022

	Council Fund Balance	Earmarked Reserves: Capital, Treasury & Insurance	Earmarked Reserves: Other Revenue Related	Delegated Schools Reserve	Usable Capital Receipts Reserve	Capital Grants Unapplied	MGCC Insurance Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves of the Council	Council's share of Reserves of Subsidiaries, Associates & Joint Ventures	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1<sup>st</sup> April 2021</b>	8,505	76,829	73,791	12,035	3,954	32,363	185	<b>207,662</b>	21,255	<b>228,917</b>	(427)	<b>228,490</b>
<b>Movement in reserves during 2021/22</b>												
Surplus or (deficit) on the provision of services (accounting basis)	47,293	0	684	0	0	0	0	<b>47,977</b>	208,195	<b>256,172</b>	9,755	<b>265,927</b>
Other comprehensive income and expenditure	0	0	0	0	0	0	0	<b>0</b>	0	<b>0</b>	0	<b>0</b>
Total comprehensive income and expenditure	47,293	0	684	0	0	0	0	<b>47,977</b>	208,195	<b>256,172</b>	9,755	<b>265,927</b>
<b>Adjustments between Group Accounts and Authority Accounts:</b>	9,071	0	0	0	0	0	0	<b>9,071</b>	0	<b>9,071</b>	(9,071)	<b>0</b>
<b>Net Increase or decrease before transfers</b>	56,364	0	684	0	0	0	0	<b>57,048</b>	208,195	<b>265,243</b>	684	<b>265,927</b>
<b>Adjustments between accounting basis and funding under regulations:</b>	0	0	0	0	0	0	0	<b>0</b>	0	<b>0</b>	0	<b>0</b>
<b>Adjustments primarily involving the Capital Adjustment Account:</b>	0											
<b>Reversal of items debited / credited to CI&amp;ES:</b>												
Charges for depreciation and impairment of long-term assets	3,488	0	94	0	0	0	0	<b>3,582</b>	(3,582)	<b>0</b>	0	<b>0</b>

Continued Overleaf...

Tudalen 240

Revaluation losses on property, plant & equipment	34,490	0	1,094	0	0	0	0	0	35,584	(35,584)	0	0	0
Movement in the fair value of Investment Properties	610	0	114	0	0	0	0	0	724	(724)	0	0	0
Capital Grants and Contributions applied	0	0	(603)	0	0	0	0	0	(603)	603	0	0	0
Amortisation of intangible assets	1,582	0	0	0	0	0	0	0	1,582	(1,582)	0	0	0
Movement in the Donated Assets Account	(1,020)	0	0	0	0	0	0	0	(1,020)	1,020	0	0	0
Revenue expenditure funded from capital under statute	13,425	0	0	0	0	0	0	0	13,425	(13,425)	0	0	0
Amounts of long-term assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	758	0	0	0	0	0	0	0	758	(758)	0	0	0
<b>Insertion of items not debited / credited to CI&amp;ES:</b>													
Statutory provision for the financing of capital investment	(14,511)	0	0	0	0	0	0	0	(14,511)	14,511	0	0	0
Capital expenditure charged against the Council Fund Balances	(17,264)	0	0	0	0	0	0	0	(17,264)	17,264	0	0	0
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>													
Capital grants and contributions unapplied credited to CI&ES	(81,868)	0	0	0	0	81,868	0	0	0	0	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	(76,256)	0	0	(76,256)	76,256	0	0	0
<b>Adjustments involving the Capital Receipts Reserve:</b>													
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CI&ES	(1,079)	0	0	0	1,079	0	0	0	0	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0	423	0	0	0	423	(423)	0	0	0

Continued Overleaf...

<b>Adjustments involving the Financial Instruments Adjustment Account:</b>													
Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements	(90)	0	0	0	0	0	0	0	(90)	91	1	0	1
<b>Adjustments involving the Pensions Reserve:</b>													
Reversal of items relating to retirement benefits debited or credited to the CI&ES	97,810	0	463	0	0	0	0	0	98,273	(98,273)	0	0	0
Employer's pensions contributions and direct payments to pensioners payable in the year	(37,170)	0	(62)	0	0	0	0	0	(37,232)	37,232	0	0	0
<b>Adjustment involving the Unequal Pay Back Pay Adjustment Account:</b>													
Amount by which amounts charged for equal pay claims to the CI&ES are different from the cost of settlements chargeable in the year in accordance with statutory requirements	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Adjustment involving the Accumulated Absences Account:</b>													
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	933	0	7	0	0	0	0	0	940	(939)	1	0	1
<i>Continued Overleaf...</i>													

Tudalen 241

<b>Other adjustments include:</b>												
Adjustment between the Capital Adjustment Account and the Revaluation Reserve	0	0	0	0	0	0	0	0	0	0	0	0
Depreciation of long-term asset revaluation gains	0	0	0	0	0	0	0	0	0	0	0	0
<b>Net increase or (decrease) before transfers to Earmarked Reserves</b>	56,458	0	1,791	0	1,502	5,612	0	<b>65,363</b>	199,882	<b>265,245</b>	684	<b>265,929</b>
<b>Transfers to or from Earmarked Reserves</b>	(54,671)	9,108	36,840	8,526	213	0	(16)	<b>0</b>	0	<b>0</b>	0	<b>0</b>
<b>Increase or (decrease) in the year</b>	1,787	9,108	38,631	8,526	1,715	5,612	(16)	<b>65,363</b>	199,882	<b>265,245</b>	684	<b>265,929</b>
<b>Balance at 31<sup>st</sup> March 2022</b>	<b>10,292</b>	<b>85,937</b>	<b>112,422</b>	<b>20,561</b>	<b>5,669</b>	<b>37,975</b>	<b>169</b>	<b>273,025</b>	<b>221,137</b>	<b>494,162</b>	<b>257</b>	<b>494,419</b>

---

**Group Comprehensive Income and Expenditure Statement for the year ended 31<sup>st</sup>  
March 2022**

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

2020/21				Note:	2021/22		
Gross Exp	Gross Income	Net Exp			Gross Exp	Gross Income	Net Exp
£'000	£'000	£'000			£'000	£'000	£'000
99,252	(14,544)	84,708	Prosperity, Development & Frontline Services	G 1.0	109,850	(23,964)	85,886
65,526	(10,109)	55,417	Chief Executive		54,428	(11,847)	42,581
257,439	(56,989)	200,450	Education & Inclusion Services		275,610	(71,802)	203,808
262,473	(81,609)	180,864	Community & Children's Services		292,365	(110,540)	181,825
98,130	(113,705)	(15,575)	Authority Wide Budgets		90,373	(90,493)	(120)
1,308	(1,758)	(450)	Joint Committees		2,478	(2,413)	65
<b>784,128</b>	<b>(278,714)</b>	<b>505,414</b>	<b>Cost of Services</b>		<b>825,104</b>	<b>(311,059)</b>	<b>514,045</b>
			<b>Other Operating Expenditure</b>				
23,230	0	23,230	Precepts		24,316	0	24,316
12,406	0	12,406	Levies		12,901	0	12,901
0	(358)	(358)	(Gains) or Losses on Disposal of Non-Current Assets		0	(319)	(319)
			<b>Financing and Investment Income and Expenditure</b>				
11,680	0	11,680	Interest Payable and Similar Charges		11,347	0	11,347
14,579	0	14,579	Net Interest on Net Defined Liability (Asset)		14,491	0	14,491
0	(598)	(598)	Interest Receivable and Similar Income		0	(643)	(643)
1,310	(324)	986	Income, Expenditure and Changes in the Fair Value of Investment Properties		628	(324)	304
			<b>Taxation and Non-Specific Grant Income</b>				
0	(140,915)	(140,915)	Council Tax Income		0	(146,388)	(146,388)
0	(74,592)	(74,592)	NDR Distribution		0	(79,250)	(79,250)
0	(321,312)	(321,312)	Non-Ringfenced Government Grants		0	(333,966)	(333,966)
0	(64,987)	(64,987)	Capital Grants and Contributions		0	(73,881)	(73,881)
0	(127)	(127)	Corporation Tax - Joint Committees		77	0	77
<b>847,333</b>	<b>(881,927)</b>	<b>(34,594)</b>	<b>(Surplus) or Deficit on the Provision of Services</b>		<b>888,864</b>	<b>(945,830)</b>	<b>(56,966)</b>
			<b>Associates and Joint Ventures Accounted for on an Equity Basis</b>				
			<b>Tax Expenses</b>				
0	(13)	(13)	Taxation of Group Entities		0	0	0
0	0	0	Share of Taxation of Associates and Joint Ventures		0	0	0
<b>847,333</b>	<b>(881,940)</b>	<b>(34,607)</b>	<b>(Surplus) or Deficit</b>		<b>888,864</b>	<b>(945,830)</b>	<b>(56,966)</b>
14,468	(20,244)	(5,776)	(Surplus) or Deficit on Revaluation of Property, Plant & Equipment Assets		4,149	(48,311)	(44,162)
14,868	0	14,868	Remeasurement of the Net Defined Benefit Liability		0	(164,799)	(164,799)
<b>29,336</b>	<b>(20,244)</b>	<b>9,092</b>	<b>Other Comprehensive Income and Expenditure</b>		<b>4,149</b>	<b>(213,110)</b>	<b>(208,961)</b>
<b>876,669</b>	<b>(902,184)</b>	<b>(25,515)</b>	<b>Total Comprehensive Income and Expenditure</b>		<b>893,013</b>	<b>(1,158,940)</b>	<b>(265,927)</b>



## **Group Balance Sheet as at 31<sup>st</sup> March 2022**

The Group Balance Sheet summarises the financial position of the Council and its subsidiaries and associates as a whole. It shows the value of the Group assets and liabilities at the end of the financial year.

31/03/21			31/03/22	
£'000		Note:	£'000	£'000
	<b>Long-Term Assets</b>	Property, Plant & Equipment:		
710,921		Other Land & Buildings	760,795	
497,215		Infrastructure	526,504	
21,870		Vehicles, Plant & Equipment	23,791	
2		Landfill Cells	735	
5,074		Community Assets	5,011	
2,572		Assets Under Construction	15,832	
145		Heritage Assets	145	
8,164		Investment Properties	7,546	
0		Defined Benefit Pension Scheme Asset	230	
3,204		Long-Term Intangible Assets	3,475	
6,615		Long-Term Investments	2,615	
0		Investment in Associates & Joint Ventures	0	
1,517		Long-Term Debtors	4,159	
<b>1,257,299</b>		<b>TOTAL LONG-TERM ASSETS</b>		<b>1,350,838</b>
	<b>Current Assets</b>			
23,479		Short-Term Investments	133,770	
705		Assets Held for Sale	1,196	
2,681		Inventories	1,443	
124,873		Short-Term Debtors	147,746	
18,766		Cash and Cash Equivalents	23,570	
<b>170,504</b>		<b>TOTAL CURRENT ASSETS</b>		<b>307,725</b>
	<b>Current Liabilities</b>			
(19,652)		Cash and Cash Equivalents	(14,465)	
(32,176)		Short-Term Borrowing	(19,156)	
(1,515)		Short-Term Donated Assets Account	0	
(1,636)		Short-Term Provisions	(1,508)	
(114,877)		Short-Term Creditors	(134,836)	
<b>(169,856)</b>		<b>TOTAL CURRENT LIABILITIES</b>		<b>(169,965)</b>
	<b>Long-Term Liabilities</b>			
(10,231)		Long-Term Creditors	(6,705)	
(4,863)		Long-Term Provisions	(4,854)	
0		Capital Grants Receipts in Advance	(1,798)	
(303,324)		Long-Term Borrowing	(373,531)	
(710,916)		Other Long-Term Liabilities	(607,168)	
(123)		Long-Term Donated Assets Account	(123)	
<b>(1,029,457)</b>		<b>TOTAL LONG-TERM LIABILITIES</b>		<b>(994,179)</b>
<b>228,490</b>	<b>NET ASSETS</b>			<b>494,419</b>

Continued Overleaf...

8,505	<b>Usable Reserves</b>	Council Fund Balance		10,292	
		Earmarked Reserves:			
76,829		Capital, Treasury and Insurance Reserves		85,937	
73,791		Other Revenue Related Reserves		112,422	
12,035		Delegated Schools Reserve		20,561	
3,954		Usable Capital Receipts Reserve		5,669	
32,363		Capital Grant Unapplied Account		37,975	
185		MGCC Insurance Reserve		169	
<b>207,662</b>		<b>TOTAL USABLE RESERVES</b>			<b>273,025</b>
208,134	<b>Unusable Reserves</b>	Revaluation Reserve		244,437	
423		Deferred Capital Receipts Reserve		0	
532,591		Capital Adjustment Account	G 5.0	593,703	
(5,399)		Financial Instruments Adjustment Account		(5,308)	
(708,698)		Pensions Reserve		(604,960)	
(5,796)		Short-Term Accumulating Compensated Absence Account		(6,735)	
(427)		Group Companies Reserve	G 3.0	257	
<b>20,828</b>		<b>TOTAL UNUSABLE RESERVES</b>			<b>221,394</b>
<b>228,490</b>	<b>TOTAL RESERVES</b>				<b>494,419</b>

### Group Cash Flow Statement 2021/22

The Group Cash Flow Statement summarises the cash flows of the Council and its subsidiaries and associates during the year.

2020/21 £'000		Note:	2021/22	
			£'000	£'000
(34,594)	Net (Surplus) or Deficit on the Provision of Services		(56,966)	
(89,032)	Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements	G 6.0	(91,875)	
67,703	Adjustments for Items Included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities	G 7.0	75,596	
<b>(55,923)</b>	<b>Net Cash Flows from Operating Activities</b>			<b>(73,245)</b>
25,948	Investing Activities	G 9.0	140,445	
39,420	Financing Activities	G 10.0	(58,981)	81,464
<b>9,445</b>	<b>Net Increase or Decrease in Cash or Cash Equivalents</b>			<b>8,219</b>
(10,331)	Cash and Cash Equivalents at the Beginning of the Reporting Period			886
<b>(886)</b>	<b>Cash and Cash Equivalents at the End of the Reporting Period</b>			<b>9,105</b>

## Notes to the Group Accounts

These notes should be read in conjunction with the notes to the Council's Core Financial Statements. Unless specifically identified below, the information provided for the single entity accounts also applies to the Group Statements.

### G.1.0 Segmental Analysis (Subsidiary Companies)

The operating income and expenditure of Amgen Cymru Ltd. and Amgen Rhondda Ltd. has been included within Prosperity, Development & Frontline Services.

A Group Expenditure and Funding Analysis Statement, and its associated notes, has not been included in the Group Statements due to materiality.

### G 2.0 Long-Term Assets

#### G 2.1 Property, Plant and Equipment

##### Movements in 2020/21

	Other Land & Buildings	Infrastructure	Vehicles, Plant & Equipment	Landfill Cells	Community Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>							
At 1st April 2020	779,075	655,238	53,238	193	6,246	41,228	<b>1,535,218</b>
Joint Committees	5,569	0	0	0	0	0	<b>5,569</b>
Opening Balance							
Additions	33,967	44,858	9,730	0	224	2,142	<b>90,921</b>
Donations	0	0	0	0	0	0	<b>0</b>
Revaluation Increases/ (Decreases) Recognised in the Revaluation Reserve	(4,954)	0	0	0	0	0	<b>(4,954)</b>
Revaluation Increases/ (Decreases) Recognised in the Surplus/Deficit on the Provision of Services	(36,949)	0	0	0	0	0	<b>(36,949)</b>
Derecognition – Disposals	(2,476)	0	(4,709)	0	0	0	<b>(7,185)</b>
Derecognition - Other	0	0	(1,722)	0	0	0	<b>(1,722)</b>
Assets Reclassified (to)/from Held for Sale	10	0	0	0	0	0	<b>10</b>
Other Reclassifications	18,717	16,240	273	0	0	(40,798)	<b>(5,568)</b>
Other Movements in Cost or Valuation	0	0	0	0	0	0	<b>0</b>
<b>At 31st March 2021</b>	<b>792,959</b>	<b>716,336</b>	<b>56,810</b>	<b>193</b>	<b>6,470</b>	<b>2,572</b>	<b>1,575,340</b>

*Continued Overleaf...*

<b>Accumulated Depreciation and Impairment</b>								
At 1st April 2020	(84,761)	(203,906)	(34,090)	(188)	(1,396)	0	(324,341)	
Joint Committees Opening Balance	0	0	0	0	0	0	0	
Depreciation Charge	(16,443)	(13,688)	(5,450)	(3)	0	0	(35,584)	
Depreciation Written Out of the Revaluation Reserve	12,169	0	0	0	0	0	12,169	
Depreciation Written out to the Surplus/Deficit on the Provision of Services	6,814	0	0	0	0	0	6,814	
Impairment (Losses)/Reversals Recognised in the Revaluation Reserve	(2,789)	0	0	0	0	0	(2,789)	
Impairment (Losses)/Reversals Recognised in the Surplus/Deficit on the Provision of Services	1,867	(1,527)	(1,722)	0	0	0	(1,382)	
Derecognition – Disposals	1,105	0	4,600	0	0	0	5,705	
Derecognition - Other	0	0	1,722	0	0	0	1,722	
Assets Reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	
Other Reclassifications	0	0	0	0	0	0	0	
Other Movements in Cost or Valuation	0	0	0	0	0	0	0	
<b>At 31st March 2021</b>	<b>(82,038)</b>	<b>(219,121)</b>	<b>(34,940)</b>	<b>(191)</b>	<b>(1,396)</b>	<b>0</b>	<b>(337,686)</b>	
<b>Net Book Value:</b>								
<b>At 31st March 2021</b>	<b>710,921</b>	<b>497,215</b>	<b>21,870</b>	<b>2</b>	<b>5,074</b>	<b>2,572</b>	<b>1,237,654</b>	
<b>At 31st March 2020</b>	<b>699,883</b>	<b>451,332</b>	<b>19,148</b>	<b>5</b>	<b>4,850</b>	<b>41,228</b>	<b>1,216,446</b>	

**Movements in 2021/22**

	<b>Other Land &amp; Buildings</b>	<b>Infrastructure</b>	<b>Vehicles, Plant &amp; Equipment</b>	<b>Landfill Cells</b>	<b>Community Assets</b>	<b>Assets Under Construction</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or Valuation</b>							
At 1st April 2021	792,959	716,336	56,810	193	6,470	2,182	<b>1,574,950</b>
Joint Committees Opening Balance	0	0	0	0	0	390	<b>390</b>
Additions	25,790	44,357	6,714	0	0	14,444	<b>91,305</b>
Donations	0	0	1,020	0	0	0	<b>1,020</b>
Revaluation Increases/ (Decreases) Recognised in the Revaluation Reserve	17,106	0	0	0	0	0	<b>17,106</b>
Revaluation Increases/ (Decreases) Recognised in the Surplus/Deficit on the Provision of Services	(34,445)	0	0	0	0	0	<b>(34,445)</b>
Derecognition – Disposals	(780)	0	(6,717)	0	0	0	<b>(7,497)</b>
Derecognition - Other	0	0	(1,284)	0	0	0	<b>(1,284)</b>
Assets Reclassified (to)/from Held for Sale	(496)	0	0	0	0	0	<b>(496)</b>
Other Reclassifications	158	0	396	789	(158)	(1,184)	<b>1</b>
Other Movements in Cost or Valuation	0	0	0	0	0	0	<b>0</b>
<b>At 31st March 2022</b>	<b>800,292</b>	<b>760,693</b>	<b>56,939</b>	<b>982</b>	<b>6,312</b>	<b>15,832</b>	<b>1,641,050</b>

*Continued Overleaf...*

<b>Accumulated Depreciation and Impairment</b>								
At 1st April 2021	(82,038)	(219,121)	(34,940)	(191)	(1,396)	0	(337,686)	
Joint Committees Opening Balance	0	0	0	0	0	0	0	
Depreciation Charge	(17,922)	(14,704)	(4,813)	(151)	0	0	(37,590)	
Depreciation Written Out of the Revaluation Reserve	23,526	0	0	0	0	0	23,526	
Depreciation Written out to the Surplus/Deficit on the Provision of Services	8,736	0	0	0	0	0	8,736	
Impairment (Losses)/Reversals Recognised in the Revaluation Reserve	2,855	0	0	0	0	0	2,855	
Impairment (Losses)/Reversals Recognised in the Surplus/Deficit on the Provision of Services	25,398	(364)	(1,284)	0	0	0	23,750	
Derecognition – Disposals	36	0	6,703	0	0	0	6,739	
Derecognition - Other	0	0	1,284	0	0	0	1,284	
Assets Reclassified (to)/from Held for Sale	6	0	0	0	0	0	6	
Other Reclassifications	(94)	0	(98)	95	95	0	(2)	
Other Movements in Cost or Valuation	0	0	0	0	0	0	0	
<b>At 31st March 2022</b>	<b>(39,497)</b>	<b>(234,189)</b>	<b>(33,148)</b>	<b>(247)</b>	<b>(1,301)</b>	<b>0</b>	<b>(308,382)</b>	
<b>Net Book Value:</b>								
<b>At 31st March 2022</b>	<b>760,795</b>	<b>526,504</b>	<b>23,791</b>	<b>735</b>	<b>5,011</b>	<b>15,832</b>	<b>1,332,668</b>	
<b>At 31st March 2021</b>	<b>710,921</b>	<b>497,215</b>	<b>21,870</b>	<b>2</b>	<b>5,074</b>	<b>2,572</b>	<b>1,237,654</b>	

## G 2.2 Valuation of Long-Term Assets

Assets are valued according to asset type. The following table shows the type of operational assets held, the basis of valuation and the date of last valuation.

Asset Type	Date of Last Valuation	Basis of Valuation
Other Land & Buildings	Rolling Programme	EUV/DRC
Specialist Building	Rolling Programme	DRC
Vehicles, Plant & Equip	N/A	DHC
Infrastructure	N/A	DHC
Community Assets	N/A	DHC
Landfill Cells	N/A	DHC

EUV - Existing Use Value

DHC - Depreciated Historic Cost

DRC - Depreciated Replacement Costs



**G 3.0 Group Companies Reserve**

Movements in the Group Companies Reserve are summarised as follows:

	<b>Amgen Cymru</b>	<b>Amgen Rhondda</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance as at 31st March 2021</b>	<b>2,321</b>	<b>(2,748)</b>	<b>(427)</b>
Increase/(Decrease) 2021/22	687	(3)	684
<b>Balance as at 31<sup>st</sup> March 2022</b>	<b>3,008</b>	<b>(2,751)</b>	<b>257</b>

**G 4.0 Subsidiary Companies Statutory Accounts**

A summary of the statutory accounts for the Amgen Group is given in the following table. These accounts have been prepared in accordance with the Financial Reporting Standards for Smaller Entities.

	<b>Amgen Cymru</b>		<b>Amgen Rhondda</b>	
	<b>March 2021</b>	<b>March 2022</b>	<b>March 2021</b>	<b>March 2022</b>
		<b>Draft</b>		<b>Draft</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Shareholding	2,806	2,806	229	226
Net Current Assets	3,434	3,972	200	205
Total Assets less Current Liabilities	15,596	14,861	229	226
Net Assets	5,821	6,391	229	226
(Loss)/Profit Before Tax	(99)	(79)	18	(3)
(Loss)/Profit After Tax	(113)	(79)	18	(3)
Registration No.	02660628		03687641	
Registered Office/Location of Accounts	Bryn Pica Landfill Site Llwydcoed Aberdare CF44 0BX		Bryn Pica Landfill Site Llwydcoed Aberdare CF44 0BX	
Auditors	Azets Audit Services		Azets Audit Services	
Audit Opinion	Not yet given for year		Not yet given for year	

It is anticipated the accounts will be approved at the companies' Annual General Meeting in September 2022.

**G 5.0 Consolidation Adjustments****G 5.1 Capital Adjustment Account**

	<b>£'000</b>
<b>Balance as at 1<sup>st</sup> April 2021</b>	<b>532,591</b>
Gains/(Losses) during the year	61,112
<b>Balance as at 31<sup>st</sup> March 2022</b>	<b>593,703</b>

In the Council's accounts the value of the shareholding in Amgen Rhondda Ltd. is written down to the value of the net assets of the company. To allow consolidation of the accounts the value of shareholding must be reinstated, which results in a credit to the Capital Adjustment Account of £2,751k.

**G 6.0 Cash Flow Statement – Adjusting to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements**

2020/21		2021/22
£'000		£'000
(67,244)	Depreciation and Impairment	(41,414)
(1,675)	Amortisation	(1,582)
(17,676)	(Increase)/Decrease in Creditors	(16,433)
39,930	Increase/(Decrease) in Debtors	25,515
1,964	Increase/(Decrease) in Stock	(1,238)
(37,973)	Movement in Pension Liability	(60,785)
(816)	Contribution to Provisions	401
(130)	Short-Term Accumulated Absence Accrual	(939)
(1,512)	Carrying amount of Long-Term Assets and Assets Held For Sale, sold or derecognised	(758)
(3,900)	Other non-cash items charged to the Net (Surplus) or Deficit on the Provision of Services	5,358
<b>(89,032)</b>	<b>Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements</b>	<b>(91,875)</b>

**G 7.0 Cash Flow Statement – Adjust for Items Included in the Net Surplus or Deficit on the Provision on Services that are Investing and Financing Activities**

2020/21		2021/22
£'000		£'000
2,716	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	1,715
64,987	Any Other Items for which the Cash Effects are Investing or Financing Cash Flows	73,881
<b>67,703</b>		<b>75,596</b>

**G 8.0 Cash Flow Statement – Interest within Operating Activities**

The cash flows for operating activities include the following items:

2020/21		2021/22
£'000		£'000
(922)	Interest received	(967)
11,680	Interest paid	11,347
<b>10,758</b>	<b>Interest within Operating Activities</b>	<b>10,380</b>

**G 9.0 Cash Flow Statement – Investing Activities**

2020/21		2021/22
£'000		£'000
103,212	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	111,007
(9,561)	Purchase and Redemption of Short-Term and Long-Term Investments	105,034
(2,716)	Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(1,715)
(64,987)	Other receipts from Investing Activities	(73,881)
<b>25,948</b>	<b>Net Cash Flows from Investing Activities</b>	<b>140,445</b>

**G 10.0 Cash Flow Statement – Financing Activities**

2020/21		2021/22
£'000		£'000
(18,000)	Cash Receipts of Short-Term and Long-Term Borrowing	(87,400)
1	Cash Payments for the reduction of the outstanding liabilities relating to Finance Leases	0
57,419	Repayments of Short-Term and Long-Term Borrowing	28,419
<b>39,420</b>	<b>Net Cash Flows from Financing Activities</b>	<b>(58,981)</b>

**G 11.0 Adjustments between Group Accounts and Council Accounts in the Group Movements in Reserve Statement**

The adjustments between Group Accounts and the Council's Accounts in the Group Movements in Reserves Statement relate to sales and purchases between the Council and subsidiaries.

2020/21		2021/22
£'000		£'000
(175)	Amgen Rhondda supplies to the Council	(176)
(10,233)	Amgen Cymru supplies to the Council	(9,468)
1,067	Council supplies to Amgen Cymru	573
<b>(9,341)</b>	<b>Net Expenditure</b>	<b>(9,071)</b>

**G 12.0 Debtors**

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

2020/21		2021/22
£'000		£'000
67,860	Central Government Bodies	95,507
17,171	Other Local Authorities	8,201
11,404	NHS Bodies	13,244
1028	Public Corporations and Trading Funds	816
27,410	Other Entities and Individuals	29,978
<b>124,873</b>	<b>Total</b>	<b>147,746</b>

**G 13.0 Creditors**

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

2020/21		2021/22
£'000		£'000
(19,182)	Central Government Bodies	(18,012)
(18,891)	Other Local Authorities	(13,673)
(9,329)	NHS Bodies	(1,495)
(522)	Public Corporations and Trading Funds	(249)
(66,953)	Other Entities and Individuals	(101,407)
<b>(114,877)</b>	<b>Total</b>	<b>(134,836)</b>

**G 14.0 Provisions**

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

Movements in provisions during the year were:

Short-Term Provision	Land Purchases and Part 1 Claims	Insurance Claims	Total
	£'000	£'000	£'000
<b>Balance at 1st April 2021</b>	<b>(520)</b>	<b>(1,116)</b>	<b>(1,636)</b>
Additional provisions made in 2021/22	0	(1,046)	(1,046)
Amounts used in 2021/22	8	924	932
Unused amounts reversed in 2021/22	0	242	242
<b>Balance at 31<sup>st</sup> March 2022</b>	<b>(512)</b>	<b>(996)</b>	<b>(1,508)</b>

Long-Term Provision	Insurance Claims	Joint Committees	Amgen Cymru – Landfill Aftercare	Total
	£'000	£'000	£'000	£'000
<b>Balance at 1st April 2021</b>	<b>(3,253)</b>	<b>(327)</b>	<b>(1,283)</b>	<b>(4,863)</b>
Additional provisions made in 2021/22	(1,712)	(63)	(132)	(1,907)
Amounts used in 2021/22	1,045	0	0	1,045
Unused amounts reversed in 2021/22	871	0	0	871
<b>Balance at 31<sup>st</sup> March 2022</b>	<b>(3,049)</b>	<b>(390)</b>	<b>(1,415)</b>	<b>(4,854)</b>

### **G 15.0 Amgen Cymru – Landfill Aftercare**

The Company is required by the shareholders agreement to provide for future aftercare cost such as landfill capping and restoration. The aftercare provision at the balance sheet date falls within a range which is considered to be the best estimate at this time of the company's exposure to future aftercare costs.

---

**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL****DRAFT ANNUAL GOVERNANCE STATEMENT 2021/22****1. INTRODUCTION**

- 1.1 The Council's Corporate Plan 2020 - 2024 'Making a Difference' sets the overall direction for the Authority over a period of 4 years describing the vision, purpose and priorities to be delivered.
- 1.2 The Council's agreed vision, purpose and priorities are:
- Vision – ***To be the best place in Wales to live, work and play, where people and businesses are independent, healthy and prosperous.***
  - Purpose - ***To provide strong community leadership and create the environment for people and businesses to be independent, healthy and prosperous.***
  - Priorities:
    - Ensuring ***People***: are independent, healthy and successful:
    - Creating ***Places***: where people are proud to live, work and play: and
    - Enabling ***Prosperity***: creating the opportunity for people and businesses to: be innovative; be entrepreneurial; and fulfil their potential and prosper.
- 1.3 Underpinning the above priorities are the cross-cutting themes of '***Live within our means***' and '***Efficient and effective Council***' – both of which focus on robust financial planning and management arrangements to ensure the Council maintains its financial stability, is financially resilient and makes the best use of scarce resources.
- 1.4 This Annual Governance Statement sets out for the community, service users, taxpayers and other stakeholders the Council's governance arrangements together with a review of their effectiveness in managing risks of failure in delivering Corporate Plan priorities.

**2. SCOPE OF RESPONSIBILITY**

- 2.1 Rhondda Cynon Taf County Borough Council (RCT) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
- 2.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes the arrangements for the management of risk.
- 2.3 The Council, in compiling the Annual Governance Statement, has adopted the *Delivering Good Governance in Local Government: Framework (2016)* developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of

Local Authority Chief Executives and Senior Managers (Solace). In doing so, the Annual Governance Statement meets the Council's legal duty as set out in the Accounts and Audit (Wales) Regulations 2014, as amended by the Accounts and Audit (Wales) (Amendment) Regulations 2018.

- 2.4** Regard has also been given to the CIPFA Bulletin 06 – 'Application of the Good Governance Framework 2020/21' in respect of conducting the review of the Council's governance arrangements for the 2021/22 financial year. This provides guidance on the impact of the continuing Covid-19 pandemic on governance in local government bodies (see paragraphs 5.3 – 5.7) and also the CIPFA Financial Management Code 2019 (see paragraphs 5.14.2 to 5.14.6), both of which should form part of local authorities' review of governance arrangements for the period April 2021 to March 2022.
- 2.5** The Council's Annual Governance Statement aims to provide an accurate representation of the governance arrangements in place for financial year ending 31<sup>st</sup> March 2022.

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

- 3.1** The governance framework comprises the systems, processes and cultural values by which the Council is directed and controlled, and the activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 3.2** For RCT governance is about ensuring that the Council does the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.
- 3.3** The system of internal control is a significant part of that framework and is designed to manage the risk to a reasonable level. It cannot eliminate all risk of failure to achieve aims and objectives, and can therefore only provide reasonable and not absolute assurance of effectiveness.
- 3.4** The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's priorities, to evaluate the likelihood and impact of those risks materialising, and to manage them efficiently, effectively and economically.
- 3.5** The governance framework outlined below has been in place at RCT for the year ended 31<sup>st</sup> March 2022 (and up to the date of approval of the 2021/22 Statement of Accounts).

#### **4. THE GOVERNANCE FRAMEWORK AND REVIEW ARRANGEMENTS**

- 4.1** The Council has put in place a Local Code of Corporate Governance, in line with the seven principles set out in *The Delivering Good Governance in Local Government Framework (2016)*, to support its arrangements for ensuring sound governance.
- 4.2** The Council has responsibility for conducting, at least annually, an assessment of its governance framework including the system of internal control. Section 5 sets out a Review of Effectiveness for the 2021/22 financial year against the Local Code of Corporate Governance.

#### **5. REVIEW OF EFFECTIVENESS**

- 5.1** The Review of Effectiveness has entailed reviewing the activities in place around the Council's main governance arrangements, as set out in the Local Code of Corporate Governance and associated key processes, engagement with senior officers across services in respect of these arrangements and taking account of the findings from a range of existing reports including external regulator reports.
- 5.2** The Review of Effectiveness has also considered the impact of the Covid-19 pandemic on the Council's governance arrangements and more recently, the work being delivered by the Council to help communities manage the cost of living crisis.

#### **Covid-19**

- 5.3** The Covid-19 pandemic continued to be a central feature in service planning and delivery throughout 2021/22, as was the case in 2020/21, with services adapting and working flexibly to ensure the continued provision of essential services and responding to the needs of communities across the County Borough.
- 5.4** The committee and democratic processes of the Council were fully operational, this enabling transparent decision making, effective scrutiny and Committees fulfilling their responsibilities as set out in terms of reference.
- 5.5** Financial and performance management arrangements were in place to closely manage Council resources and service delivery, this being demonstrated via published quarterly / year-end performance reports and the external audit of the Council's Statement of Accounts. During this period, the Council delivered a number of financial support packages, funded by Welsh Government, to support residents and businesses, for example, Self-isolation Payments (£4.6Million) and Emergency Non-Domestic Rates Scheme (£3.1Million) and ensured appropriate controls were in place for each package of support.
- 5.6** The pandemic also resulted in over £30Million of additional costs and income losses being incurred by the Council, for example, additional expenditure on staff cover costs for staff that were required to self-isolate, free school meal payments, additional cleaning costs and increased demand for services such as social care and



homelessness; and loss of income due to the need to temporarily suspend or reduce services such as leisure centres, theatres and visitor attractions. The majority of additional costs and income loss incurred during 2021/22 was recovered via the Welsh Government Hardship Fund; however due to the Hardship Fund not continuing for 2022/23, the Council is monitoring the on-going impacts and financial implications of Covid-19 and will use any flexibility afforded within available reserves to transition any permanent additional costs into the base budget over the medium term.

- 5.7** The Council has transformed many services during the pandemic to meet the changing needs of communities through, for example, digital solutions, optimising the use of buildings and working with others. This will be an on-going programme of work and the Council will continue to analysis the impact of Covid-19 on residents and businesses, reflect required changes within its Corporate Plan priorities and ensure arrangements are underpinned by a robust governance framework.

### **Cost of Living Crisis**

- 5.8** In March 2022 Welsh Government announced a package of measures to help people with support towards the cost of living, totalling £175Million across Wales, with Rhondda Cynon Taf allocated over £16Million. The Council has put in place appropriate internal controls to check eligibility and administer payments, when processed from April 2022 onwards, with the internal control arrangements being independently reviewed and signed off by Internal Audit.

### **Review of Effectiveness Against the Local Code of Corporate Governance**

- 5.9** Each section of the Council's Local Code of Corporate Governance has been set out below, alongside other key governance arrangements, and a review of their effectiveness undertaken and proposals for improvement made, where deemed appropriate.

## 5.10 Core Principle A - Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

5.10.1 Good governance flows from a shared ethos and culture, as well as from systems and structures. As a public body, Rhondda Cynon Taf County Borough Council expects all representatives (i.e. Members and Officers) to conduct their duties with the highest levels of honesty and integrity.

Local Code of Corporate Governance Requirements	Sub-Principle <sup>1</sup>	Review of Effectiveness During 2021/22
<u>Elected Councillor and Officer Codes of Conduct</u> - setting out the standards of behaviour to be followed based on the principles of integrity, honesty, impartiality and objectivity.	Behaving with integrity	<ul style="list-style-type: none"> <li>• The Council's Constitution sets out the standards of behaviour expected of elected Councillors and Officers through Codes of Conduct and Rules of Procedure.</li> <li>• Committee meetings were held in line with the Council's Code of Conduct, for example, declarations of interest were sought at each meeting and declarations made by elected Councillors.</li> <li>• All officers who started employment with the Council were provided with a local induction setting out, amongst other things, expected standards of behaviour.</li> </ul>
Officer Guide.	Behaving with integrity	<ul style="list-style-type: none"> <li>• Each new recruit is provided with a the 'Basic Rules – A Guide for Employees' booklet 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 therefore set out from the outset.</li> </ul>
<u>Rules of Procedure</u> – covering Council, Open Government, Access to Information, Budget and Policy Framework, Executive, Overview and Scrutiny, Officer Employment and	Demonstrating strong commitment to ethical values	<ul style="list-style-type: none"> <li>• The Council's Constitution sets out the Rules of Procedure to be followed by elected Councillors and Officers when conducting the Council's business. The arrangements, as set out in the Rules of Procedure, were compiled with during the year and publicly demonstrate an accountable and open approach in the delivery of Council services.</li> </ul>

<sup>1</sup> Sub-principle – as set out in 'The Delivering Good Governance in Local Government Framework (2016)'.

Contract and Financial Procedure Rules.		
<b>Local Code of Corporate Governance Requirements</b>	<b>Sub-Principle</b>	<b>Review of Effectiveness During 2021/22</b>
Standards Committee - the role of which includes, amongst other things, promoting and maintaining high standards of conduct by elected Councillors.	Demonstrating strong commitment to ethical values	<ul style="list-style-type: none"> <li>• A Standards Committee was in place during the year, its Terms of Reference supported by an agreed and published <u>Work Programme for 2021/22</u> and the Committee met on 3 occasions.</li> <li>• The work programme gave focus to areas that promote high standards of conduct, for example, Public Services Ombudsman for Wales (PSOW) updates; consideration of Dispensation Applications; and reviewing and endorsing a Memorandum of Understanding developed by the Democratic Services Committee to promote diversity in democracy, promote high standards of behaviour and mutual respect between elected Councillors (the Memorandum of Understanding was subsequently endorsed by full Council in February 2022).</li> <li>• Information on the outcome of investigations undertaken by the PSOW relating to RCT Elected Members and Community/Town Councillors within RCT (for whom the Monitoring Officer has responsibility) were reported to the Standards Committee during the year (<u>24th September 2021</u>, <u>19th November 2021</u> and <u>16th March 2022</u> along with other relevant information i.e. Code of Conduct Casebook updates, Summary of Complaints and the PSOW Annual Report and Letter 2020/21).</li> </ul>

Local Code of Corporate Governance Requirements	Sub-Principle	Review of Effectiveness During 2021/22
<p><u>Comments, Compliments and Complaints</u> – setting out how the Council handles and responds to feedback (complaints, compliments and comments).</p>	<p>Demonstrating strong commitment to ethical values</p>	<ul style="list-style-type: none"> <li>• Arrangements were in place for Comments, Compliments and Complaints to be publicly reported and scrutinised by elected Members in the form of annual reports for the 2020/21 financial year: <ul style="list-style-type: none"> <li>○ Non-social services related - to the <u>21st September 2021</u> Overview and Scrutiny Committee meeting and the report concluded '<i>All customer feedback provides valuable information from which services can improve and develop. This data also enables services and the Council as a whole to better understand the needs of its residents and to assist in both the planning and delivery of essential services</i>'.</li> <li>○ The PSOW Annual Letter to the Council and Annual Report were reported to the Council's Cabinet on <u>15<sup>th</sup> November 2021</u>. This report enabled Cabinet to further review and assess how the Council is managing, and learning from, the feedback it receives. The report highlighted that, '<i>in total, 5% of the Council's cases during the period required PSOW intervention, compared against 12% as reported in the previous period, so a significant drop. The average intervention rate for local authorities was 13%</i>'. The Council has consistently been in the lower quartile, out of the 22 Welsh local authorities, in respect of the complaints it receives (as a proportion of complaints per 1,000 residents).</li> <li>○ Social Services related - to the <u>4th October 2021</u> Cabinet meeting – the report concluded that Social Services continue to provide a robust and effective complaints procedure in line with the statutory requirements.</li> </ul> </li> <li>• In line with the Local Government and Elections (Wales) Act 2021, the <u>26th May 2021</u> full Council meeting agreed to amend the terms of reference of the GAC to include responsibility for Complaints handling and an overview of the arrangements was reported to this Committee on <u>7th February 2022</u>.</li> </ul>

Local Code of Corporate Governance Requirements	Sub-Principle	Review of Effectiveness During 2021/22
Gifts and hospitality Policy.	Demonstrating strong commitment to ethical values	<ul style="list-style-type: none"> <li>• The Council has a Gifts and Hospitality Policy and arrangements were in place, via registers, to record gifts and hospitality in line with the Policy.</li> </ul>
<p><u>Whistle-blowing Policy</u> – promoting the highest possible standards of service and setting out how workers can bring information about a wrongdoing to the attention of the Council.</p>	Respecting the rule of law	<ul style="list-style-type: none"> <li>• The Council's Whistle-blowing Policy and Procedure was updated and approved during the year and staff awareness was undertaken via a Council wide email to employees on 9<sup>th</sup> March 2022 and whistle-blowing was part of staff induction arrangements.</li> <li>• The <u>23rd March 2022 GAC meeting</u> 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.</li> <li>• 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.</li> </ul>
Anti-fraud, Bribery & Corruption Strategy.	Respecting the rule of law	<ul style="list-style-type: none"> <li>• Anti-fraud, Bribery and Corruption Strategy updates were reported to the GAC during the year (a mid-year update on <u>6th December 2021</u> and a year-end update including a proposed work programme for 2022/23 on <u>23rd March 2022</u>).</li> <li>• 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 GAC.</li> </ul>

### 5.11 Core Principle B. Ensuring openness and comprehensive stakeholder engagement

5.11.1 The Council is committed to being open and engaging effectively with stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably.

Local Code of Corporate Governance Requirements	Sub-Principle	Review of Effectiveness During 2021/22
<p>A <u>Publication Scheme</u> that aims to advise citizens how to request public information the Authority holds.</p>	<p>Openness</p>	<ul style="list-style-type: none"> <li>• The Council's website provided information on its <u>Publication Scheme setting out the information published by the Council and how to access it, and also on the Freedom of Information Act 2000</u> that advised residents how to request public information that the Council may hold.</li> </ul> <p><u>Freedom of Information</u></p> <ul style="list-style-type: none"> <li>• The Council received 919 Freedom of Information (FOI) / Environmental Information Regulations (EIR) requests during the year. Updates were reported to the Council's Information Management Board on a quarterly basis to enable the Board to maintain an overview of the Council's compliance with the relevant legislation.</li> <li>• The Council received 6 complaints which had been referred to it by the ICO: 5 related to the timeliness of requests being responded to by the Council (all of which were subsequently responded to) and 1 where the ICO agreed that the Council did not hold the information.</li> </ul> <p><u>Public Services Ombudsman for Wales (PSOW)</u></p> <ul style="list-style-type: none"> <li>• The Ombudsman received 48 complaints relating to the Council: 37 cases where there was no investigation deemed required following review by the PSOW; 2 cases where apology letters were sent to the complainant; 7 cases referred back to be dealt with as part of the Council's complaint procedures; and 1 case on-going.</li> </ul>

Tudalen 266

Local Code of Corporate Governance Requirements	Sub-Principle	Review of Effectiveness During 2021/22
Clear and open <u>Corporate &amp; Service Specific Privacy Notices</u> .	Openness	<ul style="list-style-type: none"> <li>• The UK General Data Protection Regulation (GDPR) came into effect on the 1<sup>st</sup> January 2021 replacing the European Union GDPR. During 2021/22 the Council demonstrated compliance with the requirements of the UK GDPR: <ul style="list-style-type: none"> <li>○ Organisational governance was in place which included designated roles of Data Protection Officer and Senior Information Risk Owner.</li> <li>○ Robust measures were in place that supported compliance with legislation, this included a Data Protection Register, Data Protection Impact Assessments, Privacy Notices, recording of personal data breaches, processing of information rights requests and appropriate interfaces with ICO.</li> </ul> </li> </ul>
Forward plans for Committee meetings together with the matters to be considered, where appropriate.	Openness	<ul style="list-style-type: none"> <li>• The Council had in place published forward plans of Committee meetings together with the matters to be considered to, amongst other things, assist members of the public to engage in the democratic processes of the Council. This included for example: Full Council – work programme updates reported: <u>30th June 2021</u> and verbal updates to the 20<sup>th</sup> October 2021, 24<sup>th</sup> November, 15<sup>th</sup> December, 19<sup>th</sup> January 2022, 9<sup>th</sup> February and 9<sup>th</sup> March meetings; Cabinet – work programme updates reported: <u>17th June 2021</u>, <u>21st September 2021</u> and <u>13th December 2021</u>; and <u>Overview and Scrutiny Committee - 5th July 2021</u> and a review of the work programme undertaken at the <u>9th December 2021</u> meeting (noting that the Overview &amp; Scrutiny Committee also had a coordinating role to ensure there was no duplication of work across thematic scrutiny committees).</li> </ul>

Tudalen 267

5.11.2 The Council also had in place a range of stakeholder engagement arrangements:

- Sub-principle: *Engaging Comprehensively With Institutional Stakeholders*: the Council is a substantive member of the Cwm Taf Public Services Board and actively engages to shape shared priorities, outcomes and allocation of resources, for example, the recently undertaken Well-being Assessment for Cwm Taf Morgannwg, for which the Council and its Joint Overview and Scrutiny Committee were involved in the working groups informing the work. Similar engagement takes place with Cwm Taf Morgannwg Regional Partnership Board, particularly around the allocation of the Regional Investment Funds. The Council also engages with

partner organisations on specific areas where there are shared goals, such as, with the Health Service on developing an integrated health and social care locality model and redesigning Community Mental Health Services; using RCT Neighbourhood Network Groups developed to support the Community Hub model that works with local community groups to meet identified needs, including a social prescribing model; and an integrated Substance Misuse Service and Community Safety Partnership.

- Sub-principle – *Engaging Stakeholders Effectively, Including Individual Citizens And Service Users*: the Council has a dedicated Lets Talk RCT engagement website that supports an on-going programme of engagement with residents, communities and Community Councils to find out what matters to them and use feedback to help shape services. During 2021/22 this included:
  - Lets Talk Budget – that helped inform the 2022/23 Revenue Budget Strategy.
  - Lets Talk Climate Change – this is helping to inform the Council’s programme of work to tackle climate change.
  - Lets Talk Active Travel – to inform plans for walking and cycling routes.
  - Lets Talk Welsh Language Strategy – to help inform where visitors to Rhondda Cynon Taf would like to see more Welsh language services.



**5.12 Supporting Principles****C: Defining outcomes in terms of sustainable economic, social and environmental benefits; and****D: Determining the interventions necessary to optimise the achievement of the intended outcomes**

**5.12.1** The Council believes in open and robust decision-making arrangements to define, determine and deliver outcomes and provide opportunity for continual review to ensure outcomes are optimised.

Local Code of Corporate Governance Requirements	Sub-Principles	Review of Effectiveness During 2021/22
Performance Management Framework	Defining Outcomes / Determining Interventions / Planning Interventions	<ul style="list-style-type: none"> <li>• The Council has in place a Performance Management Framework (PMF) that covers: the planning arrangements to enable the delivery of Corporate Plan priorities and how it will contribute to the delivery of the Cwm Taf Well-Being Plan; how the Council will meet its statutory reporting duties under the Well-being of Future Generations Act 2015; and roles and responsibilities. The Council's performance management arrangements for 2021/22 operated in line with the PMF.</li> <li>• The Council's three Corporate Plan priorities of People, Places and Prosperity are set out within the PMF along with the outcomes to be delivered within each priority and aligned with the performance reporting arrangements in place during the year.</li> <li>• The Council's Corporate Plan 2020 – 24 'Making a Difference' sets out: <ul style="list-style-type: none"> <li>○ The Vision for the County Borough in 2024 and the priorities and objectives it will focus on during this period.</li> <li>○ Key outcomes the Council aims to deliver, across the three priorities, and the actions / interventions to be taken.</li> <li>○ How the delivery of the Council's Corporate Plan will contribute to the seven national well-being goals within the Well-being of Future Generations Act 2015.</li> </ul> </li> </ul>

Local Code of Corporate Governance Requirements	Sub-Principle	Review of Effectiveness During 2021/22
Corporate Plan and Service Delivery Plans	Sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> <li>• Corporate Plan updates were monitored and reported on a quarterly basis during the year and set out objectives and outcomes, detailed position statements on progress and exceptions to aid stakeholder scrutiny (see 'Quarterly Performance Report (including Risk Register up dates' section).</li> <li>• Service Delivery Plans were in place for each designated service area, following a review and sign-off process, and included detailed actions to support the delivery of Corporate Plan priority outcomes (as well as local / service specific actions and actions associated with the on-going recovery from the pandemic and key risks). Service Delivery Plans were monitored at a service level.</li> <li>• <u>Proposal for Improvement</u> - The collection and reporting of performance indicator information was necessarily paused during the pandemic due to the need to temporarily suspend some frontline service areas and / or changes in service delivery arrangements. For the 2022/23 financial year, the reporting of key performance indicator information should be reinstated to enable a full as picture as possible to be reported of performance.</li> </ul>
Risk Management Strategy	Optimising achievement of intended outcomes	<ul style="list-style-type: none"> <li>• The Council's Risk Management Strategy was reviewed and updated in line with a 2020/21 Annual Governance Statement proposal for improvement and taking into account recommendations reported in the 2020/21 Internal Audit report 'Risk Management'.</li> <li>• The updated draft of the Risk Management Strategy was reviewed and endorsed by the GAC on <u>23rd March 2022</u> and will ensure the arrangements continue to be fit for purpose to support the delivery of Corporate Plan and Service priorities.</li> <li>• <u>Proposal for Improvement</u> – The Council's Strategic Risk Register requires review to take account of revisions incorporated within the updated Risk Management Strategy. The Strategic Risk Register should be reviewed and where appropriate, updated, taking into account the updated principles as set out in the Risk Management Strategy.</li> </ul>

Local Code of Corporate Governance Requirements	Sub-Principle	Review of Effectiveness During 2021/22
Quarterly Performance Report (including Risk Register updates)	Optimising achievement of intended outcomes	<ul style="list-style-type: none"> <li>• The Council's Performance Reports were publicly reported to the Executive and the designated scrutiny committee on a quarterly basis, and provided updates on: Revenue Budget, Capital Programme and Treasury Management performance; Workforce (sickness absence and turnover) information; Corporate Plan updates for the 3 priorities of People, Places and Prosperity, and supported by detailed action plan updates for each priority; additional investment allocated to Corporate Plan priorities; Strategic Risk Register risks that could adversely impact the delivery of Corporate Plan priorities alongside mitigating actions; and enhancing the Council's response to extreme weather events.</li> <li>• With specific regard to Corporate Plan priority updates reported, positive progress overall can be demonstrated alongside services continuing their recovery from the pandemic.</li> <li>• These arrangements were in line with the PMF and provided opportunity for stakeholders to hold the Council to account for its financial and operation performance.</li> <li>• In parallel with quarterly performance reporting arrangements, the GAC were provided with detailed risk management updates on <u>9th November 2021</u> (updated Strategic Risk Register for 2021/22), <u>7th February 2022</u> (Information Management) and <u>23<sup>rd</sup> March 2022</u> (updated draft Risk Management Strategy – see Risk Management Strategy section). These arrangements ensured the GAC was kept up to date with the Council's risk profile and monitored the effectiveness of the risk management arrangements in place.</li> </ul>

Local Code of Corporate Governance Requirements	Sub-Principle	Review of Effectiveness During 2021/22
Annual Revenue Budget Strategy and three-year Capital Programme	Optimising achievement of intended outcomes	<ul style="list-style-type: none"> <li>• Full Council approved the 2021/22 Revenue Budget Strategy and 3-year Capital Programme (2021/22 to 2023/24) on <u>10th March 2021</u>.  <u>Revenue Budget Strategy 2021/22</u></li> <li>• The 2021/22 Revenue Budget totalled £527.903Million, the broad objectives of which have been delivered during the year: <ul style="list-style-type: none"> <li>○ Support the delivery of Corporate Plan priorities (see Supporting Principles C and D - 'Quarterly Performance Report (including Risk Register updates)').</li> <li>○ Retain the support of Audit Wales for the approach the Council has adopted to securing strong financial management (see Supporting Principle F and paragraph 5.17.8).</li> <li>○ Continue the delivery of our key services and protect as many local jobs as possible.- this being supported through additional investment in specific service areas and no cuts or reduction in service levels as part of the budget strategy.</li> <li>○ Take a responsible approach to the level of Council Tax - supported by the Council having the lowest average Band D council tax increase for 4 years (2018/19 to 2021/22) and fifth lowest for 2022/23.</li> </ul> </li> <li>• As part of formulating the 2021/22 Revenue Budget, the Council undertook a consultation exercise with local residents / stakeholders that included seeking feedback on the Council's 3 Corporate Plan Priorities: 87% of respondents agreed with the priorities, 6% disagreed and 7% indicated 'don't know'.  <u>Capital Programme (2021/22 to 2023/24)</u></li> <li>• The Capital Programme (2021/22 to 2023/24) totalled £116.024Million and set out the capital investment priorities of the Council over a 3-year period with clear links to supporting the delivery of Corporate Plan priority areas. The programme also included £9.4Million of additional resources to support on-going improvement in services available to residents.</li> </ul>

Local Code of Corporate Governance Requirements	Sub-Principle	Review of Effectiveness During 2021/22
Medium Term Financial Plan	Optimising achievement of intended outcomes	<ul style="list-style-type: none"> <li>• The Council has well embedded Medium Term Financial Planning arrangements that inform budget setting arrangements and the allocation of resources, and drive a proactive approach in securing external funding. The latest Medium Term Financial Plan (July 2021) analysed the Council's resources across Corporate Plan priority areas: 85% of the revenue budget and 98% of the capital budget were allocated to Corporate Plan priority areas. (See also section 'Supporting Principle F').</li> </ul>
Scrutiny Committees	Optimising achievement of intended outcomes	<ul style="list-style-type: none"> <li>• The Council's Finance and Performance Scrutiny Committee had designated responsibility, in line with its Terms of Reference, to: <ul style="list-style-type: none"> <li>○ Scrutinise the Council's financial and operational performance (including Corporate Plan priority updates) on a quarterly basis.</li> <li>○ Be a consultee as part of the Council's annual budget consultation process.</li> </ul> </li> <li>• Comprehensive information was reported to the Finance and Performance Scrutiny Committee to enable the Committee to fulfil its responsibilities, including training, and lines of enquiry raised by the Committee Members were addressed through the regular attendance of the relevant Cabinet Member and Council Officers.</li> <li>• The Council utilised its scrutiny committee arrangements to pre-scrutinise key areas of work prior to consideration by Cabinet, for example, the Overview and Scrutiny Committee pre-scrutinised the 21<sup>st</sup> Century Schools and Colleges Programme – Mutual Investment Model on <u>16th July 2021</u> and the Finance and Performance Scrutiny Committee pre-scrutinised the draft Digital Strategy 2022-2026 <u>30th November 2021</u>.</li> <li>• A Cwm Taf Public Services Board Joint Overview and Scrutiny Committee was in place, coordinated by the Council, to scrutinise the work of the Public Services Board and associated partnership working.</li> </ul>

**5.13 Supporting Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it**

**5.13.1** The Council puts in place appropriate structures and leadership, and invests in its workforce to support the achievement of its Corporate Plan and Service priorities. The arrangements are kept under on-going review to enable internal and external changes to be planned for, implemented and outcomes optimised.

Local Code of Corporate Governance Requirements	Sub-Principle	Review of Effectiveness During 2021/22
Corporate and Service Self Evaluation process.	Developing the entity's capacity	<ul style="list-style-type: none"> <li>• The Council's PMF sets out how it develops, plans and directs its capacity to support the delivery of Corporate Plan priorities and meet statutory requirements in respect of the Well-Being of Future Generations (Wales) Act 2015 and preparing for the introduction of the Local Government and Elections (Wales) Act 2021 through:               <ul style="list-style-type: none"> <li><u>Service Self-Evaluation</u> <ul style="list-style-type: none"> <li>○ Completed on an annual basis (and is subject to a review, challenge and sign-off process by the Chief Executive / Senior Leadership Team) and has set out 'How services are performing', 'how do they know' and 'what are they going to do to improve', and taken account of key cross-cutting themes including Resources, Welsh Language and Equalities.</li> <li>○ The outcome of the service self-evaluation process has informed Corporate Plan priority plans, service delivery plans (including identification of risk and mitigating actions) and individual performance review processes.</li> <li>○ From a resource perspective, the Service Self Evaluation arrangements have informed medium to long term financial planning arrangements, for example: developing and delivering the Council's digitalisation of services and asset management arrangements; an on-going focus on sustainable social services and investment in schools; further investment in public health services informed by the impact of the pandemic and also an on-going programme of work to tackle climate change; and service specific areas such as the impact of the Additional Learning Needs and Education Tribunal (Wales) Act 2018 Act, Flood Alleviation works and increasing the rates of recycling.</li> </ul> </li> </ul> </li> </ul>

Local Code of Corporate Governance Requirements	Sub-Principle	Review of Effectiveness During 2021/22
Corporate and Service Self Evaluation process (continued).	Developing the entity's capacity	<p><u>Corporate Assessment</u></p> <ul style="list-style-type: none"> <li>○ The Council's Corporate Assessment is an evaluation of the 'corporate body' of the Council and seeks to consider the extent to which corporate services are supporting the business of the Council to improve outcomes for residents and also enabling the Council to meet its statutory requirements. The last Corporate Assessment was reported in 2019 and an updated Corporate Assessment is to be reported in 2022.</li> </ul>
Corporate Plan	Developing the entity's capacity	<ul style="list-style-type: none"> <li>• There continued to be strong and focussed leadership from the Cabinet and Senior Leadership Team in delivering Corporate Plan priorities, in parallel with supporting communities in their on-going recovery from the pandemic, and ensuring robust planning and monitoring arrangements were in place to enable the Council to 'live within its means'. This included: completion of key projects such as a new extra care facility in Pontypridd, a new supported accommodation scheme in Mountain Ash to support maintaining people's independence and the redevelopment of Llwynypia Courthouse (Tonypany) providing over 100 people with flexible business space across a range of businesses; targeting resources in key areas such as vulnerable 5 to 14 year olds with care and support needs, helping children return to school who have increased anxiety levels as a result of the pandemic and helping people that are homeless; administering £27Million of financial support packages to residents and businesses, primarily funded by Welsh Government, to provide help and assistance during the pandemic and the cost of living crisis; and a focus on collaboration and partnership working such as via the Cardiff Capital Region City Deal.</li> <li>• Detailed updates on the delivery of the Council's Corporate Plan priorities were reported and scrutinised by the Council's Cabinet and Finance and Performance Scrutiny Committee on a quarterly basis during the year (see also Supporting Principles C and D).</li> </ul>

Local Code of Corporate Governance Requirements	Sub-Principle	Review of Effectiveness During 2021/22
Workforce Plan 2017-22.	Developing the entity's capacity	<ul style="list-style-type: none"> <li>• The Council's Workforce Plan 2017-22, set priorities that align to the Council's Corporate Plan in terms of developing a flexible and agile workforce that shares organisational knowledge; recruiting and retaining the best talent to create a diverse workforce; leadership and management development; enabling a high performing, engaged and committed workforce; and supporting health and wellbeing to maximise attendance.</li> <li>• Workforce planning, linked to the impact of the pandemic, has been identified as a risk within the Council's Strategic Risk Register, and updates were reported on a quarterly basis during the year as part of performance reporting arrangements.</li> <li>• Officers across services work closely with Human Resources and Finance officers to review and reconfigure staffing structures on an on-going basis to ensure provision aligns with need and support more efficient service delivery arrangements. In parallel, there was on-going investment in apprentices and graduates in line with service workforce requirements.</li> <li>• During 2021/22 staff development has been supported virtually through induction sessions, Leadership and Middle Management Development Programmes, Manager Briefings, 'Joint Cabinet and Senior Officer meetings' and a range of operational training such as health and safety, information management and dignity at work. This was supported by a Training Compendium that brought together all training available within the Council.</li> </ul>

Tudalen 276



Local Code of Corporate Governance Requirements	Sub-Principle	Review of Effectiveness During 2021/22
Programme of elected Councillor and Officer training and development.	Developing the capability of the entity's leadership and other individuals	<p><u>Elected Councillors</u></p> <ul style="list-style-type: none"> <li>• A Member survey was undertaken in April / May 2021 to ensure the Council continued to provide appropriate support to all elected Members. Overall 42 Members provided feedback that included: <ul style="list-style-type: none"> <li>○ 88% indicated that a hybrid approach to committee meetings would be the preference.</li> <li>○ 100% of responses indicated that Members were happy with the support provided in respect of committees, scrutiny, general member support provision, member updates and research facilities.</li> <li>○ 90% were content with the level of training provided.</li> <li>○ Areas for development were: an etiquette policy to ensure appropriate conduct at all committee meetings is adhered to; Member updates and ward specific updates through the Members Portal. These areas of development have been progressed during the year.</li> </ul> </li> <li>• There has been continued focus on supporting the capabilities of elected Members through Personal Development Reviews, specific requests from Committees and also support provided on a 1 to 1 basis. The support arrangements have included: overview of scrutiny arrangements and roles and responsibilities; refresher code of conduct training; and Welsh Language and Treasury Management training and ICT related support (bitesize courses on Zoom / Teams training, introduction to ipad and staying safe in a virtual word and digital accessibility tools). Opportunity has also been taken to deliver training both face to face and virtually.</li> <li>• Work continued to develop the Members Portal and access has been provided to elected Members following the Local Government elections in May 2022.</li> <li>• Preparatory work was undertaken on a new Member induction programme following the local government elections in May 2022.</li> </ul>

		<p><u>Officers</u></p> <ul style="list-style-type: none"> <li>As set out in the 'Workforce Plan 2017-2022' section.</li> </ul>
<b>Local Code of Corporate Governance Requirements</b>	<b>Sub-Principle</b>	<b>Review of Effectiveness During 2021/22</b>
Schemes of Delegation	Developing the capability of the entity's leadership and other individuals	<ul style="list-style-type: none"> <li>Part 3 of the Council's Constitution 'Responsibility for Functions' set out General Scheme of Delegation of Executive and Non-Executive Functions to Officers and these were kept under on-going review during the year.</li> </ul>

Tudalen 278

### 5.14 Supporting Principle F: Managing risks and performance through robust internal control and strong public financial management

5.14.1 The Council's governance structures support robust financial and performance management arrangements to enable efficient and effective service planning and delivery and the achievement of outcomes. Risk management and robust internal control are integral parts of these arrangements.

Local Code of Corporate Governance Requirements	Sub-Principle	Review of Effectiveness During 2021/22
Corporate and Service Self Evaluation process.	Managing risk	<ul style="list-style-type: none"> <li>As set out in section 'Supporting Principle E'</li> </ul>
Risk Management Strategy.	Managing risk	<ul style="list-style-type: none"> <li>As set out in section 'Supporting Principles C and D'.</li> </ul>
Service Delivery Planning.	Managing performance	<ul style="list-style-type: none"> <li>As set out in section 'Supporting Principles C and D'.</li> </ul>
Quarterly Performance Report (including Risk Register up dates).	Managing performance	<ul style="list-style-type: none"> <li>As set out in section 'Supporting Principles C and D'.</li> </ul>
Corporate Performance Report (i.e. year-end annual report).	Managing performance	<ul style="list-style-type: none"> <li>The Council produces a year-end report that assesses the progress made to deliver Corporate Plan priorities in the previous year and also sets out its plan for the year ahead. This report was consistent with information published during the year, as part of quarterly Performance Reports, and the latest year-end report (for the 2020/21 financial year) was presented to and agreed by full Council on <u>20th October 2021</u>.</li> </ul>

Local Code of Corporate Governance Requirements	Sub-Principle	Review of Effectiveness During 2021/22
Audit Committee and an Internal Audit function.	Robust internal control	<p><u>Audit Committee</u></p> <ul style="list-style-type: none"> <li>• The Council's GAC considered and approved an Annual Report for 2021/22 on <u>23rd March 2022</u> that provided an overview of its work during the year and a self-assessment of its arrangements against the CIPFA 2017 Practical Guidance Note. The conclusions from the Annual Report were: <ul style="list-style-type: none"> <li>○ From the review of the coverage of the GAC's work and oversight during the year, the Committee has delivered its Workplan and responsibilities in line with its Terms of Reference.</li> <li>○ The outcome of the self-assessment demonstrated that the Council's GAC made good progress to implement the proposals for improvement reported in 2020/21 and has also identified a small number of new proposals for improvement to further reinforce the existing arrangements in place.</li> </ul> </li> <li>• <b>Proposals for Improvement</b> <ul style="list-style-type: none"> <li>○ The GAC's Learning and Development Plan was put in place in March 2021. Using lessons learned from 2021/22, undertake a training needs analysis of Committee Members to inform a refreshed learning and development plan for 2022/23.</li> <li>○ No on-line library of learning and development information in respect of role / responsibilities of GAC is available for elected Members. Develop a library of on-line learning and development information for Committee Members as part of learning and development support arrangements.</li> </ul> </li> </ul>

Local Code of Corporate Governance Requirements	Sub-Principle	Review of Effectiveness During 2021/22
Audit Committee and an Internal Audit function (continued).	Robust internal control	<p data-bbox="810 234 1010 264"><u>Internal Audit</u></p> <ul style="list-style-type: none"> <li data-bbox="810 312 1995 453">• A review of information presented by the Regional Internal Audit Shared Service to the GAC concluded that it was in line with the approved work programme and played a key part in enabling the Committee to fulfil its Terms of Reference. The information reported to the Committee by Internal Audit included: <ul style="list-style-type: none"> <li data-bbox="864 496 1995 563">○ The Internal Audit Charter 2021/22 that provided the Committee with information to assess the independence of the internal audit function.</li> <li data-bbox="864 568 1778 598">○ An Internal Audit Annual Plan 2021/22 and progress updates.</li> <li data-bbox="864 603 1995 708">○ Details of all audit assignments finalised during the year to enable the Committee to consider and gain assurance on the standard of internal control across the Council.</li> <li data-bbox="864 713 1995 783">○ Information on the overall assessment of Internal Audit's work for 2021/22 is set out at paragraphs 5.17.4 to 5.17.7.</li> </ul> </li> <li data-bbox="810 831 1995 1007">• The last external assessment of the Internal Audit Service was undertaken in 2016/17 and was reported to the 20<sup>th</sup> March 2017 Audit Committee. This assessment concluded that there were no significant deviations from the Standards and the next external assessment is being planned for the 2022/23 financial year.</li> </ul>

Local Code of Corporate Governance Requirements	Sub-Principle	Review of Effectiveness During 2021/22
Information Management Plan (including General Data Protection Regulation - GDPR).	Managing Data	<ul style="list-style-type: none"> <li>• The Council has an approved Digital Strategy 2022-26 that sets the direction to obtain maximum value from data and seeking to ensure decision making is fully informed by data driven approaches whilst providing appropriate protection around its integrity and confidentiality.</li> <li>• The Council had arrangements in place for technical and cyber assurance through secured accreditations to the Public Service Network and Cyber Essentials that provide assurance that the Council meets required standards for security.</li> <li>• With regard to the management of data, the Council continued to focus upon local, regional and national responses to the COVID-19 pandemic, in particular, effectively enabling services such Track, Trace Protect' (TTP), Community Resilience Hubs, Mass Testing &amp; Vaccinations and supporting the Council's workforce.</li> <li>• The ICO investigated 8 cases in respect of the Council during 2021/22 and determined in all cases no further regulatory action was required and was satisfied with the Council's investigation of the breaches and the remedial measures identified.</li> <li>• With regard to GDPR, this is set out in 'Core Principle B'.</li> </ul>
Budget and Policy Framework Procedure Rules and Contract and Financial Procedure Rules.	Strong public financial management	<ul style="list-style-type: none"> <li>• The Council complied with the approved Budget and Policy Framework Procedure Rules for the 2021/22 budget setting process and was set out in the report to Cabinet on <u>28th January 2021</u>.</li> <li>• The Council's Finance Service and Procurement Service provided support and advice to services on the Procedure Rules and the Internal Audit Service tested compliance with the Council's Procedure Rules as part of delivering the 2021/22 Internal Audit Plan (see paragraphs 5.17.4 to 5.17.7 for the overall outcome from the work of Internal audit during 2021/22). During the year, an overview of the Council's Financial Procedure Rules was</li> </ul>

		provided to the GAC on <u>9th November 2021</u> to support the Committee in the delivery of its <u>terms of reference</u> .
<b>Local Code of Corporate Governance Requirements</b>	<b>Sub-Principle</b>	<b>Review of Effectiveness During 2021/22</b>
Medium Term Financial Plan (MTFP)	Strong public financial management	<ul style="list-style-type: none"> <li>• The Council updated its MTFP and was reported to Cabinet in July 2021, full Council in September 2021, the Finance and Performance Scrutiny Committee in October 2021 and the School Budget Forum in November 2021, providing opportunity for scrutiny and stakeholder understanding of the Council's forecasted financial position, risks and opportunities.</li> <li>• The Council's MTFP updates have consistently supported: <ul style="list-style-type: none"> <li>○ The identification of future forecasted budget gaps (taking account of estimated expenditure requirements and funding levels) that have accurately informed savings requirements and ensured the programme of improvement and investment was affordable.</li> <li>○ An on-going assessment and public reporting and scrutiny of reserve levels (including a plan to replenish general reserve balances to the minimum level as determined by the Council's Section 151 officer over the 3-year period of the current MTFP). This approach has also enabled additional one-off investment in Corporate Plan priority areas; for 2021/22 this totalled £15.9Million and were agreed by full Council on <u>10th March 2021</u> (£9.4Million) and <u>29th September 2021</u> (£6.5Million). This additional one-off investment, along with other allocated resources, contributed to capital expenditure investment of £106Million for 2021/22 (annual capital programme investment of over £100Million delivered for each of the past 5 financial years).</li> <li>○ The setting and delivery of balanced revenue budgets.</li> </ul> </li> </ul> <p>The consistent delivery of the above outcomes provides assurance on the robustness of the arrangements in place and a demonstrable commitment to prioritise resources to Corporate Plan areas.</p>

		<ul style="list-style-type: none"> <li>• Audit Wales completed a ‘Financial Sustainability Assessment’ review of the Council’s arrangements and was reported to the GAC on <u>9th November 2021</u>. Key information from the report: <ul style="list-style-type: none"> <li>○ Overall conclusion: ‘the Council continues to be well placed to manage its financial sustainability’.</li> <li>○ Two proposals for improvement: <p>‘Planning Assumptions - The Council needs to be assured that it has contingency plans in place to be able to manage less positive scenarios than it planned for in its medium-term financial planning’.</p> <p>‘Medium term financial planning – discussions are on-going about the Council’s estates, workforce and digital capabilities and these need to be formalised in the Council’s financial planning arrangements’</p> </li> </ul> </li> <li>• The Council set out its response to the proposals for improvement as part of a wider progress update on Audit Wales reports issued to the Council and was presented to the GAC on <u>23rd March 2022</u>.</li> </ul>
--	--	--

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

- 5.14.2 The CIPFA Financial Management Code (the Code) was launched in November 2019 and is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability.
- 5.14.3 The Code sets the standards of financial management for local authorities and is based on a series of principles supported by specific standards and statements of practice which are considered necessary to provide the strong foundation to:



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

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

5.14.5 Full compliance is expected for the 2021-22 financial year and in its Guidance Bulletin 06 (*Application of the Good Governance Framework 2020/21*), CIPFA has stated that Annual Governance Statements should include the conclusions of the evaluation of compliance with the Code (incorporating any actions needed to ensure compliance with the Code) and, accordingly, this is set out in paragraph 5.14.6.

5.14.6 The Council has undertaken an assessment of its current arrangements against the Standards set out in the Code. The assessment process has demonstrated compliance with all of the standards through a robust and accountable approach to financial management alongside sound medium term financial planning arrangements that take account of the very challenging climate the Council has and will continue to operate within. The assessment process has also identified areas for improvement, to enable existing arrangements to be further enhanced, and are included in Section 6.

### 5.15 Supporting Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

5.15.1 Accountability within RCT is about ensuring that those making decisions and delivering services are answerable for them, with external and internal audit being integral parts of the arrangements.

Local Code of Corporate Governance Requirements	Sub-principle	Review of Effectiveness During 2021/22
Reporting protocols and calendars (including forward looking work programmes, for example, for Cabinet and Scrutiny Committees).	Implementing good practice in transparency	<ul style="list-style-type: none"> <li>As set out in section 'Core Principle B'.</li> </ul>
Production of Annual Reports on key areas of business e.g. Corporate Parenting, Annual Equality Report.	Implementing good practice in transparency	<ul style="list-style-type: none"> <li>Annual Reports were prepared and publicly reported to support accountability and open and transparent performance arrangements, for example<sup>2</sup>, Corporate Parenting Board Annual Report 2020/21 (<a href="#">Corporate Parenting Board 12th July 2021</a>), Equality Report 2020/21 (<a href="#">Overview and Scrutiny Committee 28th February 2022</a>), Vale, Valleys and Cardiff Regional Adoption Collaborative Annual Report 2020/21 (<a href="#">Children and Young People Scrutiny Committee 8th December 2021</a>) and Young Carers Annual Report 2021/22 (<a href="#">Corporate Parenting Board 14th March 2022</a>).</li> </ul>

Tudalen 286

<sup>2</sup> Annual Reports – annual reports referenced in other sections of the Annual Governance Statement, for example, the Governance and Audit Committee Annual Report, have not been noted for the purposes of this section of the document.

Local Code of Corporate Governance Requirements	Sub-principle	Review of Effectiveness During 2021/22
Statement of Accounts.	Implementing good practices in reporting	<ul style="list-style-type: none"> <li>• The external audit of the Council’s Statement of Accounts have consistently, year-on-year, received an unqualified ‘true and fair’ audit opinion (i.e. clean bill of health); the latest unqualified audit opinion, relating to the 2020/21 financial year, was reported to full Council on <u>29th September 2021</u>.</li> <li>• During 2021/22, prior to the Council’s audited statement of accounts being approved by full Council, key arrangements included: <ul style="list-style-type: none"> <li>○ Reporting the Council’s certified draft statement of accounts to the <u>12th July 2021</u> GAC meeting (alongside Rhondda Cynon Taf Pension Fund, Central South Consortium Joint Education Service Joint Committee and the Annual Return for Llwydcoed Crematorium Joint Committee) to provide the Committee with opportunity to comment and consider the certified draft accounts in line with the statutory guidance as per the Local Government Measure 2011.</li> <li>○ The external auditor, Audit Wales, provided a verbal update on the progress of the audit of the draft Statement of Accounts to the <u>13th September 2021</u> GAC meeting.</li> </ul> </li> <li>• With regard to the statement of accounts process for the 2021/22 financial: <ul style="list-style-type: none"> <li>○ The Council published a notice to confirm that its draft 2021/22 Statement of Accounts had not been certified by the statutory date of 31<sup>st</sup> May, this being in line with Welsh Government’s extended deadline for the preparation and certification processes and in compliance with the Accounts and Audit (Wales) Regulations.</li> <li>○ Governance arrangements are in place for the draft accounts to be reported to the GAC and for Audit Wales to provide an update on the progress of the external audit, prior to the final audited accounts being reported to full Council.</li> </ul> </li> </ul>

Local Code of Corporate Governance Requirements	Sub-principle	Review of Effectiveness During 2021/22
Pension Fund Committee.	Implementing good practices in reporting	<ul style="list-style-type: none"> <li>The Pension Fund Statement of Accounts 2020/21 were reported to and approved by full Council on 24<sup>th</sup> November 2021 and the outcome of the external audit, undertaken by Audit Wales, was an unqualified audit opinion (i.e. a clean audit opinion). An update was reported to the Pension Fund Committee on <u>13th December 2021</u>.</li> <li>A Work Programme for the 2021/22 financial year was presented to and agreed at the <u>13th July 2021</u> Pension Fund Committee and a review of reports presented during the year demonstrated delivery of the work programme.</li> </ul>
Annual Governance Statement.	Assurance and effective accountability	<ul style="list-style-type: none"> <li>A progress update on the 2020/21 Annual Governance Statement recommendations was reported to the <u>6th December 2021</u> GAC meeting. A year-end position statement is set out at Appendix A and demonstrates that all recommendations, and associated arrangements, had been implemented.</li> </ul>
Internal Audit external assessment and Charter.	Assurance and effective accountability	<ul style="list-style-type: none"> <li>As set out in 'Supporting Principle F'.</li> </ul>

## 5.16 Other Key Governance Arrangements

### Amgen Cymru Limited

- 5.16.1 Rhondda Cynon Taf CBC holds 100% of the voting rights of Amgen Cymru Ltd., who in turn hold 100% of the voting rights of Amgen Rhondda. The Council also holds 100% of the allotted preference shares in Amgen Rhondda Ltd. The principal activities of Amgen Cymru is to provide waste management services and waste disposal facilities. Amgen Rhondda is responsible for the stewardship of the Nant y Gwyddon landfill site.
- 5.16.2 The directors of the companies, including a non-executive director, are responsible for ensuring there are sound governance arrangements including a robust system of internal control.
- 5.16.3 The Council removed the “arm’s length” status of the companies during 2009/10, therefore many of the aspects of the Council’s governance arrangements such as policies, processes and controls apply to the companies.
- 5.16.4 During 2021/22 there have been no significant governance issues that have been identified by the Amgen Company directors, internal auditors or external auditors.

### Pension Fund

- 5.16.5 Rhondda Cynon Taf County Borough Council is the Administering Authority for the Rhondda Cynon Taf Pension Fund. Whilst the governance arrangements detailed in this statement apply equally to the Council’s responsibilities to the Pension Fund there are further specific requirements for Pension Funds which are detailed in a number of key documents:
- Governance Statement of Compliance which indicates the Fund’s position against the Government’s best practice standards;
  - Governance Policy Statement which provides an overview of the management structure, decision making and employer engagement;
  - Communication Policy Statement which details the communication and information services to participating employers and scheme members;
  - Pension Fund Administration Strategy which seeks to improve efficiency in the delivery of agreed standards of quality and to ensure compliance with statutory requirements;
  - Investment Strategy Statement which details how Fund investments are managed, including the Fund’s policy on how social, environmental and corporate governance considerations are taken into account; and
  - Funding Strategy Statement which provides a summary of how we will fund our pension liabilities.
  - Pension Fund Risk Register, which identifies, prioritises and monitors risks associated with the Fund, against suitable mitigation controls.

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

5.16.7 The Public Service Pensions Act 2013 introduced a number of changes to public service pension schemes, including some significant changes for the governance of such

schemes. In accordance with the Act, the Council established a Local Pension Board to assist Rhondda Cynon Taf County Borough Council in its role of Administering Authority ('Scheme Manager') in:

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

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

5.16.9 In 2016/17 the Council established a formal Pension Fund Committee (subject to the provisions of Section 101 of the Local Government Act 1972) to oversee its responsibilities with regard to the administration of the RCT Pension Fund. The Pension Fund Committee consists of 5 elected members and is politically balanced.

5.16.10 The Committee is responsible for the strategic management of the RCT Pension Fund with all operational matters continuing to be delegated to the Council's Chief Finance Officer (as the Section 151 Officer or in his absence the Deputy Section 151 Officer) who are supported by an Investment and Administration Advisory Panel with appropriate officer, independent advisor and professional support.

5.16.11 The Pension Fund Committee met 4 times during the 2021/22 financial year.

5.16.12 In 2017, a Joint Governance Committee (JGC) was established in accordance with an inter-authority agreement, responsible for oversight of the Wales Pension Partnership (WPP) investment pooling collaboration of the eight LGPS funds in Wales. The eight Welsh Pension Fund Committee Chairs or their nominated deputy (elected member) attend the JGC and are supported by an officer working group. In January 2018, the WPP appointed an 'Operator' to establish and run a collective investment vehicle for the sole use of the Local Government Pension Scheme (LGPS) funds in Wales.

A summary of the pooling objectives of the WPP are:

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

## 5.17 Other Key Sources of Assurance

5.17.1 The following other key sources of assurance were in place during the 2021/22 financial year.

### Chief finance Officer (Section 151 Officer)

5.17.2 The Chief Finance Officer position within the Council during 2021/22 complied with the principles outlined in the CIPFA document 'The Role of Chief Finance Officer' because the Chief Finance Officer:

- *Was a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest;*
- *Was actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer-term implications, opportunities and risks are fully considered, and alignment with the organisation's financial strategy; and*
- *Led the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.*

*To deliver these responsibilities the Chief Financial Officer:*

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

### Monitoring Officer

5.17.3 The Monitoring Officer is required to report to the Council in any case where it appears that any proposal, decision or omission by the authority has given rise to or is likely to or would give rise to any contravention of any enactment, rule of law or code of practice or maladministration or injustice in accordance with Sections 5 and 5A of the Local Government and Housing Act 1989. During the period of the Annual Governance Statement, the Monitoring Officer did not make any such reports.

### Head of the Regional Internal Audit Service

5.17.4 The Head of Internal Audit has produced a Head of Internal Audit Report for 2021/22. Subject to the GAC consideration at its meeting in July 2022, the Head of Internal Audit Report states:

- *from the work undertaken during the financial year 2021/22 and taking into account other sources of assurance, the Head of Internal Audit's annual opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control for 2021/22 is: "Reasonable Assurance".*
- *based on the work completed by the Regional Internal Audit Shared Service for the financial year no significant cross-cutting control issues have been identified that would impact on the Council's overall control environment. The weaknesses that have been identified are service specific.*

- 5.17.5 The Head of Internal Audit's Annual Report 2021/22 confirmed overall conformance to the Public Sector Internal Audit Standards. Covid-19 continued to influence how audit work was carried out in 2021/22 and all staff have worked from home and on some occasions on a hybrid basis during the year. Audits have been conducted remotely and evidence obtained digitally. Both audit staff and auditees have all continued to adjust well to the new ways of working.
- 5.17.6 The pandemic, remote working and vacant posts did have an impact on the delivery of the internal audit plan for 2021/22 and notwithstanding this, the level of Internal Audit coverage was still sufficient for the Head of Audit to be able to give an opinion. In respect of audit coverage, Internal Audit provided assurance on the processes put in place across Council services as a result of emerging risks during the year and many of the planned reviews for 2021/22 included a Covid related element in the audit scope and objectives. Audits have taken longer than usual, in particular where services have been under more pressure, or obtaining evidence has been more time consuming. Some planned reviews were not undertaken during the year, some due to requests from services that were under intense pressure. These will be considered in the 2022/23 plan.
- 5.17.7 It is likely that the service will continue to be delivered remotely for the foreseeable future with an element of office based/face to face working as required.

#### External Audit

- 5.17.8 Audit Wales provided updates to full Council and the GAC to enable elected Members to review and scrutinise its work and also seek assurance from Council Officers that agreed recommendations reported by Audit Wales were being implemented by Council services. Updates included:
- Full Council - overall, compliance with statutory requirements met and no significant issues to report
    - 29th September 2021 – 'Audit of Accounts Report – Rhondda Cynon Taf County Borough Council'
    - 24th November 2021 - 'Audit of Accounts Report – Rhondda Cynon Taf Pension Fund'
    - 19th January 2022 – 'Audit Wales – Annual Audit Summary 2021 (Rhondda Cynon Taf County Borough Council)'
  - Governance and Audit Committee – regular and comprehensive updates reported and feedback provided to elected Members on the actions being taken by the Council to implement recommendations reported by Audit Wales in respect of Rhondda Cynon Taf County Borough Council.
    - 26th April 2021 – 'Audit Wales – 2021 Audit Plan Rhondda Cynon Taf County Borough Council' and 'Audit Wales – 2021 Audit Plan Rhondda Cynon Taf Pension Fund'
    - 13<sup>th</sup> September 2021 - 'Audit Wales - verbal update on the progress of the audit of the Draft Statement of Accounts for 2020/21'
    - 9th November 2021 – 'Financial Sustainability of Local Government – Covid-19 Impact, Recovery and Future Challenges' and 'Audit Wales Work Programme and Timetable – Rhondda Cynon Taf County Borough Council'



- 6th December 2021 – ‘Council Progress Update: Audit Wales – Annual Audit Summary 2020’
- 7th February 2022 - ‘Audit Wales Work Programme and Timetable – Rhondda Cynon Taf County Borough Council’
- 23rd March 2022 - Council Progress Update: Audit Wales – Annual Audit Summary 2020 and Annual Audit Summary 2021’

5.17.9 The Review of Effectiveness and proposals for improvement have been reviewed and challenged by the Council’s Senior Leadership Team and the GAC.

## **5.18 Overall Conclusion**

5.18.1 Based on the review of effectiveness against the Local Code of Corporate Governance, the Council’s governance arrangements provided the basis to effectively manage service delivery, Corporate Plan priority areas and resources, and had appropriate regard to the on-going impact of the Covid-19 pandemic.

5.18.2 This position, together with a track record of implementing proposals for improvement made within previous Annual Governance Statements, provides assurance that appropriate arrangements are in place to address the proposals for improvement set out in Section 6.

## 6. PROPOSALS FOR IMPROVEMENT 2021/22

6.1 Further to completing the assessment of the Council's governance arrangements, Table 1 summarises the proposals for improvement.

**Table 1 – Proposals for Improvement**

<b>Core / Supporting Principle (Paragraph)</b>	<b>Local Code of Corporate Governance Requirement</b>	<b>Issue Identified</b>	<b>Recommendation</b>	<b>Timescale for Implementation</b>	<b>Responsible Officer(s)</b>
<b>Supporting Principles:</b>  <b>C: Defining outcomes in terms of sustainable economic, social and environmental benefits; and</b>  <b>D: Determining the interventions necessary to optimise the achievement of the intended outcomes</b>  <b>Paragraph 5.12.1</b>	Corporate Plan and Service Delivery Plans	The collection and reporting of performance indicator information was necessarily paused during the pandemic due to the need to temporarily suspend some frontline service areas and / or change delivery arrangements.	For the 2022/23 financial year, the reporting of key performance indicator information should be reinstated to enable a full as picture as possible to be reported of performance.	September 2022	Service Director – Finance and Improvement Services
	Risk Management Strategy	The Council's Strategic Risk Register requires review to take account of revisions incorporated within the updated Risk Management Strategy.	The Strategic Risk Register should be reviewed and where appropriate, updated, taking into account the revisions incorporated within the updated Risk Management Strategy.	September 2022	Head of Procurement

Core / Supporting Principle (Paragraph)	Local Code of Corporate Governance Requirement	Issue Identified	Recommendation	Timescale for Implementation	Responsible Officer(s)
<p><b>Supporting Principle:</b></p> <p><b>F: Managing risks and performance through robust internal control and strong public financial management</b></p> <p><b>Paragraph 5.14.1</b></p>	<p>Audit Committee and an Internal Audit function.</p>	<p>The GAC's Learning and Development Plan was put in place in March 2021.</p> <p>No on-line library of learning and development information in respect of role / responsibilities of GAC is available for elected Members.</p>	<p>Using lessons learned from 2021/22, undertake a training needs analysis of Committee Members to inform a refreshed learning and development plan for 2022/23.</p> <p>Develop a library of on-line learning and development information for Committee Members as part of learning and development support arrangements.</p>	<p>From September 2022</p> <p>From November 2022</p>	<p>Service Director – of Democratic Services and Communication</p> <p>Service Director – of Democratic Services and Communication</p>

Core / Supporting Principle (Paragraph)	Local Code of Corporate Governance Requirement	Issue Identified	Recommendation	Timescale for Implementation	Responsible Officer(s)
<b>Supporting Principle:</b>  <b>F: Managing risks and performance through robust internal control and strong public financial management</b>  <b>Paragraph 5.14.6</b>	Compliance with the CIPFA Financial Management Code of Practice  Standard D - The authority applies the CIPFA/SOLACE <i>Delivering Good Governance in Local Government: Framework</i> (2016).	The structure of the 2021/22 Annual Governance Statement has been revised to more clearly align with the Council's Local Code of Corporate Governance – this process has identified areas where the Local Code can be further strengthened e.g. reflecting the Council's stakeholder engagement arrangements.	The Council's Local Code of Corporate Governance should be reviewed and updated, and thereafter reported to the Governance and Audit Committee for consideration / approval.	January 2023	Service Director – Finance and Improvement Services
<b>Supporting Principle:</b>  <b>F: Managing risks and performance through robust internal control and strong public financial management</b>  <b>Paragraph 5.14.6</b>	Compliance with the CIPFA Financial Management Code of Practice  Standard E - The financial management style of the authority supports financial sustainability.	To ensure appropriate arrangements continue to be in place for elected Members and Budget Holders (Council Officers) to effectively fulfil the finance roles, a refreshed programme of training should be put in place.	Refresh training material and deliver a programme of Officer and elected Member financial awareness training (that includes an 'Introduction to Local Government Finance', 'Understanding the Council's Budgets' and 'Treasury Management').	From September 2022	Service Director – Finance and Improvement Services

Core / Supporting Principle (Paragraph)	Local Code of Corporate Governance Requirement	Issue Identified	Recommendation	Timescale for Implementation	Responsible Officer(s)
<p><b>Principle:</b></p> <p><b>F: Managing risks and performance through robust internal control and strong public financial management</b></p> <p><b>Paragraph 5.14.6</b></p>	<p>Compliance with the CIPFA Financial Management Code of Practice</p> <p>Standard G - The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.</p>	<p>The Council's Medium Term Financial Plan covers, on a high level basis, the key areas it will focus on as part of 'balancing the budget' in future budget strategies, for example, workforce, digitisation and Built Asset Review.</p>	<p>The information included within the Medium Term Financial Plan should be developed further to set out in more detail the Council's work in the key areas that will underpin future budget strategies and how they align with its medium term financial planning arrangements (this area was also reported as a recommendation by Audit Wales in its report 'Financial Sustainability Assessment – Rhondda Cynon Taf County Borough Council').</p>	<p>September 2022</p>	<p>Director of Finance and Digital Services</p>

Tudalen 297

**6.2** The Council's Senior Leadership Team has accepted the proposals for improvement and is committed to their implementation during 2022/23. The Senior Leadership Team has also confirmed that an update on progress will be reported to the Council's Governance and Audit Committee during the year to enable elected Members to review and scrutinise the extent of progress being made.

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

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

## ANNUAL GOVERNANCE STATEMENT 2020/21 – YEAR-END POSITION STATEMENT

Core Principle / Area	Issue Identified	Recommendation	Timescale for Implementation	Responsible Officer(s)	Year-End Position Statement
<b>MANAGING RISKS AND PERFORMANCE THROUGH ROBUST INTERNAL CONTROL AND STRONG PUBLIC FINANCIAL MANAGEMENT</b>	The Council's Risk Management Strategy was last reviewed and approved by Audit Committee in December 2018.	The Strategy should be reviewed and where required proposed updates reported to the Governance and Audit Committee for consideration. In addition, as part of the review, regard should be given to the findings and recommendations included within the 2020/21 Internal Audit report 'Risk Management'.	December 2021	Head of Procurement Delivery	Completed – updated Risk Management Strategy reported to and endorsed at the 23 <sup>rd</sup> March 2022 Governance and Audit Committee meeting
	Where core financial system internal audit reports are presented to Audit Committee, no separate overview of the required internal controls is provided to aid Members understanding of the area (as originally intended as part of the 2020/21 work programme)	As part of compiling the 2021/22 Governance and Audit Committee work programme, finalised internal audit assignments for core financial systems should be supplemented by a more detailed overview of the area prior to the assignment being presented to Committee. This is to aid Members understanding of the main internal control requirements for key financial systems.	From October 2021	Coordinated by the Service Director – Finance and Improvement Services	No core financial system audits completed during the year – however, arrangements have been put in place in readiness for 2022/23

Core Principle / Area	Issue Identified	Recommendation	Timescale for Implementation	Responsible Officer(s)	Year-End Position Statement
<b>MANAGING RISKS AND PERFORMANCE THROUGH ROBUST INTERNAL CONTROL AND STRONG PUBLIC FINANCIAL MANAGEMENT</b>	<p>Although an overview of the Council's Contract Procedure Rules was presented to the Audit Committee in 2020/21, no overview of the Financial Procedure Rules was presented.</p>	<p>As part of the learning and development of Governance and Audit Committee Members, an overview of the Council's Financial Procedure Rules should be built into the 2021/22 Work Programme to support Members understanding of these requirements.</p>	November 2021	Service Director – Finance and Improvement Services	Completed – an overview of the Council's Financial Procedure Rules was presented to the 9 <sup>th</sup> November 2021 Governance and Audit Committee meeting
	<p>In addition, it was noted that a review of the information contained within both documents was not reviewed and reported to Audit Committee during 2020/21.</p>	<p>A review of the content of the Contract and Financial Procedure Rule documents should be undertaken and updates reported to the Governance and Audit Committee for consideration / approval (where deemed required).</p>	December 2021	Service Director – Finance and Improvement Services and Head of Procurement Delivery	Completed – a review of the Contract and Financial Procedure Rule documents have been undertaken and no material updates are deemed required (noting that both documents are subject to on-going review and updating)

Core Principle / Area	Issue Identified	Recommendation	Timescale for Implementation	Responsible Officer(s)	Year-End Position Statement
<b>MANAGING RISKS AND PERFORMANCE THROUGH ROBUST INTERNAL CONTROL AND STRONG PUBLIC FINANCIAL MANAGEMENT</b>	<p><u>Compliance with the CIPFA Financial Management Code of Practice</u></p> <ul style="list-style-type: none"> <li>• Standard C - Governance and Financial Management Style</li> <li>○ No Council wide review of officer schemes of delegation has been undertaken during the past financial year.</li> <li>○ Currently, progress updates in relation to Audit Wales recommendations are reported to Audit Committee annually.</li> </ul>	<p>Officer Schemes of Delegation should be reviewed and where required updated, approved by the Designated Officers and re-issued to post-holders.</p> <p>Updates on the progress being made by the Council to implement Audit Wales recommendations should be timetabled within the Governance and Audit Committee work programme for 2021/22 and provide a mid-year and year-end update of progress.</p>	<p>January 2022</p> <p>November 2021 / March – April 2022</p>	<p>Coordinated by the Director of Legal Services</p> <p>Director of Finance and Digital Services</p>	<p>Completed (noting that this area is subject to on-going review and updating)</p> <p>Completed – progress updates reported to the 6<sup>th</sup> December 2021 and 23<sup>rd</sup> March 2022 Governance and Audit Committee meetings</p>

Tudalen 300



Core Principle / Area	Issue Identified	Recommendation	Timescale for Implementation	Responsible Officer(s)	Year-End Position Statement
<b>MANAGING RISKS AND PERFORMANCE THROUGH ROBUST INTERNAL CONTROL AND STRONG PUBLIC FINANCIAL MANAGEMENT</b>	<u>Compliance with the CIPFA Financial Management Code of Practice</u> <ul style="list-style-type: none"> <li>• Standard G - The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members</li> <li>○ The Council's forward-looking planning period covers 3 / 4 years as part of its Medium-Term Financial Plan.</li> </ul>	As part of the Council's on-going forward planning arrangements, information on the longer-term outlook (5 years+) should be considered and relevant updates reported as appropriate.	March 2022	Director of Finance and Digital Services	Completed - incorporated into the Council's latest Medium Term Financial Plan 2021/22 to 2024/25 - as reported to Cabinet on 20 <sup>th</sup> July 2021, full Council on 29 <sup>th</sup> September 2021 and to the Finance and Performance Scrutiny Committee on 21 <sup>st</sup> October 2021
<b>IMPLEMENTING GOOD PRACTICES IN TRANSPARENCY, REPORTING, AND AUDIT TO DELIVER EFFECTIVE ACCOUNTABILITY</b>	As part of the suite of information on the Council's Governance web-age, it is noted that the Local Code of Corporate Governance was published in 2019 and has not been reviewed since this time.	The Council's Local Code of Corporate Governance should be reviewed and where proposed updates are deemed necessary, an updated document reported to the Council's Governance and Audit Committee for consideration / approval.	February 2022	Head of Procurement Delivery	Completed – noting that a further update will be actioned in 2022/23 to take account of the findings of the 2021/22 Annual Governance Statement Review of Effectiveness

## **The independent auditor's report of the Auditor General for Wales to the members of Rhondda Cynon Taf CBC**

### **Opinion on financial statements**

I have audited the financial statements of:

- Rhondda Cynon Taf County Borough Council; and
- Rhondda Cynon Taf County Borough Council Group

for the year ended 31st March 2022 under the Public Audit (Wales) Act 2004.

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

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

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22.

In my opinion the financial statements:

- give a true and fair view of the financial position of Rhondda Cynon Taf County Borough Council and Rhondda Cynon Taf County Borough Council's Group as at 31 March 2022 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22.

### **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 Rhondda Cynon Taf County Borough Council and Group 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 Rhondda Cynon Taf County Borough Council and the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

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

## Other Information

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

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

## Report on other requirements

### Opinion on other matters

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

- The information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22;
- The information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Governance Statement has been prepared in accordance with guidance.

Matters on which I report by exception

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

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

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

## **Responsibilities**

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 15, the responsible financial officer is responsible for the preparation of the statement of accounts, Rhondda Cynon Taf County Borough Council's Group 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 statements of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the statement of accounts, the responsible financial officer is responsible for assessing Rhondda Cynon Taf County Borough Council and group'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, the Rhondda Cynon Taf County Borough Council's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to Rhondda Cynon Taf County Borough Council and group'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. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition and posting of unusual journals.
- Obtaining an understanding of Rhondda Cynon Taf County Borough Council's framework of authority as well as other legal and regulatory frameworks that Rhondda Cynon Taf County Borough Council and group operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of Rhondda Cynon Taf County Borough Council and group.

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

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

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team members 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 County Borough Council and group's controls, and the nature, timing and extent of the audit procedures performed.

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

## **Certificate of completion of audit**

I certify that I have completed the audit of the accounts of Rhondda Cynon Taf County Borough Council and group 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

## Glossary of Terms

### **Accrual**

An accrual is a sum shown in the accounts representing income or expenditure relating to the accounting period, which had not actually been received or paid as at the date of the Balance Sheet.

### **Actuary**

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

### **Acquisition method**

This method recognises on a line-by-line basis the assets, liabilities, reserves and revenue of the company that is being consolidated.

### **Agent**

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

### **Amortisation**

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

### **Audit**

An audit is an independent examination of activities.

### **Budget**

A budget (or estimate) is a plan of income and spending, based upon which Council Tax is set. Actual expenditure is subsequently monitored against this plan.

### **Capital Expenditure**

Capital expenditure is spending on long-term assets. These are assets that will be used for several years in the provision of services and are items such as buildings, equipment and vehicles.

### **Capital Receipt**

Capital receipts are proceeds from the sale of long-term assets such as land or buildings.

### **CCRC – Cardiff Capital Region City Deal**

The Cardiff Capital Region within the City Deal is comprised of 10 local authorities; Blaenau Gwent; Bridgend; Caerphilly; Cardiff; Merthyr Tydfil; Monmouthshire; Newport; Rhondda Cynon Taf; Torfaen; and the Vale of Glamorgan.

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

CIPFA is responsible for issuing financial guidance to public bodies.

### **Creditor**

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

**Current Assets**

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

**Current Liabilities**

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

**Debtor**

A debtor is an organisation/individual who owes the Council money at the end of the financial year for goods/services received.

**Debt Management Office (DMO)**

The DMO is an Executive Agency of Her Majesty's Treasury. Its responsibilities include debt and cash management for the UK Government, lending to Local Authorities and managing certain public sector funds.

**Defined Benefit Scheme**

A defined benefit pension scheme is one that bases retirement benefits upon Career Average Re-Valued Earnings.

**Defined Contribution Scheme**

A defined contribution scheme is a type of retirement plan in which the amount of the employer's annual contribution is specified. Benefits are based on the amounts credited to these accounts (through employer contributions and, if applicable, employee contributions) plus any investment earnings. Only employer contributions to the account are guaranteed, not the future benefits.

**Delegated Schools**

A delegated school is one managed independently by its Governing Body. The funds of these schools are held outside of the Council Fund balances.

**Depreciated Historic Cost (DHC)**

Depreciated Historic Cost is obtained by recording the purchase price of an asset and reducing the value over its useful economic life.

**Depreciated Replacement Cost (DRC)**

DRC is an estimation of the market value for existing use plus current gross replacement costs less allowances for deterioration.

**Depreciation**

Depreciation is the estimated loss in value of tangible long-term assets that are presented in the Balance Sheet.

**Earmarked Reserves**

These are reserves set aside for a specific purpose.

**Fair Value Hierarchy**

Level 1 – Assets and liabilities at level 1 are those where fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities.



Level 2 – Assets and liabilities at level 2 are those where quoted market prices are not available.

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

### **Financial Year**

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

### **Impairment**

Impairment occurs when the value of a long-term asset falls below the value it is currently held at in the Balance Sheet and Asset Register.

### **International Accounting Standard (IAS)**

Financial Regulations to be followed as set by the International Accounting Standards Board (IASB).

### **International Financial Reporting Standards (IFRS)**

International Financial Reporting Standards are produced by the IASB (International Accounting Standards Board) with the aim of ensuring consistency within the countries adopting the standards.

### **Inventories**

Inventories are raw materials purchased for day-to-day use. The value of these items that have not been used at the end of the financial year are shown as current assets in the Balance Sheet.

### **Leasing**

This is a method of financing expenditure by paying the owner to use property or equipment for a number of years.

### **Lessee**

User or renter of the leased asset or property. In case of capital leases, the lessee is also the 'debtor' to the lessor.

### **Lessor**

Owner or the title holder of the leased asset or property. The lessor is also the lender and secured party in case of capital leases and operating leases.

### **Liability**

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

### **Long-Term Asset**

These are assets that are used in the provision of services (usually for more than one year).

### **Minimum Revenue Provision (MRP)**

MRP is a charge against revenue resources representing a repayment of debt. It is a method of paying for Capital Expenditure which was funded by borrowing.

**Modern Equivalent Valuation (MEV)**

Modern Equivalent Valuation is a method of valuation that calculates the cost of constructing modern equivalent buildings and structures, depreciating them to account for the age and future economic life.

**Non-Domestic Rates (NDR)**

The NDR, or Business Rate, is the charge to occupiers of business premises. NDR is set by central government and is a percentage of rateable values. The percentage is the same throughout Wales. The total collected is split between individual authorities in proportion to their adult populations.

**Net Realisable Value**

The selling price of an asset, reduced by the relevant (direct) cost of selling it.

**Non-Recurring Fair Values**

These relate to assets that are measured at fair value due to particular circumstances. The assets which meet the criteria for assets held for sale are valued at the lower of non-recurring value less cost to sell, and its carrying value.

**Operating Leases**

These are leases where risks of ownership of the asset remain with the owner.

**Post Balance Sheet Events**

Post Balance Sheet items are those that arise after the Balance Sheet date. These are items that did not exist at the time the Balance Sheet was prepared but should be disclosed if they are relevant to the understanding of the accounts.

**Precepts**

This is the amount paid to a non-rating body (for example a community council).

**Principal**

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

**Prior Year Adjustment**

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

**Projected Unit Method**

An actuarial method of calculating the liabilities of a pension scheme which allows for projected future increases in pensionable pay up to retirement or date of leaving service.

**Provision**

A provision is an obligation to transfer economic benefits as a result of past events where a reliable estimate can be made of the obligation, but the amount or timing of which cannot yet be determined accurately.

**Public Works Loan Board (PWLB)**

This is a Government agency that provides loans to local authorities for periods between 1 and 50 years.

**Recurring Fair Value**

These relate to assets that are measured at the end of each accounting period, within the rolling programme of valuations.

**Related Party**

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

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

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

**Soft Loans**

A soft loan is loan taken at an interest rate below the market rate.

**South East Wales Corporate Joint Committee (SEWCJC)**

This is a Corporate Joint Committee set up with the existing governance arrangements as CCRCD.

**Strain on Funds**

When an employee retires early and is immediately paid a pension, without actuarial reduction, the lost contribution income and interest cost arising from the associated earlier increased cash flow is referred to as pension strain cost. The pension strain cost is determined by actuarial calculation.

**Sub Lease**

A sub-lease is a lease between a tenant who already holds a lease to a commercial space or property and someone (the sub-lessee) who wants to use part or all of the tenant's space. The tenant is deemed to be a sub-lessor.

**Trust Fund**

Trust funds hold money on behalf of an individual or organisation. Trustees administer the funds for the owners.

**Voluntary Aided School**

Voluntary aided schools are mainly religious or faith schools, although anyone can apply for a place. The governing body employs the staff and sets admissions criteria. School land and buildings are normally owned by a charitable foundation, often a religious organisation, and the governing body contributes to building and maintenance costs.

**Voluntary Controlled School**

Voluntary controlled schools are similar to voluntary aided schools, but are run by the local authority. The local authority employs the school's staff and sets the admissions criteria. School land and buildings are normally owned by a charity, often a religious organisation, which also appoints some of the members of the governing body.

**Welsh Government (WG)**

The Welsh Government is the devolved Government for Wales. The Welsh Government consists of the First Minister, Welsh Ministers, the Counsel General and Deputy Ministers. They are supported by Civil Servants who work across devolved areas of public life such as health, education and the environment.

Tudalen wag

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

**2021/22**

DRAFT

## Pension Fund Accounts

<b>Contents</b>	<b>Page</b>
Introduction	2
Statement of Responsibilities for the Pension Fund Accounts	4
Certificate of the Director of Finance and Digital Services	5
Fund Account	6
Net Assets Statement	8
Notes to the Accounts	9
Independent Auditor's Report	25
Glossary of Terms	28

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

### **Introduction**

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

The Rhondda Cynon Taf Pension Fund provides pension benefits for employees of Rhondda Cynon Taf, Bridgend and Merthyr Tydfil County Borough Councils, together with employees from around 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 and Passive Gilts);
- CBRE (Property); and
- Link (Operator of the WPP).

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

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

On the 15<sup>th</sup> March 2017 Council approved the establishment of a Joint Governance Committee to oversee the pooling of the investments of the eight Local Government Pension Scheme (LGPS) funds in Wales. The link to the report can be found here: [All Wales Pension Fund Investment pooling-joint Governance Committee and Inter Authority Agreement](#).

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

Positive progress has been made by the WPP in the establishment of four sub-funds for the collective investing of assets.

- The prospectus for Global High Alpha Equities, comprising of two mandates with differing risk / return characteristics, was approved by the Financial Conduct Authority (FCA) in July 2018.
- The prospectus for the second sub- fund for UK Equities was approved by the FCA in September 2019.
- The third sub-fund relating to Fixed Interest, was approved by the FCA in February 2020, with the launch of this fund being July 2020.
- The fourth sub-fund relates to Emerging Market Equities and was approved by the FCA in March 2021, 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 23<sup>rd</sup> 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 31<sup>st</sup> March 2022 and its income and expenditure for the year.



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

29 July 2022

**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		<i>Note:</i>	£'000	£'000
	<b>Contributions</b>			
(97,624)	Employer contributions	13.0	(102,178)	
(29,766)	Member contributions	13.0	(31,121)	
<b>(127,390)</b>				<b>(133,299)</b>
	<b>Transfers in from other Pension Funds</b>			
(3,643)	Group Transfers in from other schemes or funds		(6,583)	
(4,605)	Individual Transfers from other schemes or funds		(1,673)	
				<b>(8,256)</b>
(2,443)	<b>Other income</b>		(2,865)	
				<b>(2,865)</b>
	<b>Benefits</b>			
110,855	Pensions	13.0	112,224	
16,252	Commutation of pensions and lump sum retirement benefits	13.0	18,105	
3,875	Lump sum death benefits	13.0	3,196	
<b>130,982</b>				<b>133,525</b>
	<b>Payments to and on account of leavers</b>			
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	
<b>4,877</b>				<b>11,965</b>
<b>135,859</b>				<b>145,490</b>
(2,222)	Net (addition)/withdrawals from dealings with members			<b>1,070</b>
13,084	Management Expenses	14.0	14,329	
				<b>14,329</b>
<b>10,862</b>	<b>Net (additions)/withdrawals Including fund management expenses</b>			<b>15,399</b>
	<b>Investment income</b>			
(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)	
<b>(80,679)</b>				<b>(52,152)</b>

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

**Net Assets Statement**

2020/21 £'000		Note:	31/03/2022	
			£'000	£'000
	<b>Investment Assets</b>	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				<b>4,483,827</b>
24,964	<b>Cash deposits</b>			<b>26,164</b>
	<b>Other investment balances</b>			
5,232	Investment debtors		3,882	
1,147	Tax recoverable		712	
<b>6,379</b>				<b>4,594</b>
<b>4,498,430</b>				<b>4,514,585</b>
	<b>Investment Liabilities</b>			
<b>(5,023)</b>	Investment creditors			<b>(4,400)</b>
<b>4,493,407</b>	<b>Net Investment Assets</b>			<b>4,510,185</b>
	<b>Current assets</b>			
6,113	Contributions due from employers and employees		6,854	
1,314	Other current assets		600	
<b>7,427</b>				<b>7,454</b>
	<b>Current Liabilities</b>			
<b>(2,253)</b>	Current liabilities			<b>(3,043)</b>
<b>4,498,581</b>	<b>Net assets of the scheme available to fund benefits at period end</b>			<b>4,514,596</b>

## **Notes to the Accounts**

### **1.0 Significant Accounting Policies**

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

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

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

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

Listed securities are valued in accordance with IAS 39 – Financial Instruments, using bid prices as at 31<sup>st</sup> March 2022 obtained from recognised Stock Exchanges.

Sterling valuations of securities denominated in foreign currencies are based on closing exchange rates as at 31<sup>st</sup> 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.

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

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

### **5.0 Events after the Reporting Date**

The draft, unaudited Statement of Accounts was authorised for issue by the Director of Financial and Digital Services, as Chief Finance Officer, on 25<sup>th</sup> July 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 31<sup>st</sup> March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. There are no events that took place after 31<sup>st</sup> March 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 31<sup>st</sup> March 2019 in compliance with Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2013. Actuarial valuations take place on a triennial basis with a number of key assumptions being made.

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

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

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

The results of the 2016 and 2019 valuations are shown in the table below:

	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 31<sup>st</sup> 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 6<sup>th</sup> April 2016 and 5<sup>th</sup> April 2021 inclusive. Those arrangements require the LGPS to pay pension increases on GMPs at the full rate of CPI for those members, whereas GMP legislation only requires limited price increases to be applied. The additional liability included within the table assumes those arrangements for fully indexing GMPs will be extended to members whose SPA is after 5<sup>th</sup> April 2021. This has increased the defined benefit obligation in the region of 0.1% to 0.2%

### **Cost Management Process**

The actuarial present value of the defined benefit obligation does not allow for any potential additional liability which may arise from cost management valuations. Legislation requires HM Treasury and the Scheme Advisory Board (SAB) to undertake periodic valuations to monitor the cost of the LGPS to ensure it remains sustainable and affordable. HM Treasury and the Scheme Advisory Board had paused their reviews following the McCloud judgement in the Court of Appeal.

These have now been unpaused and HMT Directions 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
<b>Equities</b>				
Global	1,192,224		862,087	
		<b>1,192,224</b>		<b>862,087</b>
<b>Pooled funds</b>				
<b>WPP Global Equities</b>	1,867,855		1,946,815	
<b>WPP UK Credit Fund</b>	550,961		574,241	
<b>Overseas - other</b>	0		0	
		<b>2,418,816</b>		<b>2,521,056</b>
<b>Other Pooled Investments</b>				
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	
		<b>856,047</b>		<b>1,100,684</b>
<b>Total long-term investments</b>		<b>4,467,087</b>		<b>4,483,827</b>

The Fund has participated in stock lending arrangements through its investments in the WPP. The total income received by the WPP from stock lending in 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
<b>Total</b>	<b>4,493,407</b>	<b>4,510,185</b>	<b>100</b>	<b>100</b>

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

The market value of investments shown in this table includes short-term investments such as cash balances and money deposits, and so differs from the total of long-term investments only, as shown in note 7.0.

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

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

## 9.0 Geographical Spread of the Fund

The Fund Managers invest in shares in a number of countries. 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 31<sup>st</sup> 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%
<b>Total</b>	<b>4,510,185</b>	<b>100%</b>

## 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
	<b>4,467,087</b>	<b>464,881</b>	<b>(235,043)</b>	<b>(213,098)</b>	<b>4,483,827</b>
Cash Deposits	24,964			233,578	26,164
Investment Debtors	6,379				4,594
Investment Creditors	(5,023)				(4,400)
<b>Total</b>	<b>4,493,407</b>			<b>20,480</b>	<b>4,510,185</b>

Comparative note for 2020/2021:

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

## 12.0 Profits and Losses on Investments

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

## 13.0 Contributions Receivable and Benefits Payable

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

<b>Type of Body</b>	<b>Member Contributions</b>		<b>Employer Contributions</b>		<b>Pensions, Lump Sums and Death Benefits</b>	
	<b>2020/21</b>	<b>2021/22</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
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
<b>Total</b>	<b>29,766</b>	<b>31,121</b>	<b>97,624</b>	<b>102,178</b>	<b>130,982</b>	<b>133,525</b>

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:

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

Investment management expenses represent 0.26% (0.24% in 2020/21) of the value of the Pension Fund as at 31<sup>st</sup> 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:

<b>2021/22</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	<b>Total</b>	<b>Management Fees</b>	<b>Transaction Costs</b>
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
	<b>11,129</b>	<b>9,474</b>	<b>1,655</b>
Custody Fees	595		
<b>Total</b>	<b>11,724</b>		



## 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
	<b>10,103</b>	<b>8,101</b>	<b>2,002</b>
Custody Fees	733		
<b>Total</b>	<b>10,836</b>		

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
<b>WPP Oversight and Governance Costs</b>		
Running Costs	99	135
<b>WPP Investment Management Expenses</b>		
Fund Managers Fees	5,520	7,328
Transaction Costs	763	780
Custody Fees	578	428
<b>Total</b>	<b>6,960</b>	<b>8,671</b>

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

## 15.0 Transactions with Related Parties

In the course of fulfilling its role as Administering Authority to the Fund, Rhondda Cynon Taf CBC provided services to the Fund for which it charged £1.6m (£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 31<sup>st</sup> March is as follows:

	2021	2022
Active Employers	51	51
Contributors	23,931	24,118
Pensioners	17,728	18,220
Dependants	2,786	2,899
Deferred Beneficiaries	28,868	28,921

## 17.0 Nature and Extent of Risks Arising From Financial Instruments

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

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

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

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

### **17.1 Credit Risk**

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

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

The Pension Fund has had no experience of counterparty default in the last five years. Cash deposits held by the Administering Authority for the Pension Fund as at 31<sup>st</sup> March 2022 amounted to £7.33m with the institution shown in the table below:

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

### **17.2 Liquidity Risk**

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

- Maintaining a robust cash flow monitoring and forecasting model.
- Ensuring that the Pension Fund has access to cash in the short and medium-term to pay pensions by managing cash flow from money-market investments.

- Taking actuarial advice to set employer contribution rates at triennial valuations in order to meet the long-term funding requirements to pay pensions and other commitments.

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

### 17.3 Market Risk

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

Following analysis of historic data, Pensions & Investment Research Consultants (PIRC), the Fund's pension performance analytics company, has provided a view of potential market movements for the 2021/22 financial year. The possible impact of movements in each asset type is shown in the following table:

<b>Asset type</b>	<b>31/03/22 Value</b>	<b>Change %</b>	<b>Value on increase</b>	<b>Value on decrease</b>
	<b>£'000</b>		<b>£'000</b>	<b>£'000</b>
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:

	<b>31/03/2022 Value</b>	<b>Change %</b>	<b>Value on increase</b>	<b>Value on decrease</b>
	<b>£'000</b>		<b>£'000</b>	<b>£'000</b>
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
<b>Total</b>	<b>1,123,955</b>	<b>1,135,195</b>	<b>1,112,715</b>

Currency risk is the risk to income and investment asset values from changes in exchange rates. The Fund is exposed to this risk from non-sterling denominated investments in a range of assets.

A movement in currency exchange rates of 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
<b>Total</b>	<b>534,278</b>	<b>573,280</b>	<b>495,276</b>

## **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 the Code of Practice on Local Authority Accounting in the United Kingdom 2021-2022 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 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 2021-2022.

#### **Basis for opinion**

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

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

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

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

## Other information

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

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

## Report on other requirements

### Opinion on other matters

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

- the information contained in the introduction for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which I report by exception

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

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

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

### Certificate of completion of audit

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

## Responsibilities

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

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

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

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

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

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

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

24 Cathedral Road  
Cardiff  
CF11 9LJ



## Glossary of Terms

### **Accrual**

An accrual is a sum shown in the accounts representing income or expenditure relating to the accounting period, which had not actually been received or paid as at the date of the net asset statement.

### **Active**

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 1<sup>st</sup> April and finishes on 31<sup>st</sup> March of the following year.

### **Fixed Interest Securities/Bonds**

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

### **Fund of Funds**

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

### **GMP**

Guaranteed Minimum Pension.

### **Impairment**

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

### **International Accounting Standard (IAS)**

Financial Regulations to be followed as set by the International Accounting Standards Board (IASB).

### **International Financial Reporting Standards (IFRS)**

International Financial Reporting Standards are produced by the IASB (International Accounting Standards Board) with the aim of ensuring consistency within the countries adopting the standards.

### **Liability**

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

### **Net Asset Value (NAV)**

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

### **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.

Tudalen wag

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

**DRAFT SUBJECT TO AUDIT  
STATEMENT OF ACCOUNTS**

**2021/22**

<b>Contents</b>	<b>Page</b>
Narrative Report	2
Statement of Responsibilities for the Statement of Accounts	10
Certificate of the Director of Finance and Digital Services	11
Movement in Reserves Statement	12
Comprehensive Income and Expenditure Statement	14
Balance Sheet	15
Cash Flow Statement	16
Expenditure & Funding Analysis Statement	17
Notes to the Core Financial Statements	19
Annual Governance Statement	42
Independent Auditor’s Report	71
Glossary of Terms	74



## Narrative Report

### 1. Introduction

The Central South Consortium Joint Education Service was established on 1<sup>st</sup> September 2012 to provide a range of school improvement services operating on behalf of five local authorities: Bridgend, Cardiff, Merthyr Tydfil, Rhondda Cynon Taf and the Vale of Glamorgan.

This region is the most populous in Wales. It includes 380 schools and serves 152,141<sup>1</sup> learners – nearly one third of the country's school-age children. The region is home to the highest number and the largest proportion of children living in poverty; it is also home to the capital city and the economic, financial and creative industries of Wales.

The Consortium is managed and administered by the Central South Consortium Joint Committee, under powers conferred by the Local Government (Wales) Act 1994. The Joint Committee is made up of five Members, one from each local authority. Rhondda Cynon Taf CBC became the Host Authority upon formation of the Joint Committee.

The accounts for 2021/22 have been prepared in accordance with:

- The Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 based on International Financial Reporting Standards (IFRS); and
- The Accounts and Audit (Wales) Regulations 2014 (as amended).

The accounts set out on pages 12 to 41 comply with the above.

### 2. Business Plan 2021-2022

The Consortium's role is to challenge and support schools in their work to improve educational outcomes.

The local authorities (through a Joint Committee attended by the Cabinet Member for Education in each authority) agree the business plan and budget for the region and hold the Consortium to account for the impact of its work.

The Consortium receives its core funding from the five local authorities and also receives funding from the Welsh Government to support specific activities in line with national priorities / initiatives.

---

<sup>1</sup> Pupil Level Annual School Census (PLASC) 2021 data collections delayed until April 2021

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

How well children and young people, particularly the most vulnerable, achieve in this region significantly influences how the country and its education system are perceived within our borders and beyond.

The Consortium's business plan aims to:

- Develop a high-quality education profession
- Develop inspirational leaders to facilitate working collaboratively to raise standards
- Develop strong and inclusive schools committed to wellbeing, equity and excellence
- Develop robust assessment, evaluation and accountability arrangements supporting self-improving systems
- Improve the effectiveness and efficiency of Central South Consortium.

Operational plans underpin each improvement objective.

The Consortium's Business Plan has been compiled in the context of reducing resources, this being consistent with the challenging economic climate facing all public sector organisations in Wales. In line with this, the 2021/22 revenue contributions received by the Consortium from the five-member local authorities reduced by 1% and it is anticipated that the position of the Consortium requiring to operate in an environment of challenging funding levels will continue into the medium term.

Due to the COVID-19 pandemic, Welsh Government cancelled most of the statutory data collections for 2020 and also for 2021. The collections suspended include:

- Attendance: Primary 2020 and 2021 data collections
- Attendance: Secondary 2020 and 2021 data collections
- National Data Collections (NDC) 2020 and 2021 data collections

Welsh Government continued to collect the Pupil Level Annual School Census (PLASC) and Educated Other Than At School (EOTAS) data collections in both 2020 and 2021. However, the collection in 2021 was delayed until June 2021 with the census date being changed to 20<sup>th</sup> April 2021 for PLASC 2021 and the census window between 19<sup>th</sup> April 2021 and 23<sup>rd</sup> April 2021 for the EOTAS 2021 collection. Analysis of this information was published by Welsh Government in early September 2021. Comparisons to the 2020 data collection should be treated with an element of caution, as not all the validation checks were completed on the 2020 PLASC.

Welsh Government confirmed on 21<sup>st</sup> June 2021 that the [Statistical Releases](#) for NDC Core, NDC non-core, Welsh National Test (WNT), Attendance Primary and Attendance Secondary were suspended for reporting on data from 2020-21. In addition, the Statistical releases related to, “Attainment by eligible for Free School Meals (eFSM) / not eligible for Free School Meals (nFSM) (Foundation Phase (FP)-Key Stage 3 (KS3))” and “Absenteeism by pupil characteristics” were also suspended for 2020-21 data.

The Minister for Education also confirmed on [21<sup>st</sup> June 2021](#) that Welsh Government would not be publishing performance measures related to the 2021 summer examinations series, which covers all school and post-16 performance measures for the 2020-21 academic year. In addition, given the clear implications that there will be ongoing disruptions for qualifications awarded next year, Welsh Government have suspended Key Stage 4 (KS4) and legacy sixth form performance measures for 2021-22 academic year also. Therefore, there are no performance measures available for KS4 or Post-16 for Summer 2020 and 2021 results, and these will also not be available for results published for Summer 2022.

The Statistical bulletins for GCSE and A Level results will continue to be published for 2020-21 as made available for 2019-20 but they will not contain KS4 or legacy sixth form performance measures and will only include National level data with amended content to previous releases of these bulletins.

Therefore, for 2020-21 there are no publicly available performance measures at school, local authority or regional level that can be included in this report, as was the situation for last year.

The publication of performance data on My Local School is also suspended, with the [publication of the national categorisation](#) also being suspended for 2021-22 due to the processes not being held for the academic years 2020-21 and 2021-22.

[All Estyn inspections were suspended in March 2020](#); therefore, no analysis is included in this report as no inspections took place between September 2020 and July 2021.

### **3. Revenue Income and Expenditure 2021/22**

The Comprehensive Income and Expenditure Statement provides an analysis of the Consortium’s gross revenue expenditure and income in accordance with International Financial Reporting Standards (IFRS).

The Consortium's 2021/22 revenue budget strategy underpinned the following broad objectives:

- Support the delivery of key strategic priorities particularly around the need to build teams of challenge advisors to work with all schools in the region (with more time allocated to the schools most in need);
- Provide timely data analysis to support schools' self-evaluation and improvement planning (including school categorisation judgements);
- Support and fund school-to-school improvement partnerships and broker support between schools;
- Allocate grant funding to schools in the region along with guidance and advice on how grant funding can be used to drive improvement; and
- Work with the Welsh Government to deliver its priorities in the region.

The table shows the budgeted controllable income and expenditure against the actual controllable income and expenditure for the period 1<sup>st</sup> April 2021 to 31<sup>st</sup> March 2022:

	<b>Budget £'000</b>	<b>Actual £'000</b>	<b>Variance £'000</b>
<b>Expenditure</b>			
Employees	3,095	3,054	(41)
Premises	156	155	(1)
Transport	11	9	(2)
Supplies & Services	201	211	10
Third Party Payments	28	33	5
Support Services	119	126	7
	<b>3,610</b>	<b>3,588</b>	<b>(22)</b>
<b>Income</b>			
Local Authority Contributions	3,564	3,564	0
Grants & Other Income	46	51	(5)
	<b>(3,610)</b>	<b>3,615</b>	<b>(5)</b>
<b>Net Expenditure / (Income)</b>	<b>0</b>	<b>(27)</b>	<b>(27)</b>

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

- Employees – savings attributable to in-year temporary staff vacancies;
- Supplies & Services – includes one off costs for ICT Hardware and Office Equipment expenditure;
- Support Services – additional services received from the host authority to meet business need; and
- Income – primarily relates to unbudgeted interest earned on personal account balances.

In addition, the following categories of income and expenditure relating to specific grants were processed through the Central South Consortium's accounts during 2021/22:

	<b>Actual £'000</b>
<b>Expenditure</b>	
Employees	3,438
Transport	4
Supplies & Services	88,321
Third Party Payments	2,446
<b>Income</b>	
Grants & Other Income	94,209
<b>Net Expenditure</b>	<b>0</b>

Movement in earmarked reserves (£146k) and interest on the personal account balance (£4k) are included in the tables above but not disclosed in Note 7: Income.

As at 31<sup>st</sup> March 2022, the Central South Consortium held General Reserves of £174k. Movements on reserves are detailed within the Movement in Reserves Statement.

#### **4. Capital Expenditure 2021/22**

There has been no capital expenditure this financial year.

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

The Consortium's Business Plan 2022/23 was approved by Joint Committee on 18<sup>th</sup> March 2021 and sets out the vision, purpose and priorities it aims to deliver within an environment of reducing resources. The 2022/23 Business Plan focuses on the following overarching priorities:

1. Develop a high quality education profession;
2. Develop inspirational leaders to facilitate working collaboratively to raise standards;
3. Develop strong and inclusive schools committed to wellbeing, equity and excellence;

4. Develop robust assessment, evaluation and accountability arrangements supporting self-improving systems; and
5. Improve the effectiveness and efficiency of Central South Consortium.

The priorities included within the Central South Consortium’s Business Plan need to be underpinned by robust financial management in ensuring they are affordable, provide value for money and that their impact can be assessed.

The revenue budget is approved annually by the Joint Committee and is included within the Business Plan. Welsh Government also issue annual settlements on grant awards of funding.

A summary of the latest (i.e. 2022/23) revenue budget is as follows (as approved by the Joint Committee on 22<sup>nd</sup> December 2021):

<b>Type of Expenditure</b>	<b>Budget 2022/23 £'000</b>
<b>Expenditure</b>	
Employees	3,131
Premises	159
Transport	12
Supplies & Services	174
Third Party Payments	27
Support Services	141
<b>Total Expenditure</b>	<b>3,644</b>
<b>Income</b>	
Local Authority Contributions	3,625
Grants & Other Income	19
<b>Total Income</b>	<b>3,644</b>
<b>Net Expenditure</b>	<b>0</b>

## 6. Pensions Assets and Liabilities

As a result of International Accounting Standard (IAS) 19 “Employee Benefits”, local authorities are required to account for pensions liabilities in respect of the cost of decisions made up to the Balance Sheet date. Please refer to note 15.0 to the Core Financial Statements for further details.

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

	<b>£'000</b>
Net Assets/(Liabilities) excluding Pensions Reserve	578
Net Assets/(Liabilities) as per Balance Sheet	1,421

## **7. Introduction to Accounting Statements**

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

This sets out the responsibilities of the Council as the administering authority and the Director of Finance and Digital Services for the preparation of the Statement of Accounts. The Statement has to be signed and dated by the presiding Member at the Joint Committee meeting at which the Accounts are approved.

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

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

### **Movement in Reserves Statement**

This statement shows the movement in the year on the different reserves held by the Joint Committee, analysed into 'usable reserves' (i.e. those that the Joint Committee may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use) and 'unusable reserves'.

### **Comprehensive Income and Expenditure Statement**

This statement is prepared to record income and expenditure on an accruals basis. It includes items such as salaries and wages, running costs of the service and income received. The statement is based upon IFRS.

### **Balance Sheet**

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Joint Committee. The net assets of the Joint Committee (assets less liabilities) are matched by the reserves held by the Joint Committee.

### **Cash Flow Statement**

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

### **Expenditure and Funding Analysis**

The Expenditure and Funding Analysis demonstrates how the funding available to the Joint Committee for the year has been used in providing services in comparison with those resources consumed or earned in accordance with generally accepted accounting practices.

### **Statement of Accounting Policies**

The purpose of this statement is to explain the basis of the figures in the accounts. It outlines the accounting policies adopted.

### **Annual Governance Statement**

The Annual Governance Statement sets out the framework for governance and internal control for the Joint Committee to carry out its functions and reviews its effectiveness. It outlines the main components of the framework, including the arrangements for Internal Audit and how the Consortium has complied with the various elements of the framework.

## **8. COVID-19**

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



## **Statement of Responsibilities for the Statement of Accounts Central South Consortium Joint Education Service**

### **The Council’s Responsibilities**

The Council is required:

- To make arrangements for the proper administration of the Joint Committee’s financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Director of Finance and Digital Services.
- To manage its affairs to ensure economic, efficient, and effective use of resources and safeguard its assets.

### **The Joint Committee’s Responsibilities**

- To approve the accounts.

**Signature:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**Chair of the Central South Consortium Joint Education Service Joint  
Committee**

## The Director of Finance and Digital Services' Responsibilities

The Director of Finance and Digital Services is responsible for the preparation of the Statement of Accounts. In terms of the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom, the Statement of Accounts is required to give a true and fair view of the financial position of the organisation at the accounting date and its income and expenditure for the period ended 31<sup>st</sup> March 2022.

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

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

### The Director of Finance and Digital Services has also throughout the financial year:

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

### Certificate of the Director of Finance and Digital Services as Treasurer of the Joint Committee

I certify that the statement of accounts give a true and fair view of the financial position of the Joint Committee at 31<sup>st</sup> March 2022 and its income and expenditure for the period then ended.

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



Date: 14 June 2022

**Barrie Davies**

**Director of Finance and Digital Services**

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

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

	General Reserves	Earmarked Reserves	Total Usable Reserves	Total Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000
<b>Notes:</b>	13.1	13.2		14.0	
<b>Balance as at 1<sup>st</sup> April 2020</b>	138	731	869	(1,543)	(674)
<b>Movement in reserves during 2020/21</b>					
<b>Total comprehensive income and expenditure</b>	<b>(1,022)</b>	<b>0</b>	<b>(1,022)</b>	<b>2,166</b>	<b>1,144</b>
<b>Adjustments between accounting basis and funding basis under regulations</b>					
<b>Adjustments involving the Pensions Reserve:</b>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	1,081	0	1,081	(1,081)	0
Employer's pensions contributions and direct payments to pensioners payable in the year	(191)	0	(191)	191	0
<b>Adjustments primarily involving the Accumulated Absences Account:</b>					
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	9	0	9	(9)	0
<b>Net increase or (decrease) before transfers to Earmarked Reserves</b>	<b>(123)</b>	<b>0</b>	<b>(123)</b>	<b>1,267</b>	<b>1,144</b>
Transfers to or (from) Earmarked Reserves	132	(132)	0	0	0
<b>Increase or (decrease) in the Year</b>	<b>9</b>	<b>(132)</b>	<b>(123)</b>	<b>1,267</b>	<b>1,154</b>
<b>Balance as at 31<sup>st</sup> March 2021</b>	<b>147</b>	<b>599</b>	<b>746</b>	<b>(276)</b>	<b>470</b>

### Movement in Reserves Statement for the Period ended 31<sup>st</sup> March 2022

	General Reserves	Earmarked Reserves	Total Usable Reserves	Total Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000
<b>Notes:</b>	13.1	13.2	13.0	14.0	
<b>Balance as at 1<sup>st</sup> April 2021</b>	<b>147</b>	<b>599</b>	<b>746</b>	<b>(276)</b>	<b>470</b>
<b>Movement in reserves during 2021/22</b>					
<b>Total comprehensive income and expenditure</b>	<b>(1,603)</b>	<b>0</b>	<b>(1,603)</b>	<b>2,544</b>	<b>951</b>
<b>Adjustments between accounting basis and funding basis under regulations</b>					
<b>Adjustments involving the Pensions Reserve:</b>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	1,695	0	<b>1,695</b>	(1,695)	<b>0</b>
Employer's pensions contributions and direct payments to pensioners payable in the year	(226)	0	<b>(226)</b>	226	<b>0</b>
<b>Adjustments primarily involving the Accumulated Absences Account:</b>					
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	15	0	<b>15</b>	(15)	<b>0</b>
<b>Net increase or (decrease) before transfers to Earmarked Reserves</b>	<b>(119)</b>	<b>0</b>	<b>(119)</b>	<b>1,070</b>	<b>951</b>
Transfers to or (from) Earmarked Reserves	146	(146)	<b>0</b>	0	<b>0</b>
<b>Increase or (decrease) in the Year</b>	<b>27</b>	<b>(146)</b>	<b>(119)</b>	<b>1,070</b>	<b>951</b>
<b>Balance as at 31<sup>st</sup> March 2022</b>	<b>174</b>	<b>453</b>	<b>627</b>	<b>794</b>	<b>1,421</b>

Tudalen 360

## Comprehensive Income and Expenditure Statement for the Period ended 31<sup>st</sup> March 2022

Year ended 31/03/21 £'000		Year ended 31/03/22 £'000	Note
	<b>Expenditure</b>		
7,029	Employees	8,041	5.0
153	Premises	155	
10	Transport	13	
72,632	Supplies & Services	88,611	6.0
2,854	Third Party Payments	2,478	
112	Support Services	126	
<b>82,790</b>		<b>99,424</b>	
	<b>Income</b>		
(3,599)	Local Authority Contributions	(3,564)	
(78,201)	Grants & Other Income	(94,255)	7.0
<b>(81,800)</b>		<b>(97,819)</b>	
<b>990</b>	<b>Net Cost of Services</b>	<b>1,605</b>	
(1)	Interest Receivable and Similar Income	(4)	
33	Net Interest on Net Defined Asset/Liability	2	15.2
<b>1,022</b>	<b>(Surplus)/Deficit on the Provision of Services</b>	<b>1,603</b>	
(2,166)	Remeasurement of the Net Defined Benefit Liability	(2,554)	15.2
<b>(1,144)</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>(951)</b>	

## Balance Sheet at 31<sup>st</sup> March 2022

31/03/21 £'000		31/03/22 £'000	Note
0	<b>Long-Term Assets</b> Defined Benefit Pension Scheme Asset	843	15.5
<b>0</b>	<b>Total Long-Term Assets</b>	<b>843</b>	
2,051	<b>Current Assets</b> Debtors	1,435	11.0
<b>2,051</b>	<b>Total Current Assets</b>	<b>1,435</b>	
(1,339)	<b>Current Liabilities</b> Creditors	(856)	12.0
<b>712</b>	<b>Net Current Assets</b>	<b>578</b>	
<b>712</b>	<b>Total Assets Less Current Liabilities</b>	<b>578</b>	
(242)	<b>Long-Term Liabilities</b> Defined Benefit Pension Scheme Liability	0	15.5
<b>470</b>	<b>Net Assets/(Liabilities)</b>	<b>1,421</b>	
	<b>Represented by:</b>		
	<b>Usable Reserves</b>		
147	General Reserves	174	13.1
599	Earmarked Reserves	453	13.2
	<b>Unusable Reserves</b>		
(242)	Pensions Reserve	843	15.5
(34)	Short-Term Accumulating Compensated Absence Account	(49)	
<b>470</b>	<b>Total Reserves</b>	<b>1,421</b>	

## Cash Flow Statement for the Period ended 31<sup>st</sup> March 2022

Year ended 31/03/21 £'000		Year ended 31/03/22 £'000	Note
	<b>Operating Activities</b>		
	Cash Outflows		
6,163	Cash Paid to and on Behalf of Employees	6,558	
75,170	Other Operating Cash Payments	91,881	
<b>81,333</b>	Total Cash Outflows	<b>98,439</b>	
	Cash Inflows		
(81,894)	Cash Received for Goods & Services	(97,789)	
(1)	Interest Received	(4)	
<b>(81,895)</b>	Total Cash Inflows	<b>(97,793)</b>	
<b>(562)</b>		<b>646</b>	
<b>(562)</b>	<b>Net (Increase) or Decrease in Cash and Cash Equivalents</b>	<b>646</b>	18.0
	<b>Analysis of Changes in Cash and Cash Equivalents</b>		
(1,422)	Balance as at 1 <sup>st</sup> April	(1,984)	
(562)	Net Cash (Inflows)/Outflows	646	
<b>(1,984)</b>	<b>Cash Balance Owed To/(From) Host Authority</b>	<b>(1,338)</b>	

*All cash transactions are administered by Rhondda Cynon Taf CBC as the Central South Consortium does not operate its own bank account. The cash balance due to/from the host authority is included in debtors at 31<sup>st</sup> March.*

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

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

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



## Expenditure and Funding Analysis Statement for the year ending 31<sup>st</sup> March 2022

	2021/22		
	Net Expenditure Chargeable to the General Fund £'000	Adjustments Between Funding and Accounting Basis £'000	Net Expenditure for the Equivalent Amounts for CI&ES <sup>3</sup> £'000
Employees	6,559	1,482	8,041
Premises	155	0	155
Transport	13	0	13
Supplies & Services	88,611	0	88,611
Third Party Payments	2,478	0	2,478
Support Services	126	0	126
Income	(97,965)	146	(97,819)
<b>Cost of Services</b>	<b>(23)</b>	<b>1,628</b>	<b>1,605</b>
Other Income and Expenditure	(4)	2	(2)
<b>(Surplus) or Deficit</b>	<b>(27)</b>	<b>1,630</b>	<b>1,603</b>
Opening General Fund at 31 <sup>st</sup> March 2021	(147)		
Add Surplus on General Fund in Year	(27)		
<b>Closing General Fund at 31<sup>st</sup> March 2022</b>	<b>(174)</b>		

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

## Notes to the Core Financial Statements

### 1.0 Significant Accounting Policies

#### 1.1 Accruals of Expenditure and Income

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

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

Supplies are recorded as expenditure when they are used or consumed.

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

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

#### 1.2 Cash and Cash Equivalents

All cash transactions are administered by Rhondda Cynon Taf CBC as the Central South Consortium does not operate its own bank account.

#### 1.3 Contingent Liabilities

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

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

## 1.4 **Reserves**

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

Certain reserves are kept to manage the accounting processes for retirement and employee benefits and do not represent usable resources for the Joint Committee.

## 1.5 **Employee Benefits**

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

### **Pensions**

The Joint Committee participates in two separate pension schemes.

Staff on Teachers Terms & Conditions - This is an unfunded scheme administered by the Teachers' Pension Agency. The Agency sets contribution rates on the basis of a notional fund. Whilst this is a defined benefit scheme, the Teachers Pensions Agency is unable to identify the Joint Committee's share of the underlying assets and liabilities and accordingly, the Joint Committee has accounted for its contributions to the scheme as if it were a defined contribution scheme.

Other employees - Rhondda Cynon Taf CBC administer a fund on behalf of employees under the Local Government Pension Scheme Regulations 1997 (as amended), under which contribution rates are set by the Fund's actuary based on triennial actuarial valuations. Under the regulations, contribution rates are set in order to lead to full funding of the overall liability of the Fund over time. The Local Government Pension Scheme is accounted for as a Defined Benefit Scheme.

- The liabilities of the Rhondda Cynon Taf Pension Fund attributable to the Joint Committee are included in the Balance Sheet on an actuarial basis rolling forward the results from the last full valuation and adjusted to allow for the later calculation date and making allowance for changes due to accrual of new benefits and discharge of liabilities, financial and demographic assumptions, impact of known experience and the impact of events which result in a change in liability.

- Liabilities are discounted to their value at current prices, using a discount rate of 2.7% (2.1% in 2020/21).
- The Rhondda Cynon Taf Pension Fund is a multi-employer scheme. The assets of the Fund are not formally allocated to any employer within the Fund and are not the legal property of any employer within the Fund. For the purpose of completing the calculations for each triennial valuation of the Fund, the actuary calculates a notional allocation of assets for each employer. The assets of the Pension Fund notionally attributed to the Joint Committee are included in the Balance Sheet at their fair value:
  - Quoted Securities – Current Bid Price
  - Unitised Securities – Current Bid Price
  - Property – Market Value
- The change in the net pensions asset / liability is analysed into the following components:
  - Current Service Cost – the increase in liabilities as a result of years of service earned this year allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked plus administration expenses.
  - Past Service Cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years debited to the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
  - Interest Cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – credited/debited to the Comprehensive Income and Expenditure Statement.
  - Expected Return on Assets – the annual investment return on the fund assets attributable to the Joint Committee based on an average of the expected long-term return – credited to the Comprehensive Income and Expenditure Statement.
  - Actuarial Gains and Losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their financial, demographic or experience assumptions – debited or credited to the Pensions Reserve.
  - Contributions Paid to the Pension Fund – cash paid as employer's contributions to the Pension Fund in settlement of liabilities; not accounted for as an expense in the Comprehensive Income and Expenditure Statement.

In relation to retirement benefits, statutory provisions require the Joint Committee General Reserves to be charged with the amount payable by the Joint Committee to the Pension Fund or directly to pensioners in the year, not

the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year-end. The balance that arises on the Pensions Reserve thereby measures the impact to the General Reserves of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### **Discretionary Benefits**

The Joint Committee is able to make discretionary awards of retirement benefits in the event of early retirements. Any such liabilities arising are accrued in the year of decision to make the award in line with the Local Government Pension Scheme rules.

### **Accumulated Absences**

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

## **1.6 Government Grants and Other Contributions**

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

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

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

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

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

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

## 1.7 **Leases**

Whether a lease is a finance or operating lease depends upon the substance of the transaction rather than the legal form. Leases are reviewed at inception and classed as finance or operating by reviewing arrangements such as:

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

### **Finance Leases**

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

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

### **Operating Leases**

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

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

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

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

Two types of events can be identified:

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

## **2.0 Accounting Standards Issued, Not Adopted**

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. In the interim potentially relevant standards include:

- IFRS 16 Leases (but **only** for those local authorities 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 local authorities in limited circumstances.

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

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

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

### **3.1 Grants and Contribution Conditions**

Judgements are made in terms of conditions attached to revenue grants. Grants are recognised as income when received/receivable. Unless there are

assumptions that conditions of the grant are breached, a return obligation is not recognised. As a result, any revenue grants received with no expected return obligation that are to be used to fund future years' expenditure are reflected in Earmarked Reserves in the Balance Sheet.

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

##### Pensions Asset/Liability

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

##### COVID impact

The information upon which the actuary bases assumptions on mortality impacted by COVID has moved from a neutral to a negative outlook. This has resulted in an estimated reduction in liabilities of 1%.

##### GMP equalisation and indexation

The disclosures allow for full CPI inflation pension increases to be paid on Guaranteed Minimum Pension (GMP) for those reaching State Pension Age on or after 6<sup>th</sup> April 2016. This is an approximate method of recognising the cost of the Government's commitment to compensate public service scheme members from the removal of the Additional Pension element of the State Pension from this date, and for the outcome of the Lloyds judgement which found GMPs to be illegally sex discriminatory. Government has consulted on its approach to compensating affected members and announced on 23<sup>rd</sup> March 2021 that it would adopt a long-term policy of uprating GMPs in line with CPI for members whose State Pension Age is on or after 6<sup>th</sup> April 2016. The consultation response recognised that this solution will not address all sex inequalities for a minority of member and further guidance is expected from DLUHC on how they propose to deal with this. These inequalities are expected to be small.

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



### Goodwin Ruling

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

### McCloud / Sargeant Judgement

The Court of Appeal found that the transitional protection arrangements put in place when firefighters' and judges' pension schemes were reformed were age discriminatory. This has implications for other public sector schemes that were reformed around the same time (including the LGPS) and could potentially lead to members deemed to be discriminated against being compensated. The Supreme Court denied the Government's application for permission to appeal this judgement on 27<sup>th</sup> June 2019. The matter was referred to Employment Tribunals for remedy hearings and the Ministry for Housing, Communities and Local Government (MHCLG) ((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. The figures produced by AON for 2020/21 disclosures included a McCloud underpin liability within current service cost, together with an allowance reflecting service since the scheme reforms (2014 in Wales). The same approach has been adopted for 2021/22. The method used by AON to value the McCloud remedy and therefore disclosed within the Statement of Accounts is closely aligned to that which the DLUHC has confirmed they will proceed.

### Cost Management Process in the LGPS

Legislation requires HM Treasury and the Scheme Advisory Board (SAB) to undertake periodic valuations to monitor the cost of the LGPS to ensure it remains sustainable and affordable. This is referred to as the "Cost Management Process". HM Treasury and the Scheme Advisory Board had paused their reviews following the McCloud judgement in the Court of Appeal. These have now been unpaused and HMT Directions 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 1<sup>st</sup> April 2019.

No allowance has been made for the potential cost of improving members benefits under these reviews.

## 5.0 Employees Costs

2020/21 £'000	Salaries & Wages	2021/22 £'000
4,740	Advisors	5,002
728	Administration	845
440	Management	466
217	Finance Team	204
0	Agency	1
35	Employee Insurance	35
3	Employee Advertising	6
<b>6,163</b>	<b>Sub Total</b>	<b>6,559</b>
9	Short-Term Accumulating Compensated Absences Account adjustment	15
857	IAS 19 adjustments	1,467
<b>7,029</b>	<b>Total</b>	<b>8,041</b>

## 6.0 Supplies and Services

2020/21 £'000		2021/22 £'000
119	Office Expenses	150
182	Consultants Fees	594
117	Computer Costs	54
2	Photocopying	7
5	Subscriptions	3
5	Marketing	3
18	Audit Fees	18
10	Telephones	6
1	Postage	0
186	Training	92
	<u>Grants paid to local authorities &amp; schools:</u>	
38,713	Regional Consortia School Improvement Grant (RCSIG)	50,784
32,856	Pupil Development Grant (PDG)	36,380

418	Other	520
<b>72,632</b>	<b>Total</b>	<b>88,611</b>

## 7.0 Income

2020/21 £'000		2021/22 £'000
	<b>Contributions</b>	
(1,303)	Cardiff Council	(1,293)
(982)	Rhondda Cynon Taf CBC	(966)
(554)	Bridgend CBC	(549)
(532)	Vale of Glamorgan Council	(529)
(228)	Merthyr Tydfil CBC	(227)
<b>(3,599)</b>	<b>Total Contributions</b>	<b>(3,564)</b>
	<b>Other Income</b>	
(58)	Other	(55)
(78,143)	Grants	(94,200)
<b>(78,201)</b>	<b>Total Other Income</b>	<b>(94,255)</b>
<b>(81,800)</b>	<b>Total Income</b>	<b>(97,819)</b>

## 7.1 Grant Income

2020/21 £'000		2021/22 £'000
	<b>Grant Programme</b>	
(34,094)	Pupil Development Grant (PDG)	(37,582)
(43,501)	Regional Consortia School Improvement Grant (RCSIG)	(55,866)
(548)	Other	(752)
<b>(78,143)</b>	<b>Total Grant Income</b>	<b>(94,200)</b>
	<b>Allocation</b>	
71,987	Paid to local authorities and schools (Note 6.0)	87,684
6,156	Retained by Central South Consortium	6,516
<b>78,143</b>	<b>Total Allocation</b>	<b>94,200</b>

## 8.0 Related Party Transactions

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

The Joint Committee transacts with the local authorities and its schools within the Consortium, distributes funding, and provides advisory and inspection services for which it receives income. During the year, material transactions with these related parties arose as follows:

2020/21		Local Authority	2021/22	
Exp. £'000	Inc. £'000		Exp. £'000	Inc. £'000
29,088	(1,412)	Cardiff Council	34,667	(1,293)
20,359	(1,010)	Rhondda Cynon Taf CBC	24,699	(997)
11,545	(554)	Bridgend CBC	13,756	(549)
9,799	(532)	Vale of Glamorgan Council	12,059	(529)
4,937	(247)	Merthyr Tydfil CBC	5,768	(227)

Income received from Rhondda Cynon Taf CBC (£4k) due to interest received and support provided to ALN Transformation regional project (£27k) are included in the table above but are not included in Note 7.0 as they do not form part of the Local Authorities core contributions received.

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

All cash transactions are administered by the host authority, Rhondda Cynon Taf CBC, as the Consortium does not operate its own bank account. At 31<sup>st</sup> March 2022, Rhondda Cynon Taf CBC owed the Consortium £1,338k relating to these cash transactions (Rhondda Cynon Taf CBC owed the Consortium £1,984k as at 31<sup>st</sup> March 2021). During 2021/22, Central South Consortium was charged £126k by Rhondda Cynon Taf CBC in respect of Central Establishment Charges (included in the table above, £112k in 2020/21).

Pension contributions are made to both the Rhondda Cynon Taf Pension Fund and the Teachers' Pension Agency, in respect of Joint Committee employees. See notes 15.0 and 16.0 for further information.

Interests of elected Members of the Joint Committee are maintained in a register held by their own Local Authority. Records of interests of Senior Officers are maintained by the Consortium. The following transactions occurred with related parties (by virtue of elected Member interest in them) with whom the Joint Committee has had dealings:

2020/21		Organisation	2021/22	
Exp. £'000	Inc. £'000		Exp. £'000	Inc. £'000
55	0	Cardiff University	7	0
<b>55</b>	<b>0</b>	<b>Total</b>	<b>7</b>	<b>0</b>

The table above does not include payments to/from the Local Authorities or schools within the Consortium, as they are included elsewhere within the notes.

## 9.0 Audit Fees

2020/21 £'000		2021/22 £'000
18	Fees payable to the Auditor General for Wales in respect of external audit	18

## 10.0 Leases

A long term lease arrangement totalling £153k in 2021/22 (£153k in 2020/21) exists between the Joint Committee and Rhondda Cynon Taf CBC in relation to office accommodation at the Valleys Innovation Centre. No termination is contained within the lease agreement and occupation is assumed for as long as the service is required.

The Joint Committee holds no assets on Finance Leases.

## 11.0 Short Term Debtors

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

31/03/21 £'000		31/03/22 £'000
1,984	Host Authority	1,338
68	Other Entities and Individuals	97
<b>2,052</b>		<b>1,435</b>
(1)	Provision for Bad Debt	0
<b>2,051</b>	<b>Balance as at 31<sup>st</sup> March 2022</b>	<b>1,435</b>

All cash transactions are administered by Rhondda Cynon Taf CBC as the Central South Consortium does not operate its own bank account. The Host Authority debtor includes the 'cash' balance owed to the Consortium by Rhondda Cynon Taf CBC.

## 12.0 Creditors

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

<b>31/03/21 £'000</b>		<b>31/03/22 £'000</b>
(1,079)	Local Authorities and Schools	(348)
(17)	Central Government Bodies	(32)
(209)	Other	(427)
(34)	Employee Absences Accrual	(49)
<b>(1,339)</b>	<b>Balance as at 31<sup>st</sup> March 2022</b>	<b>(856)</b>

## 13.0 Movement on Usable Reserves

	<b>General Reserves £'000</b>	<b>Earmarked Reserves £'000</b>	<b>Total £'000</b>
Balance as at 1 <sup>st</sup> April 2021	147	599	746
Increase/(Decrease)	27	(146)	(119)
<b>Balance as at 31<sup>st</sup> March 2022</b>	<b>174</b>	<b>453</b>	<b>627</b>

### 13.1 General Reserve

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

	<b>Total £'000</b>
Balance as at 1 <sup>st</sup> April 2021	147
Increase/(Decrease) 2021/22	27
<b>Balance as at 31<sup>st</sup> March 2022</b>	<b>174</b>

### 13.2 Earmarked Reserves

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

	<b>Balance at 31/03/21 £'000</b>	<b>Transfers Out £'000</b>	<b>Transfers In £'000</b>	<b>Balance at 31/03/22 £'000</b>
Revenue Grant Reserves	393	(393)	253	253

Funding for Specific Projects	206	(6)	0	200
<b>Total</b>	<b>599</b>	<b>(399)</b>	<b>253</b>	<b>453</b>

The Central South Consortium holds an earmarked reserve for the funding of specific projects of which £200k is set aside for ongoing service remodelling and medium-term financial planning (£200k held as at 31<sup>st</sup> March 2021).

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

<b>Reserve</b>	<b>Pension Reserve</b>	<b>Short-Term Acc Comp Absence Account</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Balance as at 1 <sup>st</sup> April 2021	(242)	(34)	(276)
Increase / (Decrease)	1,085	(15)	1,070
<b>Balance as at 31<sup>st</sup> March 2022</b>	<b>843</b>	<b>(49)</b>	<b>794</b>

#### **14.1 Pension Reserve**

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

#### **14.2 Short-Term Accumulating Compensated Absences Account**

The Short-Term Accumulating Compensated Absences Account absorbs the differences that would otherwise arise on the Consortium’s Reserves from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31<sup>st</sup> March 2022.

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

#### **15.1 Participation in Pension Schemes**

As part of their terms and conditions, the employees of Central South Consortium are offered retirement benefits by the Joint Committee. Although these benefits will not be payable until retirement, the Joint Committee has a commitment to make these payments. The liability for these payments needs to be accounted for at the time future entitlement is earned.

The Joint Committee participates in two pension schemes:

- Teachers – Please refer to note 16.0.

- Other employees – The Local Government Pension Scheme administered by Rhondda Cynon Taf CBC. This is a funded defined benefit salary scheme, meaning that the Joint Committee and participants pay contributions into the Fund calculated at a level intended to balance the pensions liabilities with investment assets. The pension costs that are charged to the Joint Committee’s accounts are defined by IAS 19 “Employee Benefits”.

## 15.2 Transactions Relating to Post-Employment Benefits

The cost of retirement benefits is recognised in the Comprehensive Income and Expenditure Account when earned by employees, rather than when benefits are actually paid as pensions. However, the charge required to be made to the General Reserves is based on the cash payable in the year. The difference is reversed out in the Movement in Reserves Statement. The following transactions have been posted in the year:

<b>Comprehensive Income and Expenditure Account</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>
Cost of Services:		
Current Service Cost	1,048	1,693
Past Service Cost	0	0
Settlements and curtailments	0	0
<i>Financing and Investment Income and Expenditure</i>		
Net Interest Expense	33	2
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>1,081</b>	<b>1,695</b>
<i>Remeasurement of the Net Defined Benefit Liability Comprising:</i>		
Return on Plan Assets (Excluding the Amount included in the Net Interest Expense)	(7,585)	(94)
Actuarial (Gains) and Losses Arising on Liabilities – Demographic Assumptions	0	(334)
Actuarial (Gains) and Losses Arising on Liabilities – Financial Assumptions	5,736	(2,232)
Actuarial (Gains) and Losses Arising on Liabilities – Experience	(317)	106
Net increase in liabilities from disposals / acquisitions	0	0
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(1,085)</b>	<b>(859)</b>
<i>Movement in Reserves Statement</i>		



Reversal of Net Charges Made to the Surplus or Deficit for the Provision of Services for Post Employment Benefits in Accordance with the Code	(1,081)	(1,695)
<i>Actual Amount Charged Against the General Fund Balance for Pensions in the Year:</i>		
Employers' Contributions Payable to Scheme	191	226

The total remeasurement of the Net Defined Benefit Liability recognised in Other Comprehensive Income and Expenditure to the 31<sup>st</sup> March 2022 is a gain of £2,554k (£2,166k gain in 2020/21).

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure statement to the year ending 31<sup>st</sup> March 2022 is a gain of £5,273k (£2,719k gain in 2020/21).

The figures above do not include allowance for any membership (or associated assets) relating to members who have joined the employer but have not yet exercised their option to link their past service rights to their current employment.

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

	2020/21 £'000	2021/22 £'000
Opening balance at 1 <sup>st</sup> April	26,254	33,113
Current Service Cost	1,048	1,693
Interest Cost on Defined Obligation	602	695
Contributions by Scheme Participants	260	308
<i>Remeasurement Gains and (Losses):</i>		
Actuarial Gains and (Losses) Arising on Liabilities – Demographic Assumptions	0	(334)
Actuarial Gains and (Losses) Arising on Liabilities – Financial Assumptions	5,736	(2,232)
Actuarial Gains and (Losses) Arising on Liabilities – Experience	(317)	106
Benefits Paid	(470)	(332)
Past Service Costs	0	0
<b>Carried Forward at 31<sup>st</sup> March</b>	<b>33,113</b>	<b>33,017</b>

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

	2020/21 £'000	2021/22 £'000
Opening balance at as at 1 <sup>st</sup> April	24,736	32,871
Interest Income	569	693

<i>Remeasurement Gains and (Losses)</i>		
The Return on Plan Assets, Excluding the Amount Included in the Net Interest Expense	7,585	94
Employer Contributions	191	226
Contributions by Scheme Participants	260	308
Benefits paid	(470)	(332)
Net increase in assets from disposals/acquisitions	0	0
<b>Carried Forward as at 31<sup>st</sup> March</b>	<b>32,871</b>	<b>33,860</b>

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

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was a gain of £787k (£8,154k gain in 2020/21).

### 15.5 Scheme History

	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>
Present Value of Defined Obligation	(33,113)	(33,017)
Fair Value of Plan Assets	32,871	33,860
<b>Surplus / (Deficit)</b>	<b>(242)</b>	<b>843</b>

The liabilities show the underlying commitments that the Joint Committee has in the long run to pay retirement benefits. The total asset of £843k has a substantial impact on the net worth of the Joint Committee as recorded in the Balance Sheet.

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

### 15.6 Local Government Pension Scheme Assets

Local Government Pension Scheme Assets investments as at 31<sup>st</sup> December 2021 (full scheme not Central South Consortium element) are comprised as follows:

	<b>Fair Value of Scheme Assets</b>	
	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>
UK Equities	432,535	443,447
Overseas Equities	2,688,782	2,870,331
UK Fixed Interest Gilts	401,988	563,640

UK Corporate Bonds	575,814	607,650
Property	280,848	317,833
Cash and net current assets	37,085	16,991
<b>Total</b>	<b>4,417,052</b>	<b>4,819,892</b>

## 15.7 Basis for Estimating Assets & Liabilities

### Roll-forward of Assets

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

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

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

### Roll-forward of Liabilities

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

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

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

	31/03/21	31/03/22
Long-Term Expected Rate of Return on Assets in the Scheme (in line with the discount rate)	4.25%	4.25%
Mortality Assumptions:		
Longevity at 65 for current pensioners:		
Men	21.8	21.6
Women	24.1	23.9
Longevity at 65 for future pensioners:		

Men	22.8	22.6
Women	25.6	25.4
CPI Inflation	2.7%	3.0%
Rate of Increase in Salaries	3.95%	4.25%
Rate of Increase in Pensions	2.7%	3.0%
Rate for discounting scheme liabilities	2.1%	2.7%
Take-up of Option to Convert Annual Pension into Retirement Lump Sum:		
Post-2010 Service	80%	80%
Pre-2010 Service	80%	80%

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

	<b>Increase in Assumption £'000</b>	<b>Decrease in Assumption £'000</b>
Longevity (Increase or Decrease in 1 Year)	1,156	(1,123)
Rate of Increase in Salaries (increase or decrease by 0.1%)	66	(66)
Rate of Increase in Pensions (increase or decrease by 0.1%)	627	(627)
Rate for Discounting Scheme Liabilities (increase or decrease by 0.1%)	(693)	693

### **15.8 Contributions for the Accounting Period ending 31<sup>st</sup> March 2023**

The Employer's regular contributions to the Fund for the accounting period ending 31<sup>st</sup> March 2023 are estimated to be £236k (£199k as at 31<sup>st</sup> March 2022).

### **16.0 Retirement Benefits – Defined Contribution Scheme**

Staff employed on Teachers terms and conditions are members of the Teachers' Pension Scheme. The scheme provides teachers with specified benefits upon their retirement and the Joint Committee contributes towards the costs by making contributions based upon a percentage of members' pensionable salary.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the

basis for calculating the employer’s contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2021/22, the Joint Committee paid £94k to the Teachers’ Pension Fund in respect of teachers’ retirement benefits, representing 23.68% of pensionable pay (£94k was paid in 2020/21 representing of 23.68% pensionable pay). There were no contributions remaining payable at the year-end.

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

The draft, unaudited Statement of Accounts will be authorised for issue by the Director of Finance and Digital Services, as Chief Finance Officer, following approval by the Joint Committee. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provide information about conditions existing at 31<sup>st</sup> March 2022, the figures in the financial statements and notes have been adjusted in all materials respects to reflect the impact of this information. There are no events that took place after 31<sup>st</sup> March 2022 requiring disclosure providing information that is relevant to an understanding of the Central South Consortium’s financial position.

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

<b>2020/21 £'000</b>		<b>2021/22 £'000</b>
1,022	(Surplus)/Deficit on the Provision of Services	1,603
(600)	(Increase)/Decrease in Creditors	482
(94)	Increase/(Decrease) in Debtors	30
(890)	IAS 19 Transactions	(1,469)
<b>(562)</b>	<b>Cash (Inflow)/Outflow from Revenue Items</b>	<b>646</b>

### **19.0 Contingent Liabilities**

#### **Cost Management Process in the LGPS**

Please refer to Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty (4.0)

Legislation requires HM Treasury and the Scheme Advisory Board (SAB) to undertake periodic valuations to monitor the cost of the LGPS to ensure it

remains sustainable and affordable. This is referred to as the “Cost Management Process”. HM Treasury and the Scheme Advisory Board had paused their reviews following the McCloud judgement in the Court of Appeal. These have now been unpaused and HMT Directions 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 1<sup>st</sup> April 2019.

No allowance has been made for the potential cost of improving members benefits under these reviews.

## **20.0 Officers’ Remuneration**

During 2021/22, the Consortium paid 90 employees on average every month (81 in 2020/21). Over the year, salary payments totalled £4,184k (excluding employer’s national insurance and pension contributions) (£3,724k in 2020/21).

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

The following salary payments were made within the categories specified:

Remuneration Band	2020/21			2021/22		
	No. of Employees			No. of Employees		
	At 31/03/20	Left in Year	Total	At 31/03/21	Left in Year	Total
£60,000 - £64,999	11	0	11	11	0	11
£65,000 - £69,999	5	0	5	9	0	9
£70,000 - £74,999	2	0	2	5	0	5
£75,000 - £79,999	0	0	0	1	0	1
£80,000 - £84,999	0	0	0	0	0	0
£85,000 - £89,999	1	0	1	0	0	0
£90,000 - £94,999	0	0	0	0	0	0

£95,000 - £99,999	0	0	0	0	0	0
£100,000 - £104,999	0	0	0	0	0	0
£105,000 - £109,999	0	0	0	0	0	0
£110,000 - £114,999	0	0	0	0	0	0
<b>Total</b>	<b>19</b>	<b>0</b>	<b>19</b>	<b>26</b>	<b>0</b>	<b>26</b>

## 21.0 Senior Officers

The following table sets out the remuneration for specific Senior Officers whose salary is less than £150k but greater than £60k. There are no Senior Officers whose salary is greater than £150k. Employer pension contributions and compensatory payment in relation to loss of employment are included.

Post Holder Information	2021/22				
	Salary	Taxable Benefits in Kind	Compensation for loss of employment	Employer's Pension Contributions	Total
	£'000	£'000	£'000	£'000	£'000
Managing Director *	115	0	0	7	122
Deputy Managing Director **	94	0	0	6	100
Assistant Director – Standards & Improvement Planning **	81	0	0	5	86
Assistant Director – Curriculum **	82	0	0	5	87

\* Total amount of salary, fees or allowances paid to or receivable during 2021/2022 excludes £1k that relates to 2020/2021 but was remunerated to the senior officer during 2021/2022 part of which (£2k) will be remunerated to the senior officer during 2022/2023.

\*\* Includes the total amount of salary, fees or allowances paid to or receivable during 2021/2022, part of which (£1k) will be remunerated to the senior officer during 2022/2023.

The comparative figures for 2020/21 are shown in the following table:

	<b>2020/21</b>
--	----------------

Post Holder Information	Salary	Taxable Benefits in Kind	Compensation for loss of employment	Employer's Pension Contributions	Total
	£'000	£'000	£'000	£'000	£'000
Managing Director ***	113	0	0	7	120
Deputy Managing Director (from 01/04/2020)	92	0	0	6	98
Senior Lead – Standards & Improvement Planning (up to 31/08/2020) / Assistant Director – Standards & Improvement Planning (from 01/09/2020)	80	0	0	5	85
Assistant Director – Curriculum (from 01/01/2021) ****	20	0	0	1	21

\*\*\* Includes the total amount of salary, fees or allowances paid to or receivable during 2020/2021, part of which (£1k) will be remunerated to the senior officer during 2021/2022.

\*\*\*\* The Assistant Director – Curriculum previously held the post of Senior Lead – Curriculum Reform (up to 31<sup>st</sup> December 2020) via a secondment arrangement and is not included in this note as the post-holder was an officer of the employing local authority (Cardiff) rather than the Consortium itself.

The salary for the Director of Finance and Digital Services, who signs the accounts on page 11, is not included in this note as the post-holder is a senior officer of the Host Authority rather than the Consortium itself.

## 22.0 Severance Costs

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



## CENTRAL SOUTH CONSORTIUM

### DRAFT ANNUAL GOVERNANCE STATEMENT 2021/22

#### 1. SCOPE OF RESPONSIBILITY

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

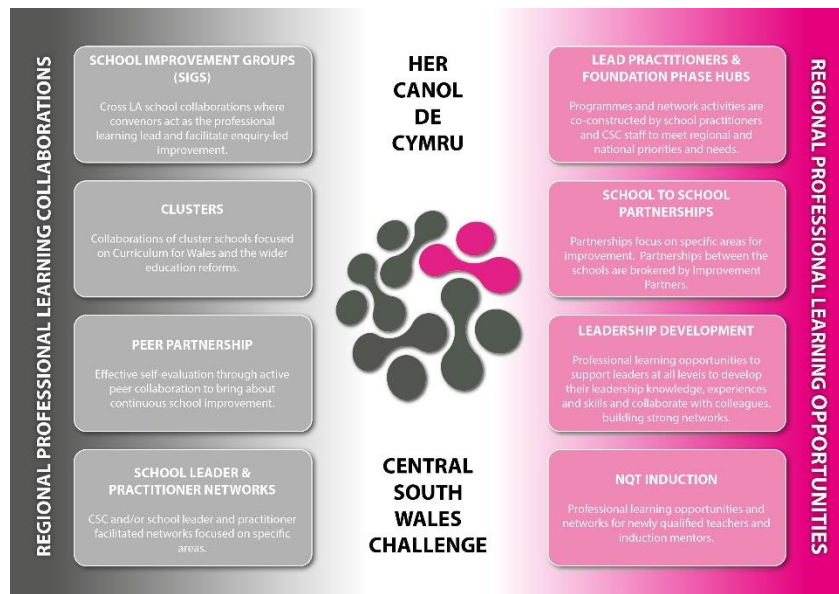
- Bridgend CBC;
- Cardiff CBC;
- Merthyr Tydfil CBC;
- Rhondda Cynon Taf CBC; and
- Vale of Glamorgan CBC.

Central South Consortium covers the needs of 380 schools and 152,141 pupils in the region.

1.2 In January 2014, Central South Wales Challenge was launched with the aim of raising standards across all schools within the region and to stimulate the sharing of expertise amongst schools and joint efforts to innovate to:

- Improve the performance of every school;
- Increase the numbers of good and excellent schools;
- Reduce the gap between high and low performing groups of learners; and
- Improve outcomes for vulnerable groups of pupils.

Subsequently the [Central South Wales Challenge](#) has developed and consists of a number of different strategies:



- 1.3 Rhondda Cynon Taf County Borough Council (RCTCBC) is responsible for ensuring that its business and that of the Joint Education Committee, for which it has administrative responsibility, is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
- 1.4 In discharging this overall responsibility, CSC is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes the arrangements for the management of risk.
- 1.5 The Annual Governance Statement of CSC aims to provide an accurate representation of the governance arrangements in place for financial year ending 31<sup>st</sup> March 2022.

## 2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 2.1 The governance framework comprises the systems, processes, and cultural values by which CSC is directed and controlled, and the activities through which it accounts to and engages with stakeholders. It enables CSC to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage the risk to a reasonable level. It cannot eliminate all risk of failure to achieve aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.
- 2.3 The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of CSC's priorities, to evaluate the likelihood and impact of those risks materialising, and to manage them efficiently, effectively, and economically.
- 2.4 CSC has responsibility for conducting, at least annually, an assessment of its governance framework including the system of internal control. The assessment is informed by the work conducted by external agencies and internal arrangements, including performance management arrangements.
- 2.5 The following paragraphs summarise the overall governance framework and the system of internal control, which has been in place for CSC for the year ended 31<sup>st</sup> March 2022 (and up to the date of approval of the 2021/22 Statement of Accounts).

### 3.0 THE GOVERNANCE FRAMEWORK

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

Core principles

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

Supporting Principles

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

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

3.3 CSC has applied these principles to structure its Annual Governance Statement for financial year ending 31<sup>st</sup> March 2022 and to assess the arrangements in place.

3.4 CSC has a range of governance arrangements in place, in line with the ‘Delivering Good Governance in Local Government Framework’, many of which are set out in CSC’s legal agreement and / or are part of the governance arrangements of RCTCBC that have been adopted by CSC. Table 1 provides examples of the key systems, processes and documents in place within CSC during 2021/22.

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

<b>Good Governance Principles</b>	<b>Examples of key systems, processes and documents in place within CSC</b>
Behaving with integrity, demonstrating strong commitment	<ul style="list-style-type: none"> <li>• <a href="#">Rules of Procedure</a> – covering Council, Open Government, Access to Information, Budget and Policy Framework, Executive, Overview and Scrutiny, Officer</li> </ul>

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

financial management	<ul style="list-style-type: none"> <li>• Budget and Policy Framework Procedure Rules and Contract and Financial Procedure Rules.</li> <li>• Medium Term Financial Plan.</li> </ul>
Implementing good practices in transparency, reporting and audit to deliver effective accountability	<ul style="list-style-type: none"> <li>• Statement of Accounts.</li> <li>• Annual Governance Statement.</li> <li>• Production of reports on key areas of business.</li> <li>• Internal Audit.</li> </ul>

### 3.5 Legal Agreement

On the 20<sup>th</sup> April 2015 all parties entered into and signed a revised legal agreement which superseded all previous legal agreements between the Partners. This agreement consolidated the legal arrangements relevant to CSC into one Agreement. From this point forward within the Annual Governance Statement, reference will be made to the ‘Legal Agreement’.

3.5.1 The Legal Agreement for Central South Consortium Joint Education Service Joint Committee provides the governance framework within which the Service operates and allocates responsibility and accountability, as follows:

- The Host Authority;
- The Directors’ Steering Group;
- The Advisory Board;
- Operational Management Group;
- Central South Consortium Joint Education Committee; and
- Financial Management.

3.5.2 The legal agreement is currently under review to bring in line with recent changes to governance arrangements (as outlined in section 5.3.8 below) and will be taken to Joint Committee for consideration.

### 3.6 The Host Authority

The Legal Agreement formally assigns RCTCBC as the Host Authority for CSC. RCTCBC provides all support services (save for the day to day administration undertaken by staff in accordance with their duties) required, including but not limited to:

- Financial (Section 151 Officer as defined by section 151 of the Local Government Act 1972, Accounts, Payroll, Creditors, Debtors, Insurance);
- Human Resources;

- Health & Safety;
- Legal;
- ICT;
- Estates;
- Internal Audit (facilitated by the Regional Internal Audit Service, (RIAS)); and
- Procurement.

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

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

### 3.8 **Officer Conduct**

To ensure a consistent approach to working practices and processes, all officers are subject to the terms and conditions of employment (which are based on RCTCBC's operating terms and conditions).

### 3.9 **COVID-19**

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

Further to the arrangements put in place during 2020/21, decision making and governance continued to operate in compliance with CSC's Legal Agreement for 2021/22. Due to social distancing, all meetings arranged under our governance arrangements have met virtually using either Microsoft Teams or Zoom video conferencing. The Senior Management Team and Senior Leadership Team have also met weekly allowing decision making to continue.

The Local Authorities (Coronavirus) (Meetings) (Wales) Regulations 2020 have changed the pre-existing laws to enable fully remote meetings to take place as long as those participating can hear and be heard. It also provides for the distribution and publication of all associated documents via electronic means only. As a result, the Joint Committee will continue its committee functions and, in consultation with the Chairs of the Committees, virtual meetings will continue to be held.

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

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

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

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

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

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

##### **5.1 PROGRESS MADE TO IMPLEMENT RECOMMENDATIONS REPORTED IN THE 2020/21 ANNUAL GOVERNANCE STATEMENT**

The 2020/21 Annual Governance Statement made 10 proposals for improvement. An update on progress was reported to Central South Consortium Joint Education Service Joint Committee on 16<sup>th</sup> December 2021 and following consideration the Committee RESOLVED: *to note the progress that has been made to date in implementing the proposals for improvement.*

As at 31<sup>st</sup> March 2022, progress had been made against the 10 proposals:

- 8 proposals for improvement have been implemented.
- 2 proposals for improvement were 'in progress' and will be completed during 2022/23 – it is considered that the part implementation status for these areas did not have an adverse impact on the robustness of CSC's governance arrangements during the year.

Based on the above, it is considered that overall, sufficient progress has been made during 2021/22 in the delivery of the proposals for improvement with the requirement for further work to be completed in 2022/23. A detailed position statement is set out at Appendix A.

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

### Behaving with integrity

- 5.2.1 CSC follows the Host Authority Constitution which sets down how it should operate, how decisions need to be made and the procedures to be followed to ensure they are efficient, transparent and available to local people. Within the Constitution there are a number of [Rules](#)<sup>4</sup> and [Protocols](#)<sup>5</sup> that aim to ensure both elected Councillors and employees behave with integrity.
- 5.2.2 CSC has put in place procedures to be followed by the Joint Education Committee when conducting meetings and making decisions during the year to publicly demonstrate an accountable, open and honest approach. This has included considering the accuracy of ‘meeting minutes’<sup>6</sup>; recording declarations of personal interest; publishing reports on RCT’s website prior to meetings taking place; making decisions based on evidenced based reports; and publishing the minutes of meetings. A review of a sample of Joint Education Committee meetings during the year revealed that the above-mentioned procedures had been followed.

### CSC employees

- 5.2.3 CSC Legal Agreement outlines the role of RCTCBC as the host authority. As part of this agreement, CSC adopts the policies of RCT including an Officer Code of Conduct that has been used to create an easy to understand ‘Basic Rules – A Guide for Employees’ and includes information in relation to, amongst other things, expected behaviour, use of social media, appearance and attendance. The guide is available on-line for all employees.
- 5.2.4 All officers who started employment with CSC were provided with a local induction. In parallel, an Individual Performance development process was in place to support the personal development of officers, this being overseen by management within the CSC and supported by the Human Resources Service within Rhondda Cynon Taf. As a result of the COVID 19 pandemic, the usual performance management processes were suspended during 2020/21 and replaced with virtual discussion and support with team members. During 2021/22 the process was revised and a new Performance Development system was introduced.

### Arrangements in place to tackle potential misappropriation

---

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

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

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



- 5.2.5 In the event that an officer decides to operate outside of the intended terms and conditions of employment, arrangements were in place for officers to “blow the whistle” through RCT’s [Whistleblowing Policy & Procedure](#).
- 5.2.6 In addition to the Whistleblowing arrangements, there were arrangements in place to tackle potential [fraud, bribery and corruption](#).
- 5.2.7 RCTCBC’s Governance and Audit Committee has overall responsibility for overseeing the governance arrangements in place in respect of ‘tackling potential fraud, bribery and corruption’ and ‘whistle-blowing’. Updates received by the Governance and Audit Committee during the year in respect of these arrangements were:

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

- 5.2.8 On the 6th December 2021, a progress update was reported against the Anti-fraud, Bribery and Corruption Work Programme for 2021/22. Following this, on the 23rd March 2022, the Anti-fraud Annual Report 2021/22 was reported that outlined the progress made against the Anti-fraud, Bribery and Corruption Work Programme for 2021/22 alongside a proposed work programme for 2022/23. 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. Both the December 2021 and March 2022 updates were reviewed and noted by the Governance and Audit Committee.

### **Whistle-Blowing**

- 5.2.9 At the 26<sup>th</sup> April 2021 Audit Committee, Members agreed to approve the proposed update to the Council’s Whistleblowing Policy & Procedure, and instructed the Director of Human Resources to publish and raise awareness of the updated document. In line with this, a Council wide email / notification was circulated to Council staff and whistleblowing continued to be part of staff induction arrangements.
- 5.2.10 At the 23<sup>rd</sup> March 2022 Governance and Audit Committee, the Whistleblowing Annual Report 2021/22 was presented and concluded that the Whistleblowing Policy and Procedure continues to be fit for purpose and that the Council’s whistleblowing arrangements are appropriate. The Governance and Audit Committee resolved to approve the Whistle-blowing Annual Report 2021/22 in line with the requirements placed upon the Council by the Prescribed Persons (Reports on Disclosures of Information) Regulation 2017.

- 5.2.11 Gifts and Hospitality Policy – CSC aligns to the RCT Gifts and Hospitality Policy with arrangements in place, via registers, to record gifts and hospitality in line with the Policy.

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

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

### **5.2.13 The Council's supply chains**

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

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

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

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

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

### **Openness**

- 5.3.1 Members of Central South Consortium Joint Education Service Joint Committee are governed by the Code of Conduct of their relevant Council. The Codes of Conduct for Councillors and employees within the Constitution of the Host Authority are built on the principles of openness, transparency and honesty.

### **General Data Protection Regulation**

5.3.2 The General Data Protection Regulation (GDPR) came into force on the 25<sup>th</sup> May 2018. CSC took steps during 2018/19 to demonstrate accountability and transparency when handling and processing personal and sensitive information that it holds in respect of individuals. These arrangements were maintained during 2021/22 by:

- Formally recording the lawful basis upon which data / information is processed within suites of documents called Data Protection Registers; and
- Establishing 'Privacy Notices' that are available on CSC's website setting out how it intends to use information and how it will deliver its services and statutory responsibilities.

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

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

### **Freedom of Information and Subject Access Requests**

5.3.3 CSC operated a Freedom of Information (FOI) Act 2000 publication scheme in accordance with legislative requirements. FOI updates are provided to Joint Committee on an annual basis and during 2021/22 two FOI requests were received and were responded to within 20 working days. Also one Subject Access Request was received and was also responded to within one calendar month period.

This information is scheduled to be reported to the Joint Committee on 7<sup>th</sup> June 2022.

### **Planning ahead**

5.3.4 CSC consulted with stakeholders on its vision and priorities for 2021/22 and set these out in a document called 'Business Plan 2021/22'; this Plan was agreed by Joint Education Committee on 18<sup>th</sup> March 2021. During 2021/22, the Joint Committee has received business plan priority updates as self-standing agenda items and a review of business plan progress is reported annually (the latest review, relating to 2021/22, was reported to Joint Committee on 17<sup>th</sup> March 2022). Based on the updates provided, it is considered that appropriate and regular information is made available to the Joint Committee to review and challenge performance and hold Management of CSC to account.

Looking ahead, it is likely that there will be uncertainty on future year resource levels provided by the UK Government to Welsh Government due to, amongst other things, the impact of COVID-19. The 15<sup>th</sup> July 2021 Joint Committee meeting agreed an indicative revenue budget across a 3-year time horizon (2022/23 to 2024/25), as part of the Consortium's medium term financial planning arrangements; this position will be refreshed in 2022/23 to continue to support future service planning.

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

- 5.3.5 CSC had in place a forward work plan of Committee meetings for 2021/22 together with the matters to be considered and, at the 7<sup>th</sup> June 2022 Joint Committee meeting, a forward workplan for the 2022/23 municipal year is scheduled to be reported.

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

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

The Central South Consortium Joint Education Service Joint Committee is one of the main decision-making bodies within CSC and throughout 2021/22 received 38 reports, 36 of which were made publicly available prior to the meetings and 2 were excluded from the press / public on the grounds that the items of business involved the likely disclosure of exempt information.

Key decisions were also taken by the Directors of Education from each of the local authorities at the Director Steering Group meetings<sup>7</sup>.

Based on the above information it is considered that the decision-making arrangements that operated during 2021/22 were open and transparent, and compliant with the CSC's Legal Agreement.

Finally, a review of a sample of Joint Education Committee Reports for 2021/22 has confirmed that a consistent format was used.

### **Engagement with stakeholders**

- 5.3.7 The arrangements for engagement with stakeholders were originally as follows:
- **Directors' Steering Group** – The Directors' Steering Group comprises the Directors of Education from each of the five local authorities that make up

---

<sup>7</sup> Subsequently known as the CSC Management Board

the CSC. This group is responsible for delegated decision making on behalf of each local authority.

The membership, decision making process, meetings and the terms of reference for the Director's Steering Group are documented within Schedule 2 of the Legal Agreement.

- **Senior Leadership Group** - The Group comprises the senior management team of the CSC as well as Principal Improvement Partners for each local authority,. Senior officers with strategic responsibilities are also part of the leadership group. The objective of the group is to deliver school improvement activities with the aim of raising educational standards.

The membership, decision making process, meetings and the terms of reference for all groups are documented within Schedule 3 of the Legal Agreement.

- **Central South Consortium Joint Education Service Joint Committee**

The Joint Education Committee comprises of one elected Member from each Council and one officer representative with responsibility for Education from each Council.

The Joint Education Committee has the powers of each Council with reference to the provision of a Joint Education Service and its performance as set out in the Legal Agreement and guided by the Welsh Government's 'National Model for Regional working'.

The purpose of the Joint Education Committee is to be responsible for the decision making, approval of the business plan, monitoring and accountability and financial reporting of the CSC arrangements in line with its own business plan.

The membership, decision making process, meetings and the terms of reference for the Joint Education Committee are documented within Schedule 4 of the Legal Agreement.

- 5.3.8 The Joint Committee agreed to commission ISOS to undertake an independent review of the Consortium at its October 2018 meeting. The context to the review was the national changes to the education system and the financial pressures facing schools and Local Authorities. As part of implementing agreed recommendations from the review, the Joint Committee meeting on the 16 December 2020 agreed to amend the Governance structure in order to:-

- consider the benefits of bringing different groups together into one overarching decision making board;

- Review the role being played by Joint Consortium Committee;
- Strengthen its function as a forum to share and problem solve together; and
- Strengthen the connection between clusters, local heads groups and the Consortium.

5.3.9 A revised structure was agreed in order to ensure that all stakeholders have a voice in the system and there are opportunities for each stakeholder group to meet to focus on issues related to the sector. Each group now has a revised terms of reference and will be included in the proposed revised legal agreement (subject to consideration / approval by the Joint Committee). The new governance structure is as follows:

- Joint Committee
- CSC Management Board
- Regional Stakeholder Group
- Senior Leadership Team
- Governor Stakeholder
- Partnership Group

5.3.10 There were a broad range of communication methods on offer to encourage stakeholders to express their views during 2021/22; this included social media, focus group discussions with regional stakeholder groups and the Annual Survey which took place during November 2021.

5.3.11 **Proposal for Improvement**

Undertake a stakeholder survey across the region as part of CSC's business plan priority to improve the effectiveness and efficiency of CSC.

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

**Defining outcomes**

5.4.1 CSC's 'Business Plan 2021-2022' was approved by the Joint Education Committee on the 18<sup>th</sup> March 2021 and identified five overarching improvement priorities:-

- Develop a high-quality education profession;
- Develop inspirational leaders to facilitate working collaboratively to raise standards;
- Develop strong and inclusive schools committed to wellbeing, equity and excellence;

- Develop robust assessment, evaluation and accountability arrangements supporting self-improving systems; and
- Improve the effectiveness and efficiency of CSC.

- 5.4.2 CSC's Revenue Budget for the 2021/22 financial year was approved at the 16<sup>th</sup> December 2020 Joint Committee meeting, aligning resources to business plan priorities.
- 5.4.3 Following approval of the Business Plan and Revenue Budget, Operational Plans were put in place for each priority, in line with resources available, detailing outcome aims, the actions to be delivered with timescales for delivery and performance indicators.
- 5.4.4 A review of performance indicator targets included within the Business Plan identified that there is a clear ambition for the CSC to improve in its priority areas.
- 5.4.5 Throughout 2021/22 action plan progress updates have been made public through Joint Education Committee meetings that also contain information on financial performance, strategic risks and investment linked to Business Plan priorities. This has included preparation for Curriculum Reform.
- 5.4.6 Progress with the Business Plan has also been monitored by Welsh Government as part of Regional Challenge and Review Meetings, including a meeting with Welsh Government officials on 21<sup>st</sup> March 2022. For 2021/22 76.87% of CSC's Business Plan was funded from Welsh Government, 23.10% from EWC and 0.03% from LA contributions (this excludes core contributions from LAs to fund core areas of business).

### **Proposal for Improvement**

- 5.4.7 Further develop the Medium-Term Financial Plan during 2022/23 regarding the needs of schools following the COVID 19 pandemic and the implementation of Curriculum for Wales. This will ensure resources are allocated / categorised over Business Plan priorities.

Propose an amendment to the Legal Agreement to allow for LA priorities and outcomes of self-evaluation to be embedded within the Business Plan of CSC.

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

### **Determining and planning interventions**

- 5.5.1 CSC's Legal Agreement lays down the key requirements to be followed when setting its priorities, reporting the extent of progress made in priority areas and

also the financial planning and management arrangements that support this. These include the requirement to:

- Agree the draft School Improvement Service annual revenue budget by the 31<sup>st</sup> December prior to the start of the financial year and submit to each of the Parties for approval with the business plan to be agreed by the 1<sup>st</sup> February; and
- Publish financial and performance progress updates on a termly basis during the year, which will include explanations of any variances against the profiled budget.

5.5.2 When the above requirements were reviewed for the 2021/22 financial year:

- Performance Reports were presented to the Joint Education Committee and the Local Authority Scrutiny Committees during the year, with performance reports also presented to Welsh Government officials as part of the Challenge and Review meetings. A review of information reported during the year identified that updates on financial performance; progress against Business Plan priorities; and strategic risks were reported to Joint Committee meetings. In addition, the financial and performance information reported also highlighted and explained exceptions, and noted where corrective action would be taken.

5.5.3 Based on the above, it is considered that the information published during the year would provide opportunity for stakeholders to understand CSC's performance and hold it to account.

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

5.5.4 CSC's Business Plan set out how the agreed 1% decrease in core funding would be delivered and managed during 2021/22.

5.5.5 With this context in mind, CSC took steps to plan the allocation of resources and put in place arrangements to maximise its impact.

### **Maximising impact**

5.5.6 Due to the COVID-19 pandemic, WG has cancelled most of the statutory data collections for both 2020 and 2021. The collections suspended include:

- Attendance: Primary 2020 and 2021 data collections
- Attendance: Secondary 2020 and 2021 data collections
- National Data Collections (NDC) 2020 and 2021 data collections

5.5.7 WG continued to collect the Pupil Level Annual School Census (PLASC) and Educated Other Than At School (EOTAS) data collections in both 2020 and 2021. However, the collection in 2021 was delayed until June 2021 with the



census date being changed to 20<sup>th</sup> April 2021 for PLASC 2021 and between the census window of 19<sup>th</sup> April 2021 and 23<sup>rd</sup> April 2021 for the EOTAS 2021 collection. Analysis of this information has been published by WG in early September 2021. Comparisons to the 2020 data collection should be treated with an element of caution, as not all the validation checks were completed on the 2020 PLASC.

- 5.5.8 WG confirmed on 21 June 2021 that the Statistical Releases for NDC Core, NDC non-core, WNT, Attendance Primary and Attendance Secondary were suspended for reporting on data from 2020-21. In addition, the Statistical releases related to , “Attainment by eligible for Free School Meals (eFSM)/ not eligible for Free School Meals (nFSM) (Foundation Phase (FP)-Key Stage 3 (KS3))” and “Absenteeism by pupil characteristics” were also suspended for 2020-21 data.
- 5.5.9 The Minister for Education also confirmed on 21 June 2021 that WG would not be publishing performance measures related to the 2021 summer examinations series, which covers all school and post-16 performance measures for the 2020-21 academic year. In addition, given the clear implications that there will be ongoing challenges for qualifications awarded next year, WG have suspended Key Stage 4 and legacy sixth form performance measures for 2021-22 academic year also. Therefore, there are no performance measures available for KS4 or Post-16 for Summer 2020 and 2021 results, and these will also not be available for results published for Summer 2022.
- 5.5.10 The Statistical bulletins for GCSE and A Level result will continue to be published for 2020-21 as made available for 2019-20 but they will not contain Key Stage 4 or legacy sixth form performance measures and will only include National level data with amended content to previous releases of these bulletins.
- Therefore, for 2020-21 there are no publicly available performance measures at School, LA or Regional Consortia level that can be included in this report, as was the situation for last year.
- 5.5.11 The publication of performance data on My Local School is also suspended, with the publication of the national categorisation also being suspended for 2021-22 due to the processes not being held for the academic years 2020-21 and 2021-22 This report does not contain any information for the National Categorisation as this was included in the report published last year.
- 5.5.12 All Estyn inspections were suspended from March 2020 due to the Covid-19 pandemic, however Estyn monitoring visits were resumed in July 2022.

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

### **Developing the entity's capacity**

- 5.6.1 CSC aims to ensure that staff have the skills, knowledge and capacity they need to discharge their responsibilities and recognises the value of well-trained and competent people in effective service delivery.
- 5.6.2 The Self Evaluation processes within CSC ensure a rigorous assessment of the current position and areas for improvement. This evaluation is incorporated into service level planning processes as well as ensuring alignment with national and local authority priorities.
- 5.6.3 Effectively managing the workforce – CSC has consistently become more efficient on a year-on-year basis, driven by both proactive and prudent management and also on-going reductions in funding, and at the same time:
- Supported an overall direction of travel of improved performance results in priority within the business plan.
  - Continue to operate a system of agile working arrangements that has taken advantage of digital technology to help CSC to work in new and different ways to meet school needs, reduce costs, support staff productivity and help contribute to a healthy work / life balance for employees.
  - Aligned the on-going modernisation of its arrangements to RCTCBC's Digital Strategy.
  - Aligned to the new CSC Digital Strategy implemented in Autumn Term of 2021

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

The CSC Legal Agreement sets out the responsibilities of the Managing Director, the Joint Education Committee and CSC Management Board (Schedule 2). A review of a sample of delegated decisions made during the year confirmed that decisions were approved by the designated Joint Education Committee members and employees.

### **Developing the capabilities of councillors**

- 5.7.1 Training on the accountability framework was delivered to Members of the Joint Committee during 2021/22.

### **Developing the capabilities of employees**

- 5.7.2 CSC is committed to staff development, in line with business needs, to help ensure it has a 'fit for purpose' workforce. During the year this has included staff induction sessions, Leadership and Middle Management Development Programmes, Staff Briefings and a range of operational training such as Curriculum for Wales, Diversity and Anti Racism, Enabling Equity and Excellence, Schools as Learning Organisations and Initial Teacher Education SLII (situational leadership), the ALN Bill and Wellbeing. All of which are underpinned by our National Mission.

### **Proposal for Improvement**

- 5.7.3 Develop an induction programme for newly elected Members within the local authorities on the work of Central South Consortium.

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

### **Managing risk**

- 5.8.1 During 2021/22 CSC continued with the termly updating of its risk change template in line with its business plan monitoring and risk policies.
- 5.8.2 This risk change template is updated by all risk owners and then presented for review by the Senior Leadership Team. Following agreement of the SLT, proposals are presented to Directors for consideration and then to Joint Committee meetings for final review and challenge. During the spring term the risk change template was presented to Directors of Education on the 11 March 2022 and following review the risk register was finalised for 2022/23.
- 5.8.3 New risks were incorporated into the register during the year. For example, the risks associated with the COVID 19 pandemic and Curriculum for Wales. This has been incorporated into the Risk Register, with accompany actions to address, and will be reported and monitored by the Joint Committee.
- 5.8.4 **Proposal for Improvement**

- The risk management policy has been reviewed in 2021/22 and proposals for improvement to be presented to governance groups for consideration during the year

### **Managing performance**

- 5.8.5 The 'Determining and planning interventions' section (5.5.1) of this Annual Governance Statement provides an overview of CSC's Performance Management arrangements. Performance at strategic level is driven and

measured through CSC's drive teams. Five drive teams have been established to ensure the effective delivery and impact of the priority plans aligned to the 2021/22 CSC business plan.

### **Robust internal control**

- 5.8.6 The membership and meeting frequency of CSC's Joint Education Committee during 2021/22 was in line with the CSC's Legal Agreement.

### **Internal Audit**

- 5.8.7 The Head of Regional Internal Audit Service is scheduled to present the Internal Audit Annual Report 2021/22, based on the work of Internal Audit during the year, to the Council's Audit Committee in July 2022. The work undertaken by Internal Audit in respect of the CSC during the year is set out at paragraph 5.8.16.

### **Managing data**

- 5.8.8 An Information Management Plan is in place in RCTCBC that sets out the framework, including legal requirements, for information management within the CSC. This work has been reviewed to ensure compliance with GDPR regulations.
- 5.8.9 A review of arrangements in place during 2021/22 identified that they were in line with laid down requirements because:
- Key responsibilities were formally designated within CSC: CSC's designated Senior Information Management Risk Officer (SIRO) was the Managing Director, there was an Information Management & Data Protection Act Officer within the host authority who reports to the Service Director – ICT and Digital Services;
  - An Information Management Board was in operation in RCTCBC, Chaired by the SIRO, with the Board being supported by an Information Management Working Group;
  - Information was available on the RCTCBC website in respect of Data Protection and Freedom of Information, and had in place a Publication Scheme (which has been adopted by CSC) in accordance with the Council's responsibilities under the Freedom of Information Act 2000; and
  - The Host Authority has a Public Sector Network (PSN) plan in place to meet the end of year timeframe for renewal i.e. The 'PSN' is the Council's connection to the wider public sector network (Council to Council, Council to Government

e.g. Department for Work and Pensions) to enable the Council to communicate and share data securely across all public bodies.

### Strong public financial management

5.8.10 Schedule 5 of the Legal Agreement provides the framework within which the finances of the Joint Education Service operate. The Financial Protocol provides the financial framework and relationship between the Parties (the Councils), the Host and CSC. The following areas of business are documented in the Legal Agreement

- General Principles
- Contributions and charging mechanisms;
- Payment arrangements;
- Budgetary control & monitoring;
- Capital Expenditure & long term contracts;
- Annual Accounts & Audit; and
- Financial insolvency.

5.8.11 The Legal Agreement requires the Joint Education Committee to hold at least termly meetings throughout the year. Standard agenda items include a report from the Treasurer.

5.8.12 RCTCBC's Financial Procedure Rules provide guidance in relation to all financial matters. The CSC has adopted Rhondda Cynon Taf's Financial & Contract Procedure Rules – as confirmed in Section 17 (Schedule 4) of the Legal Agreement:

***“Rules and Procedure***

*For the avoidance of doubt the Central South Consortium Joint Education Committee shall, where relevant and subject to the provisions of this Agreement, operate in accordance with the Host's schemes of delegation, Rules of Procedure and policies from time to time.”*

5.8.13 Audit Wales<sup>8</sup> audits CSC's annual statement of accounts and the outcome from the audit being reported to the Joint Committee.

5.8.14 CSC's financial and operational performance is monitored and scrutinised by the Joint Education Committee

The Joint Education Committee receives reports from:

- The Treasurer;
- The Managing Director; and
- Officers, relevant to the operations and governance of the organisation.

---

<sup>8</sup> Audit Wales – previously the Wales Audit Office

- 5.8.15 During 2021/22 the role of the Chief Financial Officer at RCTCBC was compliant with the principles of the CIPFA Statement – Role of the Chief Financial Officer in Local Government 2010.

### **Internal Audit**

- 5.8.16 During 2021/22, in line with the agreed Internal Audit Annual Plan, the Regional Internal Audit Service reviewed one core financial system (i.e. the General Ledger) of the Central South Consortium Joint Education Service and two external grants; Regional Consortia School Improvement Grant (RCSIG) and Pupil Development Grant for 2020/21 financial year. It was concluded to be no material weaknesses. This was reported to the Joint Committee meeting held on 17<sup>th</sup> March 2022.

### **External Audit**

- 5.8.17 The latest audited statement of accounts (i.e. for the 2020/21 financial year) received an unqualified audit report (i.e. clean bill of health) and were approved at the meeting of the Joint Education Committee on 22<sup>th</sup> September 2021.

- 5.8.18 CSC has continued to publicly demonstrate its commitment to strong and responsible financial planning and management and has supported this through the delivery of sound financial performance during a period of reducing budgets. This is because:

- CSC has adopted a suite of protocols supporting strong financial planning and management, for example, 'Financial Procedure Rules' and 'Contract Procedure Rules', that were complied with during the year;
- CSC set a Gross Revenue Budget on 16<sup>th</sup> December 2020 for the financial year 2021/22 of £3,583,032, representing a reduction of 1% compared to the previous year. Financial performance results were publicly reported every term during the year and scrutinised by the Joint Education Committee. The final outturn position, subject to Joint Committee approval at the June 2022 meeting, demonstrates the delivery of a balanced budget for the 2021/22 financial year after setting aside specific earmark reserves to support the completion of activities that have been delayed as a result of COVID 19.
- CSC is financially stable with General Reserve balances increasing from £147k to £174k (subject to audit); having a track record over a number of years of setting and delivering balanced revenue budgets; and having 'clean bills of health' on its year end accounts when audited by the Audit Wales.

- 5.8.19 The latest Audit Wales report 'Audit of Financial Statements Report and Management Letter' reported to Joint Education Committee on 22<sup>nd</sup> September 2021 concluded that the accounting statements and related notes:

- *Give a true and fair view of the financial position of the Central South CSC Joint Education Service as at 31 March 2021; and of its income and expenditure for the year then ended; and*
- *Have been properly prepared in accordance with legislative requirements and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.*

5.8.20 The Audit Wales report presented on 22<sup>nd</sup> September 2021 did not contain any recommendations for improvement to be addressed by CSC and the Host Authority.

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

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

5.9.1 CSC has implemented an open and consistent approach to reporting its business, as set out in sections 5.4 and 5.5 of this Annual Governance Statement, with the aim of helping to ensure information is understandable to stakeholders and that they have the opportunity to challenge CSC's performance, plans and decisions.

5.9.2 A review of a sample of information reported to the Joint Education Committee has revealed that:

- Annual Reports and Plans are reported publicly, providing an overview of performance, for example, the Council's audited Statement of Accounts 2020/21 reported and approved by Joint Education Committee on 22<sup>nd</sup> September 2021 in line with the statutory timeframe; and
- Use is made of electronic links within reports to provide the reader with more detailed information should they require it; and
- The minutes of meetings confirm that designated officers attend each meeting to orally present reports and answer questions, and several occasions were noted where updates were delivered via presentations, for example, using slides.

## 6. **OVERALL ASSESSMENT OF THE CONSORTIUM'S ARRANGEMENTS**

6.1 Based on the assessment undertaken, the delivery of the CSC's governance arrangements have been revised, in light of the Covid-19 pandemic, and have remained effective as evidenced through the comprehensive and timely

updates provided to virtual Joint Committee meetings during the year; on-going compliance with the requirements of the Legal Agreement; robust financial planning and management arrangements; and tailored provision to schools, in line with Welsh Government guidance, to ensure schools have been supported throughout the pandemic and with their plans for recovery.

- 6.2 Notwithstanding this overall position, the assessment has identified areas where improvements are deemed necessary to further reinforce the effectiveness of the CSC's current arrangements. These are set out in Section 7.
- 6.3 Looking ahead, the robust governance arrangements in place within the CSC, together with implementing the proposals for improvement set out in Section 7, will be critical in supporting the organisation to re-model itself and also continue to provide an effective school improvement service during the on-going recovery period from COVID 19.



## PROPOSALS FOR IMPROVEMENT

7.1 Further to completing the assessment of the CSC's governance arrangements, Table 1 sets out proposals for improvement.


Core Principle / Area	Paragraph No.	Issue Identified	Proposal for Improvement	Timescale for Implementation	Responsible Officer
<b>ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT</b>	5.3.11	Communication with stakeholders	<ul style="list-style-type: none"> <li>Undertake a stakeholder survey across the region as part of CSC's business plan priority to improve the effectiveness and efficiency of CSC.</li> </ul>	Autumn Term 22	Managing Director
<b>DEFINING OUTCOMES IN TERMS OF SUSTAINABLE ECONOMIC, SOCIAL, AND ENVIRONMENTAL BENEFITS</b>	5.4.7	Financial Planning	<ul style="list-style-type: none"> <li>Propose an amendment to the Legal Agreement to allow for LA priorities and outcomes of self-evaluation to be embedded within the Business Plan of CSC.</li> </ul>	Autumn Term 22	Deputy Managing Director
<b>DEVELOPING THE ENTITY'S CAPACITY, INCLUDING THE CAPABILITY OF ITS LEADERSHIP AND THE</b>	5.7.3	Induction of New Members	<ul style="list-style-type: none"> <li>Develop an induction programme for newly elected Members within the local authorities on the work of Central South Consortium</li> </ul>	Summer Term 22	Managing Director

Tudalen 413

<b>INDIVIDUALS WITHIN IT</b>					
<b>MANAGING RISKS AND PERFORMANCE THROUGH ROBUST INTERNAL CONTROL AND STRONG PUBLIC FINANCIAL MANAGEMENT</b>	5.8.4	Risk Management	<ul style="list-style-type: none"> <li>The risk management policy has been reviewed in 2021/22 and proposals for improvement to be presented to governance groups for consideration during the year</li> </ul>	Summer Term 22	Deputy Managing Director

Tudalen 414

7.2 The CSC’s Senior Management Team has accepted the proposals for improvement and is committed to their implementation during 2022/23. The Senior Management Team has also confirmed that an update on progress will be reported to the Central South Consortium Joint Education Service Joint Committee during the year to enable Members to review and scrutinise the extent of progress being made.

Managing Director: Clara Seery 

Section 151 Officer: Barrie Davies 

Chair, Joint Education Committee: Councillor Rhiannon Birch 

13-06-2022

**APPENDIX A**

**PROPOSALS FOR IMPROVEMENT 2020/21 – POSITION STATEMENT**

Core Principle / Area	Paragraph No.	Issue Identified	Proposal for Improvement	Timescale for Implementation	Responsible Officer	Progress
Ensuring Openness and comprehensive stakeholder engagement	5.3.9	Revised Governance Framework for CSC	<ul style="list-style-type: none"> <li>Implement the revised governance structure agreed by Joint Committee</li> </ul>	July 2021	Managing Director	<b>Completed –</b> Revised governance structure implemented with agreed terms of reference
			<ul style="list-style-type: none"> <li>Review the Legal Agreement against the revised governance structure</li> </ul>	September 2021	Deputy Managing Director / RCT Legal Team	<b>In progress –</b> Meeting has taken place to agree process with RCT legal team.
	Monitoring and Reporting	<ul style="list-style-type: none"> <li>Develop a monitoring and reporting principles document and share with governance groups for agreement.</li> <li>Produce an annual forward planner for all governance meetings</li> </ul>	July 2021	Deputy Managing Director	<b>Completed –</b> Paper shared and agreed with Joint Committee in May 2021	
					<b>Completed –</b> Forward planner in use within CSC	
	Communications with stakeholders	<ul style="list-style-type: none"> <li>Revise the Communications Strategy and share with stakeholder groups.</li> </ul>	September 2021	Communications Manager	<b>Completed –</b> Communications strategy shared and agreed with Joint Committee in May	

Tudaten 415

Tudalen 416 Defining outcomes in of sustainable economic, social and environmental benefits			Establish a working party to review the communications requirements of schools.			2021. CSC communications working party membership agreed.
			<ul style="list-style-type: none"> <li>Relaunch the annual survey with schools.</li> </ul>	November 2021	Assistant Director	<b>Completed</b> – Annual survey of school staff and pupils has been completed by a sample of schools. Analysis will be shared in Summer Term 2022
	5.4.7	Financial Planning	<ul style="list-style-type: none"> <li>Further develop the Medium-Term Financial Plan during 2021/22</li> </ul>	July 2021	Deputy Managing Director	<b>Completed</b> – Medium term financial plan agreed with Joint Committee in July 2021
			<ul style="list-style-type: none"> <li>Review the office accommodation requirements of CSC following the adaptations made to working arrangements due to the COVID 19 pandemic</li> </ul>	September 2021	Managing Director	<b>Completed - Moved to the South wing wef April 22</b>
	5.7.3	Professional Learning	<ul style="list-style-type: none"> <li>Undertake a training programme with Members in the local</li> </ul>	December 2021	Managing Director	<b>Completed</b> – Training has been completed for all

			authorities on the requirements of the 'Draft School Improvement, Accountability and Evaluation Guidance'			Members of CSC Joint Committee as well as additional training sessions in Bridgend, RCT and Vale of Glamorgan.
	5.8.4	Risk Management	<ul style="list-style-type: none"> <li>Review risk management strategies and present proposals to governance groups for consideration</li> </ul>	September 2021	Deputy Managing Director	<b>In Progress –</b> Risk management review has been undertaken. Recommendations for improvement will be incorporated following consultation, in the financial year 2022/23

Tudalen 417

## **The independent auditor’s report of the Auditor General for Wales to the members of Central South Consortium Joint Education Service Joint Committee**

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

#### **Opinion**

I have audited the financial statements of Central South Consortium Joint Education Service Joint Committee for the year ended 31<sup>st</sup> March 2022 under the Public Audit (Wales) Act 2004.

The Central South Consortium Joint Education Service Joint Committee financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Central South Consortium Joint Education Service Joint Committee as at 31<sup>st</sup> March 2022 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

#### **Basis for opinion**

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

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

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

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about Central South Consortium Joint Education Service Joint Committee ability to continue to adopt the

going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

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

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

### **Report on other requirements**

#### **Opinion on other matters**

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

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22;
- The information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Governance Statement has been prepared in accordance with guidance.

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

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

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

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

## Certificate of completion of audit

I certify that I have completed the audit of the accounts of Central South Consortium Joint Education Service Joint Committee in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

## Responsibilities

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, set out on page 10 and 11, the responsible financial officer is responsible for the preparation of the statement of accounts, Central South Consortium Joint Education Service Joint Committee, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

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

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

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

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

**Anthony J Barrett**  
**For and on behalf of the Auditor General for Wales**  
**XX July 2022**

**24 Cathedral Road**  
**Cardiff**  
**CF11 9LJ**



## Glossary of Terms

### Accrual

An accrual is a sum shown in the accounts representing income or expenditure relating to the accounting period, which had not actually been received or paid as at the date of the Balance Sheet.

### Actuary

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

### Audit

An audit is an independent examination of activities.

### Budget

A budget (or estimate) is a plan of income and spending. Actual expenditure is subsequently monitored against this plan.

### Capital Expenditure

Capital expenditure is spending on long-term assets. These are assets that will be used for several years in the provision of services and are items such as buildings, equipment and vehicles.

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

CIPFA is responsible for issuing financial guidance to public bodies.

### Creditor

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

### Current Assets

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

### Current Liabilities

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

### Debtor

A debtor is an organisation/individual who owes the Council money at the end of the financial year for goods/services received.

### Defined Benefit Scheme

A defined benefit pension scheme is one that bases retirement benefits upon Career Average Re-valued Earnings.

### Defined Contribution Scheme

A defined contribution scheme is a type of retirement plan in which the amount of the employer's annual contribution is specified. Benefits are based on the amounts credited to these accounts (through employer

contributions and, if applicable, employee contributions) plus any investment earnings. Only employer contributions to the account are guaranteed, not the future benefits.

**Earmarked Reserves**

These are reserves set aside for a specific purpose.

**Financial Year**

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

**International Accounting Standard (IAS)**

Financial Regulations to be followed as set by the International Accounting Standards Board (IASB).

**International Financial Reporting Standards (IFRS)**

International Financial Reporting Standards are produced by the IASB (International Accounting Standards Board) with the aim of ensuring consistency within the countries adopting the standards.

**Leasing**

This is a method of financing expenditure by paying the owner to use property or equipment for a number of years.

**Lessee**

User or renter of the leased asset or property. In case of capital leases, the lessee is also the 'debtor' to the lessor.

**Lessor**

Owner or the title holder of the leased asset or property. The lessor is also the lender and secured party in case of capital leases and operating leases.

**Liability**

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

**Long-Term Asset**

These are assets that are used in the provision of services (usually for more than one year).

**Operating Leases**

These are leases where risks of ownership of the asset remain with the owner.

**Post Balance Sheet Events**

Post Balance Sheet items are those that arise after the Balance Sheet date. These are items that did not exist at the time the Balance Sheet was prepared but should be disclosed if they are relevant to the understanding of the accounts.

**Provision**

A provision is an obligation to transfer economic benefits as a result of past events where a reliable estimate can be made of the obligation, but the amount or timing of which cannot yet be determined accurately.

**Related Party**

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

**Welsh Government (WG)**

The Welsh Government is the devolved Government for Wales. The Welsh Government consists of the First Minister, Welsh Ministers, the Counsel General and Deputy Ministers. They are supported by Civil Servants who work across devolved areas of public life such as health, education and the environment.

Tudalen wag

## Accounting statements 2021-22 for:

Name of body: Llwydcoed Crematorium Joint Committee

	Year ending		Notes and guidance for compilers
	31 March 2021 (£)	31 March 2022 (£)	
<b>Statement of income and expenditure/receipts and payments</b>			
1. Balances brought forward	1,086,552	1,477,782	Total balances and reserves at the beginning of the year as recorded in the financial records. Must agree to line 7 of the previous year.
2. (+) Income from local taxation/levy	0	0	Total amount of income received/receivable in the year from local taxation (precept) or levy/contribution from principal bodies.
3. (+) Total other receipts	1,460,440	983,268	Total income or receipts recorded in the cashbook minus amounts included in line 2. Includes support, discretionary and revenue grants.
4. (-) Staff costs	-234,339	-234,186	Total expenditure or payments made to and on behalf of all employees. Include salaries and wages, PAYE and NI (employees and employers), pension contributions and related expenses eg termination costs.
5. (-) Loan interest/capital repayments	0	0	Total expenditure or payments of capital and interest made during the year on external borrowing (if any).
6. (-) Total other payments	-834,871	-738,275	Total expenditure or payments as recorded in the cashbook minus staff costs (line 4) and loan interest/capital repayments (line 5).
7. (=) Balances carried forward	1,477,782	1,488,589	Total balances and reserves at the end of the year. Must equal (1+2+3) – (4+5+6).
<b>Statement of balances</b>			
8. (+) Debtors	132,740	102,593	<b>Income and expenditure accounts only:</b> Enter the value of debts owed to the body.
9. (+) Total cash and investments	1,518,625	1,394,669	<b>All accounts:</b> The sum of all current and deposit bank accounts, cash holdings and investments held at 31 March. This must agree with the reconciled cashbook balance as per the bank reconciliation.
10. (-) Creditors	-173,583	-8,673	<b>Income and expenditure accounts only:</b> Enter the value of monies owed by the body (except borrowing) at the year-end.
11. (=) Balances carried forward	1,477,782	1,488,589	<b>Total balances should equal line 7 above:</b> Enter the total of (8+9-10).
12. Total fixed assets and long-term assets	1,774,201	1,667,839	The asset and investment register value of all fixed assets and any other long-term assets held as at 31 March.
13. Total borrowing	0	0	The outstanding capital balance as at 31 March of all loans from third parties (including PWLB).

## Annual Governance Statement

We acknowledge as the members of the Committee, our responsibility for ensuring that there is a sound system of internal control, including the preparation of the accounting statements. We confirm, to the best of our knowledge and belief, with respect to the accounting statements for the year ended 31 March 2022, that:

	Agreed?		'YES' means that the Llywdcoed Crematorium Joint Committee:	PG Ref
	Yes	No*		
<p>1. We have put in place arrangements for:</p> <ul style="list-style-type: none"> <li>• effective financial management during the year; and</li> <li>• the preparation and approval of the accounting statements.</li> </ul>	<input checked="" type="radio"/>	<input type="radio"/>	Properly sets its budget and manages its money and prepares and approves its accounting statements as prescribed by law.	6, 12
<p>2. We have maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption, and reviewed its effectiveness.</p>	<input checked="" type="radio"/>	<input type="radio"/>	Made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.	6, 7
<p>3. We have taken all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and codes of practice that could have a significant financial effect on the ability of the Committee to conduct its business or on its finances.</p>	<input checked="" type="radio"/>	<input type="radio"/>	Has only done things that it has the legal power to do and has conformed to codes of practice and standards in the way it has done so.	6
<p>4. We have provided proper opportunity for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014.</p>	<input checked="" type="radio"/>	<input type="radio"/>	Has given all persons interested the opportunity to inspect the body's accounts as set out in the notice of audit.	6, 23
<p>5. We have carried out an assessment of the risks facing the Committee and taken appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.</p>	<input checked="" type="radio"/>	<input type="radio"/>	Considered the financial and other risks it faces in the operation of the body and has dealt with them properly.	6, 9
<p>6. We have maintained an adequate and effective system of internal audit of the accounting records and control systems throughout the year and have received a report from the internal auditor.</p>	<input checked="" type="radio"/>	<input type="radio"/>	Arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether these meet the needs of the body.	6, 8
<p>7. We have considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on the Committee and, where appropriate, have included them on the accounting statements.</p>	<input checked="" type="radio"/>	<input type="radio"/>	Disclosed everything it should have about its business during the year including events taking place after the year-end if relevant.	6
<p>8. We have taken appropriate action on all matters raised in previous reports from internal and external audit.</p>	<input checked="" type="radio"/>	<input type="radio"/>	Considered and taken appropriate action to address issues/weaknesses brought to its attention by both the internal and external auditors.	6, 8, 23

\* Please provide explanations to the external auditor on a separate sheet for each 'no' response given; and describe what action is being taken to address the weaknesses identified.

## Additional disclosure notes\*

The following information is provided to assist the reader to understand the accounting statements and/or the Annual Governance Statement

1.



2.

3.

\* Include here any additional disclosures the Council considers necessary to aid the reader's understanding of the accounting statements and/or the annual governance statement.

## Committee approval and certification

The Committee is responsible for the preparation of the accounting statements and the annual governance statement in accordance with the requirements of the Public Audit (Wales) Act 2004 (the Act) and the Accounts and Audit (Wales) Regulations 2014.

<p><b>Certification by the RFO</b></p> <p>I certify that the accounting statements contained in this Annual Return present fairly the financial position of the Committee, and its income and expenditure, or properly present receipts and payments, as the case may be, for the year ended 31 March 2022.</p>	<p><b>Approval by the Llwydcoed Crematorium Joint Committee</b></p> <p>I confirm that these accounting statements and Annual Governance Statement were approved by the Committee under minute reference:</p>
<p><b>RFO signature:</b></p> 	<p><b>Minute ref:</b></p> <p><b>Chair of meeting signature:</b></p> 
<p><b>Name:</b> BARRIE DAVIES</p>	<p><b>Name:</b> Ann Crimmings</p>
<p><b>Date:</b> 31 May 2022</p>	<p><b>Date:</b> 2 August 2022</p>

## Annual internal audit report to:

Name of body: Llwyrcoed Crematorium Joint Committee

The Committee's internal audit, acting independently and on the basis of an assessment of risk, has included carrying out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year ending 31 March 2022.

The internal audit has been carried out in accordance with the Committee's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and the internal audit conclusions on whether, in all significant respects, the following control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of the Committee.

	Agreed?				Outline of work undertaken as part of the internal audit (NB not required if detailed internal audit report presented to body)
	Yes	No*	N/A	Not covered**	
1. Appropriate books of account have been properly kept throughout the year.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Detailed internal audit report presented to body
2. Financial regulations have been met, payments were supported by invoices, expenditure was approved and VAT was appropriately accounted for.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Detailed internal audit report presented to body
3. The body assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Detailed internal audit report presented to body. The crematorium has a track record of identifying and managing risk appropriately.
4. The annual precept/levy/resource demand requirement resulted from an adequate budgetary process, progress against the budget was regularly monitored, and reserves were appropriate.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	Central function and regular Treasurer's reports presented to Joint Committee
5. Expected income was fully received, based on correct prices, properly recorded and promptly banked, and VAT was appropriately accounted for.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Detailed internal audit report presented to body
6. Petty cash payments were properly supported by receipts, expenditure was approved and VAT appropriately accounted for.	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	Llwyrcoed Crematorium does not operate a petty cash account
7. Salaries to employees and allowances to members were paid in accordance with minuted approvals, and PAYE and NI requirements were properly applied.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	Central function administered by Council's payroll service
8. Asset and investment registers were complete, accurate, and properly maintained.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	Central Function



	Agreed?				Outline of work undertaken as part of the internal audit (NB not required if detailed internal audit report presented to body)
	Yes	No*	N/A	Not covered**	
9. Periodic and year-end bank account reconciliations were properly carried out.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	Central Function
10. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments/income and expenditure), agreed with the cashbook, were supported by an adequate audit trail from underlying records, and where appropriate, debtors and creditors were properly recorded.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	Central Function

**For any risk areas identified by the Llwydcoed Crematorium Joint Committee (list any other risk areas below or on separate sheets if needed) adequate controls existed:**

	Agreed?				Outline of work undertaken as part of the internal audit (NB not required if detailed internal audit report presented to body)
	Yes	No*	N/A	Not covered**	
11. Insert risk area	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text
12. Insert risk area	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text
13. Insert risk area	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text

\* If the response is 'no', please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

\*\* If the response is 'not covered', please state when the most recent internal audit work was done in this area and when it is next planned, or if coverage is not required, internal audit must explain why not.

My detailed findings and recommendations which I draw to the attention of the Committee are included in my detailed report to the Committee dated 23<sup>rd</sup> May 2022.

### Internal audit confirmation

I/we confirm that as the Committee's internal auditor, I/we have not been involved in a management or administrative role within the body (including preparation of the accounts) or as a member of the body during the financial years 2020-21 and 2021-22. I also confirm that there are no conflicts of interest surrounding my appointment.

Name of Auditor : Joanna Huxtable

**Name of person who carried out the internal audit:**

**C. Mark Thomas MAAT CPFA - Head of Regional Internal Audit Service**

**Signature of person who carried out the internal audit:**



**Date: 27<sup>th</sup> May 2022**

Tudalen wag

## Section 5 – Financial reporting and regulatory matters

### Compliance with the law and regulations governing local authorities

Changes in legislation occur regularly within the sector and it is imperative that the authority establishes a mechanism to ensure that its audit committee members are aware of relevant topical legal issues.

To keep the audit committee up to date, it is worth considering including the following on the audit committee's agenda:

- an update of relevant circulars and correspondence from government departments etc
- relevant minutes and papers from council meetings (these are especially helpful for co-opted members)
- relevant reports from the Audit Commission, National Audit Office and other relevant regulators

### Financial Statements

The Audit Committee should review the Financial Statements before submission to the full Council, focusing particularly on:

- the outcome of reviews of the effectiveness of the internal control arrangements including internal audit
- the wording in the Statement on Internal Control and other disclosures relevant to the Terms of Reference of the Committee
- changes in, and compliance with, accounting policies and practices
- unadjusted mis-statements in the financial statements
- major judgemental areas
- significant adjustments resulting from the audit
- any relevant issues raised in the external auditor's report to those charged with governance

The Committee should also ensure that the systems for financial reporting to the full Council, including those of budgetary control, are subject to review as to completeness and accuracy of the information provided to the full Council and its committees.

The timetable for preparing the financial statements is normally tight. If the audit committee is to play an effective role in the process, it needs to hold a meeting before the financial statements are formally approved. The role of the audit

committee in the approval, and the purpose of the meeting should be made absolutely clear. If there are any delays in preparing and auditing the financial statements the audit committee should find out why, as they may be due to underlying problems within the finance department or audit process.

However, the audit committee needs to ensure it does not become involved in any details that should be dealt with more properly by the director of finance, designated office holder or other relevant committee.

**QUESTIONS FOR AUDIT COMMITTEE MEMBERS – REVIEW OF THE FINANCIAL STATEMENTS**

- Which significant items in the accounts are based on accounting estimates? Which accounting policies followed by the authority required an element of judgment in their application? How does the approach taken this year to these items and policies compare with the previous year?
- Have there been any developments in accounting standards or generally accepted accounting practice of relevance to the authority since the audit committee last reviewed the authority's accounting policies and practices?
- Do the financial statements satisfy all statutory and other regulatory disclosure requirements to which the authority is subject?

<p><b>GOVERNANCE AND AUDIT COMMITTEE</b></p> <p>7<sup>th</sup> September 2022</p>	<p><b>AGENDA ITEM NO. 8</b></p>
<p><b>JOINT REPORT OF THE DIRECTOR OF FINANCE AND DIGITAL SERVICES AND SERVICE DIRECTOR OF DEMOCRATIC SERVICES AND COMMUNICATION</b></p>	<p><b>GOVERNANCE AND AUDIT COMMITTEE - DRAFT WORK PLAN 2022/23</b></p>

Authors: Paul Griffiths (Service Director – Finance and Improvement Services) & Mark Thomas (Head of Regional Internal Audit Service)

**1. PURPOSE OF THE REPORT**

1.1 The purpose of this report is to set out a draft work plan for the 2022/23 Municipal Year to enable the Committee to effectively fulfil its Terms of Reference.

**2. RECOMMENDATIONS**

It is recommended that Members:

2.1 Consider the report and determine whether there are other areas / themes to incorporate within the work plan to aid the effective discharge of the Governance and Audit Committee’s responsibilities.

2.2 Approve a work plan for delivery during the 2022/23 Municipal Year.

**3. REASONS FOR RECOMMENDATIONS**

3.1 To ensure the Governance and Audit Committee has a balanced work plan alongside appropriate information and support to help enable the effective discharge of its responsibilities.

**4. BACKGROUND INFORMATION**

4.1 In line with its Terms of Reference, the CIPFA publication ‘Audit Committees – Practical Guidance Note for Local Authorities & Police, 2018 Edition’ and new responsibilities arising from the Local

Government and Elections (Wales) Act 2021, the Governance and Audit Committee is a key component of the Council's corporate governance arrangements:

- It provides independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
- It provides independent assurance to the Members of Rhondda Cynon Taf County Borough Council on the adequacy of the governance, risk management and control frameworks and oversees the financial reporting and annual governance processes.
- It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.
- As a key element of the arrangements for corporate governance, designed to ensure openness, integrity and accountability, the Committee will assist the Authority in discharging its responsibility for ensuring financial probity, without taking any action which might prejudice it.
- The Governance and Audit Committee should play a key role in supporting the discharge of those responsibilities by providing a high-level focus on audit, assurance and reporting.
- Overseeing new responsibilities, as set out in the Local Government and Elections (Wales) Act 2021, in respect of Self-Assessment, independent Panel Performance Assessment and arrangements around the Council's ability to deal with complaints.

4.2 To ensure the work of the Council's Governance and Audit Committee is in line with the above requirements, an annual work plan is compiled and published to set out the information to be reported to the Committee during the year.

## **5. DRAFT WORK PLAN 2022/23**

- 5.1 The draft Governance and Audit Committee Work Plan for 2022/23 is included at **Appendix 1** and sets out its Terms of Reference together with a timetable for bringing reports and information updates before Committee for review and challenge.
- 5.2 The work plan will be kept under on-going review during the year and where further areas are identified (for example, referrals from Scrutiny Committees), these will be reported to Governance and Audit

Committee for consideration and, if deemed appropriate, incorporation into the work plan.

## **6. EQUALITY AND DIVERSITY AND SOCIO-ECONOMIC DUTY IMPLICATIONS**

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

## **7. CONSULTATION**

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

## **8. FINANCIAL IMPLICATION(S)**

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

## **9. LEGAL IMPLICATIONS OR LEGISLATION CONSIDERED**

- 9.1 The Local Government (Wales) Measure 2011, Chapter 2 section 81 states:

### ***'Local authorities to appoint audit committees***

1. *A local authority must appoint a committee (an "audit committee") to:
  - a. review and scrutinise the authority's financial affairs,
  - b. make reports and recommendations in relation to the authority's financial affairs,
  - c. review and assess the risk management, internal control and corporate governance arrangements of the authority,
  - d. make reports and recommendations to the authority on the adequacy and effectiveness of those arrangements,
  - e. oversee the authority's internal and external audit arrangements, and
  - f. review the financial statements prepared by the authority.*
2. *A local authority may confer on its audit committee such other functions as the authority considers suitable to be exercised by such a committee.*
3. *It is for an audit committee to determine how to exercise its functions.*

9.2 The draft work plan for 2022/23 will support the Council's Governance and Audit Committee to meet the above legal requirements.

**10. LINKS TO CORPORATE AND NATIONAL PRIORITIES AND THE WELL-BEING OF FUTURE GENERATIONS ACT.**

THE COUNCIL'S CORPORATE PLAN PRIORITIES

10.1 The work of the Council's Governance and Audit Committee aims to support the delivery of the priorities contained within the Council's Corporate Plan 2020-2024 'Making a Difference', in particular 'Living Within Our Means' through ensuring that appropriate governance arrangements are in place to effectively manage resources.

WELL-BEING OF FUTURE GENERATIONS ACT

10.2 The Sustainable Development Principles, in particular Prevention, can be applied to the systematic reviews undertaken in order to provide assurance that risks to the achievement of objectives are being managed.

**11. CONCLUSION**

11.1 The draft work plan set out at **Appendix 1** of this report provides a plan for the 2022/23 Municipal Year to allow the Committee to manage and discharge its role in accordance with its Terms of Reference, the requirements of the CIPFA publication 'Audit Committees – Practical Guidance Note for Local Authorities & Police, 2018 Edition' and the requirements of the Local Government and Elections (Wales) Act 2021.

**Other Information:-**

***Relevant Scrutiny Committee***

**Not applicable.**

**Contact Officers** – Paul Griffiths / Mark Thomas



**LOCAL GOVERNMENT ACT 1972**

**AS AMENDED BY**

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

**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**GOVERNANCE AND AUDIT COMMITTEE**

**7<sup>th</sup> September 2022**

**GOVERNANCE AND AUDIT COMMITTEE DRAFT WORK PLAN 2022/23**

**JOINT REPORT OF THE DIRECTOR OF FINANCE AND DIGITAL SERVICES AND THE SERVICE DIRECTOR OF DEMOCRATIC SERVICES AND COMMUNICATION**

Authors: Paul Griffiths (Service Director – Finance and Improvement Services) & Mark Thomas (Head of Regional Internal Audit Service)

Item: 8

**Background Papers**

None.

Officers to contact: Paul Griffiths / Mark Thomas

## Appendix 1 – Governance and Audit Committee’s Workplan linked to its Terms of Reference.

### Statement of Purpose

The Governance and Audit Committee is a key component of Rhondda Cynon Taf County Borough Council’s corporate governance. It provides independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

The purpose of the Governance and Audit Committee is to provide independent assurance to the Members of Rhondda Cynon Taf County Borough Council of the adequacy of the risk management framework and the internal control environment. It provides independent review of Rhondda Cynon Taf County Borough Council’s governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

### Terms of Reference

As a key element of the arrangements for corporate governance, designed to ensure openness, integrity and accountability, the Committee will assist the Authority in discharging its responsibility for ensuring financial probity, without taking any action which might prejudice it. The Committee will:-

		18/07/2022	07/09/2022	08/11/2022	07/12/2022	14/02/2023	15/03/2023
A	At the first meeting of the Governance and Audit Committee following the Council’s Annual General Meeting the Governance and Audit Committee shall appoint the Chair of the Governance and Audit Committee (who must be a lay member) and appoint the Vice Chair of the Governance and Audit Committee.	X					

		18/07/2022	07/09/2022	08/11/2022	07/12/2022	14/02/2023	15/03/2023
B	To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account Internal Audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.	X Draft Annual Governance Statement (AGS) 2021/22			X Receive an update in respect of progress made to implement the proposals for improvement contained within the 2021/22 AGS		
C	Review, scrutinise and issue reports and recommendations on the appropriateness of the Authority's risk management, internal control and corporate governance arrangements, and providing the opportunity for direct discussion with the auditor(s) on these.		X Governance and Audit Committee Learning & Development – proposed approach to support learning and development	X Governance and Audit Committee Learning & Development – training needs analysis findings and proposed Learning and Development Plan  X Strategic Risk Register Update  X Council Progress Update on the implementation of Audit Wales recommendations reported to the Council	X Governance and Audit Committee Learning & Development – as per Learning and Development Plan	X Strategic Risk Register Update	X Governance and Audit Committee Learning & Development – as per Learning and Development Plan  X Council Year-end Position Statement on the implementation of Audit Wales recommendations reported to the Council

		18/07/2022	07/09/2022	08/11/2022	07/12/2022	14/02/2023	15/03/2023
D	To review the assessment of fraud risks and potential harm to the Council from fraud and corruption and to monitor the counter-fraud strategy, actions and resources.				X Receive an update on the work delivered by the Corporate Fraud Team		X Whistleblowing Annual Report 2022/23  X Anti-Fraud, Bribery & Corruption - Annual Report 2022/23
E	To review the governance and assurance arrangements for significant partnerships or collaborations.	Partnership arrangements to be considered as part of the Draft Annual Performance Self-Assessment Report (as per W(i))					
F	To receive reports in relation to proposed changes to the Authority's Contract Procedure Rules and Financial Procedure Rules and where deemed appropriate, recommend their approval to Council.			X Procedure Rules Update – an overview of the Council's Contract and Financial Procedure Rules (in line with the Learning and Development Plan)			
G	To approve the Internal Audit Charter.	X Internal Audit Charter 2022/23					X Internal Audit Charter 2023/24
H	Review, approve and ensure the co-ordination of the risk based Annual Internal Audit Plan for the coming financial year.	X Draft Internal Audit Plan 2022/23					

		18/07/2022	07/09/2022	08/11/2022	07/12/2022	14/02/2023	15/03/2023
I	To make appropriate enquiries of both management and the Head of Regional Internal Audit Service to determine if there are any inappropriate scope or resource limitations and to consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the Head of Regional Internal Audit Service. To approve and periodically review safeguards to limit such impairments.	X Internal Audit End of Year Performance Report (incorporated into HIA Annual Report) 2021/22					
J	To receive reports on the performance of the Internal Audit Service throughout the year particularly in relation to matters of financial probity and corporate governance.	X HIA Annual Report 2021/22		X Progress Against the Internal Audit Risk Based Plan 2022/23		X Progress Against the Internal Audit Risk Based Plan 2022/23	
K	To contribute to the Quality Assurance Improvement Programme and in particular, to the external quality assessment of Internal Audit that takes place at least once every five years.				X External Quality Assessment of Internal Audit		
L	To provide free and unfettered access to the Governance and Audit Committee Chair for the Head of Regional Internal Audit Service, including the opportunity for a private meeting with the Committee.	As and when required					

		18/07/2022	07/09/2022	08/11/2022	07/12/2022	14/02/2023	15/03/2023
M	To receive and consider the Head of Regional Internal Audit Service's Annual Report and opinion on the level of assurance it can give over the Authority's governance arrangements and associated internal control environment.	X Head of Internal audit (HIA) Annual Report 2021/22					
N	Act as a point of arbitration, where senior officers of the Authority are unable to agree significant audit report recommendations.	As and when required					
O	To receive and consider reports of the External Auditor in relation to matters of financial probity and corporate governance and providing the opportunity for direct discussion with the auditor(s) on these.	X Audit Wales Audit Plan for 2022/23  X Audit Wales Audit Plan Pension for 2022/23	X Audit Wales verbal update on the progress of the audit of the Statement of Accounts for 2021/22  X Audit Wales Work Programme & Timetable (quarterly update to 30.6.22)	X Audit Wales Work Programme & Timetable (quarterly update to 30.9.22)  X Audit Wales Assurance and Risk Assessment summary report	Further updates to be reported as and when finalised		
P	Consider national reports, for example, from the Wales Audit Office, of relevance to the work of the Authority.	As and when published					
Q	Review, scrutinise and issue reports and recommendations in relation to the Authority's financial affairs, and providing the opportunity for direct discussion with the auditor(s)		X Governance and Audit Committee Learning & Development – Treasury			X 2022/23 Mid-year Treasury Management Stewardship Report	

		18/07/2022	07/09/2022	08/11/2022	07/12/2022	14/02/2023	15/03/2023
	on these.		Management  X Treasury Management Annual Report 2021/22				
R	Review and comment on the Authority's certified draft financial statements before their approval by Council.		X Governance and Audit Committee Learning & Development – Overview of Accounting Policies  X Draft Statements of Account 2021/22				
S	Oversee the Authority's audit arrangements (both internal and external).		X Governance and Audit Committee Draft Work Plan 2022/23		X Receive an update in respect of the work of Regional Internal Audit Service		X Governance and Audit Committee Annual Report, incorporating a self assessment against the CIPFA 2018 Practical Guidance Note
T	Promote and review any measures designed to raise the profile of probity within the Authority.	As and when required					
U	Agree, where Committee Members deem it appropriate, that a matter arising from a written report to a Committee which requires further clarification may be						

		18/07/2022	07/09/2022	08/11/2022	07/12/2022	14/02/2023	15/03/2023	
	either dealt with by a request for a written commentary from the appropriate designated officer, or by that designated officer or their senior representative, attending to answer questions in person on that specific matter. Alternatively, the Governance and Audit Committee can refer the matter to the relevant Scrutiny Committee.							
V	The committee may require members and officers of the Authority to attend before it to answer questions. Such members and officers have a duty to comply but are not obliged to answer any questions that may be refused in court proceedings in England and Wales. The Committee may invite other persons to attend the meeting.							
W (i)	To consider the Council's draft Annual Performance Self-Assessment report and if deemed necessary may make recommendations for changes to the Council.			Draft Annual Performance Self-Assessment Report				
W (ii)	To receive the Council's finalised Annual Self-Assessment report in respect of a financial year as soon as reasonably practicable after the end of the financial year.				Finalised Annual Self-Assessment Report			
W(iii)	At least once during the period between the two consecutive ordinary elections of councillors to the Council, consider the independent Panel Performance Assessment report into which the Council is meeting its performance requirements.	Further to the timescales for the independent Panel Performance Assessment being confirmed, an update will be provided to the Governance and Audit Committee in order for this area to be incorporated into the workplan.						
W (iv)	To receive and review the Council's draft response to the report of the independent Panel Performance Assessment and if deemed necessary may make recommendations for changes to the statements made in the draft response to the Council.	Further to the timescales for the independent Panel Performance Assessment being confirmed, an update will be provided to the Governance and Audit Committee in order for this area to be incorporated into the workplan.						



		<b>18/07/2022</b>	<b>07/09/2022</b>	<b>08/11/2022</b>	<b>07/12/2022</b>	<b>14/02/2023</b>	<b>15/03/2023</b>
X (i)	To review and assess the Council's ability to deal with complaints effectively.				Governance and Audit Committee Learning & Development – an overview of the Council's arrangements for dealing with complaints effectively and performance update		
X (ii)	To make reports and recommendations in relation to the Council's ability to deal with complaints effectively.						

Tudalen way

<p><b>GOVERNANCE AND AUDIT COMMITTEE</b></p> <p>7<sup>th</sup> September 2022</p>	<p><b>AGENDA ITEM NO. 9</b></p>
<p><b>JOINT REPORT OF THE DIRECTOR OF FINANCE AND DIGITAL SERVICES AND SERVICE DIRECTOR DEMOCRATIC SERVICES AND COMMUNICATION</b></p>	<p><b>GOVERNANCE AND AUDIT COMMITTEE – LEARNING AND DEVELOPMENT</b></p>

Authors: Paul Griffiths (Service Director – Finance and Improvement Services) and Mark Thomas (Head of Regional Internal Audit Service)

## **1.0 PURPOSE OF THE REPORT**

- 1.1 The purpose of this report is to set out proposed arrangements to update the learning and development plan for the Governance and Audit Committee in line with its Terms of Reference.

## **2.0 RECOMMENDATION**

It is recommended that Members:

- 2.1 Review the draft Training Needs Analysis questionnaire (**Appendix 1**) and subject to updates to incorporate into the document, instruct Council Officers to progress the training needs analysis exercise to enable results and a draft learning and development plan to be reported to the November 2022 Governance and Audit Committee meeting.

## **3.0 REASON FOR RECOMMENDATION**

- 3.1 To support the learning and development of Governance and Audit Committee Members in line with its Terms of Reference.

## **4.0 BACKGROUND INFORMATION**

- 4.1 The CIPFA publication ‘Audit Committees – Practical Guidance Note for Local Authorities & Police, 2018 Edition’ sets out that good audit committees are characterised by a membership that is, amongst other things, knowledgeable and properly trained to fulfil their role. To this

end, it is important that the provision of regular briefings and / or training is in place to help Committee Members keep up to date or extend their knowledge.

- 4.2 The Council's Governance and Audit Committee has well embedded learning and development arrangements that include, amongst other things, overviews / briefings on: internal and external audit; risk management; contract and financial procedure rules; and accounting policies, with this on-going programme of work being underpinned by a workplan in line with the Committee's Terms of Reference.
- 4.3 More recently, the Governance and Audit Committee's 2021/22 Annual Report and the Council's 2021/22 Annual Governance Statement (reported to and agreed by the Governance and Audit Committee meetings on [23rd March 2022](#) and [18th July 2022](#) respectively), recommended the need to undertake a training needs analysis to inform a refreshed learning and development plan for 2022/23.

## **5.0 GOVERNANCE AND AUDIT COMMITTEE – TRAINING NEEDS ANALYSIS**

- 5.1 In line with the recommendations set out in the Governance and Audit Committee's 2021/22 Annual Report and Council 2021/22 Annual Governance Statement, Council Officers have drafted a training needs analysis questionnaire, taking into account the CIPFA publication 'Audit Committees – Practical Guidance Note for Local Authorities & Police, 2018 Edition' and the Committee's Terms of Reference.
- 5.2 Members are requested to consider the draft Training Needs Analysis questionnaire (Appendix 1) and, subject to feedback, instruct Council officers to:
- Make arrangements for the questionnaire to be made available on-line for Members to complete; and
  - Report the results to the November 2022 Governance and Audit Committee along with a draft Learning and Development Plan.
- 5.3 Council Officers will be available to provide support to Members as part of completing the exercise to ensure all relevant feedback is taken account of in producing an updated Learning and Development Plan.

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

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

## **7.0 CONSULTATION**

- 7.1 Engagement with Governance and Audit Committee Members is being undertaken to inform the compilation of an updated Learning and Development Plan for the Committee.

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

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

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

- 9.1 The creation of a Learning and Development Plan will support Committee Members to effectively discharge its Terms of Reference and in doing so supports the principles within The Local Government (Wales) Measure 2011 (Chapter 2 / section 81), the CIPFA publication 'Audit Committees - Practical Guidance for Local Authorities & Police 2018 Edition' and Local Government and Election (Wales) Act 2021.

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

### **THE COUNCIL'S CORPORATE PLAN PRIORITIES**

- 10.1 The work of the Council's Governance and Audit Committee aims to support the delivery of the priorities contained within the Council's Corporate Plan 2020-2024 'Making a Difference', in particular 'Living Within Our Means' through ensuring that appropriate governance arrangements are in place to effectively manage resources.

### **WELL-BEING OF FUTURE GENERATIONS ACT**

- 10.2 The Sustainable Development Principles, in particular Prevention, can be applied to the systematic reviews undertaken in order to provide assurance that risks to the achievement of objectives are being managed.

## **11.0 CONCLUSION**

- 11.1 The Governance and Audit Committee's Annual Report 2021/22 and Council Annual Governance Statement 2021/22 recommends for a training needs analysis to be undertaken to inform an updated Learning and Development Plan for the Governance and Audit Committee.

11.2 Council officers have drafted a training needs analysis questionnaire for the Committee's consideration and, subject to approval, will be made available to Governance and Audit Committee Members for completion and to inform an updated Learning and Development Plan.

**Other Information:-**

***Relevant Scrutiny Committee***

**Not applicable.**

***Contact Officers*** – Paul Griffiths and Mark Thomas



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

7<sup>TH</sup> September 2022

**GOVERNANCE AND AUDIT COMMITTEE – LEARNING AND DEVELOPMENT**

**JOINT REPORT OF THE DIRECTOR OF FINANCE AND DIGITAL SERVICES AND SERVICE DIRECTOR OF DEMOCRATIC SERVICES AND COMMUNICATION**

Authors: Paul Griffiths (Service Director – Finance and Improvement Services) and Mark Thomas (Head of Regional Internal Audit Service)

Item: 9

**Background Papers**

None.

Officers to contact: Paul Griffiths / Mark Thomas

Tudalen wag



**Governance and Audit Committee**

*Members Knowledge and Skills Self-Assessment Questionnaire*

**APPENDIX 1**

Please place an X in **ONE** of the columns shaded blue, for each of the numbered statements 1 to 10 below.

Name of Committee Member :

	Statement	I have good knowledge and experience of this	I have satisfactory knowledge and experience of this	I have little knowledge or experience of this	Any Comments
	<b>Organisational Knowledge</b>				
1.	Knowledge of the governance structure of the authority (including the Annual Governance Statement), decision-making processes, the Council's objectives and its major functions.				
	<b>Governance and Audit Committee Role and Functions:</b>				
2.	An understanding of the Governance and Audit Committee's role and place within the governance structures, its terms of reference and accountability arrangements.				
	<b>Internal Audit:</b>				
3.	An understanding of the purpose of the Council's Internal Audit Service and its responsibilities to the Governance and Audit Committee.				

Tudalen 453

	<b>Statement</b>	<b>I have good knowledge and experience of this</b>	<b>I have satisfactory knowledge and experience of this</b>	<b>I have little knowledge or experience of this</b>	<b>Any Comments</b>
	<b>Financial Management &amp; Accounting:</b>				
4.	Awareness of the financial statements that a local authority must produce and the principles it must follow to produce them, and the role the Governance and Audit Committee plays in reviewing the Council's draft financial statements.				
	<b>External Audit:</b>				
5.	Knowledge of the role and functions of the external auditor and the responsibility it has to the Council's Governance and Audit Committee.				
	<b>Risk Management:</b>				
6.	Understanding of the risk management arrangements in place within the Council and the role of Governance and Audit Committee in overseeing these arrangements.				
	<b>Counter Fraud:</b>				
7.	An understanding of the main areas of fraud and corruption risk to which the Council is exposed, knowledge of the Council's arrangements for tackling fraud and awareness of good fraud risk management practice.				
	<b>Values of Good Governance:</b>				
8.	Knowledge of the authority's key arrangements to uphold ethical standards for both members and staff (including knowledge of the 7 principles of public life) and knowledge of whistle-blowing arrangements within the Council and Financial and Contract Procedure Rules.				

Tudalen 454

	<b>Statement</b>	<b>I have good knowledge and experience of this</b>	<b>I have satisfactory knowledge and experience of this</b>	<b>I have little knowledge or experience of this</b>	<b>Any Comments</b>
	<b>Council Performance Self-Assessment</b>				
9.	Understanding of the Council's Performance Self-Assessment and independent Panel Performance Assessment responsibilities and the role of the Governance and Audit Committee in reviewing and challenging the outcome of these assessments.				
	<b>Complaints Handling</b>				
10.	Understanding of the Council's arrangements for handling complaints and the role of the Governance and Audit Committee in reviewing and assessing the effectiveness of the arrangements in place.				

Are there any other areas of support / advice that you consider would help you in discharging your role as a member of the Council's Governance and Audit Committee?

Which knowledge areas below) do you have experience in that will add value to the work of the Governance and Audit Committee?  
(Please place an X for any that apply)

Accountancy	<input type="checkbox"/>	Service and organisational knowledge relevant to the functions of the organisation	<input type="checkbox"/>
-------------	--------------------------	--	--------------------------

Internal Audit	<input type="checkbox"/>	Programme and project management	<input type="checkbox"/>
Risk Management	<input type="checkbox"/>	IT Systems and IT Governance	<input type="checkbox"/>
Governance and Legal	<input type="checkbox"/>	Other (please specify)	<input type="checkbox"/>