



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

**COMMITTEE SUMMONS**

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

Meeting Contact: Hannah Jones - Council Business Unit, Democratic Services  
(07385401954)

**YOU ARE SUMMONED** to a hybrid meeting of **GOVERNANCE AND AUDIT COMMITTEE** to be held on **MONDAY, 4TH SEPTEMBER, 2023** at **5.00 PM.**

Non Committee Members and Members of the public may request the facility to address the Committee at their meetings on the business listed although facilitation of this request is at the discretion of the Chair. It is kindly asked that such notification is made to Democratic Services by Thursday, 31 August 2023 on the contact details listed above, including stipulating whether the address will be in Welsh or English.

**AGENDA**

**Page  
No's**

**1. DECLARATION OF INTEREST**

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

Note:

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

**2. MINUTES**

To receive the minutes of the previous meeting of the Governance & Audit Committee held on the 4<sup>th</sup> July 2023.

<b>3. TREASURY MANAGEMENT ANNUAL REPORT 2022/2023</b>	<b>11 - 26</b>
<b>4. DRAFT STATEMENT OF ACCOUNTS 2022/23 (INCLUDING AN OVERVIEW OF ACCOUNTING POLICIES)</b>	<b>27 - 350</b>
<b>5. EXTERNAL PEER ASSESSMENT OF THE REGIONAL INTERNAL AUDIT SERVICE</b>	<b>351 - 392</b>
<b>6. AUDIT WALES NATIONAL REPORTS</b>	
<ul style="list-style-type: none"> <li>• 'Time for Change' - Poverty in Wales</li> <li>• 'A missed opportunity' - Social Enterprises</li> <li>• 'Together we can' – Community resilience and self-reliance</li> </ul>	
	<b>393 - 572</b>
<b>7. URGENT BUSINESS</b>	
To consider any items, which the Chairman, by reason of special circumstances, is of the opinion should be considered at the meeting as a matter of urgency	

**Service Director of Democratic Services & Communication**

**Circulation:-**

County Borough Councillors: Councillor G Hopkins, Councillor M Maohoub, Councillor S Rees, Councillor B Stephens, Councillor L A Tomkinson and Councillor A J Ellis

Lay Members: Mr C Jones Mr M Jehu Mr J Roszkowski

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



## **RHONDDA CYNON TAF COUNCIL**

Minutes of the virtual meeting of the Governance and Audit Committee held on Tuesday, 4 July 2023 at 5.00 pm.

This meeting was recorded, details of which can be accessed [here](#)

### **County Borough Councillors – The following Committee Members were present:**

Mr C Jones	Councillor G Hopkins
Councillor M Maohoub	Councillor S Rees
Councillor B Stephens	Councillor L A Tomkinson
Councillor A J Ellis	Mr M Jehu

### **Officers in attendance**

Mr A Wilkins, Director of Legal Services and Democratic Services  
Mr P Griffiths, Service Director – Finance & Improvement Services  
Mr A Wathan - The Head of the Regional Internal Audit Service  
Ms L Cumpston, Group Audit Manager

### **Apologies for absence**

Mr J Roszkowski

#### **1 Welcome and Apology**

The Director of Legal and Democratic Services welcomed attendees to the meeting of the Governance and Audit Committee and an apology was received from Lay Member – Mr 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 15<sup>th</sup> March 2023 as an accurate reflection of the meeting.

#### **4 Matters Arising**

Minute No. 39 (Whistleblowing Annual Report 2022/23 including updated Whistleblowing Policy): The Director of Legal and Democratic Services confirmed that the proposed changes to Appendix A in relation to the 'workers do's and don'ts', had been actioned following agreement by the Committee and

advised that the amended document had been published on the Council's intranet and would be included within the Council's Constitution.

## **5 Appointment of Chair**

The Director of Legal and Democratic Services sought nominations for the position of Chair of the Governance and Audit Committee.

It was **RESOLVED** that Mr C Jones be re-elected as Chairman of the Governance and Audit Committee for the Municipal Year 2023/24.

## **6 Appointment of Vice-Chair**

The Chair sought nominations for the position of Vice-Chair for the Governance and Audit Committee for the Municipal Year 2023/24. It was **RESOLVED** to re-elect County Borough Councillor M Maohoub as Vice-Chair.

## **7 Announcement of the Chair**

The Chair took the opportunity to welcome new Committee Member, County Borough Councillor A. Ellis and the newly appointed Head of Regional Audit Service to their first meeting of the Governance and Audit Committee.

The Chair welcomed County Borough Councillor S. J. Davies who was present at the meeting to observe the proceedings.

## **8 Council Progress Update - Implementation of Recommendations reported by Audit Wales**

The Service Director - Finance and Improvement Services provided Members with a progress update on the implementation of recommendations reported in the Audit Wales 'Annual Audit Summary 2021' and the three stand-alone reports:

- Rhondda Cynon Taf Council - Springing Forward – Strategic Asset Management (issued June 2022);
- Rhondda Cynon Taf Council - Springing Forward – Workforce (issued July 2022); and
- National Report – Direct Payments for Adult Social Care (published April 2022).

The Service Director referred Members to Section 3 of the report and outlined the arrangements for monitoring Audit Wales recommendations. It was explained that the Governance and Audit Committee have responsibility to provide independent assurance around the adequacy of the arrangements in place and Scrutiny Committees having responsibility to monitor the progress Council Services are making to implement agreed recommendations reported by Audit Wales. Members were reminded that the Governance and Audit Committee can refer performance related matters to the relevant Scrutiny Committee and that Scrutiny Committees can refer matters to the Governance



and Audit Committee, in relation to internal control, risk management and governance.

The Service Director assured the Governance and Audit Committee that where recommendations are agreed with Audit Wales, implementation and monitoring arrangements are in place with the relevant service areas and in-year and year-end progress updates are reported to the Governance and Audit Committee.

The Governance and Audit Committee **RESOLVED:**

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

## **9 Head of Internal Audit Annual Report 2022/23**

The Head of the Regional Internal Audit Service provided the Committee with his Annual Opinion on the Council's control environment in relation to governance, risk management and internal control. Furthermore, the officer provided the Governance and Audit Committee with information in relation to the work and performance of Internal Audit for the Financial Year 2022/23.

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 the Regional Internal Audit Service informed Members of the approved draft Internal Audit plan for 2022/23 which was presented to the Governance and Audit Committee on the 18<sup>th</sup> July 2022. The approved plan was flexible to respond to changing circumstances and events that may occur during the year.

The Head of the Regional Internal Audit Service directed Members to Appendix A of the report which summarised the reviews undertaken during 2022/23, the recommendations made, and any control issues identified. It was noted that a total of 47 reviews were completed where an audit opinion was provided, and a total of 143 recommendations made.

The Head of the Regional Internal Audit Service directed Members to Annex 2 of the report that set out the final position against the 2022/23 Risk Based Plan and illustrated that 59 (61%) of the planned audit reviews had been undertaken during 2022/23; 29 audits were not started and had been included in the planning process for 2023/24; and that a further 2 audit reviews were ongoing and had been carried forward into the 2023/24 audit plan.

The Head of the Regional Internal Audit Service concluded by informing Members that based on the results of the internal audit reviews completed during 2022/23, 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 2022/23 was of **'Reasonable Assurance'**.

The Chair thanked the Head of the Regional Internal Audit Service for the detailed report and was encouraged by its content.

One Member noted that two audit reviews identified control issues which meant that a Limited Assurance audit opinion was provided. In respect of the Ysgol Gyfun Rhydywaun review, the Member raised concerns about the failure to take on board the implementation of two Council corporate systems, one of which was in relation to safeguarding. The Member questioned the process of informing Merthyr Tydfil County Borough Council of the school's shortcomings in terms of the safeguarding process and whether there was a process to inform social services, Estyn or CIW, if there are any Children Looked After pupils at the school. The Head of the Regional Internal Audit Service firstly took the opportunity to assure the Member that the school had confirmed that both the recommendations to improve the overall control environment had been fully implemented and that the reviews would be followed up later in the year. The Audit Manager advised that the school did have safeguarding measures in place, but that it was not the process endorsed by RCT Council.

In terms of the process of notifying the other Local Authority and the finalisation of the report, the Head of Regional Internal Audit Service advised that the information would be reported back to the next meeting of the Governance and Audit Committee but added that both the Headteacher and Director of Education of this Council receive copies.

In reference to the audit review of Highways – Transfer of Waste, where it was identified that there was an overall lack of control at both Council Depots, absence of key information relating to the type, frequency and volume of waste being transferred and lack of compliance with the Council's Contract Procedure Rules, one Member queried which depot and what type of waste was being referred to. The Head of Regional Internal Audit Service explained that the review was in relation to the controls of the process, as opposed to the waste itself.

One Member highlighted the term 'areas for improvement' and queried whether the areas in question are in relation to performance in a wider perspective, with no impact on the audit; and how the Committee can be assured of future improvement. The Head of the Regional Internal Audit Service confirmed that the areas for improvement were in relation to the overall performance of the team and the individual audits. It was explained that in order to monitor the improvement, appropriate resources would need to be in place to achieve approximately 80% of the Audit Plan; and that there is a third party internal audit provider for additional support, should the service be unsuccessful in its recruitment process. Furthermore, the Head of Regional Internal Audit Service spoke of the approximate 50% return rate of questionnaires and advised that service managers would be encouraged to respond following the final report.

One Member commented that he felt assured by the effectiveness of the Internal Audit Service and that plans were in place for areas which may have fallen short in terms of the control process.

The Governance and Audit Committee **RESOLVED:**

1. To give consideration to the Annual Internal Audit Report for the Financial Year 2022/23 including the Head of Internal Audit's Annual Opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal control.

## **10 Council Annual Governance Statement 2022/23 and updated Local Code of Corporate Governance**

The Service Director - Finance and Improvement Services provided Members with the Council's draft Annual Governance Statement for the 2022/23 financial year and updated Local Code of Corporate Governance.

The Service Director drew Members' attention to Appendix 1 of the report and explained that the Draft Annual Governance Statement for 2022/23 had been produced in accordance with the requirements contained within the 'Delivering Good Governance in Local Government: Framework (2016)' and the CIPFA Financial Management Code 2019.

The review process also identified updates for inclusion within the Local Code of Corporate Governance to reflect the current arrangements in place within the Council, with an updated Code set out at Appendix 2 of the report for Members' consideration.

One Member commented on the complexity of the report and stated that officers had taken a pragmatic approach to managing its content. The Member commented that he felt assured that the Local Authority was taking its responsibilities seriously.

The Chair thanked the Service Director for the update and was pleased to note that the Council's Procedure Rules would be updated.

The Governance and Audit Committee **RESOLVED:**

1. To critically review the Annual Governance Statement, suggest any material amendments and recommend its certification by the Leader of the Council and the Chief Executive for inclusion within the Council's 2022/23 certified draft Statement of Accounts;
2. That in the event that reports from relevant External Inspectors be provided to the Council before the Statement of Accounts are approved, to authorise the Deputy Chief Executive and Group Director - Finance, Digital and Frontline Services to include reference within the Annual Governance Statement; and
3. To review and approve the updated Local Code of Corporate Governance and for its publication on the Council's website.

## **11 Internal Audit Plan 2023/24**

The Audit Manager provided the Governance and Audit Committee with the draft Annual Internal Audit Strategy and Risk Based Internal Audit Plan for 2023/24.

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; and
- Results of discussions with the Senior Leadership Team, including the Chief Executive, Section 151 Officer and other senior officers as necessary.

In reference to remote working, one Member questioned if there was a process in place to seek the views of service users on remotely run services. The Member spoke of the use of ex-employees and whether they felt that they were receiving adequate support from services, following their employment. The Audit Manager advised that there is an audit scheduled within the plan, which would review the customer care and Customer Relationship Management system of the Local Authority, which is the first point of contact for members of the public. The Service Director - Finance and Improvement Services added that there is an on-going programme of service user engagement undertaken across services to understand the needs of service users, and the Council recognises that on-line platforms do not meet the needs of all service users and takes this into account in the delivery of services.

The Governance and Audit Committee **RESOLVED:**

1. To approve the draft Annual Internal Audit Strategy and Risk Based Internal Audit Plan for 2023/24.

## **12 Governance and Audit Committee Draft Work Programme 2023/24**

The Service Director - Finance and Improvement Services set out a draft work plan for the 2023/24 Municipal Year to enable the Committee to effectively fulfil its Terms of Reference.

The Service Director drew Members' attention to the draft Governance and Audit Committee Work Plan for 2023/24, which was attached at Appendix 1 of the report. The Work Plan set out the Committee's Terms of Reference together with a timetable for bringing reports and information updates before Committee for review and challenge.

It was noted that the work plan would be subject to on-going review during the year and where further areas are identified, these will be reported to Governance and Audit Committee for consideration and, if deemed appropriate, incorporated into the work plan.

The Service Director highlighted to Members that a training session for the Governance and Audit Committee has been scheduled to take place in October, which would be in addition to the regular Committee meetings. The session would relate to scrutinising the arrangements the Council has in place to effectively manage complaints. The Service Director advised that at October's Committee meeting, the intention was for Members to consider a report in respect of the Council's complaints procedures, and as such the areas of focus identified at the training session would be fresh in Members' minds.

The Governance and Audit Committee **RESOLVED:**

1. To 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; and
2. To approve a work plan for delivery during the 2023/24 Municipal Year.

**This meeting closed at 6.00 pm**

**Mr C Jones - Chair.**

This page is intentionally left blank



## MUNICIPAL YEAR 2023 / 2024

<b>GOVERNANCE AND AUDIT COMMITTEE</b>  <b>4<sup>TH</sup> SEPTEMBER 2023</b>	<b>AGENDA ITEM NO. 3</b>
<b>REPORT OF THE DEPUTY CHIEF EXECUTIVE AND GROUP DIRECTOR: FINANCE, DIGITAL AND FRONTLINE SERVICES</b>	<b>2022/23 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 12<sup>th</sup> July 2023 (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 2022/23 Annual Treasury Management Review was reported to and agreed by Council on 12<sup>th</sup> July 2023.

- 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 2022/23.
- 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 Council continues to adopt a low-risk strategy in terms of investing and borrowing (paras 6.1.8, 7.1 and 10.2).
  - Net Capital Charges for the year were within budget (para 8.4).
  - Compliance has been achieved in terms of all Prudential and Treasury indicators (para 9.1).
  - Funding packages for Sustainable Communities for Learning continue to be reported within Treasury management reports (paras 12.0 to 12.5).

#### **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 2022/23 in line with the Strategy reports approved by Council in March 2022. 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” and remit of the Committee.

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

- 8.1 The financial results / implications of the Council’s Treasury Management arrangements in 2022/23 have been incorporated into quarterly Performance Reports during 2022/23, reported to Council on 23<sup>rd</sup> November 2022 as part of the 2022/23 Mid-Year Treasury Management Stewardship Report and also incorporated into the year-end Council Performance Report reported to Cabinet on 17<sup>th</sup> July 2023.

## **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 2022/23 activities of Treasury Management.

**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**

**4<sup>th</sup> September 2023**

**2022/23 ANNUAL TREASURY MANAGEMENT REVIEW**

**REPORT OF THE DEPUTY CHIEF EXECUTIVE & GROUP DIRECTOR -  
FINANCE, DIGITAL & FRONTLINE SERVICES**

Author: Barrie Davies (Deputy Chief Executive & Group Director - Finance,  
Digital & Frontline Services)

**Background Papers**

None.

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



**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**MUNICIPAL YEAR 2023 / 2024**

**COUNCIL**

**12<sup>th</sup> JULY 2023**

**2022/23 ANNUAL TREASURY MANAGEMENT REVIEW**

**REPORT OF THE DEPUTY CHIEF EXECUTIVE & GROUP DIRECTOR -  
FINANCE, DIGITAL & FRONTLINE 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 2022/23; and
- the actual Prudential and Treasury Indicators for 2022/23.

**2.0 RECOMMENDATION**

2.1 It is recommended that Members:

- a) note the content of the report; and
- b) note the funding arrangements for the Sustainable Communities for Learning programme as set out at section 12.

**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 2022/23, the Governance and Audit Committee undertook scrutiny of the Treasury Management function, including treasury / capital strategy and annual / mid-year performance reports.
- 4.6 This annual report will cover the following areas of treasury activity during 2022/23:
- Treasury Management advisors;
  - 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 Since March 2020, the service provided has adapted with strategy meetings taking place virtually and technical updates being carried out via webinars. This practice has continued effectively post pandemic. 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 ECONOMIC BACKGROUND**

### **6.1 General Economic Background**

- 6.1.1 The UK economic backdrop during 2022/23 was one of high energy and commodity prices and inflation that in turn impacted on household budgets and spending. The conflict in Ukraine was a key factor in contributing to the UK's economic position and relatively weak outlook, and more widely also contributed to keeping global inflation above central bank targets.
- 6.1.2 Central Bank actions remained consistent with combatting inflation. The Bank of England, US Federal Reserve, and European Central Bank all increased interest rates over the period, taking into account the potential for economic slowdowns in these regions.
- 6.1.3 Starting the financial year at 5.5%, the annual CPI measure of UK inflation rose to 10.1% in July 2022 and then 11.1% in October 2022. Inflation remained high in subsequent months and appeared to be past the peak, albeit, remained at 10.1% in March 2023. During the last quarter of the financial year, food and housing costs were some of the largest upward contributors to the annual rate.

- 6.1.4 The unemployment rate eased from 3.8% at the beginning of the year to 3.7% toward the end of the financial year.
- 6.1.5 Earnings were robust throughout the year, with earnings growth in December 2022 to February 2023 at 5.7% for both total pay (including bonuses) and 6.5% for regular pay. Once adjusted for inflation, both measures were negative for that period.
- 6.1.6 The Bank of England official Bank Rate was 4.25% as at March 2023, up from 0.75% at March 2022. The Monetary Policy Committee (MPC) have increased the Bank Rate at each meeting during the year. The February 2023 Bank of England Monetary Policy Report noted that inflationary pressures remain elevated with growth stronger than was expected.
- 6.1.7 In the financial markets uncertainty continued to be a key driver of market sentiment. Bond yields remained relatively volatile due to concerns over elevated inflation, higher interest rates, the risk of the UK entering a recession and how long the Bank of England would continue to tighten monetary policy. Towards the end of the period, the collapse of Silicon Valley Bank in the US and purchase of Credit Suisse by UBS caused further volatility.
- 6.1.8 The Council continued to maintain a low-risk strategy throughout the year to ensure exposure to risk of any capital loss was minimised.

## 6.2 Short term investment rates

- 6.2.1 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 2023) forward looking estimate of the Bank Rate (currently 5%), provided by our Treasury Management advisors, is for the rate to rise to 5.5% in the autumn and start reducing in quarter 2 of 2024 before falling to a low of around 3% by mid-2025.

## 6.3 Longer term interest rates

- 6.3.1 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.
- 6.3.2 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.

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

6.3.4 PWLB maturity loan rates during 2022/23 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	3.62%	3.76%	4.09%	3.74%
Highest	5.44%	5.45%	5.87%	5.51%
Lowest	2.18%	2.36%	2.55%	2.25%

## **7.0 BORROWING STRATEGY**

7.1 The borrowing strategy for 2022/23, as included in the 2022/23 Treasury Management Strategy and approved by Council on 9<sup>th</sup> March 2022, stated that the borrowing requirement to fund the 2022/23 Capital Programme was £18.4m. In line with the capital programme, the borrowing requirement decreased to £15.6m during the year largely due to the re-profiling of the Sustainable Communities for Learning Programme (formerly 21<sup>st</sup> Century Schools schemes) and slippage in other capital schemes. It was also reported that the Council’s policy will continue to maximise “internal borrowing”, run down cash balances and forego interest earned. This also minimises counterparty risk (risk that an investment may become irrecoverable).

7.2 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.

7.3 Affordability and the cost of carry remain important influences on the Council’s borrowing strategy. No new long or short term borrowing was taken during the year.

7.4 The 2022/23 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 2022/23.

## 8.0 **BORROWING ACTIVITY AND RESULTS**

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

	Opening Balance 01/04/22	Movement	Closing Balance 31/03/2023	Average Debt	Total Interest	Weighted Average Interest
	£M	£M	£M	£M	£M	%
PWLB*	219.307	(10.966)	208.341	213.894	6.797	3.18
Banks LOBO**	31.000		31.000	31.000	1.395	4.50
Banks Fixed Term	54.500		54.500	54.500	2.725	5.00
Local Auths	5.000	(5.000)	0.000	0.425	0.001	0.15
Other***	82.400		82.400	82.400	0.00	0.00
Total	392.207	(15.966)	376.241	382.219	10.918	2.86****

\* 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 (WG) repayable funding for investment in transport (rail) infrastructure works.

\*\*\*\* 3.64% excluding WG repayable funding

8.2 The average interest rate of debt as at 31<sup>st</sup> March 2023 was 2.87% (3.68% excluding WG repayable funding).

8.3 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% and was repaid 1<sup>st</sup> May 2022.

8.4 At the end of the year there was no variance reported in the Council's Net Capital Financing Budget of £21.308M.

8.5 There were no opportunities to further reduce the cost of our borrowing via rescheduling during the year.

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

9.1 During the financial year 2022/23, 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 9<sup>th</sup> March 2022. Details of limits and actual performance are as follows:



	<b>£</b>	<b>2022/23 Actual £</b>
Capital Expenditure 2022/23		135.095M
Capital Financing Requirement (CFR) as at 31 <sup>st</sup> March 2023		503.255M

<b>Limit / Indicator</b>	<b>2022/23 Limit / Indicator</b>	<b>2022/23 Actual</b>
Authorised Limit (£) (Limit beyond which borrowing is prohibited)	612.400M	392.660M (at highest point in year)
Operational Boundary (£) (Indicator to ensure Authorised Limit not breached)	455.400M	376.696M (at year end)
External Debt (£)	440.242M	376.242M
Other Long Term Liabilities	<u>0.200M</u>	<u>0.072M</u>
Sub total	440.442M	376.314M
Other: Finance Lease	<u>2.258M</u>	<u>0.382M</u>
Borrowing + Other Long Term Liabilities	442.700M	376.696M
Ratio of Financing Costs to Net Revenue Stream	4.76%	4.60%
Ratio of Net Income from Commercial and Service Investments to Net Revenue Stream	0.28%	0.35%
Long Term Treasury Management Investments (greater than 1 year) (£)	25M	2.1M
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 33% 12 mths – 2 yrs 3% 2-5 years 9% 5-10 years 10% 10-20 years 2% 20-30 years 10% 30-40 years 33% 40-50 years 0%

9.2 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 and as reported in the Treasury Management mid-year review.

## **10.0 INVESTMENT STRATEGY**

- 10.1 The Council manages its investments in-house, investing during 2022/23 in line with the lender criteria as set out in the Treasury Management Strategy approved by Council on the 9<sup>th</sup> March 2022. Investment policy is governed by Welsh Government guidance.
- 10.2 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.
- 10.3 During the year, the Council has complied with the approved 2022/23 Treasury Management Strategy and there have been no liquidity difficulties.

## **11.0 INVESTMENT ACTIVITY AND RESULTS**

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

	<b>Interest Received</b>	<b>Average Cash Balance</b>	<b>Return on Investments</b>	<b>Benchmark Return*</b>
	<b>£M</b>	<b>£M</b>	<b>%</b>	<b>%</b>
Cash Balances	1.597	86.965	1.84	2.38

*\* The benchmark return for Local Authority internally managed funds is the average 7-day money market rate.*

- 11.2 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 have remained relatively low, albeit, have increased in the latter part of the financial year.
- 11.3 The average return on investments has slightly under-performed the benchmark return over the year.
- 11.4 The £2.1m for “funds invested for greater than 1 year” represents a loan to Cynon Taf Community Housing Group (£2.2m outstanding, £0.1m of which to be repaid within 12 months).

11.5 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	0.831

11.6 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 at 31<sup>st</sup> March 2023 as £3.045m, under “Investments in Subsidiaries”.

11.7 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 £22.2m, with an annual rental of £1.7m. They relate to:
  - 50-53 Taff St, Pontypridd;
  - Unit 1 Cambrian Industrial Estate, Clydach Vale;
  - Rhos Surgery, Mountain Ash;
  - Coed Ely Business Units;
  - Robertstown Units;
  - Llys Cadwyn, Pontypridd;
  - 103-110 Taff Street, Pontypridd, and;
  - 13-17 Sardis Road.

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

12.1 This Council continues to successfully deliver new, improved and modern schools to make a significant improvement to the learning environment for our young people.

12.2 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 83.66%). 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. The Council's capital envelope has subsequently been increased by £40.5M.

- 12.3 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.
- 12.4 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.
- 12.5 The Council's contributions to the respective funding packages are and will continue to be built into the Council's Medium Term Financial Plan and Capital Programme accordingly. On the 6<sup>th</sup> July 2022, via the 2021/22 Annual Treasury Management Review report, Council agreed the overall level of contribution of £43.2M borrowing to fund the full programme in line with the detail set out above and up to and within the original overall envelope. Set against this, current borrowing amounts to £30.0M.

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

- 13.1 The report provides an overview of the Council's Treasury Management activities during 2022/23 in line with the Strategy reports approved by Council in March 2022. As a result, no Equality Impact Assessment is required for the purposes of this report.

### **14.0 WELSH LANGUAGE IMPLICATIONS**

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

### **15.0 CONSULTATION**

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

### **16.0 FINANCIAL IMPLICATION(S)**

- 16.1 The financial results / implications of the Council's Treasury Management arrangements in 2022/23 have been incorporated into quarterly

Performance Reports during the year and also reported to Council on 23<sup>rd</sup> November 2022 as part of the 2022/23 Mid-Year Treasury Management Stewardship Report.

#### **17.0 LEGAL IMPLICATIONS OR LEGISLATION CONSIDERED**

17.1 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.

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

18.1 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.

18.2 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.

#### **19.0 CONCLUSION**

19.1 The 2022/23 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 12<sup>th</sup> JULY 2023**

**REPORT OF THE DEPUTY CHIEF EXECUTIVE & GROUP DIRECTOR -  
FINANCE, DIGITAL & FRONTLINE SERVICES**

**Item: 2022/23 ANNUAL TREASURY MANAGEMENT REVIEW**

**Background Papers**

- 9<sup>th</sup> March 2022 Council meeting – Report: Treasury Management Strategy Incorporating Investment Strategy, Treasury Management Indicators and Minimum Revenue Provision (MRP) Statement for 2022/23.  
[Report.pdf \(moderngov.co.uk\)](#)
- 9<sup>th</sup> March 2022 Council meeting – Report: 2022/23 Capital Strategy Report Incorporating Prudential Indicators.  
[Report.pdf \(moderngov.co.uk\)](#)
- 23<sup>rd</sup> November 2022 Council meeting – Report: 2022/23 Mid-Year Treasury Management Stewardship Report.  
[Report.pdf \(moderngov.co.uk\)](#)

Officer to contact: Barrie Davies (Deputy Chief Executive & Group Director - Finance, Digital & Frontline Services)

\*\*\*\*\*



## RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2023/24

<b>GOVERNANCE &amp; AUDIT COMMITTEE</b>	<b>AGENDA ITEM NO. 4</b>
<b>REPORT OF THE DEPUTY CHIEF EXECUTIVE &amp; GROUP DIRECTOR - FINANCE, DIGITAL &amp; FRONTLINE SERVICES</b>	<b>DRAFT STATEMENTS OF ACCOUNT FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH 2023</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 2022/23 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 regarding timelines for the production and audit of the Statements of Account.

### **2.0 RECOMMENDATIONS**

It is recommended that Members;

- (a) Consider the Council's certified draft Statement of Accounts for the financial year 2022/23 (Appendix 1);

- (b) Consider the Rhondda Cynon Taf Pension Fund certified draft Statement of Accounts for the financial year 2022/23 (Appendix 2);
- (c) Consider the Central South Consortium Joint Education Service Joint Committee certified draft Statement of Accounts for the financial year 2022/23 (Appendix 3);
- (d) Consider the Llwydcoed Crematorium Joint Committee certified draft Annual Return for the financial year 2022/23 (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 plans for production and audit of Statements of Account and Annual Return for financial years 2022/23, 2023/24 and 2024/25, in line with Audit Wales and Welsh Government notifications.

### **3.0 TIMELINES FOR THE PRODUCTION, AUDIT AND PUBLICATION OF STATEMENTS OF ACCOUNT**

- 3.1 The Accounts and Audit (Wales) Regulations 2014 have been amended by the Accounts and Audit (Wales) (Amendment) Regulations 2018 requiring Local Authorities to produce and publish Statements of Account earlier with effect from 2018/19 financial year. Members will be aware that earlier closure of accounts was successfully implemented by this Council, ahead of the timetable defined within the 2018 Amendment Regulations, and, in respect of 2018/19, accounts were published by 31<sup>st</sup> July after the end of the financial year.
- 3.2 In line with Welsh Government's expectations, the impact of COVID 19 required the reprioritisation of resources to support key front line and essential support services to our residents and businesses resulting in a necessary and managed change to our accounts preparation timetable from 2019/20.
- 3.3 More recently, in the Auditor General for Wales's letter to Local Government bodies, Welsh Government and the WLGA dated 23<sup>rd</sup> March 2023, it was explained that the introduction of a revised auditing standard and delays in completing the audit of 2021/22 accounts necessitate an extension to audit certification deadlines.
- 3.4 Further detail was provided by Audit Wales in accompanying correspondence from the Executive Director Audit Services, detailing a planned timetable for certification of accounts as follows:



2022/23	30 <sup>th</sup> November 2023
2023/24	31 <sup>st</sup> October 2024
2024/25	30 <sup>th</sup> September 2025

3.5 Two key reasons were provided for the extended timescales:

1. The implementation of a revised auditing standard (*ISA 315 (UK) Identifying and Assessing the Risk of Material Misstatement (Revised July 2020)*) requiring auditors to undertake more detailed and extensive risk assessment procedures to identify risks of material misstatement.
2. The impact of delays in completing audits of 2021/22 accounts mainly as a result of a UK wide technical issue regarding the valuation of local government infrastructure assets. CIPFA issued its final accounting guidance on infrastructure assets in January 2023 impacting upon Audit Wales's ability to commence 2022/23 audits in line with previous timetables.

3.6 As a result of the Audit Wales correspondence, in its letter of 19<sup>th</sup> May 2023, Welsh Government clarified their expectation for the timescales for the preparation and publication of statutory financial accounts as follows (noting that Welsh Government encourages Councils to approve earlier wherever possible):

<b>Statement of Accounts</b>	<b>Preparation</b>	<b>Publication</b>
2022/23	31 <sup>st</sup> July 2023	31 <sup>st</sup> December 2023
2023/24	30 <sup>th</sup> June 2024	30 <sup>th</sup> November 2024
2024/25	30 <sup>th</sup> June 2025	31 <sup>st</sup> October 2025

3.7 Welsh Government also advised of its intention to consult on and make amendments to the Accounts and Audit (Wales) Regulations before 31<sup>st</sup> March 2024 as a result of the longer-term timetable.

3.8 The Accounts and Audit (Wales) Regulations currently include a provision whereby if the Responsible Financial Officer does not certify the draft accounts by 31<sup>st</sup> May, or the accounts are not published by 31<sup>st</sup> July, there is a requirement to publish a statement setting out the reasons for non-compliance. In accordance with these requirements, appropriate [notices](#) were published on the Council website.

3.9 The draft Statements of Account for Rhondda Cynon Taf County Borough Council and Rhondda Cynon Taf Pension Fund were certified by the Deputy Chief Executive & Group Director - Finance, Digital & Frontline Services on the 31<sup>st</sup> July 2023.

- 3.10 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 23<sup>rd</sup> May 2023 and were certified by the Deputy Chief Executive & Group Director - Finance, Digital & Frontline Services on 24<sup>th</sup> May 2023. The audited accounts are planned to be presented for approval at a Joint Committee meeting during the autumn.
- 3.11 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 Deputy Chief Executive & Group Director - Finance, Digital & Frontline Services on 14<sup>th</sup> June 2023 and was reported to and approved by the Joint Committee on 27<sup>th</sup> June 2023.

#### **4.0 LOCAL GOVERNMENT MEASURE 2011**

- 4.1 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.*
- 4.2 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.
- 4.3 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.
- 5.0 EQUALITY AND DIVERSITY IMPLICATIONS AND SOCIO-ECONOMIC DUTY**
- 5.1 There are no equality and diversity or socio-economic duty implications as a result of the recommendations set out in the report.
- 6.0 CONSULTATION**
- 6.1 There are no consultation implications as a result of the recommendations set out in the report.
- 7.0 FINANCIAL IMPLICATION(S)**
- 7.1 There are no financial implications as a result of the recommendations set out in the report.
- 8.0 LEGAL IMPLICATIONS OR LEGISLATION CONSIDERED**
- 8.1 The report ensures the Council complies with the Accounts and Audit (Wales) Regulations 2014 (as amended), Accounts and Audit (Wales) (Amendment) Regulations 2018 and also with the requirements of the Local Government Measure 2011.

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

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

## **10.0 CONCLUSION**

- 10.1 Acknowledging the amendment to the planned timescales as detailed in the report, the certification of all draft Statements of Account and Annual Return demonstrates the continued effective financial management arrangements at the Council.
- 10.2 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.
- 10.3 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**

4<sup>th</sup> September 2023

**DRAFT STATEMENTS OF ACCOUNT FOR THE FINANCIAL YEAR ENDED  
31<sup>st</sup> MARCH 2023**

**REPORT OF THE DEPUTY CHIEF EXECUTIVE & GROUP DIRECTOR -  
FINANCE, DIGITAL & FRONTLINE SERVICES**

Author: Barrie Davies (Deputy Chief Executive & Group Director - Finance,  
Digital & Frontline Services)

**Background Papers**

None.

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

This page is intentionally left blank



Draft Statement  
of Accounts  
2022/23





**Rhondda Cynon Taf County Borough Council  
Statement of Accounts 2022/23**

<b>Contents</b>	<b>Page</b>
Narrative Report	1
Statement of Responsibilities for the Statement of Accounts	14
Movement in Reserves Statement	16
Comprehensive Income and Expenditure Statement	23
Balance Sheet	25
Cash Flow Statement	28
Expenditure and Funding Analysis	30
 <i>Notes to the core Financial Statements</i>	
1. Significant Accounting Policies	32
2. Accounting Standards Issued, Not Adopted	45
3. Critical Judgements in Applying Accounting Policies	45
4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty	46
5. Events After the Reporting Period	48
6. Property, Plant & Equipment	49
7. Financial Instruments	54
8. Short-Term Debtors	60
9. Cash and Cash Equivalents	61
10. Short-Term and Long-Term Creditors	61
11. Provisions	62
12. Other Long-Term Liabilities	63
13. Usable Reserves	63
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	96

**Group Accounts**

Introduction	97
Bodies Consolidated	97
Statement of Group Accounting Policies	98
Group Movement in Reserves Statement	100
Group Comprehensive Income and Expenditure Statement	109
Group Balance Sheet	111
Group Cash Flow	114

*Notes to the Group Accounts*

G1. Segmental Analysis (Subsidiary Companies)	115
G2. Long-Term Assets	115
G3. Group Companies Reserve	119
G4. Subsidiary Companies Statutory Accounts	119
G5. Consolidation Adjustments	120
G6. Cash Flow Statement - Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements	120
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	120
G8. Cash Flow Statement – Interest with Operating Activities	121
G9. Cash Flow Statement – Investing Activities	121
G10. Cash Flow Statement – Financing Activities	121
G11. Adjustments between Group Accounts and Council Accounts in the Group Movements in Reserve Statement	121
G12. Debtors	122
G13. Short-Term and Long-Term Creditors	122

G14. Provisions	122
G15. Amgen Cymru - Landfill Aftercare	123
Annual Governance Statement	124
Independent Auditor's Report of the Auditor General for Wales	173
Glossary of Terms	178

## Narrative Report

### 1. Introduction

Rhondda Cynon Taf is the third largest Council in Wales with a population of 237,497 (2021 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 2022/23 have been prepared in accordance with:

- Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 based on International Financial Reporting Standards (IFRS).
- Accounts and Audit (Wales) Regulations 2014 (as amended).

The accounts set out on pages 1 to 172 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 2022/23 is set in the context of the on-going recovery from Covid-19 and cost-of-living crisis, both of which contributed to significant increases in demand and cost pressures across a number of services. 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 Welsh Government Covid-19 Hardship Fund ceased from 1<sup>st</sup> April 2022, with the requirement for local authorities to manage any on-going service and financial implications from resources provided in the Local Government Settlement. Exceptions to this were on-going support during the year for Holiday Free School Meal provision, Self-Isolation payments and Statutory Sick-Pay Enhancement Scheme, together with reimbursement for costs incurred in respect of Test, Trace, Protect arrangements and Vaccination Centres.

Welsh Government also announced in March 2022 a package of measures to provide support as Wales recovered from the pandemic and support households to deal with the impact of increasing energy and other costs. This included, at an all Wales level, £152m to provide a £150 cost-of-living payment to eligible households and £25m to provide discretionary support for other purposes relating to living costs. Rhondda Cynon Taf Council agreed implementation arrangements to deliver a package of support on behalf of Welsh Government on [24th March 2022](#) for Rhondda Cynon Taf residents, with payments made in 2022/23. Alongside this, the Council also delivered the Welsh Government Fuel Support Scheme in autumn 2022 to Rhondda Cynon Taf residents.

The above-mentioned funding made available to Rhondda Cynon Taf in 2022/23, like all local authorities in Wales, was to administer financial support to local

residents on behalf of Welsh Government. In terms of accounting arrangements, a risk-based criteria has been 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
Cost-of-Living (Main Scheme)	13.304	Agent
Cost-of-Living (Discretionary Scheme) including Local Cost of Living - Supplementary (Discretionary) Scheme	4.735	Principal
Free School Meals	3.304	Principal
SSP Enhancement	0.116	Agent
SSP Enhancement (Admin)	0.002	Principal
Energy Bill Support Scheme	0.028	Agent
Winter Fuel Support Scheme Payments	6.300	Agent
Winter Fuel Support Scheme Payments - Admin Fee	0.205	Principal
Self Isolation Payments	1.027	Agent
Self Isolation Payments (Admin)	0.103	Principal
Test, Trace, Protect	3.066	Principal

In addition to the Welsh Government support, Rhondda Cynon Taf Council also agreed a package of measures on [6th September 2022](#), called Local Cost of Living – Supplementary (Discretionary) Scheme, this being funded by the Council and provided further support to residents of the County Borough with the on-going and escalating cost of living crisis.

## **2.2 The Council's Response to Extreme Weather**

A Strategic Flood Risk Board for Rhondda Cynon Taf was in place during the year chaired by the Council's Leader and comprising representatives from the Council, Natural Resources Wales and Welsh Government. The Board provided the direction to implement the recommendations set out in the [18th December 2020 Cabinet Report](#) "Review of the Council's response to Storm Dennis".

An action plan was put in place to manage and monitor the implementation of the agreed recommendations, with progress updates incorporated into the Council's quarterly Performance Reports; these being reported to the Council's Cabinet and thereafter scrutinised by the Overview and Scrutiny Committee during the year. As at March 2023, all actions were completed or built into on-going service delivery arrangements.

The focus of the work during 2022/23, supported by additional Welsh Government and Council investment, delivered technology and infrastructure improvements to prevent and minimise the impact from flood events, this being

underpinned by strong collaborative working with partners to manage and mitigate risks and increased involvement of residents and communities whose voices have helped to shape the Council's work and future plans. Management, adaptation and mitigation of flood risk remains a priority for the Council and the response to extreme weather events will remain on the Council's Strategic Risk Register.

### **3. Impact of Economic Climate**

On the 1<sup>st</sup> March 2022, the Minister for Finance and Local Government (Rebecca Evans MS) announced the 2022/23 Local Government Settlement. This included an overall increase in Revenue Support Grant (RSG) and Non-Domestic Rates funding of 9.4%, with an increase for Rhondda Cynon Taf of 8.4%. Council officers and Members continue to take their fiduciary duty extremely seriously and this has been demonstrated by the setting of prudent, equitable and fair budgets. The financial results and position demonstrated in this Statement of Accounts reflect sound financial stewardship.

Given the continuing financial pressures the Council is working under, it remains the view of the Deputy Chief Executive/Group Director – Finance, Digital and Frontline 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.

### **4. Medium Term Financial Plan 2022/23 to 2025/26**

The Council's latest Medium Term Financial Plan 2022/23 to 2025/26 was reported to full Council on 28<sup>th</sup> September 2022 and set out that medium term financial planning is the cornerstone of good governance and is an enabler of service delivery and service improvement within the constraints of available resources. The Plan also set out the wider operational context, in that the public sector has faced a prolonged period of real term reductions in funding levels for a number of years and, from a local government context, unprecedented challenges lie ahead for services across the sector due to the on-going impacts of services recovering from the pandemic, the cost-of-living crisis and increasing demand and costs associated with many services, in particular social care services.

Locally, this Council has demonstrated its ability and willingness to invest in services over a long term period, linked to our priorities as set out in the Council's Corporate Plan "Making a Difference - 2020 – 2024", in order to meet the changing needs of our residents and communities. The significant 'additional' investment already agreed by Members during recent years is providing real improvements across many areas including Schools, Social Care settings, Town Centres, Roads and Parks and Play Areas, and, on an organisational wide basis, an on-going programme of work to deliver the Council's climate change goals.

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 2022/23 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 2022/23, 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 Overview and Scrutiny Committee for review and challenge on [17<sup>th</sup> July 2023](#).

The Council also published a 'Corporate Performance Report Self-Assessment Summary 2021/22' in January 2023, following review by the Governance and Audit Committee and in line with the new requirement of the Local Government and Election (Wales) Act 2021 for each Council in Wales to keep under review the extent to which it is meeting the performance requirements of: exercising its functions effectively; using resources economically, efficiently and effectively; and governance is effective for securing the aforementioned requirements. The Corporate Performance Report Self-Assessment Summary 2021/22 also set out the Council's work to meet the requirements of the Well-Being of Future Generations Act sustainable development principle.

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 workstreams, 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:

- Town Centre regeneration and supporting local businesses;
- 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, transport infrastructure and community assets such as parks and playgrounds; and
- A programme of flood alleviation works and projects to tackle climate change.

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. During 2022/23, work was undertaken to bring together the Cwm Taf and Bridgend Public Services Boards, to form the Cwm Taf Morgannwg Public Services Board. Alongside this, a new Well-being Plan for the period 2023 – 2028 was drafted, subject to scrutiny by elected Members and approved by Rhondda Cynon Taf Council, as one of the statutory partners, on [29th March 2023](#).

The Cwm Taf Morgannwg Well-being Objectives 2023 – 2028 are:

- Healthy local neighbourhoods; and
- Sustainable and resilient local neighbourhoods.

The objectives set out in the Council's Corporate Plan and the Cwm Taf Morgannwg Well-being Plan will help the Council and Cwm Taf Morgannwg 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 2022/23, 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 2022/23**

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 2022/23 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; Additional Learning Needs; 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 2022/23. Further details were published on the Council’s website within the year-end Performance Report for 2022/23.

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	35,078	34,815	(263)
Community & Children's Services	181,078	181,422	344
Education & Inclusion Services	207,676	207,768	92
Prosperity, Development & Frontline Services	64,007	63,964	(43)
<b>Total</b>	<b>487,839</b>	<b>487,969</b>	<b>130</b>
Authority Wide Budgets	78,953	78,875	(78)
<b>Total</b>	<b>566,792</b>	<b>566,844</b>	<b>52</b>

	£'000
<b>Council Fund Reserves as at 31st March 2022</b>	<b>(10,292)</b>
Revenue Budget Out-turn (Variance as above)	52
<b>Council Fund Reserves as at 31st March 2023</b>	<b>(10,240)</b>

Expenditure on services amounted to £894m and this can be analysed over the following expenditure categories:

Type of Expenditure	£'m	%
Employees	428	48
Premises	33	4
Transport	25	3
Supplies and Services	86	10
Payments to Third Parties	164	18
Transfer Payments	84	9
Capital Charges	71	8
Other Operating Costs (e.g. Support Services)	3	0
<b>Total Gross Expenditure</b>	<b>894</b>	<b>100</b>

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

Income Analysis	£'m	%
Direct Service Income		
Specific Grants	197	21
Sales, Fees & Charges	40	4
Other Income	41	4
<b>Sub-Total Direct Service Income</b>	<b>278</b>	<b>29</b>
Other Income		
Council Tax	149	16
Non-Domestic Rates	86	9
Non-Ringfenced Government Grants	359	37
Capital Grants and Contributions	77	8
Other	6	1
<b>Total Income</b>	<b>955</b>	<b>100</b>

## 8. Capital Expenditure and Income 2022/23

During the year the Council incurred £135.095m of capital expenditure, as summarised below:

<b>Group</b>	<b>£'000</b>
Chief Executive	3,475
Prosperity, Development & Frontline Services	73,573
Community & Children's Services	4,091
Education & Inclusion Services	53,956
<b>Total</b>	<b>135,095</b>

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

<b>Capital Expenditure</b>	<b>£'000</b>
Tangible Long-Term Assets	116,956
Intangible Long-Term Assets	3,296
Revenue Expenditure Funded from Capital under Statute	14,843
<b>Total</b>	<b>135,095</b>

This expenditure was financed as follows:

<b>Capital Financing</b>	<b>£'000</b>
Revenue Funding	23,724
Capital Development Fund	2,661
Capital Receipts	934
Borrowing	15,606
Grants	89,202
Third Party Contributions	2,968
<b>Total</b>	<b>135,095</b>

Significant expenditure was incurred on:

- Disabled Facilities Grants/Adaptations (DFG);
- Fleet Vehicles;
- Highways and structures improvements;
- Porth Interchange Metro (transport hub);
- Robertstown Development;
- Storm Dennis Flood Recovery;
- Valleys Taskforce RCT and Empty Homes;
- New schools and modernisation of existing schools, for example, Bryncelynnog Comprehensive School modernisation;
- Drainage improvements; and
- Carbon Reduction Programme.

## 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 2023 - 2025 agreed by Council in March 2023 is as follows:

Group Expenditure	2023/24	2024/25	2025/26	Total
	£'000	£'000	£'000	£'000
Chief Executive	3,785	2,435	2,435	8,655
Prosperity, Development & Frontline Services	67,702	35,425	8,455	111,582
Education & Inclusion Services	38,368	11,619	2,875	52,862
Community & Children's Services	10,887	2,719	615	14,221
<b>Total</b>	<b>120,742</b>	<b>52,198</b>	<b>14,380</b>	<b>187,320</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	6,850	6,850	6,850	20,550
Unsupported Borrowing	12,762	8,692	0	21,454
Capital Grants	59,356	27,857	7,036	94,249
Third Party Contributions	57	0	0	57
General Fund Capital Resources	13,831	1,044	294	15,169
Revenue Contributions	27,886	7,755	200	35,841
<b>Total</b>	<b>120,742</b>	<b>52,198</b>	<b>14,380</b>	<b>187,320</b>

As at 31<sup>st</sup> March 2023, major capital commitments over the next three years (per the Capital Programme 2022-2025) include the following schemes:

<b>Scheme</b>	<b>£'000</b>
UK Government Shared Prosperity Fund	16,690
Disabled Facilities Grants/Adaptations (DFG)	9,625
Highways Improvements	6,800
Transportation Infrastructure	24,178
Storm Dennis Flood Recovery	20,109
New Welsh Medium Primary School Rhydyfelin	5,546
3-16 Hawthorn School Modernisation	18,669
Bryncelynnog Comprehensive School Modernisation	8,996
Modernisation Programme (Adults)	6,672

A summary of the Council's [revenue budget for 2023/24](#) (agreed in March 2023) is outlined below:

<b>Service Area</b>	<b>£'000</b>
Authority Wide	75,298
Individual Schools Budget	186,976
Community & Children's Services	202,840
Prosperity, Development and Frontline Services	71,176
Chief Executive	37,975
Education & Inclusion Services	35,690
<b>Total</b>	<b>609,955</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 £530.0m and was subsequently updated to £612.4m in line with the Council approval of 9<sup>th</sup> March 2022 in respect of the funding arrangements for Transport (Rail) Infrastructure works.

The Council's actual borrowing totals £376.2m, of which £366.2m is long-term and £10m is short-term. This external borrowing is from the Public Works Loan Board (PWLB) £208.3m, Welsh Government repayable funding £82.4m, £85.5m from market loans and other sources. These borrowing figures do not match the Balance Sheet as the figures in the Statement of Accounts include the adjustment for fair value, as required by the Code of Practice.

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 9<sup>th</sup> March 2022 for the 2022/23 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:

	<b>£'000</b>
Net Assets excluding Pensions Reserve	1,188,603
Net Assets as per Balance Sheet	1,061,652

## 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.

Further to the 20<sup>th</sup> September 2021 Cardiff Capital Region Cabinet meeting agreeing to transition CCR’s existing operational and delivery model into a single corporate body, the South East Wales Corporate Joint Committee (SEWCJC), work continued during 2022/23 to progress the transition and this will be an on-going process throughout 2023/24.

The Cardiff Capital Region Cabinet agreed the 2023/24 revenue budget on 30<sup>th</sup> January 2023 and also a Regional Economic and Industrial Plan 2023 – 2028 to support service delivery and sustainable arrangements for the future, and, on the 27<sup>th</sup> March 2023, the Cardiff Capital Region Cabinet met and reviewed, amongst other things, the ‘2022/23 Annual Business Plan – Quarter 3 Performance Report’. This set out investment committed to date, achievements during the year and project delivery such as the Compound Semi-Conductor Foundry; Metro Plus Schemes, for example Porth Interchange; Metro Central, redevelopment of Cardiff Central Station; Housing Investment Fund; and the former Aberthaw Power station project.

For 2022/23 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 Deputy Chief Executive/Group Director – Finance, Digital & Frontline Services.
- To manage its affairs to ensure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

I confirm that these accounts were approved by Council.

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

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

## **The Deputy Chief Executive/Group Director – Finance, Digital & Frontline 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 Deputy Chief Executive/Group Director – Finance, Digital & Frontline Services on the Accounts of Rhondda Cynon Taf CBC for 2022/23**

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 2023 and its income and expenditure for the year.

Signature:  Date: 31/07/23

**Barrie Davies**  
**Deputy Chief Executive/Group Director – Finance, Digital & Frontline 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 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	57,449	0	684	0	0	0	0	<b>58,133</b>	213,853	<b>271,986</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	3,688	0	94	0	0	0	0	<b>3,782</b>	(3,782)	<b>0</b>
Revaluation losses on property, plant & equipment	33,205	0	1,094	0	0	0	0	<b>34,299</b>	(34,299)	<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	0	0	0	0	0	(76,256)	0	0	(76,256)	76,256	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	0	423	(423)	0
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>											
Amount by which finance costs charged to the CI&ES are different from finance	(90)	0	0	0	0	0	0	0	(90)	91	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
<i>Continued Overleaf...</i>											

Employer's pensions contributions and direct payments to pensioners payable in	(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 is different from remuneration chargeable in the year in accordance with statutory requirements	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	206,625	271,988
<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	206,625	271,988
<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>224,438</b>	<b>497,463</b>

Movement in Reserves Statement for the year ended 31<sup>st</sup> March 2023

	Council Fund Balance	Capital and Investment / Infrastructure	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 2022</b>	10,292	85,937	112,422	20,561	5,669	37,975	169	<b>273,025</b>	224,438	<b>497,463</b>
<b>Movement in reserves during 2022/23:</b>										
Total Comprehensive Income and Expenditure	(4,484)	0	(349)	0	0	0	0	<b>(4,833)</b>	569,022	<b>564,189</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	38,702	0	0	0	0	0	0	<b>38,702</b>	(38,702)	<b>0</b>
Revaluation losses on property, plant & equipment	15,574	0	0	0	0	0	0	<b>15,574</b>	(15,574)	<b>0</b>
Movement in the fair value of Investment Properties	0	0	0	0	0	0	0	<b>0</b>	0	<b>0</b>
Capital Grants and Contributions applied	0	0	0	0	0	0	0	<b>0</b>	0	<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	2,256	0	0	0	0	0	0	<b>2,256</b>	(2,256)	<b>0</b>
	0	0	0	0	0	0	0	<b>0</b>	0	<b>0</b>
Movement in the Donated Assets Account										
Revenue expenditure funded from capital under statute	14,843	0	0	0	0	0	0	<b>14,843</b>	(14,843)	<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	0	0	0	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	(15,115)	0	0	0	0	0	0	0	(15,115)	15,115	0
Capital expenditure charged against the Council Fund Balances	(26,386)	0	0	0	0	0	0	0	(26,386)	26,386	0
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>											
Capital grants and contributions unapplied credited to CI&ES	(87,736)	0	0	0	0	87,736	0	0	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	(92,170)	0	0	(92,170)	92,170	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	(3,960)	0	0	0	5,036	0	0	0	1,076	(1,076)	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	0	(934)	0	0	0	(934)	934	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0	12	0	0	0	12	(12)	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	(94)	0	0	0	0	0	0	0	(94)	94	0
<b>Adjustments involving the Pensions Reserve:</b>											
Reversal of items relating to retirement benefits debited or credited to the CI&ES	101,190	0	504	0	0	0	0	0	101,694	(101,694)	0
<b>Continued Overleaf...</b>											



Employer's pensions contributions and direct payments to pensioners payable in the year	(42,260)	0	(75)	0	0	0	0	(42,335)	42,335	0
<b>Adjustment involving the Accumulated Absences Account:</b>										
Amount by which officer remuneration charged to the CI&ES on an accruals	2,661	0	4	0	0	0	0	2,665	(2,665)	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>	(4,809)	0	84	0	4,114	(4,434)	0	(5,045)	569,234	564,189
<b>Transfers to or from Earmarked Reserves</b>	4,757	19,188	(18,700)	(5,313)	0	0	68	0	0	0
<b>Increase or (decrease) in the year</b>	(52)	19,188	(18,616)	(5,313)	4,114	(4,434)	68	(5,045)	569,234	564,189
<b>Balance at 31<sup>st</sup> March 2023</b>	<b>10,240</b>	<b>105,125</b>	<b>93,806</b>	<b>15,248</b>	<b>9,783</b>	<b>33,541</b>	<b>237</b>	<b>267,980</b>	<b>793,672</b>	<b>1,061,652</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 2023**

2021/22			Note:	2022/23		
Gross Exp	Gross Income	Net Exp		Gross Exp	Gross Income	Net Exp
£'000	£'000	£'000		£'000	£'000	£'000
118,864	(32,872)	85,992	Prosperity, Development & Frontline Services	126,480	(26,069)	100,411
54,336	(11,847)	42,489	Chief Executive	62,520	(9,488)	53,032
274,712	(71,802)	202,910	Education & Inclusion Services	304,109	(66,459)	237,650
292,105	(110,540)	181,565	Community & Children's Services	314,606	(116,097)	198,509
90,523	(90,493)	30	Authority Wide Budgets	84,654	(58,532)	26,122
2,478	(2,413)	65	Joint Committees	1,791	(1,532)	259
<b>833,018</b>	<b>(319,967)</b>	<b>513,051</b>	<b>Cost of Services</b>	<b>894,160</b>	<b>(278,177)</b>	<b>615,983</b>
			<b>Other Operating Expenditure</b>			
24,316	0	24,316	Precepts	25,852	0	25,852
12,901	0	12,901	Levies	13,326	0	13,326
0	(319)	(319)	(Gains) or Losses on Disposal of Non-Current Assets	0	(3,960)	(3,960)
			<b>Financing and Investment Income and Expenditure</b>			
11,171	0	11,171	Interest Payable and Similar Charges	10,938	0	10,938
14,491	0	14,491	Net Interest on Net Defined Liability	15,770	(7)	15,763
0	(640)	(640)	Interest Receivable and Similar Income	0	(1,398)	(1,398)
628	(324)	304	Income, Expenditure and Changes in the Fair Value of Investment Properties	0	(324)	(324)
			<b>Taxation and Non-Specific Grant Income</b>			
0	(146,388)	(146,388)	Council Tax Income	0	(148,917)	(148,917)
0	(79,250)	(79,250)	NDR Distribution	0	(85,619)	(85,619)
0	(333,966)	(333,966)	Non-Ringfenced Government Grants	0	(359,489)	(359,489)
0	(73,881)	(73,881)	Capital Grants and Contributions	0	(77,319)	(77,319)
77	0	77	Corporation Tax - Joint Committees	0	0	0
<b>896,602</b>	<b>(954,735)</b>	<b>(58,133)</b>	<b>(Surplus) or Deficit on the Provision of Services</b>	<b>960,046</b>	<b>(955,210)</b>	<b>4,836</b>
7,646	(56,720)	(49,074)	(Surplus) or Deficit on Revaluation of Property, Plant & Equipment Assets	7,907	(39,564)	(31,657)
0	(164,779)	(164,779)	Remeasurement of the Net Defined Benefit Liability	0	(537,368)	(537,368)
<b>7,646</b>	<b>(221,499)</b>	<b>(213,853)</b>	<b>Other Comprehensive Income and Expenditure</b>	<b>7,907</b>	<b>(576,932)</b>	<b>(569,025)</b>
<b>904,248</b>	<b>(1,176,234)</b>	<b>(271,986)</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>967,953</b>	<b>(1,532,142)</b>	<b>(564,189)</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 2023

31/03/22				31/03/23	
£'000			Note:	£'000	£'000
	<b>Long-Term Assets</b>	Property, Plant & Equipment:	6.0		
765,911		Other Land & Buildings		812,656	
526,504		Infrastructure		551,824	
15,129		Vehicles, Plant & Equipment		15,407	
5,011		Community Assets		5,055	
15,832		Assets Under Construction		37,127	
145		Heritage Assets		145	
7,546		Investment Properties		7,546	
230		Defined Benefit Pension Scheme Asset		1,599	
3,475		Long-Term Intangible Assets		4,516	
2,515		Long-Term Investments	7.1	2,415	
3,032		Investment in Subsidiaries		3,045	
7,122		Long-Term Debtors		5,787	
<b>1,352,452</b>		<b>TOTAL LONG-TERM ASSETS</b>			<b>1,447,122</b>
		<b>Current Assets</b>	Short-Term Investments	7.1	161,848
133,870	Assets Held for Sale			664	
1,196	Inventories			1,380	
1,443	Short-Term Debtors		8.0	118,527	
146,188	Cash and Cash Equivalents		9.0	15,791	
18,792	<b>TOTAL CURRENT ASSETS</b>			<b>298,210</b>	
	<b>Current Liabilities</b>	Cash and Cash Equivalents	9.0	(28,375)	
(15,772)		Short-Term Borrowing	7.1	(13,604)	
(19,156)		Short-Term Provisions	11.0	(1,457)	
(1,508)		Short-Term Creditors	10.0	(134,341)	
(127,940)	<b>TOTAL CURRENT LIABILITIES</b>			<b>(177,777)</b>	
	<b>Long-Term Liabilities</b>	Long-Term Creditors	10.0	(39,952)	
(7,416)		Long-Term Provisions	11.0	(2,971)	
(3,439)		Capital Grants Receipts in Advance		0	
(1,798)		Long-Term Borrowing	7.1	(333,698)	
(373,531)		Other Long-Term Liabilities	12.0	(129,159)	
(605,795)		Long-Term Donated Assets Account		(123)	
(123)	<b>TOTAL LONG-TERM LIABILITIES</b>			<b>(505,903)</b>	
<b>(992,102)</b>					
<b>497,463</b>	<b>NET ASSETS</b>			<b>1,061,652</b>	

Continued Overleaf...

10,292	<b>Usable Reserves</b>	Council Fund Balance	13.1	10,240	
		Earmarked Reserves:	13.2		
85,937		Capital and Investment / Infrastructure	13.2	105,125	
112,422		Other Revenue Related Reserves	13.2	93,806	
20,561		Delegated Schools Reserve	13.3	15,248	
5,669		Usable Capital Receipts Reserve	13.4	9,783	
37,975		Capital Grant Unapplied Account	13.5	33,541	
169		MGCC Insurance Reserve		237	
<b>273,025</b>			<b>TOTAL USABLE RESERVES</b>		
249,240	<b>Unusable Reserves</b>	Revaluation Reserve	14.1	272,429	
592,201		Capital Adjustment Account	14.2	662,809	
(5,308)		Financial Instruments Adjustment Account	14.3	(5,214)	
(604,960)		Pensions Reserve	14.4	(126,951)	
(6,735)		Short-Term Accumulating Compensated Absence Account		(9,401)	
<b>224,438</b>		<b>TOTAL UNUSABLE RESERVES</b>			<b>793,672</b>
<b>497,463</b>	<b>TOTAL RESERVES</b>				<b>1,061,652</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 2022/23

2021/22 £'000		Note:	2022/23	
			£'000	£'000
(58,133)	Net (Surplus) or Deficit on the Provision of Services		4,836	
(90,523)	Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements	15.0	(200,471)	
75,596	Adjustments for Items Included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities	16.0	82,367	
<b>(73,060)</b>	<b>Net Cash Flows from Operating Activities</b>			<b>(113,268)</b>
141,460	Investing Activities	18.0	81,697	
(58,981)	Financing Activities	19.0	15,967	97,664
<b>9,419</b>	<b>Net Increase or Decrease in Cash or Cash Equivalents</b>			<b>(15,604)</b>
(6,399)	Cash and Cash Equivalents at the Beginning of the Reporting Period	9.0		3,020
<b>3,020</b>	<b>Cash and Cash Equivalents at the End of the Reporting Period</b>	9.0		<b>(12,584)</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 2022**

	<b>Income and Expenditure Chargeable to the Council Fund</b>	<b>Adjustments Between Funding and Accounting Basis</b>	<b>Net Expenditure for the Equivalent Amounts for CI&amp;ES</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Prosperity, Development & Frontline Services	59,374	26,618	85,992
Chief Executive	31,431	11,059	42,490
Education & Inclusion Services	195,435	7,474	202,909
Community & Children's Services	168,589	12,976	181,565
Authority Wide Budgets	73,297	(73,267)	30
Joint Committees	0	65	65
<b>Cost of Services</b>	<b>528,126</b>	<b>(15,075)</b>	<b>513,051</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>(56,346)</b>	<b>(58,133)</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>		

**Expenditure and Funding Analysis Statement for the year ended 31<sup>st</sup> March 2023**

	<b>Income and Expenditure Chargeable to the Council Fund</b>	<b>Adjustments Between Funding and Accounting Basis</b>	<b>Net Expenditure for the Equivalent Amounts for CI&amp;ES</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Prosperity, Development & Frontline Services	63,965	36,446	100,411
Chief Executive	34,814	18,218	53,032
Education & Inclusion Services	207,767	29,883	237,650
Community & Children's Services	181,422	17,087	198,509
Authority Wide Budgets	80,634	(54,512)	26,122
Joint Committees	0	259	259
<b>Cost of Services</b>	<b>568,602</b>	<b>47,381</b>	<b>615,983</b>
<b>Other Income and Expenditure</b>	<b>(568,550)</b>	<b>(42,597)</b>	<b>(611,147)</b>
<b>(Surplus) or Deficit</b>	<b>52</b>	<b>4,784</b>	<b>4,836</b>
Opening Council Fund at 31 <sup>st</sup> March 2022	(10,292)		
Less (Surplus) Deficit on Council Fund in Year	52		
<b>Closing Council Fund at 31<sup>st</sup> March 2023</b>	<b>(10,240)</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 4.7% in 2022/23 (2.7% in 2021/22).
- 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:

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

### 1.9.2 Measurement

Assets are initially measured at cost, comprising:

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

The Council does not capitalise borrowing costs.

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

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 76 Surplus Assets with a recurring fair value of £4.3m. All of the assets are valued at level 2 inputs.

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	654
Carrying value	10
<b>Total Value in Balance Sheet</b>	<b>664</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.

Since the Covid-19 pandemic, there have been a large number of 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.

### **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. changed its name to WSP Glamorgan Consultancy Ltd on 31<sup>st</sup> October 2022 and 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 acquisition consolidation method has been used. The audited accounts for Amgen Cymru Ltd., Amgen Rhondda Ltd. and WSP Glamorgan Consultancy Ltd. are available separately.

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 voluntarily implement IFRS 16 in the 2023/24 year).
- Where an authority adopted IFRS 16 in 2022/23 but chose to defer implementation of IFRS 16 to PFI/PPP arrangements until 2023/24, information on that more specific accounting change will be required in its 2022/23 statements of accounts.
- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

These amendments should not materially affect this Council.

As the Code requires implementation after 1<sup>st</sup> April 2023, there is no impact on the 2022/23 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 2023 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 Council with advice about the assumptions to be applied.

##### **COVID impact**

The 2022 valuation included actuarial assumptions of the impact of Covid-19 on long term mortality trends. The actuary has made no further adjustments to the mortality assumptions for COVID-19.

##### **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 recognises 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 recognised that this solution will not address all sex inequalities for a minority of members 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 was adopted for 2021/22 and updated in the 2022 valuation. The method used by AON to value the McCloud remedy and therefore disclosed within the Statement of Accounts is closely aligned to that proposed by the DLUHC in its consultation issued July 2020.

## **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". The outcomes of the reviews recommended no changes to the provisions of the scheme. However, 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 2022/23, 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 Deputy Chief Executive/Group Director – Finance, Digital & Frontline Services, as Chief Finance Officer, on 31<sup>st</sup> July 2023. 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 2023, 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 2023 requiring disclosure providing information that is relevant to an understanding of the Council’s financial position.

**6.0 Property, Plant and Equipment****6.1 Movements on Balances****Movements in 2021/22**

	Other Land & Buildings	Vehicles, Plant & Equipment	Community Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>					
At 1 <sup>st</sup> April 2021	789,816	42,507	6,470	1,593	<b>840,386</b>
Joint Committees Opening Balance	0	0	0	390	<b>390</b>
Additions	25,790	6,678	0	14,238	<b>46,706</b>
Donated Assets	0	1,020	0	0	<b>1,020</b>
Revaluation Increases/ (Decreases) Recognised in the Revaluation Reserve	21,123	0	0	0	<b>21,123</b>
Revaluation Increases/ (Decreases) Recognised in the Surplus/Deficit on the Provision of Services	(33,160)	0	0	0	<b>(33,160)</b>
Derecognition – Disposals	(780)	(6,588)	0	0	<b>(7,368)</b>
Derecognition – Other	(1,328)	(1,284)	0	0	<b>(2,612)</b>
Assets Reclassified (to)/from Held for Sale	(496)	0	0	0	<b>(496)</b>
Other Reclassifications	158	389	(158)	(389)	<b>0</b>
Other Movements in Cost or Valuation	0	0	0	0	<b>0</b>
<b>At 31<sup>st</sup> March 2022</b>	<b>801,123</b>	<b>42,722</b>	<b>6,312</b>	<b>15,832</b>	<b>865,989</b>

*Continued Overleaf...*

<b>Accumulated Depreciation and Impairment</b>					
At 1 <sup>st</sup> April 2021	(80,611)	(30,520)	(1,396)	0	<b>(112,527)</b>
Joint Committees	0	0	0	0	<b>0</b>
Opening Balance					
Depreciation Charge	(17,915)	(3,647)	0	0	<b>(21,562)</b>
Depreciation Written Out of the Revaluation Reserve	24,496	0	0	0	<b>24,496</b>
Depreciation Written Out to the Surplus/Deficit on the Provision of Service	8,150	0	0	0	<b>8,150</b>
Impairment (Losses)/Reversals Recognised in the Revaluation Reserve	3,409	0	0	0	<b>3,409</b>
Impairment (Losses)/Reversals Recognised in the Surplus/Deficit on the Provision of Services	25,985	(1,284)	0	0	<b>24,701</b>
Derecognition – Disposals	36	6,574	0	0	<b>6,610</b>
Derecognition – Other	1,328	1,284	0	0	<b>2,612</b>
Assets Reclassified (to)/from Held for Sale	6	0	0	0	<b>6</b>
Other Reclassifications	(95)	0	95	0	<b>0</b>
Other Movements in Cost or Valuation	0	0	0	0	<b>0</b>
<b>At 31<sup>st</sup> March 2022</b>	<b>(35,211)</b>	<b>(27,593)</b>	<b>(1,301)</b>	<b>0</b>	<b>(64,105)</b>

**Net Book Value:**

<b>At 31<sup>st</sup> March 2022</b>	<b>765,912</b>	<b>15,129</b>	<b>5,011</b>	<b>15,832</b>	<b>801,884</b>
<b>At 31<sup>st</sup> March 2021</b>	<b>709,205</b>	<b>11,987</b>	<b>5,074</b>	<b>1,983</b>	<b>728,249</b>

**Movements in 2022/23**

	Other Land & Buildings	Vehicles, Plant & Equipment	Community Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>					
At 1 <sup>st</sup> April 2022	801,123	42,062	6,312	15,704	<b>865,201</b>
Joint Committees	0	660	0	128	<b>788</b>
Opening Balance					
Additions	30,168	6,970	150	36,726	<b>74,014</b>
Revaluation Increases/ (Decreases) Recognised in the Revaluation Reserve	21,808	0	0	0	<b>21,808</b>
Revaluation Increases/ (Decreases) Recognised in the Surplus/Deficit on the Provision of Services	(15,434)	0	0	0	<b>(15,434)</b>
Derecognition – Disposals	(981)	(4,104)	0	0	<b>(5,085)</b>
Derecognition – Other	0	(1,666)	0	(128)	<b>(1,794)</b>
Assets Reclassified (to)/from Held for Sale	262	0	0	0	<b>262</b>
Other Reclassifications	13,871	(203)	(106)	(15,303)	<b>(1,741)</b>
Other Movements in Cost or Valuation	0	0	0	0	<b>0</b>
<b>At 31<sup>st</sup> March 2023</b>	<b>850,817</b>	<b>43,719</b>	<b>6,356</b>	<b>37,127</b>	<b>938,019</b>

*Continued Overleaf...*

<b>Accumulated Depreciation and Impairment</b>					
At 1 <sup>st</sup> April 2022	(35,211)	(27,497)	(1,301)	0	<b>(64,009)</b>
Joint Committees	0	(96)	0	0	<b>(96)</b>
Opening Balance					
Depreciation Charge	(19,526)	(4,798)	0	0	<b>(24,324)</b>
Depreciation Written Out of the Revaluation Reserve	13,580	0	0	0	<b>13,580</b>
Depreciation Written Out to the Surplus/Deficit on the Provision of Service	4,282	0	0	0	<b>4,282</b>
Impairment (Losses)/Reversals Recognised in the Revaluation Reserve	(3,706)	0	0	0	<b>(3,706)</b>
Impairment (Losses)/Reversals Recognised in the Surplus/Deficit on the Provision of Services	2,360	(1,682)	0	0	<b>678</b>
Derecognition – Disposals	60	4,095	0	0	<b>4,155</b>
Derecognition – Other	0	1,666	0	0	<b>1,666</b>
Assets Reclassified (to)/from Held for Sale	0	0	0	0	<b>0</b>
Other Reclassifications	0	0	0	0	<b>0</b>
Other Movements in Cost or Valuation	0	0	0	0	<b>0</b>
<b>At 31<sup>st</sup> March 2023</b>	<b>(38,161)</b>	<b>(28,312)</b>	<b>(1,301)</b>	<b>0</b>	<b>(67,774)</b>

**Net Book Value:**

<b>At 31<sup>st</sup> March 2023</b>	<b>812,656</b>	<b>15,407</b>	<b>5,055</b>	<b>37,127</b>	<b>870,245</b>
<b>At 31<sup>st</sup> March 2022</b>	<b>765,912</b>	<b>15,129</b>	<b>5,011</b>	<b>15,832</b>	<b>801,884</b>

**6.2 Infrastructure Assets****Temporary Relief for Infrastructure Assets Disclosure Requirements**

The temporary relief for infrastructure assets disclosure requirements applies to accounts for financial years commencing 1<sup>st</sup> April 2021 and ending 31<sup>st</sup> March 2025.

In accordance with the temporary relief offered by the Update to the Code of Practice on Local Authority Accounting in the United Kingdom on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The Council has chosen not to disclose this information as previously reported practices due to historic information deficits mean that gross cost and accumulated depreciation relating to infrastructure assets are not measured accurately.

	2021/22	2022/23
	£'000	£'000
<b>Net Book Value at 1<sup>st</sup> April</b>	<b>497,215</b>	<b>526,504</b>
Additions	44,357	42,941
Depreciation	(14,704)	(15,679)
Impairment	(364)	(3,683)
Reclassifications	0	1,741
<b>Net Book Value at 31<sup>st</sup> March</b>	<b>526,504</b>	<b>551,824</b>

The Council has determined in accordance with Regulation 24L Wales of the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 (as amended) that the carrying amounts to be derecognised for infrastructure assets, when there is replacement expenditure, is nil.

### 6.3 Investment Properties

	2021/22	2022/23
	£'000	£'000
<b>Balance at 1<sup>st</sup> April</b>	<b>8,164</b>	<b>7,546</b>
Net Gains/Losses from fair value adjustments	(618)	0
<b>Balance at 31<sup>st</sup> March</b>	<b>7,546</b>	<b>7,546</b>

The fair values for investment properties have been calculated using level 2 in the fair value hierarchy. The investment property within RCT is valued on a market based approach, and the investment property within the joint committee is valued on an income based approach.

### 6.4 Capital Commitments

At 31<sup>st</sup> March 2023 the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2023/24 and future years, budgeted to cost £49.3m. Similar commitments at 31<sup>st</sup> March 2022 were £13.2m.

Within this amount the significant contract values as at 31<sup>st</sup> March 2023 are:

<b>Scheme</b>	<b>£'000</b>
A4119 Coed Ely Dualling	11,251
Bryncelynnog Comprehensive School	8,100
Hawthorn Primary School	20,592
New Welsh Medium Primary School Rhydyfelin	4,575
Y Pant Comprehensive School	1,947
<b>Total</b>	<b>46,465</b>



## 6.5 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	
	31/03/22	31/03/23	31/03/22	31/03/23
	£'000	£'000	£'000	£'000
Investments: Loans and Receivables	2,515	2,415	133,870	161,848
Debtors: Financial Assets Carried at Contract Amounts	7,122	6,582	146,188	118,341
<b>Total</b>	<b>9,637</b>	<b>8,997</b>	<b>280,058</b>	<b>280,189</b>

Liabilities	Long-Term		Current	
	31/03/22	31/03/23	31/03/22	31/03/23
	£'000	£'000	£'000	£'000
Borrowings: Financial Liabilities at Amortised Cost	373,531	333,698	19,156	13,604
Finance Lease Liabilities	382	381	1	1
Creditors: Financial Liabilities at Amortised Cost	0	0	31,253	21,348
<b>Total</b>	<b>373,913</b>	<b>334,079</b>	<b>50,410</b>	<b>34,953</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**

	2021/22			2022/23		
	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	11,171	0	11,171	10,938	0	10,938
Impairment Losses	0	0	0	0	0	0
<b>Total Expense in (Surplus) or Deficit on the Provision of Services</b>	<b>11,171</b>	<b>0</b>	<b>11,171</b>	<b>10,938</b>	<b>0</b>	<b>10,938</b>
Interest Income	0	(640)	(640)	0	(1,398)	(1,398)
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>(640)</b>	<b>(640)</b>	<b>0</b>	<b>(1,398)</b>	<b>(1,398)</b>
<b>Net (Gain)/Loss for the Year</b>	<b>11,171</b>	<b>(640)</b>	<b>10,531</b>	<b>10,938</b>	<b>(1,398)</b>	<b>9,540</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:

	31/03/22		31/03/23	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
PWLB Debt	221,471	302,762	210,481	191,076
Market Debt	85,540	121,912	85,500	89,430
Local Authority Debt	5,000	5,000	0	0
Welsh Government Repayable Funding	80,605	80,605	51,225	78,627
Other Debt	71	71	96	96
Finance Lease	383	383	382	382
Trade Creditors	31,253	31,253	21,348	21,348
<b>Total</b>	<b>424,323</b>	<b>541,986</b>	<b>369,032</b>	<b>380,959</b>

	31/03/22		31/03/23	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Loans and Receivables	136,070	136,070	161,748	161,748

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. 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 35 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 Long-Term Creditor.

<b>Soft Loans</b>	<b>2022/23</b>
	<b>£'000</b>
<b>Balance as at 1<sup>st</sup> April 2022</b>	<b>80,602</b>
Fair Value Adjustment on Initial Recognition	(29,377)
<b>Balance as at 31<sup>st</sup> March 2023</b>	<b>51,225</b>

The interest rate at which the fair value of this soft loan has been calculated is the 35 year PWLB 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.

	31/03/23	Historical Experience of Default	Adjustment for Market Conditions at 31/03/23	Estimated Maximum Exposure to Default at 31/03/23	Estimated Maximum Exposure to Default at 31/03/22
	(a)	(b)	(c)	(a*c)	
	£'000	%	%	£'000	£'000
Deposits with Government Departments & Local Authorities	161,748	0	0	0	0
Trade Debtors	13,549	0.45	0.45	61	86

The 0.45% Historical Experience of Default represents debt written off in 2022/23 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, £5.7m of the £13.5m balance is debt greater than 30 days old. This debt can be analysed as follows:

	31/03/22	31/03/23
	£'000	£'000
Less than 3 months	1,059	1,490
3 – 6 months	563	995
6 months to 1 year	603	896
More than 1 year	2,336	2,353
<b>Total</b>	<b>4,561</b>	<b>5,734</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:

	31/03/22	31/03/23
	£'000	£'000
Less than 1 year	16,038	92,892
Between 1 and 2 years	92,820	10,421
Between 2 and 5 years	31,259	31,259
Between 5 and 10 years	31,965	45,160
More than 10 years	220,578	196,964
<b>Total</b>	<b>392,660</b>	<b>376,696</b>

The maturity analysis of financial assets is as follows:

	31/03/22	31/03/23
	£'000	£'000
Maturity greater than one year	2,200	2,100
Maturity less than one year	133,870	159,648
<b>Total</b>	<b>136,070</b>	<b>161,748</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:

	£'000
Increase in interest payable on variable rate borrowings	1
Increase in interest receivable on variable rate investments	(14)
<b>Impact on Comprehensive Income and Expenditure Statement</b>	<b>(13)</b>
Decrease in fair value of fixed rate borrowing liabilities (no impact on CI&ES)	36,963

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>31/03/22</b>		<b>31/03/23</b>
<b>£'000</b>		<b>£'000</b>
95,507	Central Government Bodies	55,307
9,593	Other Local Authorities	12,237
13,244	NHS Bodies	21,249
816	Public Corporations and Trading Funds	1,961
27,028	Other Entities and Individuals	27,773
<b>146,188</b>	<b>Total</b>	<b>118,527</b>

### Debtors for Local Taxation

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

<b>2021/22</b>		<b>2022/23</b>
<b>£'000</b>		<b>£'000</b>
3,982	Less than 1 year	4,731
1,786	1 year to 2 years	2,029
1,229	2 years to 3 years	1,275
780	3 years to 4 years	981
522	4 years to 5 years	661
1,269	More than 5 years	1,499
<b>9,568</b>	<b>Total</b>	<b>11,176</b>

## 9.0 Cash and Cash Equivalents

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

<b>31/03/22</b>		<b>31/03/23</b>
<b>£'000</b>		<b>£'000</b>
18,792	Cash Held by the Council	15,791
(15,772)	Bank Current Accounts	(28,375)
<b>3,020</b>	<b>Total Cash and Cash Equivalents</b>	<b>(12,584)</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 2023 adjusted for unrepresented cheques.

## 10.0 Short-Term and Long-Term Creditors

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



**Short-Term Creditors**

<b>31/03/22</b>		<b>31/03/23</b>
<b>£'000</b>		<b>£'000</b>
(17,981)	Central Government Bodies	(11,566)
(17,822)	Other Local Authorities	(48,195)
(7,479)	NHS Bodies	(8,867)
(468)	Public Corporations and Trading Funds	(766)
(84,190)	Other Entities and Individuals	(64,947)
<b>(127,940)</b>	<b>Total</b>	<b>(134,341)</b>

**Long-Term Creditors**

<b>31/03/22</b>		<b>31/03/23</b>
<b>£'000</b>		<b>£'000</b>
(207)	Central Government Bodies	(35,594)
(7,209)	Other Entities and Individuals	(4,358)
<b>(7,416)</b>	<b>Total</b>	<b>(39,952)</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:

<b>Short-Term Provision</b>	<b>Land Purchases and Part 1 Claims</b>	<b>Insurance Claims</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1<sup>st</sup> April 2022</b>	<b>(512)</b>	<b>(996)</b>	<b>(1,508)</b>
Additional provisions made in 2022/23	0	(981)	<b>(981)</b>
Amounts used in 2022/23	2	1,015	<b>1,017</b>
Unused amounts reversed in 2022/23	0	15	<b>15</b>
<b>Balance at 31<sup>st</sup> March 2023</b>	<b>(510)</b>	<b>(947)</b>	<b>(1,457)</b>

Long-Term Provision	Insurance Claims	Joint Committees	Total
	£'000	£'000	£'000
<b>Balance at 1<sup>st</sup> April 2022</b>	<b>(3,049)</b>	<b>(390)</b>	<b>(3,439)</b>
Additional provisions made in 2022/23	(495)	0	<b>(495)</b>
Amounts used in 2022/23	963	0	<b>963</b>
<b>Balance at 31<sup>st</sup> March 2023</b>	<b>(2,581)</b>	<b>(390)</b>	<b>(2,971)</b>

## 12.0 Other Long-Term Liabilities

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

31/03/22		31/03/23
£'000		£'000
(605,190)	Pension Liability (IAS19)	(128,550)
(2,403)	Other	(609)
<b>(607,593)</b>	<b>Total</b>	<b>(129,159)</b>

## 13.0 Usable Reserves

31/03/22			31/03/23
£'000			£'000
10,292	Council Fund Balance	13.1	10,240
85,937	Capital and Investment / Infrastructure Reserves	13.2	105,125
112,422	Other Revenue Related Reserves	13.2	93,806
20,561	Delegated Schools Reserve	13.3	15,248
5,669	Usable Capital Receipts Reserve	13.4	9,783
37,975	Capital Grant Unapplied Account	13.5	33,541
169	MGCC Insurance Reserve		237
<b>273,025</b>	<b>Total Usable Reserves</b>		<b>267,980</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 2022/23 were:

	£'000
<b>Balance as at 31<sup>st</sup> March 2022</b>	<b>10,292</b>
Revenue Budget Outturn	(52)
<b>Balance as at 31<sup>st</sup> March 2023</b>	<b>10,240</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 2022/23. All earmarked reserves are deemed to be revenue reserves.

**Capital and Investment / Infrastructure**

<b>Reserve</b>	<b>Purpose</b>	<b>Balance at 31/03/22</b>	<b>Transfers Out</b>	<b>Transfers In</b>	<b>Balance at 31/03/23</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Capital Developments</b>	Resources set-aside from revenue budget, earmarked to fund the Council's approved 3-year capital programme.	<b>75,534</b>	<b>(17,417)</b>	<b>22,058</b>	<b>80,175</b>
<b>Investment / Infrastructure</b>	To fund current and future costs of maintaining and enhancing infrastructure across the County Borough	<b>19,800</b>	<b>(7,504)</b>	<b>12,654</b>	<b>24,950</b>
<b>Total</b>		<b>95,334</b>	<b>(24,921)</b>	<b>34,712</b>	<b>105,125</b>

**Other Revenue Related Reserves**

Reserve	Purpose	Balance at 31/03/22 £'000	Transfers Out £'000	Transfers In £'000	Balance at 31/03/23 £'000
<b>Revenue Budget Strategy 2022/23</b>	Medium Term Financial Planning & Service Transformation (transitional funding) to be released to fund the 2022/23 budget.	963	(963)	0	0
<b>Revenue Budget Strategy 2023/24</b>	Medium Term Financial Planning & Service Transformation (transitional funding) to be released to fund the 2023/24 budget.	0	0	9,105	9,105
<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.	2,247	(2,247)	2,331	2,331
<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.	5,743	(5,743)	3,619	3,619
<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.	36,057	(26,770)	17,587	26,874
<b>Treasury Management Reserve</b>	Funding for known and potential future pressures upon the Capital Financing budget.	2,465	0	0	2,465
<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.	7,938	0	323	8,261
<b>Prior Year Commitments</b>	Carry forward of existing funding to finance projects for which commitments have already been made in the prior year.	34,776	(19,071)	10,245	25,950
<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.	3,645	(4,105)	5,347	4,887
<b>Other Specific Reserves</b>	Represents a number of reserves held for specific and identified purposes.	4,222	(2,565)	1,770	3,427
<b>Invest to Save</b>	Funding identified (pump priming) to support Invest to Save opportunities as and when they arise.	4,969	(472)	2,390	6,887
<b>Total</b>		<b>103,025</b>	<b>(61,936)</b>	<b>52,717</b>	<b>93,806</b>
<b>Total Earmarked Reserves</b>		<b>198,359</b>	<b>(86,857)</b>	<b>87,429</b>	<b>198,931</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 31/03/22	Balance at 31/03/23
	£'000	£'000
Delegated Primary Schools	10,461	6,894
Delegated Secondary Schools	6,529	5,703
Delegated Special Schools	1,262	809
Delegated All Through Schools	2,309	1,842
<b>Total</b>	<b>20,561</b>	<b>15,248</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:

2021/22		2022/23
£'000		£'000
<b>3,954</b>	<b>Balance as at 1<sup>st</sup> April</b>	<b>5,669</b>
	Receipts during the year:	
1,715	Sale of assets	5,048
	Application during the year:	
0	Financing of capital expenditure	(934)
<b>5,669</b>	<b>Balance as at 31<sup>st</sup> March</b>	<b>9,783</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.

2021/22		2022/23
£'000		£'000
<b>32,363</b>	<b>Balance at 1<sup>st</sup> April</b>	<b>37,975</b>
81,868	Grants received	87,736
(76,256)	Grants utilised to fund capital expenditure	(92,170)
<b>37,975</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>33,541</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.

31/03/22			31/03/23
£'000			£'000
249,240	Revaluation Reserve	14.1	272,429
592,201	Capital Adjustment Account	14.2	662,809
(5,308)	Financial Instruments Adjustment Account	14.3	(5,214)
(604,960)	Pensions Reserve	14.4	(126,951)
(6,735)	Short-Term Accumulating Compensated Absence Account		(9,401)
<b>224,438</b>	<b>Total Unusable Reserves</b>		<b>793,672</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.

2021/22		2022/23	
£'000		£'000	£'000
<b>207,440</b>	<b>Balance at 1<sup>st</sup> April</b>	<b>249,240</b>	
56,720	Upward revaluation of assets	39,564	
(7,646)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(7,907)	
<b>256,514</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>280,897</b>
(6,896)	Difference between Current Value Depreciation and Historical Cost Depreciation	(7,735)	
(378)	Accumulated Gains on Assets sold or scrapped	(733)	
<b>(7,274)</b>	<b>Amount written off to the Capital Adjustment Account</b>		<b>(8,468)</b>
<b>249,240</b>	<b>Balance at 31<sup>st</sup> March</b>		<b>272,429</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.

2021/22		2022/23	
		£'000	£'000
529,843	<b>Balance at 1<sup>st</sup> April</b>	592,201	
	Reversal of items relating to Capital Expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(3,782)	Charges for depreciation and impairment of Long-Term Assets*	(38,702)	
(34,299)	Revaluation losses on Property, Plant and Equipment	(15,574)	
(724)	Movement in the market value of Investment Properties	0	
(1,582)	Amortisation of Intangible Assets	(2,256)	
(13,425)	Revenue Expenditure Funded from Capital Under Statute	(14,843)	
(758)	Amounts of Long-Term Assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,076)	
7,274	Adjusted items written out of the Revaluation Reserve	8,468	
1,020	Donated Assets	0	
0	Joint Committee Adjustments	(2)	
<b>483,567</b>	<b>Net written out amount of the cost of Long-Term Assets consumed in the year</b>		<b>528,216</b>
	Capital Financing Applied in the Year:		
0	Use of the Capital Receipts Reserve to finance new Capital Expenditure	934	
72,360	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	83,038	
4,499	Application of grants to capital financing from the Capital Grants Unapplied Account	9,132	
14,511	Statutory provision for the financing of capital investment charged against the Council Fund	15,115	
17,264	Capital Expenditure charged against the Council Fund	26,386	
0	Private Mortgage Repayments	(12)	
<b>108,634</b>			<b>134,593</b>
<b>592,201</b>	<b>Balance at 31<sup>st</sup> March</b>		<b>662,809</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 2023 there was a debit balance of £5.2m (debit balance of £5.3m as at 31<sup>st</sup> March 2022).

### 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.

2021/22		2022/23
£'000		£'000
<b>(708,698)</b>	<b>Balance at 1<sup>st</sup> April</b>	<b>(604,960)</b>
164,779	Actuarial gains or (losses) on Pensions Assets and Liabilities	537,368
(98,273)	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	(101,694)
37,232	Employer's pensions contributions and direct payments to pensioners payable in the year	42,335
<b>(604,960)</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>(126,951)</b>



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

2021/22		2022/23
£'000		£'000
(38,805)	Depreciation and Impairment	(54,276)
(1,582)	Amortisation	(2,256)
(12,501)	(Increase)/Decrease in Creditors	(36,173)
25,371	Increase/(Decrease) in Debtors	(28,996)
(1,238)	Increase/(Decrease) in Stock	(63)
(61,041)	Movement in Pension Liability	(59,359)
269	Contribution to Provisions	519
(939)	Short-Term Accumulated Absence Accrual	(2,666)
(758)	Carrying amount of Long-Term Assets and Assets Held For Sale, sold or derecognised	(1,076)
701	Other non-cash items charged to the Net (Surplus) or Deficit on the Provision of Services	(16,125)
<b>(90,523)</b>	<b>Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements</b>	<b>(200,471)</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**

2021/22		2022/23
£'000		£'000
1,715	Proceeds from the sale of Property, Plant & Equipment, Investment Property and Intangible Assets	5,048
73,881	Any other items for which the cash effects are investing or financing cash flows	77,319
<b>75,596</b>		<b>82,367</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.

2021/22		2022/23
£'000		£'000
(964)	Interest received	(1,722)
11,171	Interest paid	10,938
<b>10,207</b>	<b>Interest within Operating Activities</b>	<b>9,216</b>

**18.0 Cash Flow Statement - Investing Activities**

<b>2021/22</b>		<b>2022/23</b>
<b>£'000</b>		<b>£'000</b>
110,765	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	136,186
106,291	Purchase and Redemption of Short-Term and Long-Term Investments	27,878
(1,715)	Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(5,048)
(73,881)	Other Receipts from Investing Activities	(77,319)
<b>141,460</b>	<b>Net Cash Flows from Investing Activities</b>	<b>81,697</b>

**19.0 Cash Flow Statement - Financing Activities**

<b>2021/22</b>		<b>2022/23</b>
<b>£'000</b>		<b>£'000</b>
(87,400)	Cash receipts of Short and Long-Term Borrowing	0
0	Cash payments for the reduction of the outstanding liabilities relating to Finance Leases	1
28,419	Repayments of Short and Long-Term Borrowing	15,966
<b>(58,981)</b>	<b>Net Cash Flows from Financing Activities</b>	<b>15,967</b>

**20.0 Notes to the Expenditure and Funding Analysis****20.1 Adjustments between Funding and Accounting Basis 2021/22**

<b>Adjustments from General Fund to Arrive at the Comprehensive Income and Expenditure Statement Amounts</b>	<b>Adjustments for Capital Purposes</b>	<b>Net change for the Pensions Adjustments</b>	<b>Other Differences</b>	<b>Total Adjustments</b>
	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>
Prosperity, Development & Frontline Services	20,991	6,327	(700)	26,618
Chief Executive	2,694	7,370	995	11,059
Education & Inclusion Services	8,331	12,437	(13,294)	7,474
Community & Children's Services	3,372	20,005	(10,401)	12,976
Authority Wide Budgets	(25,088)	11	(48,190)	(73,267)
Joint Committees	0	0	65	65
<b>Net Cost of Services</b>	<b>10,300</b>	<b>46,150</b>	<b>(71,525)</b>	<b>(15,075)</b>
Other income and expenditure from the Expenditure and Funding Analysis	(72,773)	14,490	17,013	(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>(62,473)</b>	<b>60,640</b>	<b>(54,512)</b>	<b>(56,345)</b>

**Adjustments between Funding and Accounting Basis 2022/23**

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	24,261	6,715	5,470	36,446
Chief Executive	6,423	7,063	4,732	18,218
Education & Inclusion Services	18,339	11,769	(225)	29,883
Community & Children's Services	5,534	17,605	(6,052)	17,087
Authority Wide Budgets	(34,973)	8	(19,547)	(54,512)
Joint Committees	0	0	259	259
<b>Net Cost of Services</b>	<b>19,584</b>	<b>43,160</b>	<b>(15,363)</b>	<b>47,381</b>
Other income and expenditure from the Expenditure and Funding Analysis	(81,407)	15,770	23,040	(42,597)
<b>Difference between General Fund (surplus) or deficit and Comprehensive Income and Expenditure Statement (Surplus) or Deficit on the Provision of Services</b>	<b>(61,823)</b>	<b>58,930</b>	<b>7,677</b>	<b>4,784</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:

	2021/22	2022/23
	£'000	£'000
<b>Expenditure</b>		
Employee Benefits Expenses	411,328	437,907
Other Services Expenses	384,986	400,648
Depreciation, Amortisation and Impairment	51,900	71,375
Interest Payments	11,171	10,938
Precepts and Levies	37,217	39,178
<b>Total Expenditure</b>	<b>896,602</b>	<b>960,046</b>
<b>Income</b>		
Fees, Charges and Other Service Income	(319,969)	(278,214)
Interest and Investment Income	(962)	(1,694)
Income from Council Tax and NNDR	(225,638)	(234,536)
Gain on the Disposal of Assets	(319)	(3,960)
Government Grants and Contributions	(407,847)	(436,806)
<b>Total Income</b>	<b>(954,735)</b>	<b>(955,210)</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>(58,133)</b>	<b>4,836</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).

	2021/22	2022/23
	£'000	£'000
Allowances	1,361	1,540
Expenses	20	25
<b>Total</b>	<b>1,381</b>	<b>1,565</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 1:7 (1:7 in 2021/22) with the median earnings being £24,054 (£22,129 in 2021/22). 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	2021/22	2022/23		
	No. of Employees	No. of Employees		
	Total	At 31/03/23	Left in Year	Total
£60,000 - £64,999	55	58	1	59
£65,000 - £69,999	62	30	1	31
£70,000 - £74,999	28	63	2	65
£75,000 - £79,999	16	21	1	22
£80,000 - £84,999	3	10	2	12
£85,000 - £89,999	4	4	0	4
£90,000 - £94,999	5	2	1	3
£95,000 - £99,999	7	3	0	3
£100,000 - £104,999	2	2	0	2
£105,000 - £109,999	2	3	0	3
£110,000 - £114,999	0	2	0	2
£115,000 - £119,999	1	1	0	1
£120,000 - £124,999	0	1	0	1
<b>Total</b>	<b>185</b>	<b>200</b>	<b>8</b>	<b>208</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)	2021/22			2022/23						
	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 - Paul Mee wef 01/12/2022	0	0	0	53	0	0	0	53	11	64
Chief Executive - Chris Bradshaw to 30/11/2022	157	33	190	106	0	0	0	106	23	129
Group Director of Community & Children's Services to 30/09/2021	63	13	76	0	0	0	0	0	0	0
Deputy Chief Executive & Group Director of Community & Children's Services wef 01/10/2021 to 30/11/2022	63	13	76	85	0	0	0	85	18	103
Group Director, Prosperity, Development & Frontline Services & Deputy Chief Exec to 30/09/2021	103	13	116	0	0	0	0	0	0	0
Deputy Chief Executive & Group Director Finance, Digital & Frontline Services (& Secion 151 Officer) wef 19/01/2023	0	0	0	26	0	0	0	26	6	32
Director of Finance & Digital Services (& Section 151 Officer) to 18/01/2023. *	102	22	124	85	0	0	0	85	18	103

*Continued Overleaf...*

Director of Education & Inclusion Services	99	22	<b>121</b>	104	0	0	0	<b>104</b>	22	<b>126</b>
Director of Human Resources	102	22	<b>124</b>	104	0	0	0	<b>104</b>	22	<b>126</b>
Director of Legal Services to 18/01/2023	94	20	<b>114</b>	77	0	0	0	<b>77</b>	16	<b>93</b>
Director of Legal & Democratic Services wef 19/1/2023	0	0	<b>0</b>	21	0	0	0	<b>21</b>	5	<b>26</b>
Director of Legal Services - Returning Officer	4	0	<b>4</b>	3	0	0	0	<b>3</b>	0	<b>3</b>
Director of Corporate Estates	99	22	<b>121</b>	104	0	0	0	<b>104</b>	22	<b>126</b>
Director of Prosperity & Development	99	21	<b>120</b>	98	0	0	0	<b>98</b>	21	<b>119</b>
Director of Public Health, Protection & Community Services	94	20	<b>114</b>	98	0	0	0	<b>98</b>	21	<b>119</b>
Director of Frontline Services wef 01/10/2021	52	11	<b>63</b>	104	0	0	0	<b>104</b>	22	<b>126</b>
Service Director - Democratic Services & Communications	72	16	<b>88</b>	74	0	0	0	<b>74</b>	16	<b>90</b>
Director of Adult Services - Acting Director of Social Services wef 01/12/22	0	0	<b>0</b>	34	0	0	0	<b>34</b>	7	<b>41</b>

\* Includes Deputy Chief Executive between 01/12/2022 and 18/01/2023

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	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
£							£'000	
£0 - £20,000	7	4	118	142	125	146	640	750
£20,001 - £40,000	1	1	30	25	31	26	894	761
£40,001 - £60,000	0	0	8	19	8	19	382	927
£60,001 - £80,000	0	0	4	5	4	5	294	352
£80,001 - £100,000	1	1	6	6	7	7	605	633
£100,001 - £150,000	3	0	3	7	6	7	724	873
£150,001 - £200,000	0	0	0	4	0	4	0	642
£200,001 - £250,000	0	0	0	0	0	0	0	0
£250,001 - £300,000	0	0	1	0	1	0	282	0
<b>Total</b>	<b>12</b>	<b>6</b>	<b>170</b>	<b>208</b>	<b>182</b>	<b>214</b>	<b>3,821</b>	<b>4,938</b>

During 2022/23, the Council saved annual payroll costs of £2,588k (£1,756k 2021/22) 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 2022/23 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:



	2021/22	2022/23
	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	243	274
Local Government Measure Work	97	102
Certification of Grant Claims and Returns for the year	63	63
<b>Total</b>	<b>403</b>	<b>439</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 2022/23 was 53.5p (53.5p for 2021/22). The total rateable value as at 31<sup>st</sup> March 2023 was £130.2m (£130.0m as at 31<sup>st</sup> March 2022).

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 2022/23 rates is £47.5m (£38.0m in 2021/22). The contribution back to the Council from the pool in the year amounted to £85.6m (£79.3m in 2021/22) and the amount payable to the pool amounts to £51.6m (£53.9m in 2021/22). 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 2022/23 was calculated to be £77,707.00 (compared with £77,197.81 for 2021/22). 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	199	39,270	22,044	14,860	8,570	6,382	3,193	1,100	186	31
Multiplier	5/9	6/9	7/9	8/9	1	11/9	13/9	15/9	18/9	21/9

The resultant number of Band D properties is reduced by a percentage to reflect anticipated non-collection. The target collection rate for 2022/23 was 97.25%.

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

<b>Council Tax Analysis</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
Council Tax Collectable	146,388	148,917
<b>Net Proceeds from Council Tax</b>	<b>146,388</b>	<b>148,917</b>
Less Payable:		
Police and Crime Commissioner for South Wales	(22,211)	(23,476)
Community Councils	(2,105)	(2,376)
<b>Total</b>	<b>122,072</b>	<b>123,065</b>

## **27.0 Grant Income**

The following grants, contributions and donations were credited to the Comprehensive Income and Expenditure Statement in 2022/23:

### **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 £241m in 2022/23 (in 2021/22 these grants and contributions amounted to £286m).

### **27.2 Capital Grants Receipts in Advance**

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

## **28.0 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:

<b>2021/22</b>	<b>Scheme</b>	<b>2022/23</b>
<b>£'m</b>		<b>£'m</b>
0.000	Winter Fuel Support Grant	6.300
0.000	Energy Bill Support Scheme	0.028
13.933	Cost of Living (Main Scheme)	13.304
0.157	Statutory Sick Pay (SSP) Enhancement	0.116
4.594	Self Isolation payments	1.027
0.501	Economic Resilience Fund	0.000
3.120	WG - Emergency Non Domestic Rates Scheme	0.000
0.238	WG - NDR Discretionary Grant (Retail, Hospitality, Leisure)	0.000
0.105	Freelancer Grant	0.000
<b>22.648</b>	<b>Total</b>	<b>20.775</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:

	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
Non-Ringfenced Government Grants	(333,966)	(359,489)
Capital Grants and Contributions	(73,469)	(71,700)
Credited to Services	(203,522)	(162,655)
<b>Total</b>	<b>(610,957)</b>	<b>(593,844)</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 & Communications, The Pavilions, Clydach Vale.

During 2022/23 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 2022/23. The value of these transactions amounted to payments of £3,111k (£3,233k in 2021/22), of which £392k was outstanding at year end (£484k in 2021/22), and receipts of £310k (£231k in 2021/22), of which £71k was outstanding at year end (£35k in 21/22).

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 £435k (£454k in 21/22) with nothing outstanding at year end (£103k in 21/22), and receipts of £36k (£10k in 21/22), of which £3k was outstanding (£4k in 21/22). 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 £2,534k (£3,096k in 2021/22), of which £38k was outstanding at year end (£176k in 2021/22), and receipts of £5k (nil in 2021/22), of which £4k was outstanding at year end (nil in 2021/22). The Officer did not take part in any discussion, decision or administration relating to the services.

The Council has transactions with Cardiff & Vale University Health Board. A Member of the Senior Leadership Team of the Council declared that a relative is the Executive Director of Public Health. The value of these transactions amounted to payments of £616k (£494k in 2021/22), of which £60k was outstanding at year end (£108k in 2021/22), and receipts of £7k (£106k in 2021/22), of which £7k was outstanding at year end (£106k in 2021/22). The Officer did not take part in any discussion, decision or administration relating to the services.

The Council has transactions with Coleg Y Cymoedd. A Member of the Senior Leadership Team of the Council declared that they are a member of the Governing body. The value of these transactions amounted to payments of £149k (£124k in 2021/22), of which £22k was outstanding at year end (£22k in 2021/22), and receipts of £4k (£70k in 2021/22), of which nothing outstanding at year end (nil in 2021/22).

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:

	2021/22	2022/23
	£'000	£'000
Police and Crime Commissioner for South Wales	22,211	23,476
Community Councils	2,105	2,376
<b>Total</b>	<b>24,316</b>	<b>25,852</b>

An analysis of levies is given in the following table:

	2021/22	2022/23
	£'000	£'000
South Wales Fire and Rescue Service	12,117	12,384
Coroner	542	682
Brecon Beacons National Park	53	53
Glamorgan Archives Joint Committee	189	207
<b>Total</b>	<b>12,901</b>	<b>13,326</b>

### 29.4 Rhondda Cynon Taf Pension Fund

The Deputy Chief Executive/Group Director – Finance, Digital & Frontline Services is also the responsible Finance Officer to the Rhondda Cynon Taf Pension Fund. The Council charged the Pension Fund an amount of £1.6m (£1.6m in 2021/22) in respect of administration and support during financial year 2022/23. The amount owed from the Council to the Pension Fund as at 31<sup>st</sup> March 2023 is nil (nil as at 31<sup>st</sup> March 2022).

### 29.5 Associated and Subsidiary Companies

The Council has an interest in three companies: namely; Amgen Cymru Ltd., Amgen Rhondda Ltd. and WSP Glamorgan Consultancy Ltd. Officers of the Council are directors of each of these companies. During 2022/23 the following related party transactions took place with these companies.

**Amgen Cymru Ltd.**

The Council paid Amgen Cymru £9,566k (£9,468k in 2021/22) in respect of waste management and waste disposal charges, with £1,049k (£1,392k in 2021/22) due to the company at the year-end. Amgen Cymru paid the Council £586k (£573k in 2021/22) in respect of goods and services, with £282k (£115k in 2021/22) 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 £10,518k 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 2023 £2,963k was outstanding (as at 31<sup>st</sup> March 2022 £3,402k was outstanding).

**Amgen Rhondda Ltd.**

The Council paid Amgen Rhondda £176k (£176k in 2021/22) in respect of site management fees, with nil (nil in 2021/22) outstanding at 31<sup>st</sup> March 2023. Amgen Rhondda paid the council £10k (nil in 21/22), with nothing outstanding at 31<sup>st</sup> March 2023 (£13k in 21/22).

**Capita Glamorgan Consultancy Ltd./WSP 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 and changed its name to WSP Glamorgan Consultancy Ltd on 31<sup>st</sup> October 2022. The Council owns 27.93% of the shares of the company and holds voting rights to this value on the Board.

During 2022/23, the Council was charged £3,822k (£4,161k in 2021/22) in respect of goods, services and capital works. The balance owed to WSP Glamorgan Consultancy Ltd at 31<sup>st</sup> March 2023 was £726k (£686k in 2021/22).

WSP Glamorgan Consultancy Ltd paid the Council nil (nil in 2021/22) in respect of goods and services, with nothing (nil in 2021/22) 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 2022/23, the Council contributed to the Joint Committee an amount of £207k (£164k in 2021/22). 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 2022/23, the Council charged Llwydcoed Crematorium £45k (£41k in 2021/22) in respect of central establishment charges. As at 31<sup>st</sup> March 2023 the Council held cash balances relating to the Crematorium of £1,253k (£1,395k in 2021/22).

## **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 2022/23, the Council received income of £117k from CSCJES (received income of £109k in 2021/22) in respect of advisory and training services, along with grants of £23,545k (£24,464k in 2021/22), and charged CSCJES £170k (£126k in 2021/22) in respect of central establishment charges. The Council also paid CSCJES expenditure of £1,081k (£997k in 2021/22). As at 31<sup>st</sup> March 2023 the Council owed cash balances of £2,222k relating to CSCJES (£1,338k as at 31<sup>st</sup> March 2022). 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 2023 there were no balances outstanding between the Council and Coychurch Crematorium (no balances outstanding as at 31<sup>st</sup> March 2022).

## **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 2022/23, the Council contributed £603k to the Vale, Valleys and Cardiff Regional Adoption Collaborative (£562k in 2021/22).

### **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 2022/23, there was a revenue contribution to CCRCD of £192k (£183k in 2021/22), there was a nil capital contribution (nil in 2021/22).

## **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 2022/23 a total amount of £1,063k (£1,127k in 2021/22) associated costs have been incurred by the parties, of which RCT's associated costs in 2022/23 were £582k (£613k in 2021/22), with Welsh Government contributing £124k (£124k in 2021/22) 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 on the board of Trivallis.

During 2022/23, the Council paid Trivallis £1,159k (£944k in 2021/22) and received income of £2,957k (£1,746k in 2021/22). At year-end, Trivallis owed £367k to the Council (£187k in 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.

	2021/22	2022/23
	£'000	£'000
Opening Capital Financing Requirement	504,848	502,763
<b>Capital Investment:</b>		
Property, Plant & Equipment	90,668	116,956
Intangible Assets	1,853	3,296
Revenue Expenditure Funded from Capital Under Statute	13,425	14,843
	<b>105,946</b>	<b>135,095</b>
<b>Sources of Finance:</b>		
Capital Receipts	0	(934)
Capital Development Fund	0	(2,661)
Government Grants and Other Contributions	(76,256)	(92,170)
	<b>(76,256)</b>	<b>(95,765)</b>
<b>Sums Set Aside from Revenue:</b>		
Direct Revenue Contributions	(17,264)	(23,723)
Minimum Revenue Payment	(14,511)	(15,115)
	<b>(31,775)</b>	<b>(38,838)</b>
<b>Closing Capital Financing Requirement</b>	<b>502,763</b>	<b>503,255</b>
<b>Explanation of Movements in Year</b>		
Increase/(Decrease) in underlying need to borrowing supported by government financial assistance)	(790)	(968)
Increase in underlying need to borrowing (unsupported by government financial assistance)	(1,295)	1,461
Finance Leases	0	(1)
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>(2,085)</b>	<b>492</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:

	31/03/22	31/03/23
	£'000	£'000
Other Land and Buildings	155	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:

	31/03/22	31/03/23
	£'000	£'000
<b>Finance Lease Liabilities:</b>		
Current	1	1
Long-Term	382	381
Finance costs payable in future years	1,166	1,145
<b>Minimum Lease Payments</b>	<b>1,549</b>	<b>1,527</b>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31/03/22	31/03/23	31/03/22	31/03/23
	£'000	£'000	£'000	£'000
Less than 1 year	23	23	1	1
1 to 5 years	113	113	5	5
Greater than 5 years	1,413	1,391	377	376
<b>Total</b>	<b>1,549</b>	<b>1,527</b>	<b>383</b>	<b>382</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.

	31/03/22			31/03/23		
	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	427	801	1,228	470	703	1,173
Later than 1 year and not later than 5 years	1,435	1,655	3,090	966	1,416	2,382
Later than 5 years	8,604	207	8,811	1,778	119	1,897
<b>Total</b>	<b>10,466</b>	<b>2,663</b>	<b>13,129</b>	<b>3,214</b>	<b>2,238</b>	<b>5,452</b>

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

	31/03/22	31/03/23
	£'000	£'000
Minimum Lease Payments	1,546	1,511

### 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:

	2021/22	2022/23
	£'000	£'000
Less than 1 year	331	202
1 to 5 years	842	677
Greater than 5 years	814	734
<b>Total</b>	<b>1,987</b>	<b>1,613</b>

### **31.4 Operating Leases with Council as Lessor**

The Authority has entered into a number of operating leases with lessees in respect of land and buildings. The total future annual lease payments due to the Authority are as follows:

	2021/22	2022/23
	£'000	£'000
Less than 1 year	988	1,074
1 to 5 years	3,941	4,382
Greater than 5 years	7,637	6,775
<b>Total</b>	<b>12,566</b>	<b>12,231</b>

### **32.0 Impairment Losses**

During 2022/23, the Council has recognised an impairment loss of £17.9m (a loss of £19.1m in 2021/22) 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:

	2021/22	2022/23		
		RCT	Joint Comm's	Total
	£'000	£'000	£'000	£'000
<b>Comprehensive Income and Expenditure Statement:</b>				
Cost of Services:				
Current Service Cost	82,582	83,630	511	84,141
Past Service Cost	1,200	1,790	0	1,790
<i>Financing and Investment Income and Expenditure:</i>				
Net Interest Expense	14,491	15,770	(7)	15,763
<b>Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>98,273</b>	<b>101,190</b>	<b>504</b>	<b>101,694</b>
<i>Remeasurement of the Net Defined Benefit Liability Comprising:</i>				
Return on Plan Assets (Excluding the Amount Included in the Net Interest Expense)	(4,338)	165,550	951	166,501
Actuarial (Gains) and Losses Arising on Liabilities - Demographic Assumptions	(21,341)	(990)	(3)	(993)
Actuarial (Gains) and Losses Arising on Liabilities - Financial Assumptions	(145,539)	(812,120)	(3,630)	(815,750)
Actuarial (Gains) and Losses Arising on Liabilities - Experience	6,439	111,990	884	112,874
<b>Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>(66,506)</b>	<b>(434,380)</b>	<b>(1,294)</b>	<b>(435,674)</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	(98,273)	(101,190)	(504)	(101,694)
<i>Actual amount charged against the Council Fund Balance for pensions in the year:</i>				
Employers' contributions payable to scheme	37,232	42,260	75	42,335

The total remeasurement of the Net Defined Benefit Liability recognised in Other Comprehensive Income and Expenditure to the 31<sup>st</sup> March 2023 is a gain of £537.4m (£164.8m gain in 2021/22).

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 2023 is a gain of £573.9m.

**33.3 Reconciliation of Present Value of the Scheme Liabilities**

	2021/22	2022/23		
		RCT	Joint Comm's	Total
	£'000	£'000	£'000	£'000
<b>Balance at 1<sup>st</sup> April</b>	<b>2,180,257</b>	<b>2,098,130</b>	<b>9,011</b>	<b>2,107,141</b>
Current Service Cost	82,582	83,630	511	84,141
Interest Cost on Defined Obligation	45,360	56,110	242	56,352
Contributions by scheme participants	10,244	11,530	101	11,631
<b>Remeasurement (Gains) and Losses</b>				
Actuarial (Gains) and Losses Arising on Liabilities - Demographic Assumptions	(21,341)	(990)	(3)	(993)
Actuarial (Gains) and Losses Arising on Liabilities - Financial Assumptions	(145,539)	(812,120)	(3,630)	(815,750)
Actuarial (Gains) and Losses Arising on Liabilities - Experience	6,439	111,990	884	112,874
Benefits paid	(52,061)	(52,390)	(126)	(52,516)
Past service costs	1,200	1,790	0	1,790
<b>Balance at 31<sup>st</sup> March</b>	<b>2,107,141</b>	<b>1,497,680</b>	<b>6,990</b>	<b>1,504,670</b>

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

	2021/22	2022/23		
		RCT	Joint Comm's	Total
	£'000	£'000	£'000	£'000
<b>Balance at 1<sup>st</sup> April</b>	<b>1,471,559</b>	<b>1,492,940</b>	<b>9,241</b>	<b>1,502,181</b>
Interest Income	30,869	40,340	249	40,589
<b>Remeasurement (Gains) and Losses:</b>				
The Return on Plan Assets, Excluding the Amount Included in the Net Interest Expense	4,338	(165,550)	(951)	(166,501)
Employer contributions	37,232	42,260	75	42,335
Contributions by scheme participants	10,244	11,530	101	11,631
Benefits paid	(52,061)	(52,390)	(126)	(52,516)
<b>Balance at 31<sup>st</sup> March</b>	<b>1,502,181</b>	<b>1,369,130</b>	<b>8,589</b>	<b>1,377,719</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 loss of £124.51m (£35.07m gain in 2021/22).

**33.5 Scheme History**

	2018/19	2019/20	2020/21	2021/22	2022/23
	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	(1,741,294)	(1,760,955)	(2,180,257)	(2,107,141)	(1,504,670)
Fair Value of Plan Assets	1,132,656	1,103,321	1,471,559	1,502,181	1,377,719
<b>Surplus/(Deficit)</b>	<b>(608,638)</b>	<b>(657,634)</b>	<b>(708,698)</b>	<b>(604,960)</b>	<b>(126,951)</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 £127m 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> December 2022, the Rhondda Cynon Taf Pension Fund Assets used in IAS19 calculations comprised of:

Fair Value of Scheme Assets		
	2021/22	2022/23
	£'000	£'000
UK Equities	443,448	443,611
Overseas Equities	2,870,331	2,354,047
UK Fixed Interest Gilts	563,640	429,562
UK Corporate Bonds	607,650	507,735
Property	317,833	318,236
Infrastructure	0	21,975
Cash and Net Current Assets	16,991	27,511
<b>Total</b>	<b>4,819,893</b>	<b>4,102,677</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:

	31/03/22	31/03/23
Long-Term Expected Rate of Return on Assets in the Scheme (in line with the discount rate)	4.25%	4.30%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21.6	21.6
Women	23.9	24.2
Longevity at 65 for future pensioners:		
Men	22.6	22.9
Women	25.4	25.7
Rate of inflation (CPI)	3.0%	2.7%
Rate of increase in salaries	4.25%	3.95%
Rate of increase in pensions	3.0%	2.7%
Rate for discounting scheme liabilities	2.7%	4.7%
Take-up of option to convert annual pension into retirement lump sum:		
Post-2010 Service	80%	85%
Pre-2010 Service	80%	85%

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)	38,740	(38,740)	182	(182)	38,922	(38,922)
Rate of Increase in Salaries (Increase or Decrease by 0.1%)	2,980	(2,980)	14	(14)	2,994	(2,994)
Rate of Increase in Pensions (Increase or Decrease by 0.1%)	23,840	(22,350)	112	(112)	23,952	(22,462)
Rate for Discounting Scheme Liabilities (Increase or Decrease by 0.1%)	(25,330)	26,820	(126)	126	(25,456)	26,946

### **33.8 Contributions for the Accounting Period ending 31<sup>st</sup> March 2024**

The Employer's regular contributions to the Fund for the accounting period 31<sup>st</sup> March 2024 are estimated to be £37.0m. 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 Deputy Chief Executive/Group Director – Finance, Digital & Frontline 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 2022/23, the Council paid £21.1m to Teachers' Pensions in respect of teachers' retirement benefits, representing 23.68% of pensionable pay. The figures for 2021/22 were £20.0m, 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 2022/23 these amounted to £654k (£689k in 2021/22).

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 2023. 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 2023 are shown as follows and are not included in the Council's Balance Sheet. The 2022/23 figures are draft, subject to audit (Audit Wales for Welsh Church Act, the Regional Internal Audit Service for the other funds).

	Description	31/03/22	31/03/23
		£'000	£'000
Education & Miscellaneous	Various funds established for educational and community benefits	287	270
Rhondda Cynon Taf Charity for the Visually Impaired	Fund established for the benefit of visually impaired citizens	14	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	13,891	13,184

## Group Accounts

### 1. Introduction

To reflect the 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 Ltd., 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 Ltd. 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 2022/23 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, WSP Glamorgan Consultancy Ltd., is not consolidated.

**4. Policy Change - Amgen Cymru – Landfill Aftercare**

During 2022/23, Amgen Cymru changed its policy in relation to the aftercare provision, which has led to the restatement of the 2021/22 Balance Sheet and associated notes. Details of the new policy are as follows:

A provision for after-care costs in relation to the obligation to restore the site has been realised in the financial statements. In addition, a corresponding asset representing the costs relating to obligations as a result of future void usage has also been included. This asset will be released over the estimated usage period of the site, in line with revenue-matching principles. After-care costs are provided for based on the Directors' expectations that the obligation will have been fulfilled 60 years after the closure of the site.

**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 ending 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
Balance at 1 <sup>st</sup> April 2021	8,505	76,829	73,790	12,035	3,955	32,362	185	207,661	21,256	228,917	(427)	228,490
<b>Movement in reserves during 2021/22</b>												
Total comprehensive income and expenditure	48,381	0	684	0	0	0	0	49,065	213,736	262,801	9,685	272,486
<b>Adjustments between Group Accounts and Authority Accounts:</b>	9,071	0	0	0	0	0	0	9,071	0	9,071	(7,714)	1,357
<b>Net Increase or decrease before transfers</b>	57,452	0	684	0	0	0	0	58,136	213,736	271,872	1,971	273,843
<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	3,685	0	94	0	0	0	0	3,779	(3,779)	0	0	0

Continued Overleaf...



Revaluation losses on property, plant & equipment	33,205	0	1,094	0	0	0	0	0	34,299	(34,299)	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	81,869	0	0	1	0	1	0	1
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	(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	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	(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	
<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	940	(939)	1	0	1	
													<i>Continued Overleaf...</i>

<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	5,613	0	65,364	206,511	271,875	1,971	273,846
<b>Transfers to or from Earmarked Reserves</b>	(54,671)	9,108	36,841	8,526	212	0	(16)	0	(1)	(1)	0	(1)
<b>Increase or (decrease) in the year</b>	1,787	9,108	38,632	8,526	1,714	5,613	(16)	65,364	206,510	271,874	1,971	273,845
<b>Balance at 31<sup>st</sup> March 2022</b>	10,292	85,937	112,422	20,561	5,669	37,975	169	273,025	227,766	500,791	1,544	502,335

Group Movement in Reserves Statement for the year ending 31<sup>st</sup> March 2023

	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
Balance at 1 <sup>st</sup> April 2022	10,292	85,937	112,422	20,561	5,669	37,975	169	273,025	227,766	500,791	1,544	502,335
<b>Movement in reserves during 2022/23</b>												
Total comprehensive income and expenditure	(13,265)	0	(349)	0	0	0	0	(13,614)	568,519	554,905	9,925	564,830
<b>Adjustments between Group Accounts and Authority Accounts:</b>	9,156	0	0	0	0	0	0	9,156	0	9,156	(9,156)	0
<b>Net Increase or decrease before transfers</b>	(4,109)	0	(349)	0	0	0	0	(4,458)	568,519	564,061	769	564,830
<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	38,327	0	0	0	0	0	0	38,327	(38,328)	(1)	0	(1)

Continued Overleaf...

Revaluation losses on property, plant & equipment	15,574	0	0	0	0	0	0	0	15,574	(15,574)	0	0	0
Movement in the fair value of Investment Properties	0	0	0	0	0	0	0	0	0	0	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	2,256	0	0	0	0	0	0	0	2,256	(2,256)	0	0	0
Movement in the Donated Assets Account	0	0	0	0	0	0	0	0	0	0	0	0	0
Revenue expenditure funded from capital under statute	14,843	0	0	0	0	0	0	0	14,843	(14,843)	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	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Insertion of items not debited / credited to CI&amp;ES:</b>													0
Statutory provision for the financing of capital investment	(15,115)	0	0	0	0	0	0	0	(15,115)	15,115	0	0	0
Capital expenditure charged against the Council Fund Balances	(26,386)	0	0	0	0	0	0	0	(26,386)	26,386	0	0	0
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>													
Capital grants and contributions unapplied credited to CI&ES	(87,736)	0	0	0	0	87,736	0	0	0	0	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	(92,170)	0	0	(92,170)	92,170	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	(3,960)	0	0	0	5,036	0	0	0	1,076	(1,076)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	0	(934)	0	0	0	(934)	934	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0	12	0	0	0	12	(12)	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	(94)	0	0	0	0	0	0	(94)	93	(1)	0	(1)	
<b>Adjustments involving the Pensions Reserve:</b>													
Reversal of items relating to retirement benefits debited or credited to the CI&ES	101,190	0	504	0	0	0	0	101,694	(101,694)	0	0	0	
Employer's pensions contributions and direct payments to pensioners payable in the year	(42,260)	0	(75)	0	0	0	0	(42,335)	42,335	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	
<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	2,661	0	4	0	0	0	0	2,665	(2,666)	(1)	0	(1)	
													<i>Continued Overleaf...</i>

<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	0
Depreciation of long-term asset revaluation gains	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Net increase or (decrease) before transfers to Earmarked Reserves</b>	(4,809)	0	84	0	4,114	(4,434)	0	(5,045)	569,103	564,058	769	564,827	
<b>Transfers to or from Earmarked Reserves</b>	4,757	19,188	(18,700)	(5,313)	0	0	68	0	0	0	0	0	
<b>Increase or (decrease) in the year</b>	(52)	19,188	(18,616)	(5,313)	4,114	(4,434)	68	(5,045)	569,103	564,058	769	564,827	
<b>Balance at 31<sup>st</sup> March 2023</b>	<b>10,240</b>	<b>105,125</b>	<b>93,806</b>	<b>15,248</b>	<b>9,783</b>	<b>33,541</b>	<b>237</b>	<b>267,980</b>	<b>796,869</b>	<b>1,064,849</b>	<b>2,313</b>	<b>1,067,162</b>	

**Group Comprehensive Income and Expenditure Statement for the year ended  
31<sup>st</sup> March 2023**

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.



**Group Comprehensive Income and Expenditure Statement for the year ended  
31<sup>st</sup> March 2023**

2021/22				Note:	2022/23		
Gross Exp	Gross Income	Net Exp			Gross Exp	Gross Income	Net Exp
£'000	£'000	£'000			£'000	£'000	£'000
123,490	(37,592)	85,898	Prosperity, Development & Frontline Services	G 1.0	131,270	(30,501)	100,769
54,336	(11,847)	42,489	Chief Executive		62,520	(9,488)	53,032
274,712	(71,802)	202,910	Education & Inclusion Services		304,109	(66,459)	237,650
292,105	(110,540)	181,565	Community & Children's Services		314,606	(116,097)	198,509
90,523	(90,493)	30	Authority Wide Budgets		84,654	(58,532)	26,122
2,478	(2,413)	65	Joint Committees		1,791	(1,532)	259
<b>837,644</b>	<b>(324,687)</b>	<b>512,957</b>	<b>Cost of Services</b>		<b>898,950</b>	<b>(282,609)</b>	<b>616,341</b>
			<b>Other Operating Expenditure</b>				
24,316	0	24,316	Precepts		25,852	0	25,852
12,901	0	12,901	Levies		13,326	0	13,326
0	(319)	(319)	(Gains) or Losses on Disposal of Non-Current Assets		0	(3,960)	(3,960)
			<b>Financing and Investment Income and Expenditure</b>				
11,347	0	11,347	Interest Payable and Similar Charges		11,100	0	11,100
14,491	0	14,491	Net Interest on Net Defined Liability (Asset)		15,770	(7)	15,763
0	(643)	(643)	Interest Receivable and Similar Income		0	(1,486)	(1,486)
628	(324)	304	Income, Expenditure and Changes in the Fair Value of Investment Properties		0	(324)	(324)
			<b>Taxation and Non-Specific Grant Income</b>				
0	(146,388)	(146,388)	Council Tax Income		0	(148,917)	(148,917)
0	(79,250)	(79,250)	NDR Distribution		0	(85,619)	(85,619)
0	(333,966)	(333,966)	Non-Ringfenced Government Grants		0	(359,489)	(359,489)
0	(73,881)	(73,881)	Capital Grants and Contributions		0	(77,319)	(77,319)
77	0	77	Corporation Tax - Joint Committees		0	0	0
<b>901,404</b>	<b>(959,458)</b>	<b>(58,054)</b>	<b>(Surplus) or Deficit on the Provision of Services</b>		<b>964,998</b>	<b>(959,730)</b>	<b>5,268</b>
			<b>Tax Expenses</b>				
104	(34)	70	Taxation of Group Entities		256	(51)	205
<b>901,508</b>	<b>(959,492)</b>	<b>(57,984)</b>	<b>(Surplus) or Deficit</b>		<b>965,254</b>	<b>(959,781)</b>	<b>5,473</b>
7,646	(57,349)	(49,703)	(Surplus) or Deficit on Revaluation of Property, Plant & Equipment Assets		7,907	(39,564)	(31,657)
0	(164,799)	(164,799)	Remeasurement of the Net Defined Benefit Liability		0	(538,646)	(538,646)
<b>7,646</b>	<b>(222,148)</b>	<b>(214,502)</b>	<b>Other Comprehensive Income and Expenditure</b>		<b>7,907</b>	<b>(578,210)</b>	<b>(570,303)</b>
<b>909,154</b>	<b>(1,181,640)</b>	<b>(272,486)</b>	<b>Total Comprehensive Income and Expenditure</b>		<b>973,161</b>	<b>(1,537,991)</b>	<b>(564,830)</b>

## **Group Balance Sheet as at 31<sup>st</sup> March 2023**

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.

Group Balance Sheet as at 31<sup>st</sup> March 2023

31/03/2022 Restated			Note:	31/03/23	
				£'000	£'000
	<b>Long-Term Assets</b>	Property, Plant & Equipment:	G 2.0		
776,573		Other Land & Buildings		823,023	
526,504		Infrastructure		551,824	
23,791		Vehicles, Plant & Equipment		23,012	
735		Landfill Cells		617	
5,011		Community Assets		5,055	
15,832		Assets Under Construction		37,127	
145		Heritage Assets		145	
7,546		Investment Properties		7,546	
230		Defined Benefit Pension Scheme Asset		1,599	
3,475		Long-Term Intangible Assets		4,516	
2,515		Long-Term Investments		2,415	
4,159		Long-Term Debtors		3,263	
<b>1,366,516</b>		<b>TOTAL LONG-TERM ASSETS</b>			<b>1,460,142</b>
	<b>Current Assets</b>	Short-Term Investments		161,848	
133,870		Assets Held for Sale		664	
1,196		Inventories		1,380	
1,443		Short-Term Debtors	G 12.0	120,076	
147,720		Cash and Cash Equivalents		21,220	
23,617	<b>TOTAL CURRENT ASSETS</b>			<b>305,188</b>	
	<b>Current Liabilities</b>	Cash and Cash Equivalents		(27,853)	
(14,465)		Short-Term Borrowing		(13,604)	
(19,156)		Short-Term Provisions	G 14.0	(1,457)	
(1,508)		Short-Term Creditors	G 13.0	(137,611)	
(131,497)	<b>TOTAL CURRENT LIABILITIES</b>			<b>(180,525)</b>	
	<b>Long-Term Liabilities</b>	Long-Term Creditors	G 13.0	(42,058)	
(10,135)		Long-Term Provisions	G 14.0	(12,143)	
(12,646)		Capital Grants Receipts in Advance		0	
(1,798)		Long-Term Borrowing		(333,698)	
(373,531)		Other Long-Term Liabilities		(129,621)	
(607,168)	Long-Term Donated Assets Account		(123)		
(123)	<b>TOTAL LONG-TERM LIABILITIES</b>			<b>(517,643)</b>	
<b>(1,005,401)</b>	<b>NET ASSETS</b>			<b>1,067,162</b>	

Continued Overleaf...

10,292	<b>Usable Reserves</b>	Council Fund Balance		10,240	
		Earmarked Reserves:			
85,937		Capital and Investment / Infrastructure		105,125	
112,422		Other Revenue Related Reserves		93,806	
20,561		Delegated Schools Reserve		15,248	
5,669		Usable Capital Receipts Reserve		9,783	
37,975		Capital Grant Unapplied Account		33,541	
169		MGCC Insurance Reserve		237	
<b>273,025</b>		<b>TOTAL USABLE RESERVES</b>			<b>267,980</b>
249,817	<b>Unusable Reserves</b>	Revaluation Reserve		272,888	
594,952		Capital Adjustment Account	G 5.0	665,547	
(5,308)		Financial Instruments Adjustment Account		(5,214)	
(604,960)		Pensions Reserve		(126,951)	
(6,735)		Short-Term Accumulating Compensated Absence Account		(9,401)	
1,544		Group Companies Reserve	G 3.0	2,313	
<b>229,310</b>		<b>TOTAL UNUSABLE RESERVES</b>			<b>799,182</b>
<b>502,335</b>	<b>TOTAL RESERVES</b>				<b>1,067,162</b>

**Group Cash Flow Statement 2022/23**

The Group Cash Flow Statement summarises the cash flows of the Council and its subsidiaries and associates during the year.

2021/22 £'000		Note:	2022/23	
			£'000	£'000
(57,984)	Net (Surplus) or Deficit on the Provision of Services		5,428	
(90,810)	Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements	G 6.0	(201,343)	
75,596	Adjustments for Items Included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities	G 7.0	82,367	
<b>(73,198)</b>	<b>Net Cash Flows from Operating Activities</b>			<b>(113,548)</b>
140,445	Investing Activities	G 9.0	81,796	
(58,981)	Financing Activities	G 10.0	15,967	97,763
<b>8,266</b>	<b>Net Increase or Decrease in Cash or Cash Equivalents</b>			<b>(15,785)</b>
886	Cash and Cash Equivalents at the Beginning of the Reporting Period			9,152
<b>9,152</b>	<b>Cash and Cash Equivalents at the End of the Reporting Period</b>			<b>(6,633)</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 2021/22

Restated	Other Land & Buildings	Vehicles, Plant & Equipment	Landfill Cells	Community Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>						
At 1st April 2021	792,959	56,810	193	6,470	2,182	<b>858,614</b>
Joint Committees Opening Balance	0	0	0	0	390	<b>390</b>
Additions	25,790	6,714	0	0	14,444	<b>46,948</b>
Donations	0	1,020	0	0	0	<b>1,020</b>
Revaluation Increases/ (Decreases) Recognised in the Revaluation Reserve	21,123	0	0	0	0	<b>21,123</b>
Revaluation Increases/ (Decreases) Recognised in the Surplus/Deficit on the Provision of Services	(33,160)	0	0	0	0	<b>(33,160)</b>
Derecognition – Disposals	(780)	(6,717)	0	0	0	<b>(7,497)</b>
Derecognition - Other	(1,328)	(1,284)	0	0	0	<b>(2,612)</b>
Assets Reclassified (to)/from Held for Sale	(496)	0	0	0	0	<b>(496)</b>
Other Reclassifications	9,397	396	789	(158)	(1,184)	<b>9,240</b>
Other Movements in Cost or Valuation	0	0	0	0	0	<b>0</b>
<b>At 31st March 2022</b>	<b>813,505</b>	<b>56,939</b>	<b>982</b>	<b>6,312</b>	<b>15,832</b>	<b>893,570</b>

*Continued Overleaf...*

<b>Accumulated Depreciation and Impairment</b>						
At 1st April 2021	(82,038)	(34,940)	(191)	(1,396)	0	<b>(118,565)</b>
Joint Committees Opening Balance	0	0	0	0	0	<b>0</b>
Depreciation Charge	(18,119)	(4,813)	(151)	0	0	<b>(23,083)</b>
Depreciation Written Out of the Revaluation Reserve	24,496	0	0	0	0	<b>24,496</b>
Depreciation Written out to the Surplus/Deficit on the Provision of Services	8,150	0	0	0	0	<b>8,150</b>
Impairment (Losses)/Reversals Recognised in the Revaluation Reserve	3,409	0	0	0	0	<b>3,409</b>
Impairment (Losses)/Reversals Recognised in the Surplus/Deficit on the Provision of Services	25,985	(1,284)	0	0	0	<b>24,701</b>
Derecognition – Disposals	36	6,703	0	0	0	<b>6,739</b>
Derecognition - Other	1,328	1,284	0	0	0	<b>2,612</b>
Assets Reclassified (to)/from Held for Sale	6	0	0	0	0	<b>6</b>
Other Reclassifications	(185)	(98)	95	95	0	<b>(93)</b>
Other Movements in Cost or Valuation	0	0	0	0	0	<b>0</b>
<b>At 31st March 2022</b>	<b>(36,932)</b>	<b>(33,148)</b>	<b>(247)</b>	<b>(1,301)</b>	<b>0</b>	<b>(71,628)</b>
<b>Net Book Value:</b>						
<b>At 31st March 2022</b>	<b>776,573</b>	<b>23,791</b>	<b>735</b>	<b>5,011</b>	<b>15,832</b>	<b>821,942</b>
<b>At 31st March 2021</b>	<b>710,921</b>	<b>21,870</b>	<b>2</b>	<b>5,074</b>	<b>2,572</b>	<b>740,439</b>

**Movements in 2022/23**

	Other Land & Buildings	Vehicles, Plant & Equipment	Landfill Cells	Community Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>						
At 1st April 2022	813,505	56,279	982	6,312	15,704	<b>892,782</b>
Joint Committees Opening Balance	0	660	0	0	128	<b>788</b>
Additions	30,168	7,069	0	150	36,726	<b>74,113</b>
Revaluation Increases/ (Decreases) Recognised in the Revaluation Reserve	21,808	0	0	0	0	<b>21,808</b>
Revaluation Increases/ (Decreases) Recognised in the Surplus/Deficit on the Provision of Services	(15,434)	0	0	0	0	<b>(15,434)</b>
Derecognition – Disposals	(981)	(4,232)	0	0	0	<b>(5,213)</b>
Derecognition - Other	0	(1,666)	0	0	(128)	<b>(1,794)</b>
Assets Reclassified (to)/from Held for Sale	262	0	0	0	0	<b>262</b>
Other Reclassifications	13,871	(203)	0	(106)	(15,303)	<b>(1,741)</b>
Other Movements in Cost or Valuation	0	0	0	0	0	<b>0</b>
<b>At 31st March 2023</b>	<b>863,199</b>	<b>57,907</b>	<b>982</b>	<b>6,356</b>	<b>37,127</b>	<b>965,571</b>

*Continued Overleaf...*



<b>Accumulated Depreciation and Impairment</b>						
At 1st April 2022	(36,932)	(33,052)	(247)	(1,301)	0	<b>(71,532)</b>
Joint Committees	0	(96)	0	0	0	<b>(96)</b>
Opening Balance						
Depreciation Charge	(19,820)	(5,954)	(118)	0	0	<b>(25,892)</b>
Depreciation Written Out of the Revaluation Reserve	13,580	0	0	0	0	<b>13,580</b>
Depreciation Written out to the Surplus/Deficit on the Provision of Services	4,282	0	0	0	0	<b>4,282</b>
Impairment (Losses)/Reversals Recognised in the Revaluation Reserve	(3,706)	0	0	0	0	<b>(3,706)</b>
Impairment (Losses)/Reversals Recognised in the Surplus/Deficit on the Provision of Services	2,360	(1,682)	0	0	0	<b>678</b>
Derecognition – Disposals	60	4,223	0	0	0	<b>4,283</b>
Derecognition - Other	0	1,666	0	0	0	<b>1,666</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 31st March 2023</b>	<b>(40,176)</b>	<b>(34,895)</b>	<b>(365)</b>	<b>(1,301)</b>	<b>0</b>	<b>(76,737)</b>
<b>Net Book Value:</b>						
<b>At 31st March 2023</b>	<b>823,023</b>	<b>23,012</b>	<b>617</b>	<b>5,055</b>	<b>37,127</b>	<b>888,834</b>
<b>At 31st March 2022</b>	<b>776,573</b>	<b>23,791</b>	<b>735</b>	<b>5,011</b>	<b>15,832</b>	<b>821,942</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.

<b>Asset Type</b>	<b>Date of Last Valuation</b>	<b>Basis of Valuation</b>
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 Restated</b>	<b>Amgen Rhondda</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance as at 31st March 2022</b>	<b>4,295</b>	<b>(2,751)</b>	<b>1,544</b>
Increase/(Decrease) 2022/23	756	13	769
<b>Balance as at 31<sup>st</sup> March 2023</b>	<b>5,051</b>	<b>(2,738)</b>	<b>2,313</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 2022 Restated</b>	<b>March 2023 Draft</b>	<b>March 2022</b>	<b>March 2023 Draft</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Shareholding	2,806	2,806	226	239
Net Current Assets	3,903	4,009	205	220
Total Assets less Current Liabilities	23,941	22,580	226	239
Net Assets	7,678	8,316	226	239
(Loss)/Profit Before Tax	(2)	(589)	(3)	12
(Loss)/Profit After Tax	(104)	(538)	(3)	12
Registration No.	03687641		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	

The Accounts will be presented at the companies' Annual General Meeting.

**G 5.0 Consolidation Adjustments****G 5.1 Capital Adjustment Account**

	<b>£'000</b>
<b>Balance as at 1<sup>st</sup> April 2022</b>	<b>594,952</b>
Gains/(Losses) during the year	70,595
<b>Balance as at 31<sup>st</sup> March 2023</b>	<b>665,547</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 £2,738k.

**G 6.0 Cash Flow Statement – Adjusting to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements**

<b>2021/22</b>		<b>2022/23</b>
<b>£'000</b>		<b>£'000</b>
(38,805)	Depreciation and Impairment	(55,846)
(1,582)	Amortisation	(2,256)
(16,524)	(Increase)/Decrease in Creditors	(35,273)
25,489	Increase/(Decrease) in Debtors	(28,540)
(1,238)	Increase/(Decrease) in Stock	(63)
(60,785)	Movement in Pension Liability	(60,637)
401	Contribution to Provisions	484
(939)	Short-Term Accumulated Absence Accrual	(2,666)
(758)	Carrying amount of Long-Term Assets and Assets Held For Sale, sold or derecognised	(1,076)
3,931	Other non-cash items charged to the Net (Surplus) or Deficit on the Provision of Services	(15,470)
<b>(90,810)</b>	<b>Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements</b>	<b>(201,343)</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**

<b>2021/22</b>		<b>2022/23</b>
<b>£'000</b>		<b>£'000</b>
1,715	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	5,048
73,881	Any Other Items for which the Cash Effects are Investing or Financing Cash Flows	77,319
<b>75,596</b>		<b>82,367</b>

**G 8.0 Cash Flow Statement – Interest within Operating Activities**

The cash flows for operating activities include the following items:

<b>2021/22</b>		<b>2022/23</b>
<b>£'000</b>		<b>£'000</b>
(967)	Interest received	(1,809)
11,347	Interest paid	11,100
<b>10,380</b>	<b>Interest within Operating Activities</b>	<b>9,291</b>

**G 9.0 Cash Flow Statement – Investing Activities**

<b>2021/22</b>		<b>2022/23</b>
<b>£'000</b>		<b>£'000</b>
111,007	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	136,285
105,034	Purchase and Redemption of Short-Term and Long-Term Investments	27,878
(1,715)	Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(5,048)
(73,881)	Other receipts from Investing Activities	(77,319)
<b>140,445</b>	<b>Net Cash Flows from Investing Activities</b>	<b>81,796</b>

**G 10.0 Cash Flow Statement – Financing Activities**

<b>2021/22</b>		<b>2022/23</b>
<b>£'000</b>		<b>£'000</b>
(87,400)	Cash Receipts of Short-Term and Long-Term Borrowing	0
0	Cash Payments for the reduction of the outstanding liabilities relating to Finance Leases	1
28,419	Repayments of Short-Term and Long-Term Borrowing	15,966
<b>(58,981)</b>	<b>Net Cash Flows from Financing Activities</b>	<b>15,967</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.

<b>2021/22</b>		<b>2022/23</b>
<b>£'000</b>		<b>£'000</b>
(176)	Amgen Rhondda supplies to the Council	(176)
(9,468)	Amgen Cymru supplies to the Council	(9,566)
573	Council supplies to Amgen Cymru	586
<b>(9,071)</b>	<b>Net Expenditure</b>	<b>(9,156)</b>

**G 12.0 Debtors**

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

<b>2021/22</b>		<b>2022/23</b>
<b>£'000</b>		<b>£'000</b>
95,507	Central Government Bodies	55,307
8,201	Other Local Authorities	11,353
13,244	NHS Bodies	21,249
816	Public Corporations and Trading Funds	1,961
29,952	Other Entities and Individuals	30,206
<b>147,720</b>	<b>Total</b>	<b>120,076</b>

**G 13.0 Creditors**

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

**Short-Term Creditors**

<b>2021/22</b>		<b>2022/23</b>
<b>£'000</b>		<b>£'000</b>
(17,981)	Central Government Bodies	(11,566)
(17,737)	Other Local Authorities	(47,833)
(7,479)	NHS Bodies	(8,867)
(468)	Public Corporations and Trading Funds	(766)
(87,832)	Other Entities and Individuals	(68,579)
<b>(131,497)</b>	<b>Total</b>	<b>(137,611)</b>

**Long-Term Creditors**

<b>2021/22</b>		<b>2022/23</b>
<b>£'000</b>		<b>£'000</b>
(207)	Central Government Bodies	(35,594)
(2,719)	Public Corporations and Trading Funds	(2,106)
(7,209)	Other Entities and Individuals	(4,358)
<b>(10,135)</b>	<b>Total</b>	<b>(42,058)</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 2022</b>	<b>(512)</b>	<b>(996)</b>	<b>(1,508)</b>
Additional provisions made in 2022/23	0	(981)	(981)
Amounts used in 2022/23	2	1,015	1,017
Unused amounts reversed in 2022/23	0	15	15
<b>Balance at 31<sup>st</sup> March 2023</b>	<b>(510)</b>	<b>(947)</b>	<b>(1,457)</b>

Long-Term Provision	Insurance Claims	Joint Committees	Amgen Cymru – Landfill Aftercare Restated	Total
	£'000	£'000	£'000	£'000
<b>Balance at 1st April 2022</b>	<b>(3,049)</b>	<b>(390)</b>	<b>(9,207)</b>	<b>(12,646)</b>
Additional provisions made in 2022/23	(495)	0	0	(495)
Amounts used in 2022/23	963	0	35	998
Unused amounts reversed in 2022/23	0	0	0	0
<b>Balance at 31<sup>st</sup> March 2023</b>	<b>(2,581)</b>	<b>(390)</b>	<b>(9,172)</b>	<b>(12,143)</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****ANNUAL GOVERNANCE STATEMENT 2022/23****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 latest *Delivering Good Governance in Local Government: Framework (2016)* developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (Solace). In doing so, the Annual Governance Statement meets the Council's legal duty as set out in the Accounts and Audit (Wales) Regulations 2014, as amended by the Accounts and Audit (Wales) (Amendment) Regulations 2018.
- 2.4 The 2022/23 Annual Governance Statement also takes account of the CIPFA Financial Management Code 2019, as set out in the 'CIPFA Bulletin 06 – Application of the Good Governance Framework 2020/21' (see paragraphs 6.8.2 to 6.8.6). For information, the bulletin also covers the impact of the Covid-19 pandemic on local government bodies and the need for this to be reflected within Annual Governance Statements; in the case of Rhondda Cynon Taf, no designated section relating to the impact of Covid-19 has been incorporated into the 2022/23 Annual Governance Statement on the basis of specific arrangements introduced during the pandemic now being built into operational arrangements.
- 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 2023.



### **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 2023 (and up to the date of approval of the 2022/23 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 an Executive Summary of the findings and proposals for improvement arising from the 2022/23 assessment and Section 6 provides more detailed information, called Review of Effectiveness, for the 2022/23 financial year against the Local Code of Corporate Governance.
- 4.3 The review process has also considered the Local Code of Corporate Governance and where required, revisions have been proposed to ensure it continues to be fit for purpose. The proposed revisions will be reported for consideration alongside the 2022/23 Annual Governance Statement.

## 5. **EXECUTIVE SUMMARY**

- 5.1 RCT is responsible for putting in place proper arrangements for the governance of its affairs and to review these arrangements at least annually. The Council discharges this responsibility by having in place a Local Code of Corporate Governance and undertakes an annual assessment against this Code in the form of an Annual Governance Statement. Both the Code and Annual Governance Statement have been compiled in line with Delivering Good Governance in Local Government: Framework (2016) developed by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 5.2. The Review of Effectiveness of the Council's governance arrangements are set out in detail in Section 6 and have been summarised in Table 1 across the 7 principles set out in the 2016 Framework.

Table 1 - Summary of the Review of Effectiveness

<b>Core Principles</b>	<b>Overall Assessment Conclusion</b>	<b>Proposals for Improvement Set Out In The Annual Governance Statement (AGS)</b>
A - Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law	The Council has sound arrangements in operation, in line with its Constitution and other agreed arrangements, to promote and demonstrate high standards of behaviour of its elected Members and Officers, and to take action where instances of non-compliance are identified.	No
B - Ensuring openness and comprehensive stakeholder engagement	The Council has clear channels to enable engagement with and from stakeholders, with arrangements being in line with the law and demonstrate a commitment to openness in the delivery of its activities.  Further work is required to develop and finalise a Participation Strategy setting out how local people are encouraged to participate in decision-making by the Council.	The Council should complete its work to finalise and agree its Participation Strategy and then take the necessary steps for this to be implemented.

Supporting Principles	Overall Assessment Conclusion	Proposals for Improvement Set Out In The AGS
C - Defining outcomes in terms of sustainable economic, social and environmental benefits.	<p>The Council has a robust Performance Management Framework in place that uses evidenced based assessment to determine outcomes, in line with Corporate Plan priorities and are aligned to the Cwm-Taf Well-Being Plan. In-year monitoring arrangements provide holistic overviews of the Council's performance.</p> <p>Further work is required to more clearly demonstrate impact within Self-assessment and performance reporting arrangements.</p>	<p>The Council's latest Self-Assessment identified the need for continued improvement in arrangements to demonstrate the impact of its work and delivery of intended outcomes, noting the requirement for the Council to re-set its arrangements following the unprecedented impact of the Covid-19 pandemic. There is a need for the Council to build on the work to date to more clearly demonstrate impact and outcomes within its Self-Assessment and Performance Reporting arrangements and also incorporate service user information (this being an emerging finding from the Audit Wales review work undertaken in 2022/23).</p>
D - Determining the interventions necessary to optimise the achievement of the intended outcomes	<p>Appropriate decision-making arrangements were in place during the year to review and determine interventions needed to deliver Corporate and Service priorities. These were integrated with budget setting and medium-term financial planning arrangements and progress was subject to public scrutiny via the Council's overview and scrutiny arrangements.</p>	<p>No</p>
E - Developing the entity's capacity, including the capability of its leadership and the individuals within it	<p>The Council has well-embedded self-assessment arrangements that assess the organisation's capacity and capability to deliver council services, this being informed by a workforce strategy and underpinned by an established framework of decision-making in the form of Schemes of Delegation.</p> <p>Further work is required to review and update the Council's Contract and Financial Procedure Rules.</p>	<p>The Contract and Financial Procedure Rule documents were not reviewed during 2022/23 to consider any updates required and ensure they continue to be fit for purpose. Both documents therefore require review during 2023/24 and proposed updates signed-off, incorporated into the Council's Constitution and staff made aware of updates.</p>

Supporting Principles	Overall Assessment Conclusion	Proposals for Improvement Set Out In The AGS
<p>F - Managing risks and performance through robust internal control and strong public financial management</p>	<p>The Council is financial stable, supported by robust financial planning and management arrangements that underpin service delivery. A focus on strong internal controls and the management of risks, independently checked by Internal Audit and overseen by the Governance and Audit Committee, are key components of the overall arrangements.</p> <p>Further work is required to:</p> <ul style="list-style-type: none"> <li>• Further strengthen risk management arrangements, as set out in the 2022/23 Internal Audit Report 'Corporate Risk Management'; and</li> <li>• Fully cost the Council's carbon reduction action plan and ensure alignment to the Medium Term Financial Plan, as recommended by Audit Wales in its Assurance and Risk Assessment Review.</li> </ul>	<ul style="list-style-type: none"> <li>• Internal Audit undertook an audit assignment on the Council's Corporate Risk Management arrangements in 2022/23, concluding reasonable assurance overall, and set out recommendations to further strengthen arrangements: updating the Risk Management Strategy to include officer roles and responsibilities; Strategic risks descriptions within the Strategic Risk Register are reviewed to ensure the impact on the Council is clear; and the need to progress the compilation and roll-out of a Risk Management e-learning training module for Council officers.</li> <li>• The Audit Wales Assurance and Risk Assessment Review recommended in respect of Carbon Reduction Plans – <i>'In order to meet its net zero ambition the Council needs to fully cost its action plan and ensure it is aligned with its Medium Term Financial Plan'</i>.</li> </ul>
<p>G - Implementing good practices in transparency, reporting, and audit to deliver effective accountability</p>	<p>The Council has open and transparent decision-making processes, with arrangements in place to hold decision-makers to account for service delivery and performance and the stewardship of public funds.</p>	<p>No</p>

## 6. REVIEW OF EFFECTIVENESS

- 6.1 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.
- 6.2 Each section of the Council's Local Code of Corporate Governance has been set out in Section 6 below, alongside other key governance arrangements, and a review of their effectiveness undertaken and proposals for improvement made, where deemed appropriate.

### 6.3 Core Principle A - Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

- 6.3.1 The Council is accountable not only for how much it spends, but also for how it uses the resources under its stewardship. This includes accountability for performance, both positive and negative, and for the outcomes achieved. In addition, the Council has an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, it can demonstrate the appropriateness of decisions and actions, and have arrangements in place to encourage and ensure compliance with ethical values and to respect the rule of law.

Local Code of Corporate Governance Requirements	Sub-Principle	Review of Effectiveness During 2022/23
<a href="#">Elected Councillor and Officer Codes of Conduct</a> - setting out the standards of behaviour to be followed based on the principles of integrity, honesty, impartiality and objectivity.	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.</li> <li>• From a Council Officer perspective, local induction arrangements were in place that set out, amongst other things, expected standards of behaviour. Alongside this, an officer guide was in place and corporate Manager Briefings delivered.</li> </ul>

Local Code of Corporate Governance Requirements	Sub-Principle	Review of Effectiveness During 2022/23
<p><a href="#">Rules of Procedure</a> – covering Council, Open Government, Access to Information, Budget and Policy Framework, Executive, Overview and Scrutiny, Officer Employment and Contract and Financial Procedure Rules.</p>	<p>Demonstrating strong commitment to ethical values</p>	<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>
<p><a href="#">Standards Committee</a> - the role of which includes, amongst other things, promoting and maintaining high standards of conduct by elected Councillors.</p>	<p>Demonstrating strong commitment to ethical values</p>	<ul style="list-style-type: none"> <li>• A Standards Committee was in place, supported by a <a href="#">Work Programme</a>, and promoted high standards of conduct in accordance with the Committee’s Terms of Reference.</li> <li>• As part of the Committee’s Work Programme, information on the outcome of investigations undertaken by the Public Services Ombudsman for Wales (PSOW) relating to RCT Elected Members and Community/Town Councillors within RCT (for whom the Monitoring Officer has responsibility) were reported. In summary, between 1<sup>st</sup> March 2022 and 31<sup>st</sup> March 2023 there were 7 complaints made to the PSOW against Members; none of these complaints reached the investigation stage and information was published as part of the <a href="#">18th November 2022</a> and <a href="#">25th April 2023</a> Standards Committee meetings to ensure openness and transparency.</li> </ul>
<p>Gifts and hospitality Policy.</p>	<p>Demonstrating strong commitment to ethical values</p>	<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>

Local Code of Corporate Governance Requirements	Sub-Principle	Review of Effectiveness During 2022/23
<a href="#">Comments, Compliments and Complaints</a> setting out how the Council handles and responds to feedback (complaints, compliments, and comments).	Demonstrating strong commitment to ethical values	<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:               <ul style="list-style-type: none"> <li>○ Social Services Representations and Complaints Procedures Annual Report 2021/22 to the <a href="#">17th October 2022</a> Cabinet meeting:                   <ul style="list-style-type: none"> <li>▪ Overall, the report concluded that Social Services continue to provide a robust and effective complaints procedure with the information from complaints providing valuable lessons learnt when planning and improving services to meet the needs of our customers; and</li> <li>▪ Out of 110 complaints received, 46 (or 42%) were responded to within statutory timeframes at stage 1, this being adversely impacted by the pandemic and the need to prioritise resources to frontline service delivery. Of the complaints received, 9 progressed to stage 2, 8 were referred to the Ombudsman and of these, there were no ombudsman investigations.</li> </ul> </li> <li>○ Non-social services related – an update was presented to the 15<sup>th</sup> March 2023 Governance and Audit Committee that set out 540 complaints were received during 2021/22, representing 0.1% of all customer contacts with the Council. Of the complaints received, 77.46% were responded to within 20 working days as part of stage 1 (with 75% being considered an indicator of good performance overall) and 47 complaints were referred to the PSOW, making up 0.06% of interventions from all local authorities in Wales. There were no Ombudsman investigations undertaken.</li> <li>○ The PSOW Annual Report and Letter for 2021/22 was reported to the Council's Cabinet (<a href="#">17th October 2022</a>) and Standards Committee (<a href="#">18th November 2022</a>). 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>'During 2021/22 51 complaints were received by the PSOW relating to this Authority (for periods 2020-2021– 40 and 2019/20 – 39). This is a 28% increase on 2020-21 levels compared against an all-Wales average of 48% increase. The total number of complaints equates to 0.21 complaints per 1000 residents. Notably this represents the third lowest total in Wales out of the 22 local authorities. 0.36 complaints per 1000 residents was the average across the 22 LA's'</i>.</li> </ul> </li> </ul>

Local Code of Corporate Governance Requirements	Sub-Principle	Review of Effectiveness During 2022/23
<p><a href="#">Whistle-blowing Policy</a> – promoting the highest possible standards of service and setting out how workers can bring information about a wrongdoing to the attention of the Council.</p>	<p>Respecting the rule of law</p>	<ul style="list-style-type: none"> <li>• The <a href="#">15th March 2023</a> Governance and Audit Committee considered:               <ul style="list-style-type: none"> <li>○ The Whistleblowing Annual Report 2022/23, that set out the arrangement and work undertaken during the year and concluded that the ‘<i>Council’s whistleblowing arrangements are appropriate</i>’.</li> <li>○ The Council’s updated its Whistle-blowing Policy and Procedure, that took into account updates following internal review and also Audit Wales’ feedback as part of the external auditor’s 2022/23 Assurance and Risk Assessment work. The updated Policy and Procedure was agreed by the Governance and Audit Committee subject to the incorporation of additional narrative in respect of advice to employees.</li> </ul> </li> </ul>
<p>Anti-fraud, Bribery &amp; Corruption Strategy.</p>	<p>Respecting the rule of law</p>	<ul style="list-style-type: none"> <li>• Anti-fraud, Bribery and Corruption Strategy updates were reported to the Governance and Audit Committee during the year: a mid-year update on <a href="#">7th December 2022</a> and on the <a href="#">15th March 2023</a> the Anti-fraud Annual Report for 2022/23 together with a proposed work programme for 2023/24.</li> <li>• The overall conclusion set out in the March 2023 report, based on the work undertaken during the year, was that the Council continues to operate within an effective anti-fraud culture across the organisation, with resilient preventative measures capable of identifying and addressing new threats. The 2022/23 Annual Report and 2023/24 Work Programme were endorsed by the Governance and Audit Committee.</li> </ul>



## 6.4 Core Principle B - Ensuring openness and comprehensive stakeholder engagement

6.4.1 Local government is run for the public good and the Council is committed to ensuring openness in the delivery of its activities. Clear, trusted channels of communication and consultation should be used to engage effectively with stakeholders, such as individual citizens and service users, as well as institutional stakeholders.

Local Code of Corporate Governance Requirements	Sub-Principle	Review of Effectiveness During 2022/23
<p>A <a href="#">Publication Scheme</a> 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 <a href="#">Publication Scheme</a> setting out the information published by the Council and how to access it, and also on the <a href="#">Freedom of Information Act 2000</a> 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 868 Freedom of Information (FOI) / Environmental Information Regulations (EIR) requests during the year, this being slightly less than the previous year (919). 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 8 complaints which had been referred to it by the Information Commissioner's Office (ICO). 4 related to the timeliness of requests being responded to by the Council (all of which were subsequently responded to), 2 where the ICO agreed that the Council did not hold the information, 1 where the withheld information could now be released due to the passage of time and 1 investigation still ongoing into what information is held by the Council.</li> </ul> <p><u>Public Services Ombudsman for Wales (PSOW)</u></p> <ul style="list-style-type: none"> <li>• The Ombudsman received 59 complaints relating to the Council in 2022/23 (48 in 2021/22): 48 cases where there was no investigation deemed required following review by the PSOW; 3 agreed early resolution; 7 cases referred back to be dealt with as part of the Council's complaint procedures; and 1 case on-going.</li> </ul>

Local Code of Corporate Governance Requirements	Sub-Principle	Review of Effectiveness During 2022/23
Clear and open <a href="#">Corporate &amp; Service Specific Privacy Notices</a> .	Openness	<p>During 2022/23 the Council demonstrated compliance with the key requirements of the UK General Data Protection Regulation and Data Protection Act 2018 by:</p> <ul style="list-style-type: none"> <li>• Having measures in place that supported compliance with legislation, including: <ul style="list-style-type: none"> <li>○ Designated roles in place such as a Data Protection Officer (DPO) and Senior Information Risk Owner (SIRO) whose roles are to provide specialist advice, information and guidance to the organisation on data protection and information risk matters; and</li> <li>○ Policy framework, Data Protection / Risk Registers alongside operational processes and procedures.</li> </ul> </li> <li>• Having an Information Management Board in place (chaired by the SIRO) that provided assurance that information risk was being properly assessed, controlled and mitigated and that key data protection legislative requirements were met.</li> <li>• Having a Cyber Security Board in place involving the Chief Executive, Deputy Chief Executive/SIRO and Service Director of ICT &amp; Digital Services that provided assurance relating to cyber security arrangements.</li> <li>• Assurance was demonstrated to both Boards through a range of mechanisms including quarterly highlight reports, review of the Corporate risk register and rating, oversight of progress against the Information Management priorities/plan and monitoring and oversight of cyber security actions.</li> <li>• Based on the governance and assurance arrangements outlined above, controls are considered to be robust and supported continuity of service delivery.</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 published on its website <a href="#">forward plans of committee meetings</a> 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.</li> </ul>

Local Code of Corporate Governance Requirements	Sub-Principle	Review of Effectiveness During 2022/23
Stakeholder engagement	Engaging comprehensively with institutional stakeholders	<ul style="list-style-type: none"> <li>• The Council worked with public, private and voluntary organisations during the year with the overriding objective to help improve the lives of residents within the County Borough, and a number of these are set out on the <a href="#">Council's website</a>.</li> <li>• More specifically, the Council is a statutory partner within the Cwm Taf Public Services Board and actively engages within the Board to put in place arrangements to provide information and data that support the identification and delivery of regional priorities, outcomes and allocation of resources. The Cwm Taf Public Services Board completed a joint Well-being Assessment with the Bridgend Public Services Board for the Cwm Taf Morgannwg area as part of a wider transition to a Cwm Taf Morgannwg Public Services Board that will deliver the new <u>Cwm Taf Morgannwg Well-being Plan</u>. These arrangements now directly correlate to <u>Cwm Taf Morgannwg Regional Partnership Board</u>, with the Board managing, amongst other things, the allocation of the Welsh Government funded <u>Regional Investment Fund</u> in order to help meet the health, social care and wellbeing needs of residents and a focus on its governance and engagement arrangements.</li> <li>• 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 supporting older people to stay in their homes longer, prevent unnecessary stays in hospital and to help get people home from hospital more quickly when they are well enough; using RCT Neighbourhood Network Groups developed to support the Community Hub model that works with local community groups to meet identified needs; an integrated Substance Misuse Service and Community Safety Partnership; and with Water Safety Partnership and Public Health Wales concerning insufficient water supplies due to drought conditions which are deemed to become more prevalent as a result of climate change.</li> </ul>

Local Code of Corporate Governance Requirements	Sub-Principle	Review of Effectiveness During 2022/23
Stakeholder engagement - continued	Engaging comprehensively with institutional stakeholders	<ul style="list-style-type: none"> <li>• The Audit Wales report 'Transformational Leadership Programme Board – Baseline Governance Review – Cwm Taf Morgannwg Regional Partnership Board' was reported to the Council's Governance and Audit Committee on <a href="#">7th December 2022</a> and concluded overall that '<i>...Transformational Leadership Programme Board is well placed to develop stronger regional working building on the productive relationships over the past 18 months. However, it needs to ensure its planning is more integrated and long term, strengthen aspects of its governance arrangements and be more ambitious in using its combined core resources to have greater impact on the Cwm Taf Morgannwg region</i>'. A series of recommendations were included in the report that have been agreed by Management across partners along with implementation timescales.</li> </ul>
Stakeholder engagement	Engaging Stakeholders Effectively, Including Individual Citizens And Service Users	<ul style="list-style-type: none"> <li>• The Council has conducted a range of engagement activities with stakeholders via its dedicated Lets Talk RCT engagement website and also face-to-face engagement. During 2022/23 this included: <ul style="list-style-type: none"> <li>○ Lets Talk Budget – that helped inform the 2023/24 Revenue Budget Strategy in terms of the Strategy's key building blocks, for example, council tax levels, the need for an on-going focus on delivering more efficient services and supporting the Council's approach to the management of its Reserves.</li> <li>○ Lets Talk Climate Change, Electric Vehicles Charging Points and Wildflowers – continuous engagement to inform the Council's programme of work to tackle climate change.</li> <li>○ A consultation that provided evidence to inform the preparation of the Council's Local Development Plan.</li> <li>○ Lets Talk Pontypridd - consultation to help develop the placemaking plan for Pontypridd, together with specific feedback on anti-social behaviour, public conveniences and cleanliness.</li> <li>○ 'My Day, My Way' involvement and engagement to inform the on-going transformation of day services so that people with a learning disability have access to meaningful activity and opportunities in their own communities, including employment to achieve their personal goals.</li> </ul> </li> </ul>

Local Code of Corporate Governance Requirements	Sub-Principle	Review of Effectiveness During 2022/23
Stakeholder engagement – continued	Engaging Stakeholders Effectively, Including Individual Citizens And Service Users	<ul style="list-style-type: none"> <li>• Audit Wales reported its Assurance and Risk Assessment Review 2021/22 to the Governance and Audit Committee on <a href="#">7th December 2022</a> that set out, amongst other things: <i>'Implications of the Local Government and elections (Wales) Act 2021 – The Council is making good progress developing its arrangements to meet the requirements of the Local Government and Elections (Wales) Act 2021, but has not yet agreed its approach for engaging with the public'</i>.</li> </ul> <p><u>Proposal for Improvement</u></p> <p>The Council should complete its work to finalise and agree its Participation Strategy and then take the necessary steps for this to be implemented.</p>

## 6.5 Supporting Principle C - Defining outcomes in terms of sustainable economic, social and environmental benefits.

6.5.1 The long-term nature and impact of the Council's work requires it to define and plan outcomes and that these should be sustainable. Decisions should further the Council's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from stakeholders, including citizens, service users and institutional stakeholders, is vital to the success of this process and in balancing competing demands, determining priorities and finite resources.

Local Code of Corporate Governance Requirements	Sub-Principles	Review of Effectiveness During 2022/23
The Council's Performance Management Framework – defining outcomes based on need	Defining Outcomes	<ul style="list-style-type: none"> <li>• The Council had a Performance Management Framework (PMF) in place with evidenced based assessments informing priorities and outcomes. The assessments were in the form of Public Services Board Well-being Assessment 2022 for the area and Council specific arrangements in terms of its <a href="#">Self-Assessment</a> and individual Service Self-Assessments.</li> <li>• This has also enabled the Council to align its Corporate Plan priorities to the Cwm Taf Well-Being Plan and support compliance with its statutory reporting duties under the Well-being of Future Generations Act 2015.</li> </ul>
Corporate Plan 2020 – 2024 'Making a difference'	Defining Outcomes	<ul style="list-style-type: none"> <li>• The Council's <a href="#">Corporate Plan 2020 – 2024 'Making a Difference'</a> sets out its Vision, Purpose and Priorities over the 4-year period together with the outcomes it aims to achieve and the key actions it will take to get there. The Council's Corporate Plan priorities are:               <ul style="list-style-type: none"> <li>○ Ensuring People: are independent, healthy and successful:</li> <li>○ Creating Places: where people are proud to live, work and play: and</li> <li>○ Enabling Prosperity: creating the opportunity for people and businesses to: be innovative; be entrepreneurial; and fulfil their potential and prosper.</li> </ul> </li> <li>• The Council's key documents, including the Revenue Budget Strategy, 3-year Capital Programme, Medium-Term Financial Plan and Performance Reports are aligned to its Corporate Plan, to support the delivery and monitoring of priorities and outcomes in line with available resources</li> </ul>

Local Code of Corporate Governance Requirements	Sub-Principles	Review of Effectiveness During 2022/23
Quarterly Performance Report (including Risk Register updates)	'Defining Outcomes' and 'Sustainable economic, social and environmental benefits'	<ul style="list-style-type: none"> <li>• The Council's quarterly Performance Reports include progress updates on the delivery of Corporate Plan priorities and also the re-introduction of performance measures, following a pause during the period of Covid-19. The updates were publicly reported to the Cabinet and the designated Scrutiny Committee on a quarterly basis during 2022/23 (<a href="#">Quarters 1, 2 and 3</a>, with the Quarter 4 (Year-end) Performance Report scheduled to be reported to the July meetings of the Council's Cabinet and Overview and Scrutiny Committee).</li> <li>• The quarterly Performance Reports provided an holistic overview of the Council's performance through setting out updates on: the Revenue Budget, Capital Programme and Treasury Management performance; Workforce (sickness absence and turnover) information; Corporate Plan progress 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 actions being taken to enhance the Council's response to extreme weather events and delivery of its Climate Change strategy.</li> <li>• The arrangements were in line with the PMF, provided opportunity for stakeholders to hold the Council to account for its financial and operation performance and clearly set out progress against Corporate Plan priorities.</li> </ul> <p><u>Proposal for Improvement</u></p> <ul style="list-style-type: none"> <li>• The Council's latest Self-Assessment identified the need for continued improvement in arrangements to demonstrate the impact of its work and delivery of intended outcomes, noting the requirement for the Council to re-set its arrangements following the unprecedented impact of the Covid-19 pandemic. There is a need for the Council to build on the work to date to more clearly demonstrate impact and outcomes within its Self-Assessment and Performance Reporting arrangements and also incorporate service user information (this being an emerging finding from the Audit Wales review work undertaken in 2022/23).</li> </ul>

## 6.6 Supporting Principle D - Determining the interventions necessary to optimise the achievement of the intended outcomes

6.6.1 The Council achieves its intended outcomes by providing a mixture of legal, regulatory and practical interventions. Robust decision making is required to enable priorities and intended outcomes to be delivered in an efficient and effective way, and decisions reviewed on an on-going basis to ensure the achievement of outcomes is optimised.

Local Code of Corporate Governance Requirements	Sub-Principle	Review of Effectiveness During 2022/23
Evidence based decision-making arrangements (New for 2022/23)	Determining interventions	<ul style="list-style-type: none"> <li>• Decision-making arrangements were in line with the Council’s Constitution, supported by evidence based and published reports that were informed by stakeholder feedback and set out information in respect of legal, equality and diversity and financial implications, and the extent of alignment with the Well-Being of Future Generations Act. Decision making was also informed by other committees, such as the Climate Change Cabinet Sub-committee and a number of decisions subject to a pre-scrutiny process (see Section 6.6.1 – Scrutiny Committees)</li> <li>• Agreed decision were incorporated within the Council’s Revenue Budget Strategy / 3-Year Capital Programme and informed Medium Term Financial Planning.</li> </ul>
Monitoring and oversight of priorities (New for 2022/23)	Planning interventions	<ul style="list-style-type: none"> <li>• Arrangements were in place during the year to plan and monitor interventions via local Service Delivery Planning that are used to update quarterly Performance Reports and specific update reports to Cabinet and / or the designated scrutiny committee, for example:               <ul style="list-style-type: none"> <li>○ <b>Corporate Plan Priority - People</b> <ul style="list-style-type: none"> <li>▪ <a href="#">Youth Engagement and Participation Service - Overview of additional funding 2020 - 2022</a></li> <li>▪ <a href="#">Family Engagement Officers Review</a></li> </ul> </li> <li>○ <b>Corporate Plan Priority - Places</b> <ul style="list-style-type: none"> <li>▪ <a href="#">Ultra Low Emissions Vehicles (ULEV) Transition Plan</a></li> <li>▪ <a href="#">Report of the Council's Recycling Performance 2021/22</a></li> </ul> </li> <li>○ <b>Corporate Plan Priority - Prosperity</b> <ul style="list-style-type: none"> <li>▪ <a href="#">Review of Learning Support Class provision within Rhondda Cynon Taf</a></li> <li>○ <a href="#">New Empty Homes Strategy for 2022 - 2025</a></li> </ul> </li> </ul> </li> </ul>



Local Code of Corporate Governance Requirements	Sub-Principle	Review of Effectiveness During 2022/23
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 2022/23 Revenue Budget Strategy and 3-year Capital Programme (2022/23 to 2024/25) on <a href="#">9th March 2022</a>.  <u>Revenue Budget Strategy 2022/23</u></li> <li>• The formulation of the 2022/23 Revenue Budget Strategy was informed by the Council's Service Delivery Planning process and engagement with local residents / stakeholders. Feedback from engagement included, amongst other things, 91.2% of respondents supported prioritisation of resources to schools and social services with the Council allocating 68% (£26M) of overall additional resources available to these areas (39% for social services and 29% for schools).</li> <li>• The 2022/23 Revenue Budget totalled £566.792Million, the broad objectives of which have been delivered during the year: supported the delivery of Corporate Plan priorities; retain the support of Audit Wales for the approach the Council has adopted to securing strong financial management (see Supporting Principle F); continue the delivery of our key services and protect as many local jobs as possible; and taking 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.  <u>Capital Programme (2022/23 to 2024/25)</u></li> <li>○ The Capital Programme totalled £148.770Million and set out the capital investment priorities that will have a long-term impact on the area in terms of regeneration, infra-structure and the Council's built assets in optimising their use and benefit to local communities. This included significant on-going investment: in schools, that is improving the quality of learning environment, facilities available and building energy performance; in highways, that is supporting a trend of improvement in the condition of roads, as demonstrated by reported performance indicators; and in carbon reduction projects that is supporting reductions in energy consumption and CO2 emissions.</li> </ul>

Local Code of Corporate Governance Requirements	Sub-Principle	Review of Effectiveness During 2022/23
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 (MTFP) arrangements that inform budget setting, with the approach balancing the Council priorities and strategies with affordability, to support service planning and delivery over the medium term. The MTFP was published and the Council adopted an inclusive approach to enable elected Members to review and scrutinise the position i.e. updates reported to Cabinet, full Council, Overview and Scrutiny Committee and School Budget Forum.</li> <li>• The latest MTFP (<a href="#">July 2022</a>) set out a range of modelled 'budget gaps', these being between £30M and £36M for the 2023/24 financial year and provided an accurate and timely forecast of the scale of the budget challenge to inform budget setting arrangements for this period (the actual budget gap being £36M).</li> <li>• The Council prioritised the allocation of resources in line with its Corporate Plan: 85% of the Council's revenue budget was allocated to Corporate Plan priority areas (with the remaining 15% being in respect of Regulatory Public Services, Other Services to the public, Authority Wide costs and Core Support) (See also section 'Supporting Principle F'); and 98% of capital resources were allocated to Corporate Plan priority areas.</li> </ul>

Local Code of Corporate Governance Requirements	Sub-Principle	Review of Effectiveness During 2022/23
Scrutiny Committees	Optimising achievement of intended outcomes	<ul style="list-style-type: none"> <li>• The Council revised its Scrutiny Structure in a report to Council in <a href="#">May 2022</a> to ensure its scrutiny arrangements were well-placed to respond to the new requirements of the Local Government &amp; Elections (Wales) Act 2021 and increase the impact of scrutiny and reduce duplication of reporting.</li> <li>• An Overview and Scrutiny Annual Report 2022/23 was reported to and agreed at the Council's Annual General Meeting on 10<sup>th</sup> May 2023 and set out the work and impact delivered by each of the 4 scrutiny committees as well as areas for development in 2023/24. Areas scrutinised in 2022/23 included: the Council's financial and Corporate Plan performance on a quarterly basis; targeted pre-scrutiny on 'Residential Care for Older People', 'the 2023/24 Budget', 'The RCT Tree, Woodland and Hedgerow Strategy' and the 'Children's Services Residential Transformation Strategy'; contributing to consultations such as the 'Review of Parliamentary Constituencies in Wales – Boundary Commission for Wales' Initial Proposals' and the 'National Transport Delivery Plan 2022-2027'; and service specific updates such as 'Electrical Vehicle Charging Implementation Plan and associated Action Plan', 'Support to refugees, Ukraine nationals and asylum seekers in RCT', 'Update on the implementation of the Additional Learning Needs &amp; Education Tribunal Act 2018 in Rhondda Cynon Taf County Borough Council' and 'the roll-out of, Universal Primary Free School Meals'. The above areas align with the Council' Corporate Plan priorities.</li> <li>• The work of scrutiny committees was underpinned by a programme of training that included Chairing skills, questioning techniques and bespoke training specific to each Committee, and a scrutiny research facility was made available within the Council Business Unit to support Members' scrutiny responsibilities and their roles as Elected Members; such research strengthens Scrutiny Committee work programmes to ensure outcome-based topics are identified.</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 undertook pre-scrutiny of the new Cwm Taf Morgannwg Well-Being Plan 2023 – 2028.</li> </ul>

## 6.7 Supporting Principle E - Developing the entity's capacity, including the capability of its leadership and the individuals within it

6.7.1 The Council needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mind-set, to operate efficiently and effectively and support the achievement of intended outcomes. It must ensure it has both the capacity to deliver its priorities and for the organisation as a whole. Because both individuals and the environment in which the Council operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of the leadership of staff members. Leadership in the Council is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.

Local Code of Corporate Governance Requirements	Sub-Principle	Review of Effectiveness During 2022/23
Corporate and Service Self Evaluation process.	Developing the entity's capacity	<ul style="list-style-type: none"> <li>• The Council's <a href="#">Self-Assessment</a> and Service Self-Evaluation arrangements review: service delivery, planning and outcomes; the management and use of resources, workforce and assets; how services work with partners; and key cross cutting themes of decarbonisation, biodiversity, Welsh language and equality and inclusion.</li> <li>• The above arrangements inform service delivery planning and the allocation of resources to ensure the Council has the necessary capacity to deliver its services and priorities. This is supported through the assessment processes evidencing: <ul style="list-style-type: none"> <li>○ A consistent track record of sound service delivery, underpinned by robust financial management and workforce planning arrangements;</li> <li>○ The development of new strategies and evolving existing strategies, based on lessons learned and in some cases regulation, to support current and future service delivery in line with the changing needs of communities, for example, <a href="#">Residential Care Homes for Older People</a>, <a href="#">Looked After Children: Residential Care Transformation Strategy 2022-2027</a>, <a href="#">Digital Strategy 2022-2026</a> and <a href="#">The Council's Tackling Climate Change Strategy 2022-2025</a>.</li> </ul> </li> </ul>

Local Code of Corporate Governance Requirements	Sub-Principle	Review of Effectiveness During 2022/23
Corporate and Service Self Evaluation process - continued	Developing the entity's capacity	<ul style="list-style-type: none"> <li>○ External Regulator feedback on the Council's services, the most recent being the Estyn Report on the Council's Education Services, published <a href="#">31st March 2023</a>, and setting out a very positive position overall.</li> <li>● The Council's assessment arrangements have also recognised the significant challenges facing it in terms of forecasted funding levels; increasing demand for services and complexity of support linked to vulnerability and levels of poverty; and recruitment and retention challenges across a number of service areas. The continuation of robust assessment, planning and monitoring / measurement arrangements will help ensure the Council continues to be well positioned to meet these challenges.</li> </ul>
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 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>○ Work was completed during the year to compile a new <a href="#">Human Resources Strategy and Council Workforce Plan 2023-28</a> to take forward priority workforce actions, this being approved by Cabinet on 23<sup>rd</sup> January 2023. As part of the updated strategy workforce planning training is to be provided for senior managers during the first half of 2023/24.</li> </ul>

Local Code of Corporate Governance Requirements	Sub-Principle	Review of Effectiveness During 2022/23
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>• Following the 2022 Local Government Elections, a full programme of training opportunities was provided to newly elected and returning Members, and Members were surveyed on the Induction Programme to ascertain the relevance/length/content of the sessions and where, if any, improvements could be made for future induction training programmes. Overall, 87% of Members said they were satisfied with the delivery, timings and content of the training.</li> <li>• The Head of Democratic Services, supported by the Council Business Unit, has taken forward the Member Personal Development Review process with Elected Members and for the first time, includes co-opted Members. A detailed Training programme identifying training requested and how this is to be accommodated (i.e. through 1:1 training or all Member briefing sessions) is currently being developed following the information received during the meetings and will be presented to a future meeting of the Democratic Services Committee for monitoring. A report highlighting the training undertaken to date was presented to the Democratic Services Committee at its meeting in <a href="#">27th April 2023</a>.</li> <li>• Other on-going developments include: the Members Portal, including utilising 'Member Portal Champions' to assist in the developments of the system; a <a href="#">Member Research Draft Protocol</a> to assist Members with research requests has been developed and endorsed by the Democratic Services Committee, assisting Members in their role going forward; and Council Business Unit have assisted in the trialling and development of a climate change eLearning module and are taking part in a ARFer project to encourage the use of Welsh within the workplace.</li> </ul> <p><u>Officers</u></p> <ul style="list-style-type: none"> <li>○ During 2022/23 staff development has been supported virtually and face to face 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. There was also specific focus on health and wellbeing and the management of sickness absence.</li> </ul>

Local Code of Corporate Governance Requirements	Sub-Principle	Review of Effectiveness During 2022/23
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>
Procedure Rules	Developing the capability of the entity's leadership and other individuals	<ul style="list-style-type: none"> <li>● The Council's Constitution set out Contract and Financial Procedure Rules that provided the framework for Officers and, where required, elected Members, to operate within during the year. Internal Audit also took account of the requirements within these Procedure Rules when checking internal control compliance as part of audit assignments undertaken and reported updates to Management on exceptions (see also Supporting Principle F – Internal Audit Function).</li> </ul> <p><u>Proposal for Improvement</u></p> <p>The Contract and Financial Procedure Rule documents were not reviewed during 2022/23 to consider any updates required and ensure they continue to be fit for purpose. Both documents therefore require review during 2023/24 and proposed updates signed-off, incorporated into the Council's Constitution and staff made aware of updates.</p>

## 6.8 Supporting Principle F - Managing risks and performance through robust internal control and strong public financial management

6.8.1 It is a fundamental requirement for the Council's governance structures to support robust financial and performance management arrangements, thereby enabling efficient and effective service planning and delivery and the achievement of intended outcomes. Risk management and robust internal control are integral parts of these arrangements. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will drive financial discipline, strategic allocation of resources, efficient service delivery and accountability. It is also essential that a culture and structure for scrutiny is in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from the Council's leaders and senior managers.

Local Code of Corporate Governance Requirements	Sub-Principle	Review of Effectiveness During 2022/23
Risk Management Strategy	Managing risk	<ul style="list-style-type: none"> <li>• The Council reviewed and updated its Strategic Risk Register in 2022/23 and included 3 new risks in respect of accommodation needs for the most vulnerable people, dis-engaged learners within schools and fulfilling counter terrorism duties.</li> <li>• Strategic Risk Register updates were publicly reported on a quarterly basis during the year, as part of the Council's Performance Report, and on the <a href="#">14th February 2023</a> the Council's Governance and Audit Committee were provided with an overview of its role in respect of risk management along with the latest version of the Strategic Risk Register. This update supported the feedback provided by Committee Members, that is, for risk management to be part its learning and development arrangements and ensures the Committee is kept abreast of and can challenge the Council's risk profile.</li> </ul>



Local Code of Corporate Governance Requirements	Sub-Principle	Review of Effectiveness During 2022/23
Risk Management Strategy – continued	Managing risk	<p><u>Proposal for Improvement</u></p> <ul style="list-style-type: none"> <li>Internal Audit undertook an audit assignment on the Council’s Corporate Risk Management arrangements in 2022/23, concluding reasonable assurance overall, and set out recommendations to further strengthen arrangements: updating the Risk Management Strategy to include officer roles and responsibilities; Strategic risks descriptions within the Strategic Risk Register are reviewed to ensure the impact on the Council is clear; and the need to progress the compilation and roll-out of a Risk Management e-learning training module for Council officers.</li> </ul>
Service Delivery Planning.	Managing performance	<ul style="list-style-type: none"> <li>As set out in sections ‘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 Principle C’.</li> </ul>
Corporate Performance Report (i.e. year-end annual report).	Managing performance	<ul style="list-style-type: none"> <li>As set out in sections ‘Supporting Principles C and D’.</li> </ul>
Governance and Audit Committee	Robust internal control	<p><u>Governance and Audit Committee</u></p> <ul style="list-style-type: none"> <li>The Council’s Governance and Audit Committee considered and approved an Annual Report for 2022/23 on <a href="#">15th March 2023</a> that provided an overview of its work during the year and a self-assessment of its arrangements against the CIPFA 2018 Practical Guidance Note. The conclusions from the Annual Report were:</li> </ul>

Local Code of Corporate Governance Requirements	Sub-Principle	Review of Effectiveness During 2022/23
Governance and Audit Committee – continued	Robust internal control	<ul style="list-style-type: none"> <li>○ The Governance and Audit Committee has reviewed and challenged a range of topic areas, including the work of Internal and External Audit, the Committee’s responsibilities as set out in the Local Government and Elections (Wales) Act 2021 and its new responsibility as agreed at the Council’s 2022 AGM in respect of reviewing and scrutinising the Council’s Treasury Management arrangements.</li> <li>○ From the review of the coverage of the Governance and Audit Committee’s work and oversight during the year, the Committee has delivered its Workplan and responsibilities in line with its Terms of Reference, and has been supported via a range of specific learning and development sessions.</li> <li>○ The outcome of the self-assessment, consistent with previous years, demonstrates that the Council has sound arrangements in place in respect of its Governance and Audit Committee, noting that a small number of new proposals for improvement were identified to further strengthen existing arrangements.</li> </ul>
Internal Audit function	Robust internal control	<p><u>Internal Audit</u></p> <ul style="list-style-type: none"> <li>● A review of information presented by the Regional Internal Audit Shared Service (RIAS) to the Governance and Audit Committee 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>○ The Internal Audit Charter 2022/23 that provided the Committee with information to assess the independence of the internal audit function.</li> <li>○ An Internal Audit Annual Plan 2022/23 and progress updates.</li> <li>○ 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>○ Information on the overall assessment of Internal Audit’s work for 2022/23 is set out at paragraphs 6.11.4 to 6.11.7.</li> </ul> </li> <li>○ In compliance with the Public Sector Internal Audit Standards, an external assessment should be carried out every five years by a qualified, independent assessor or assessment team from outside of the RIAS Councils. The self-assessment was carried out in 2022 and shared with assessors in November 2022. The external assessment of the RIAS is currently in progress and is due to be completed during 2023/24.</li> </ul>

Local Code of Corporate Governance Requirements	Sub-Principle	Review of Effectiveness During 2022/23
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>• Audit Wales reported its Assurance and Risk Assessment Review 2021/22 to the Governance and Audit Committee on <a href="#">7th December 2022</a> that set out, amongst other things: <i>'Digital Strategy - The Council has invested in its digital team and processes and has built on its previous digital strategy and the progress made during the pandemic to develop its new strategy and was developing its arrangements to support implementation'</i>.</li>   <li>• The Council had arrangements in place for technical and cyber assurance through secured accreditation to Cyber Essentials and work in progress for reaccreditation to the Public Service Network. During re-accreditation controls remain in place to mitigate against cyber risk. This provided assurance that the Council meets required standards for security.</li>   <li>• The Information Commissioner's Office investigated 5 personal data breaches during 2022/23 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>

Local Code of Corporate Governance Requirements	Sub-Principle	Review of Effectiveness During 2022/23
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 2022/23 budget setting process and was set out in the report to Cabinet on <a href="#">27th January 2022</a>.</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 2022/23 Internal Audit Plan (see paragraphs 6.11.4 to 6.11.7 for the overall outcome from the work of Internal audit during 2022/23).</li> </ul> <p><u>Proposal for Improvement</u></p> <ul style="list-style-type: none"> <li>• The Contract and Financial Procedure Rule documents were not reviewed during 2022/23 to consider any updates required and ensure they continue to be fit for purpose. Both documents therefore require review during 2023/24 and proposed updates signed-off, incorporated into the Council's Constitution and staff made aware of updates.</li> </ul>
Medium Term Financial Plan	Strong public financial management	<ul style="list-style-type: none"> <li>• The Council updated its MTFP and was reported to Cabinet and full Council in September 2022 and overviews to the Overview and Scrutiny Committee and School Budget Forum in November 2022, 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 (see also Supporting Principle D).</li> </ul> </li> </ul>

Local Code of Corporate Governance Requirements	Sub-Principle	Review of Effectiveness During 2022/23
Medium Term Financial Plan – continued	Strong public financial management	<ul style="list-style-type: none"> <li>• An on-going assessment and public reporting and scrutiny of reserve levels. This approach has also enabled additional one-off investment in Corporate Plan priority areas; for 2022/23 this totalled £9.825Million and were agreed by full Council on <a href="#">28th September 2022</a> (£2.725M) and <a href="#">8th March 2023</a> (£7.1M). The additional one-off investment, along with other allocated resources, contributed to capital expenditure investment of £135Million for 2022/23 (annual capital programme investment of over £100Million delivered for each of the past 6 financial years).</li> <li>• The setting and delivery of balanced revenue budgets.</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 reported its Assurance and Risk Assessment Review 2021/22 to the Governance and Audit Committee on <a href="#">7th December 2022</a> that set out, amongst other things: <ul style="list-style-type: none"> <li>• The Council’s Financial Position – ‘<i>The Council is now facing significant financial pressures, but remains well placed to respond to these</i>’.</li> <li>• Carbon Reduction Plans – ‘<i>The Council is taking forward its plans to meet the challenge of achieving net zero carbon emissions by 2020, but recognises that further work is needed to identify resources to deliver its plans over the longer term</i>’.</li> </ul> </li> </ul> <p><u>Proposal for Improvement</u></p> <ul style="list-style-type: none"> <li>• The Audit Wales Assurance and Risk Assessment Review recommended in respect of Carbon Reduction Plans – ‘<i>In order to meet its net zero ambition the Council needs to fully cost its action plan and ensure it is aligned with its Medium Term Financial Plan</i>’.</li> </ul>

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

- 6.8.2 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.
- 6.8.3 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.
- 6.8.4 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.
- 6.8.5 Full compliance was 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 6.8.6.
- 6.8.6 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 disciplined, robust and accountable approach to financial management and medium-term financial planning, with the Senior Leadership Team demonstrating collective responsibility for the delivery of these arrangements. There are no specific areas for improvement, save for those included within this Annual Governance Statement (see section 5, Executive Summary, for an overview of the proposals for improvement), and noting the importance of maintaining robust arrangements to support the continued effective and efficient use and management of resources through a very challenging financial outlook that lies ahead.

## 6.9 Supporting Principle G - Implementing good practices in transparency, reporting, and audit to deliver effective accountability

6.9.1 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 2022/23
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>1</sup>, Corporate Parenting Board Annual Report 2021/22 (<a href="#">Corporate Parenting Board 18th October 2022</a>), Annual Equality Report 2021/22 (<a href="#">Overview and Scrutiny Committee 21st March 2023</a>), Vale, Valleys and Cardiff Regional Adoption Collaborative Annual Report 2021/22 () and Young Carers Annual Report 2022/23 (<a href="#">Corporate Parenting Board 30th March 2023</a>).</li> </ul>

<sup>1</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 2022/23
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 2021/22 financial year, was reported to full Council on <a href="#">18th January 2023</a>.</li> <li>• During 2022/23, prior to the Council's 2021/22 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 <a href="#">7th September 2022</a> Governance and Audit Committee 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>○ At the 7<sup>th</sup> September 2022 Governance and Audit Committee meeting, the external auditor, Audit Wales, provided a verbal update on the progress of the audit of the draft 2022/23 Statements of Account, feeding back that the external auditor was pleased with the quality of the Statement of Accounts produced by the Council and that no significant matters have been identified through the audit process, to date, to bring to the attention of the Committee.</li> </ul> </li> <li>• With regard to the statement of accounts process for the 2022/23 financial year: <ul style="list-style-type: none"> <li>○ The Council published a notice to confirm that its draft 2022/23 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 Governance and Audit Committee 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 2022/23
Pension Fund Committee.	Implementing good practices in reporting	<ul style="list-style-type: none"> <li>The Pension Fund Statement of Accounts 2021/22 were reported to and approved by full Council on <a href="#">23rd November 2022</a> 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 <a href="#">13th December 2022</a>.</li> <li>A Work Programme for the 2022/23 financial year was presented to and agreed at the <a href="#">12th July 2022</a> 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 2021/22 Annual Governance Statement recommendations was reported to the <a href="#">7th December 2022</a> Governance and Audit Committee meeting. A year-end position statement is set out at <b>Appendix A</b> and demonstrates that all recommendations, and associated arrangements, have 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', the Governance and Audit Committee reviewed and challenged a range of topic areas during the year, and delivered its workplan and responsibilities in line with its Terms of Reference. The outcome of the self-assessment demonstrates sound arrangements in place in respect of the Council's Governance and Audit Committee, noting a small number of proposals to strengthen existing arrangements.</li> </ul>

## 6.10 Other Key Governance Arrangements

### Amgen Cymru Limited

- 6.10.1 RCT 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.
- 6.10.2 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.
- 6.10.3 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.
- 6.10.4 During 2022/23 there have been no significant governance issues that have been identified by the Amgen Company directors, internal auditors or external auditors.

### Pension Fund

- 6.10.5 RCT 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.
- 6.10.6 All of these documents can be found at the following link: [www.rctpensions.org.uk](http://www.rctpensions.org.uk)
- 6.10.7 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.

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

6.10.9 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.

6.10.10 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.

6.10.11 The Pension Fund Committee met 4 times during the 2022/23 financial year.

6.10.12 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.

## 6.11 Other Key Sources of Assurance

6.11.1 The following other key sources of assurance were in place during the 2022/23 financial year.

### Chief finance Officer (Section 151 Officer)

6.11.2 The Chief Finance Officer position within the Council during 2022/23 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

6.11.3 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

6.11.4 The Head of Internal Audit has produced a Head of Internal Audit Report for 2022/23. Subject to the Governance and Audit Committee consideration at its meeting in July 2023, the Head of Internal Audit Report states:

- *from the work undertaken during the financial year 2022/23 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 2022/23 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.*

- 6.11.5 The Head of Internal Audit's Annual Report 2022/23 confirmed overall conformance to the Public Sector Internal Audit Standards. Many Council staff continued to work remotely, and systems and processes have had to be adjusted to cater for the new ways of working. Similarly, Internal Audit has worked remotely, conducting audits and obtaining evidence digitally. Each audit has considered the potential impact of remote working to ensure adequate controls and governance arrangements remained in place.
- 6.11.6 Remote working and long term sickness did have an impact on the delivery of the Internal Audit Plan for 2022/23 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, the Internal Audit plan continued to have regard to the continuing impact caused by the pandemic and the changes that have been made to the way the Council is operating. 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 2023/24 plan.
- 6.11.7 During the year the service has had the flexibility to work from home or the office and have undertaken site visits as appropriate for each audit. The Audit team will continue to work remotely to a large extent, and each audit will continue to consider the impact of remote working to ensure adequate controls and governance arrangements are in place.

#### External Audit

- 6.11.8 Audit Wales provided updates to full Council and the Governance and Audit Committee 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
    - [23rd November 2022](#) - 'Audit of Accounts Report – Rhondda Cynon Taf Pension Fund'; and
    - [18th January 2023](#) - 'Audit of Accounts Report – Rhondda Cynon Taf County Borough Council'.
  - Governance and Audit Committee – regular Audit Wales updates were reported to the Committee and, from a Council perspective, an Officer report was presented setting out progress made to implement recommendations made by Audit Wales in respect of the Council's arrangements. This included:
    - [18th July 2022](#) - 'Audit Wales – 2022 Audit Plan Rhondda Cynon Taf County Borough Council' and 'Audit Wales – 2022 Audit Plan Rhondda Cynon Taf Pension Fund';

- [7th September 2022](#) – ‘Audit Wales Work Programme and Timetable’; Audit Wales Reports (Rhondda Cynon Taf Council specific reports: ‘Springing Forward – Strategic Asset Management’ and ‘Springing Forward – Workforce’ and all Wales report ‘Direct Payments for Adult Social Care’); and Audit Wales – verbal update on the progress of the audit of the draft Statement of Accounts 2021/22;
- [7th December 2022](#)
  - Audit Wales Assurance and Risk Assessment Summary Report; Audit Wales – Transformational Leadership Programme Board – Baseline Governance Review – Cwm Taf Morgannwg Regional Partnership Board; and Council Progress Update – Implementation of recommendations reported by Audit Wales.
  - Council Progress Update (Officer Report) – Implementation of recommendations reported by Audit Wales.
- [15th March 2023](#) – Audit Wales – Annual Audit Summary 2022.

6.11.9 The Review of Effectiveness and proposals for improvement have been reviewed and challenged by the Council’s Senior Leadership Team and the Governance and Audit Committee.

## **6.12 Overall Conclusion**

- 6.12.1 Based on the review of effectiveness against the Local Code of Corporate Governance, the Council’s governance arrangements provided the basis to effectively plan, allocate and manage resources to support the delivery of Corporate Plan priorities and wider service delivery, and was underpinned by sound decision making arrangements. A small number of proposals for improvement have been made to further strengthen existing processes.
- 6.12.2 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 7.

## 7. **PROPOSALS FOR IMPROVEMENT 2022/23**

7.1 Further to completing the assessment of the Council's governance arrangements, Table 2 summarises the proposals for improvement.

Table 2 – Proposals for Improvement

<b>Core / Supporting Principle</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 - Ensuring openness and comprehensive stakeholder engagement	Stakeholder Engagement	Further work is required to develop and finalise a Participation Strategy setting out how local people are encouraged to participate in decision-making by the Council.	The Council should complete its work to finalise and agree its Participation Strategy and then take the necessary steps for this to be implemented.	October 2023	Service Director – Democratic Services and Communication
C - Defining outcomes in terms of sustainable economic, social and environmental benefits	Quarterly Performance Report (including Risk Register updates)	The Council's latest Self-Assessment identified the need for continued improvement in arrangements to demonstrate the impact of its work and delivery of intended outcomes, noting the requirement for the Council to re-set its arrangements following the unprecedented impact of the Covid-19 pandemic.	There is a need for the Council to build on the work to date to more clearly demonstrate impact and outcomes within its Self-Assessment and Performance Reporting arrangements and also incorporate service user information (this being an emerging finding from the Audit Wales review work undertaken in 2022/23).	From September 2023	Senior Leadership Team

Core / Supporting Principle	Local Code of Corporate Governance Requirement	Issue Identified	Recommendation	Timescale for Implementation	Responsible Officer(s)
E - Developing the entity's capacity, including the capability of its leadership and the individuals within it	Developing the capability of the entity's leadership and other individuals	The Contract and Financial Procedure Rule documents were not reviewed during 2022/23 to consider any updates required and ensure they continue to be fit for purpose.	Both documents should be reviewed during 2023/24 and proposed updates signed-off, incorporated into the Council's Constitution and staff made aware of updates.	January 2024	Service Director – Finance and Improvement Services (FPRs) and Head of Procurement (CPRs)
F - Managing risks and performance through robust internal control and strong public financial management	Risk Management Strategy	<ul style="list-style-type: none"> <li>Internal Audit undertook an audit assignment on the Council's Corporate Risk Management arrangements in 2022/23, concluding reasonable assurance overall, and set out recommendations to further strengthen arrangements: updating the Risk Management Strategy to include officer roles and responsibilities; Strategic risks descriptions within the Strategic Risk Register are reviewed to ensure the impact on the Council is clear; and the need to progress the compilation and roll-out of a Risk Management e-learning training module for Council officers.</li> </ul>	Further strengthen risk management arrangements, as set out in the 2022/23 Internal Audit Report 'Corporate Risk Management.	September 2023	Service Director – Finance and Improvement Services



Core / Supporting Principle	Local Code of Corporate Governance Requirement	Issue Identified	Recommendation	Timescale for Implementation	Responsible Officer(s)
F - Managing risks and performance through robust internal control and strong public financial management – continued	Medium Term Financial Plan	<ul style="list-style-type: none"> <li>The Audit Wales Assurance and Risk Assessment Review recommended in respect of Carbon Reduction Plans – <i>'In order to meet its net zero ambition the Council needs to fully cost its action plan and ensure it is aligned with its Medium Term Financial Plan'</i>.</li> </ul>	Fully cost the Council's carbon reduction action plan and ensure alignment to the Medium Term Financial Plan, as recommended by Audit Wales in its Assurance and Risk Assessment Review.	October 2023	Deputy Chief Executive and Group Director – Finance, Digital and Frontline Services and Director of Corporate Estates

7.2 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: \_\_\_\_\_

A. Morgan

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

P. Jones

## APPENDIX A

## ANNUAL GOVERNANCE STATEMENT 2022/23 – YEAR-END POSITION STATEMENT

Core / Supporting Principle (Paragraph)	Local Code of Corporate Governance Requirement	Issue Identified	Recommendation	Timescale for Implementation	Responsible Officer(s)	Year-end Position Statement 2022/23
<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 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	Revised Timescale – November 2022  Completed (key performance indicator information included and published within the Council's Quarter 2 Performance Report. Quarterly updates to be reported during 2022/23 to Cabinet and the Overview and Scrutiny Committee)
	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	Completed  Risk Register updated and included within the Council's Quarter 1 Performance Report. Quarterly updates to be reported during 2022/23 to Cabinet and the Overview and Scrutiny Committee

Core / Supporting Principle (Paragraph)	Local Code of Corporate Governance Requirement	Issue Identified	Recommendation	Timescale for Implementation	Responsible Officer(s)	Year-end Position Statement 2022/23
<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>Page 207</p>	<p>Audit Committee and an Internal Audit function.</p>	<p>The Governance and Audit Committee'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 Governance and Audit Committee is available for elected Members.</p>	<p>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.</p>	<p>September 2022</p>	<p>Service Director – Finance and Improvement Services</p>	<p>Revised Timescale – November 2022</p> <p>Completed (key performance indicator information included and published within the Council's Quarter 2 Performance Report. Quarterly updates to be reported during 2022/23 to Cabinet and the Overview and Scrutiny Committee)</p>

Core / Supporting Principle (Paragraph)	Local Code of Corporate Governance Requirement	Issue Identified	Recommendation	Timescale for Implementation	Responsible Officer(s)	Year-end Position Statement 2022/23
<b>Supporting Principle:</b>  <b>F: Managing risks and performance through robust internal control and strong public financial management</b>  <b>Paragraph 5.14.1</b>	Audit Committee and an Internal Audit function.	<p>The Governance and Audit Committee'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 Governance and Audit Committee 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>	<p>Completed (Update to be reported to the 7/12/22 Governance and Audit Committee)</p> <p>This is an on-going programme of work</p>

Core / Supporting Principle (Paragraph)	Local Code of Corporate Governance Requirement	Issue Identified	Recommendation	Timescale for Implementation	Responsible Officer(s)	Year-end Position Statement 2022/23
<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	Completed (as part of compiling the 2022/23 Annual Governance Statement).  Updated Local Code of Corporate Governance reported to the 4 <sup>th</sup> July 2023 Governance and Audit Committee

Core / Supporting Principle (Paragraph)	Local Code of Corporate Governance Requirement	Issue Identified	Recommendation	Timescale for Implementation	Responsible Officer(s)	Year-end Position Statement 2022/23
<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	Completed and noting that this will be an on-going programme of work  (e.g. 'Treasury Management' training session delivered (7/9/22) and 'Introduction to Local Government Finance' session delivered (3/10/22))

Core / Supporting Principle (Paragraph)	Local Code of Corporate Governance Requirement	Issue Identified	Recommendation	Timescale for Implementation	Responsible Officer(s)	Year-end Position Statement 2022/23
<b>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 G - The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.	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.	The information included within the Medium Term Financial Plan (MTFP) 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').	September 2022	Deputy Chief Executive/Group Director – Finance, Digital & Frontline Services	Completed  The Council's MTFP was updated in line with the recommendation and reported to Cabinet (26/9/22) and full Council (28/9/22)

\*\*\*\*\*

**(To be amended upon advice from Audit Wales)****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 2023 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 2022-23.

In my opinion the financial statements:

- give a true and fair view of the financial position of Rhondda Cynon Taf County Borough Council and the Rhondda Cynon Taf County Borough Council's Group as at 31 March 2023 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 2022-23.

**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 Rhondda Cynon Taf County Borough Council and the Rhondda Cynon Taf County Borough 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 its 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 2022/23;

- 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 Rhondda Cynon Taf County Borough Council 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 pages 14 to 15, the responsible financial officer is responsible for the preparation of the statement of accounts, including 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 its 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 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;
- Obtaining an understanding of Rhondda Cynon Taf County Borough Council and its group's framework of authority as well as other legal and regulatory frameworks that the Council and its 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 the Council.

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Governance and Audit Committee 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 Rhondda Cynon Taf County Borough Council and its 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 its group in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

## 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.

This page is intentionally left blank

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

**2022/23**

DRAFT

## Pension Fund Accounts

<b>Contents</b>	<b>Page</b>
Introduction	2
Statement of Responsibilities for the Pension Fund Accounts	4
Certificate of the Deputy Chief Executive/Group Director – Finance, Digital and Frontline Services	5
Fund Account	6
Net Assets Statement	8
Notes to the Accounts	9
Independent Auditor's Report	25
Glossary of Terms	29

## **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 2022/23 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 Deputy Chief Executive/Group Director – Finance, Digital and Frontline 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 Deputy Chief Executive/Group Director – Finance, Digital and Frontline Services (in their capacity as S151 officer) supported by an Investment and Administration Advisory Panel, has delegated responsibility for all day to day operational matters.

The Pension Fund Investment and Administration Advisory Panel is chaired by the Deputy Chief Executive/Group Director – Finance, Digital and Frontline Services and consists of two independent Investment Advisors and other Senior Finance Officers.

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

- Baillie Gifford (Global Equities);
- BlackRock (Passive Low Carbon Equities, Passive Gilts and Infrastructure);
- CBRE (Property); and
- Link (Operator of the WPP).

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

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

On the 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 various sub-funds for the collective investing of assets as per the table below:

<b>Fund</b>	<b>FCA Approval Date</b>	<b>Launch Date</b>
Global High Alpha Equities	July 2018	February 2019
UK Equities	Sept 2019	October 2019
Fixed Interest	June 2020	July 2020
Emerging Market Equities	March 2021	October 2021
Private Debt, Infrastructure and Private Equity	March 2023	May 2023
Local Investment	March 2023	May 2023
Sustainable Equity	April 2023	June 2023

## **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 Deputy Chief Executive/Group Director – Finance, Digital and Frontline 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: November 2023

**Cllr. Gareth Hughes**

#### **Presiding Officer**

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

#### **The Deputy Chief Executive/Group Director – Finance, Digital and Frontline Services' Responsibilities**

The Deputy Chief Executive/Group Director – Finance, Digital and Frontline Services 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 Deputy Chief Executive/Group Director – Finance, Digital and Frontline Services has:

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

The Deputy Chief Executive/Group Director – Finance, Digital and Frontline 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 Deputy Chief Executive/Group Director – Finance, Digital and Frontline Services on the Accounts of Rhondda Cynon Taf Pension Fund for 2022/23**

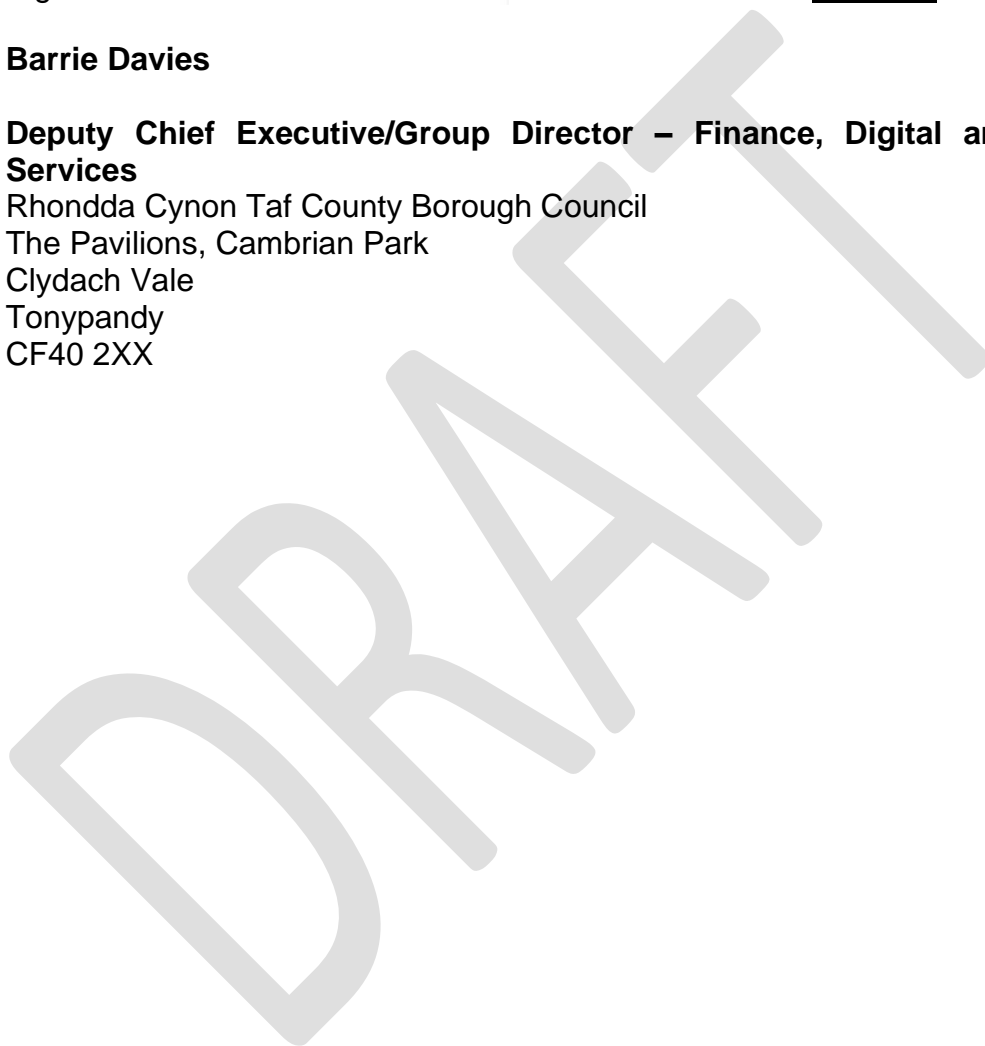
I certify that the accounts present a true and fair view of the financial position of Rhondda Cynon Taf Pension Fund as at 31<sup>st</sup> March 2023 and its income and expenditure for the year.

Signature:  Date: 31/07/23

**Barrie Davies**

**Deputy Chief Executive/Group Director – Finance, Digital and Frontline Services**

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





**Fund Account**

2021/22 £'000		Note:	2022/23	
			£'000	£'000
	<b>Contributions</b>			
(102,178)	Employer contributions	13.0	(112,985)	
(31,121)	Member contributions	13.0	(34,416)	
<b>(133,299)</b>				<b>(147,401)</b>
	<b>Transfers in from other Pension Funds</b>			
(6,583)	Group Transfers in from other schemes or funds		(5,917)	
(1,673)	Individual Transfers from other schemes or funds		(1,945)	
				<b>(7,862)</b>
(2,865)	<b>Other income</b>		(2,957)	
				<b>(2,957)</b>
	<b>Benefits</b>			
112,224	Pensions	13.0	117,196	
18,105	Commutation of pensions and lump sum retirement benefits	13.0	22,587	
3,196	Lump sum death benefits	13.0	2,741	
<b>133,525</b>				<b>142,524</b>
	<b>Payments to and on account of leavers</b>			
217	Refunds to members leaving scheme or fund		279	
(1)	Payments for members joining state scheme or fund		(1)	
11,749	Individual transfers to other schemes of funds		7,641	
<b>11,965</b>				<b>7,919</b>
<b>145,490</b>				<b>150,443</b>
1,070	Net (addition)/withdrawals from dealings with members			(7,777)
14,329	Management Expenses	14.0	13,397	
				<b>13,397</b>
<b>15,399</b>	<b>Net (additions)/withdrawals Including fund management expenses</b>			<b>5,620</b>
	<b>Investment income</b>			
(17,536)	Dividends from equities		(15,680)	
(21,727)	Dividends from WPP Global Equities*		(13,598)	
(2,201)	Income from WPP UK Credit Fund		(10,423)	
(10,682)	Income from Pooled Property		(10,777)	
(6)	Interest on cash deposits		(298)	
<b>(52,152)</b>				<b>(50,776)</b>

20,480	<b>(Profits) and losses on disposal of investments and changes in the value of investments</b>		299,202	
				<b>299,202</b>
258	<b>Taxes on income</b>		75	
				<b>75</b>
<b>(31,414)</b>	<b>Net Returns on Investments</b>			<b>248,501</b>
<b>(16,015)</b>	<b>Net (increase)/decrease in net assets available for benefits during the year</b>			<b>254,121</b>
<b>(4,498,581)</b>	<b>Opening Net Assets</b>			<b>(4,514,596)</b>
<b>(4,514,596)</b>	<b>Closing Net Assets</b>			<b>(4,260,475)</b>

\* The dividends from WPP Global Equities are accumulation units, of which only one accumulation took place during 2022/23 for the Global Growth Fund and is included within the £13.598m. From May 2022, income remained within the market value price. At year end the market value of the Global Growth Fund included £14.552m of income.

**Net Assets Statement**

2021/22		Note:	31/03/2023	
			£'000	£'000
	<b>Investment Assets</b>	7.0		
862,087	Equities		786,080	
	Pooled Funds			
1,946,815	WPP Global Equities		1,933,913	
574,241	WPP UK Credit Fund		520,721	
	Other Pooled Investments			
523,355	Passive UK Gilts		438,537	
233,295	Passive Equities		223,739	
331,485	Pooled Property		290,130	
12,549	Pooled Infrastructure		29,613	
<b>4,483,827</b>				<b>4,222,733</b>
<b>26,164</b>	<b>Cash deposits</b>			<b>31,111</b>
	<b>Other investment balances</b>			
3,882	Investment debtors		1,898	
712	Tax recoverable		685	
<b>4,594</b>				<b>2,583</b>
<b>4,514,585</b>				<b>4,256,427</b>
	<b>Investment Liabilities</b>			
<b>(4,400)</b>	Investment creditors			<b>(65)</b>
<b>4,510,185</b>	<b>Net Investment Assets</b>			<b>4,256,362</b>
	<b>Current assets</b>			
6,854	Contributions due from employers and employees		6,916	
600	Other current assets		615	
<b>7,454</b>				<b>7,531</b>
	<b>Current Liabilities</b>			
(3,043)	Current liabilities			(3,418)
<b>4,514,596</b>	<b>Net assets of the scheme available to fund benefits at period end</b>			<b>4,260,475</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 2023 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 2023.

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

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

#### **1.3 Additional Voluntary Contributions (AVCs)**

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

The amount of AVCs paid by members during the year amounted to £1.136m and the market value of invested AVCs at the Balance Sheet date was £8.232m. There are two AVC providers, Prudential and Utmost Life.

#### **1.4 Acquisition and Disposal Costs**

Transaction costs incurred in acquiring or disposing of investments are included as part of the purchase cost or netted off against sales proceeds, as appropriate. Transaction costs include fees, commissions and duties. Transaction costs incurred during 2022/23 amounted to £1.22m (£1.13m in 2021/22).

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

## **1.5 Taxation**

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

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

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

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

## **1.6 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.

## **1.7 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 Deputy Chief Executive/Group Director – Finance, Digital and Frontline Services, as Chief Finance Officer, on 31<sup>st</sup> July 2023. 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 2023, 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 2023 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 2022 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 2019 and 2022 valuations are shown in the table below:

	31/03/2022	31/03/2019
	£'m	£'m
Funding Target	4,291	3,515
Market Value of Assets	4,512	3,459
Funding Surplus (deficit)	221	(56)
Funding Ratio	105%	98%

The aggregate employer future service contribution rate is 19.6% of pensionable pay.

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:

<b>Assumption</b>	<b>2022 Valuation</b>	<b>2019 Valuation</b>
	% p.a.	% p.a.
Average in service discount rate	4.24%	4.18%
Average left service discount rate	3.83%	3.79%
CPI inflation	3.00%	2.10%
Pensionable Pay increases	4.25%	3.35%

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.

	<b>Value as at 31/03/2022</b>	<b>Value as at 31/03/2019</b>
	<b>£'m</b>	<b>£'m</b>
Fair Value of net assets	4,512.10	3,458.60
Actuarial present value of promised retirement benefits	5,898.20	4,645.00
Surplus / (deficit) in the Fund as measured for IAS 26 purposes	(1,386.10)	(1,186.40)



### **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 was adopted for 2021/22 and updated in the 2022 valuation. The method used by AON to value the McCloud remedy is closely aligned to that proposed by the DLUHC in its consultation issued July 2020.

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

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 recognises 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 recognised that this solution will not address all sex inequalities for a minority of members 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.

### **Cost Management Process**

Legislation requires HM Treasury and the Scheme Advisory Board (SAB) to undertake periodic valuations to monitor the cost of the LGPS to ensure it remains sustainable and affordable. This is referred to as the "Cost Management Process". The outcomes of the reviews recommended no changes to the provisions of the scheme. However, 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.

## 7.0 Analysis of Investments at Fair Value

	2021/22		2022/23	
	£'000	£'000	£'000	£'000
<b>Equities</b>				
Global	862,087		786,080	
		<b>862,087</b>		<b>786,080</b>
<b>Pooled funds</b>				
<b>WPP Global Equities</b>	1,946,815		1,933,913	
<b>WPP UK Credit Fund</b>	574,241		520,721	
		<b>2,521,056</b>		<b>2,454,634</b>
<b>Other Pooled Investments</b>				
Pooled UK Gilts	523,355		438,537	
Pooled Passive Equities	233,295		223,739	
Pooled Property	331,485		290,130	
Pooled Infrastructure	12,549		29,613	
		<b>1,100,684</b>		<b>982,019</b>
<b>Total long-term investments</b>		<b>4,483,827</b>		<b>4,222,733</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 2022/23 is £217k.

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 Net Asset Value (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	
	31/03/2022 £'000	31/03/2023 £'000	31/03/2023 %	31/03/2023 %
Baillie Gifford (Equities)	866,979	790,914	19.2	18.6
BlackRock (Passive Low Carbon Equities)	233,295	223,739	5.2	5.3
BlackRock (Passive Gilts)	523,355	438,537	11.6	10.3
BlackRock (Infrastructure)	12,549	29,613	0.3	0.7
CBRE (Property)	342,350	299,452	7.6	7.0
Link (Global Growth)	1,540,312	1,526,579	34.2	35.9
Link (Global Opportunities)	406,503	407,334	9.0	9.6
Link (UK Credit Fund)	574,241	520,721	12.7	12.2
Internal	10,601	19,473	0.2	0.5
<b>Total</b>	<b>4,510,185</b>	<b>4,256,362</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 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 2023:

Area	£'000	%
UK Equities	308,336	7.24
Europe	161,166	3.79
US and Canada	145,095	3.41
Japan	54,638	1.28
Pacific	30,856	0.72
Other International	85,989	2.02
Passive Low Carbon Pooled Equities	223,739	5.26
Global Equities (WPP)	1,933,913	45.44
UK Credit (WPP)	520,721	12.23
UK Gilts	438,537	10.30
Property	290,130	6.82
Infrastructure	29,613	0.70
Cash & Equivalents	33,629	0.79
<b>Total</b>	<b>4,256,362</b>	<b>100.00</b>

## 10.0 Contingent Liabilities

There is a contingent liability of £1.165m (£981k in 2021/22) 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 01/04/22	Purchases	Sales at Historic Book Cost	Change in Market Value	Market Value 31/03/23
	£'000	£'000	£'000	£'000	£'000
Equities	862,088	176,745	(147,677)	(105,076)	786,080
Pooled Global Equities	1,946,816	13,597	0	(26,500)	1,933,913
Pooled UK Credit	574,240	10,422	0	(63,941)	520,721
Other Pooled UK Gilts	523,355	0	0	(84,818)	438,537
Other Pooled Equities	233,296	0	0	(9,557)	223,739
Other Pooled Property	331,483	7,740	(5,687)	(43,406)	290,130
Other Pooled Infrastructure	12,549	14,082		2,982	29,613
	<b>4,483,827</b>	<b>222,586</b>	<b>(153,364)</b>	<b>(330,316)</b>	<b>4,222,733</b>
Cash Deposits	26,164			629,518	31,111
Investment Debtors	4,594				2,583
Investment Creditors	(4,400)				(65)
<b>Total</b>	<b>4,510,185</b>			<b>299,202</b>	<b>4,256,362</b>

## Comparative note for 2021/2022:

	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>

**12.0 Profits and Losses on Investments**

	2021/22	2022/23
	£'000	£'000
Profit on sales	193,160	64,796
Loss on sales	(9,429)	(42,272)
<b>Net profit / (loss) on sales</b>	<b>183,731</b>	<b>22,524</b>
Change in market value	(204,211)	(321,726)
<b>Net increase/ (decrease) in value</b>	<b>(20,480)</b>	<b>(299,202)</b>

**13.0 Contributions Receivable and Benefits Payable**

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

Type of Body	Member Contributions		Employer Contributions		Pensions, Lump Sums and Death Benefits	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
	£'000	£'000	£'000	£'000	£'000	£'000
Administering	10,165	11,528	35,146	39,690	38,175	40,804
Admitted	3,867	4,261	17,863	19,416	16,367	16,882
Scheduled	17,089	18,627	49,169	53,879	78,983	84,838
<b>Total</b>	<b>31,121</b>	<b>34,416</b>	<b>102,178</b>	<b>112,985</b>	<b>133,525</b>	<b>142,524</b>

Included in employer contributions are £4,224k of deficit funding contributions (£4,154k in 2021/22).

#### 14.0 Management Expenses

The management expenses borne by the Fund in 2022/23 are set out below:

	2021/22	2022/23
	£'000	£'000
Administrative Costs	2,217	2,181
Investment Management Expenses	11,724	10,775
Oversight and Governance Costs	388	441
<b>Total</b>	<b>14,329</b>	<b>13,397</b>

Investment management expenses represent 0.25% (0.26% in 2021/22) of the value of the Pension Fund as at 31<sup>st</sup> March 2023.

2022/23 Audit Fees of £41k are included in Oversight and Governance Costs (£40k in 2021/22).

The investment management expenses borne by the Fund in 2022/23 are set out below:

2022/23	£'000	£'000	£'000
	Total	Management Fees	Transaction Costs
Equities	1,829	1,486	343
Pooled Funds			
WPP Global Equities	7,295	6,024	1,271
WPP UK Credit Fund	593	484	109
Other Pooled Investments			
UK Gilts	24	24	0
Passive Equities	21	21	0
Pooled Property	552	551	1
	<b>10,314</b>	<b>8,590</b>	<b>1,724</b>
Custody Fees	461		
<b>Total</b>	<b>10,775</b>		

## Comparative Note for 2021/22:

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

The Fund incurs no performance related fees.

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:

	2021/22	2022/23
	£'000	£'000
<b>WPP Oversight and Governance Costs</b>		
Running Costs	135	158
<b>WPP Investment Management Expenses</b>		
Fund Managers Fees	7,328	6,961
Transaction Costs	780	880
Custody Fees	428	407
<b>Total</b>	<b>8,671</b>	<b>8,406</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 (£1.6m in 2021/22). 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 (£6.9m in 2021/22), 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 Deputy Chief Executive/Group Director – Finance, Digital and Frontline Services. As such, the post holders are required to declare any interests with related parties. The disclosure can be found in the Statement of Accounts of Rhondda Cynon Taf County Borough Council.

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

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

## **16.0 Membership of the Fund**

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

	<b>2022</b>	<b>2023</b>
Active Employers	52	54
Contributors	24,121	24,027
Pensioners	18,220	18,860
Dependants	2,899	3,018
Deferred Beneficiaries	29,548	30,702

## **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 2023 amounted to £16.88m deposited with the Debt Management Office with a maturity date of 3<sup>rd</sup> April 2023.

### **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 2022/23 financial year. The possible impact of movements in each asset type is shown in the following table:

Asset type	31/03/23 Value	Change %	Value on increase	Value on decrease
	£'000		£'000	£'000
Equities	786,080	14.06	896,603	675,557
Pooled Funds - Global Equity	1,933,913	14.06	2,205,821	1,662,005
Pooled Funds UK Credit	520,721	7.54	559,983	481,459
Other Pooled - Gilts	438,537	7.54	471,603	405,471
Other Pooled - Passive Equities	223,739	14.06	255,197	192,281
Other Pooled Property	290,130	6.03	307,625	272,635
Infrastructure	29,613	4.97	31,085	28,141
Cash	33,629	0.7	33,864	33,394

PIRC also advised that the potential market movement for the Fund as a whole, could be 9.45%. The possible impact is shown below:

	31/03/2023 Value	Change %	Value on increase	Value on decrease
	£'000		£'000	£'000
Fund Asset Total	4,256,362	9.45	4,658,588	3,854,136

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 2022/23 financial year would have the following effect:

Asset type	31/03/23 Value	Value on increase	Value on decrease
	£'000	£'000	£'000
Pooled Funds UK Credit	520,721	525,928	515,514
Other Pooled - Gilts	438,537	442,922	434,152
Cash deposits & balances	33,629	33,965	33,293
<b>Total</b>	<b>992,887</b>	<b>1,002,815</b>	<b>982,959</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 6.3% would have the following effect:

Asset type	31/03/23 Value	Value on increase	Value on decrease
	£'000	£'000	£'000
Overseas Equities	477,744	507,842	447,646
<b>Total</b>	<b>477,744</b>	<b>507,842</b>	<b>447,646</b>

DRAFT

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

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

#### **Opinion**

I have audited the financial statements of Rhondda Cynon Taf Pension Fund for the year ended 31 March 2023 under the Public Audit (Wales) Act 2004. Rhondda Cynon Taf Pension Fund financial statements comprise the fund account, the net assets statement and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23.

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 2023, 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 2023.

#### **Basis for opinion**

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

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

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

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the pension fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

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

### **Other information**

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

I have nothing to report in this regard.

### **Report on other requirements**

#### **Opinion on other matters**

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

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

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

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

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

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

### **Responsibilities**

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

As explained more fully in the Statement of Responsibilities for the financial statements set out on pages 4 to 5, the responsible financial officer is responsible for the preparation of the financial statements, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of

financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

My procedures included the following:

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

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- reading minutes of meetings of those charged with governance and the administering authority;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether

the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and

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

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

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](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 Pension Fund in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

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

24 Cathedral Road  
Cardiff  
CF11 9LJ

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

## Glossary of Terms

### **Accrual**

An accrual is a sum shown in the accounts representing income or expenditure relating to the accounting period, which had not actually been received or paid as at the date of the net asset statement.

### **Active**

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

### **Actuary**

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

### **Actuarial Gains and Losses**

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

### **Admitted Body**

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

### **Asset Allocation**

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

### **Attained Age Method**

An Actuarial method of calculating a contribution rate to the Pension Fund. It calculates the present value of the benefits estimated to accrue to members over their expected remaining membership, expressed as a percentage of their expected future pensionable pay.

### **Audit**

An audit is an independent examination of activities.

### **Cash and Cash Equivalents**

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

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

CIPFA is responsible for issuing financial guidance to public bodies.



**Contingent Liabilities**

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

**Creditor**

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

**Custodian**

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

**Current Assets**

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

**Current Liabilities**

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

**Debtor**

A debtor is an organisation/individual who owes the Pension Fund money at the end of the financial year for goods/services received.

**Debt Management Office (DMO)**

The DMO is an Executive Agency of Her Majesty's Treasury. Its responsibilities include debt and cash management for the UK Government, lending to Local Authorities and managing certain public sector funds.

**Defined Benefit Scheme (Pensions)**

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

**Defined Contribution Scheme (Pensions)**

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

**Derivatives**

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

**Employer Contribution Rates**

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

**Equities**

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

**Fair Value Hierarchy**

Level 1 – Assets and liabilities at level 1 are those where fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Assets and liabilities at level 2 are those where quoted market prices are not available.

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

**Financial Assets**

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

**Financial Year**

This is the accounting period. For local authorities it starts on 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.

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

**DRAFT SUBJECT TO AUDIT  
STATEMENT OF ACCOUNTS**

**2022/23**

<b>Contents</b>	<b>Page</b>
Narrative Report	2
Statement of Responsibilities for the Statement of Accounts	10
Certificate of the Deputy Chief Executive and Group Director - Finance, Digital and Frontline 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	69
Glossary of Terms	72

## 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 2022/23 have been prepared in accordance with:

- The Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 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 2022/2023

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) 2022

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 real term reductions in resources, this being consistent with the challenging economic climate facing all public sector organisations in Wales. In line with this, the 2022/23 revenue contributions received by the Consortium from the five-member local authorities increased by 1.72% however it is anticipated that the position of the Consortium requiring to operate in an environment of challenging funding levels will be the position across the medium term.

Due to the Covid-19 pandemic, Welsh Government (WG) has cancelled most of the statutory data collections for 2020, 2021 and 2022. The collections suspended include:

- Attendance: Primary 2020, 2021 and 2022 data collections
- Attendance: Secondary 2020, 2021 and 2022 data collections
- National Data Collections (NDC): All 2020 and 2021 data collections, and Foundation Phase and key stage 2 for 2022

The Minister for Education also confirmed on 21 June 2021<sup>2</sup> 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 disruptions for qualifications, WG have

---

<sup>2</sup> <https://gov.wales/written-statement-school-information-improvement-and-inspection-arrangements-supporting-renewal-and>



suspended key stage 4 and legacy sixth form performance measures for the 2021/22 academic year. Therefore, there are no performance measures available for key stage 4 or post-16 for summer 2020, 2021 and 2022 results.

The statistical bulletins for GCSE and A Level results have been published for 2021/22 as made available for 2019/20 and 2020/21, 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 2021/22 there are no publicly available performance measures at school, local authority or regional consortia level, as was the situation for the previous two years. It is important to note that following Welsh Government's suspension of statutory data collections and publication of outcomes, there will be a reduction in analysis available within CSC. However, schools will have their own internal systems for tracking and analysing pupil performance and outcomes. These form a key focus for discussions with school leaders to enable appropriate ongoing support and challenge by CSC to secure school improvement and partnership working.

The publication of performance data on My Local School is also suspended, with the publication of the National Categorisation<sup>3</sup> also being suspended for 2021/22 due to the processes not being held for academic years 2020/21 and 2021/22.

### **3. Revenue Income and Expenditure 2022/23**

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 2022/23 revenue budget strategy underpinned the following broad objectives:

- Support the delivery of key strategic priorities particularly around the need to build teams of Improvement Partners 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

---

<sup>3</sup> <https://gov.wales/school-performance-reporting-arrangements-important-update-html> (October 2021 update)

- 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 2022 to 31<sup>st</sup> March 2023:

	<b>Budget £'000</b>	<b>Actual £'000</b>	<b>Variance £'000</b>
<b>Expenditure</b>			
Employees	3,130	2,819	(311)
Premises	159	113	(46)
Transport	12	25	13
Supplies & Services	174	594	420
Third Party Payments	28	28	0
Support Services	141	170	29
	<b>3,644</b>	<b>3,749</b>	<b>105</b>
<b>Income</b>			
Local Authority Contributions	3,625	3,625	0
Grants & Other Income	19	124	(105)
	<b>(3,644)</b>	<b>(3,749)</b>	<b>(105)</b>
<b>Net Expenditure / (Income)</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

- Employees - savings attributable to in-year temporary staff vacancies and the transfer of eligible core staff costs to the Regional Consortia School Improvement Grant to optimise the use of external funding;
- Premises - savings due to rationalisation of accommodation requirements at the Valleys Innovation Centre partly offset by additional costs from the use of external facilities;
- Transport - expenditure relates to staff travel expenses as a result of working practices reverting back to "Business as Usual" post pandemic;
- Supplies & Services - includes one off costs for ICT Hardware and Office Equipment expenditure and the allocation of in year underspend to the Service remodelling earmarked reserve;
- Support Services - additional services received from the host authority to meet business need; and
- Income - 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 2022/23:

	<b>Actual £'000</b>
<b>Expenditure</b>	
Employees	4,628
Premises	16
Transport	22
Supplies & Services	86,969
Third Party Payments	1,645
<b>Income</b>	
Grants & Other Income	(93,280)
<b>Net Expenditure</b>	<b>0</b>

Movement in earmarked reserves (£664k) and interest on the personal account balance (£104k) are included in the tables above but not disclosed in Note 7: Income.

As at 31<sup>st</sup> March 2023, the Central South Consortium held General Reserves of £174k (£174k as at 31<sup>st</sup> March 2022). Movements on reserves are detailed within the Movement in Reserves Statement.

#### **4. Capital Expenditure 2022/23**

There has been no capital expenditure this financial year.

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

The Consortium's Business Plan 2022-25 was approved by Joint Committee on 17<sup>th</sup> March 2022 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. 2023/24) revenue budget is as follows (as approved by the Joint Committee on 13<sup>th</sup> December 2022):

<b>Type of Expenditure</b>	<b>Budget 2023/24 £'000</b>
<b>Expenditure</b>	
Employees	3,112
Premises	104
Transport	29
Supplies & Services	174
Third Party Payments	0
Support Services	150
<b>Total Expenditure</b>	<b>3,569</b>
<b>Income</b>	
Local Authority Contributions	3,516
Grants & Other Income	20
Transitional Funding	33
<b>Total Income</b>	<b>3,569</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	1,227

Net Assets/(Liabilities) as per Balance Sheet	7,085
---	-------

## 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 Deputy Chief Executive / Group Director – Finance, Digital and Frontline Services for the preparation of the Statement of Accounts. The Statement has to be signed and dated by the presiding Member at the Joint Committee meeting at which the Accounts are approved.

### **Certificate of the Deputy Chief Executive / Group Director – Finance, Digital and Frontline Services**

This is the certificate of the true and fair presentation of the Accounts by the Deputy Chief Executive / Group Director – Finance, Digital and Frontline Services.

### **Movement in Reserves Statement**

This statement shows the movement in the year on the different reserves held by the Joint Committee, analysed into 'usable reserves' (i.e. those that the Joint Committee may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use) and 'unusable reserves'.

### **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.

## **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 Deputy Chief Executive / Group Director – Finance, Digital and Frontline Services.
- To manage its affairs to ensure economic, efficient, and effective use of resources and safeguard its assets.

### **The Joint Committee’s Responsibilities**

- To approve the accounts.

**Signature:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**Chair of the Central South Consortium Joint Education Service Joint  
Committee**

## **The Deputy Chief Executive / Group Director – Finance, Digital and Frontline Services’ Responsibilities**

The Deputy Chief Executive / Group Director – Finance, Digital and Frontline 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 2023.

### **In preparing the Statement of Accounts, the Deputy Chief Executive / Group Director – Finance, Digital and Frontline 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 Deputy Chief Executive / Group Director – Finance, Digital and Frontline 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 Deputy Chief Executive / Group Director – Finance, Digital and Frontline Services as Treasurer of the Joint Committee**

I certify that the statement of accounts give a true and fair view of the financial position of the Joint Committee at 31<sup>st</sup> March 2023 and its income and expenditure for the period then ended.



24.05.23

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

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

**Barrie Davies**

**Deputy Chief Executive / Group Director – Finance, Digital and Frontline 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 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>2,554</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	1,695	(1,695)	0
Employer's pensions contributions and direct payments to pensioners payable in the year	(226)	0	(226)	226	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	15	0	15	(15)	0
<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)	0	0	0
<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>

### Movement in Reserves Statement for the Period ended 31<sup>st</sup> March 2023

	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 2022</b>	<b>174</b>	<b>453</b>	<b>627</b>	<b>794</b>	<b>1,421</b>
<b>Movement in reserves during 2022/23</b>					
<b>Total comprehensive income and expenditure</b>	<b>(925)</b>	<b>0</b>	<b>(925)</b>	<b>6,589</b>	<b>5,664</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	1,848	0	<b>1,848</b>	(1,848)	<b>0</b>
Employer's pensions contributions and direct payments to pensioners payable in the year	(274)	0	<b>(274)</b>	274	<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>664</b>	<b>0</b>	<b>664</b>	<b>5,000</b>	<b>5,664</b>
Transfers to or (from) Earmarked Reserves	(664)	664	<b>0</b>	0	<b>0</b>
<b>Increase or (decrease) in the Year</b>	<b>0</b>	<b>664</b>	<b>664</b>	<b>5,000</b>	<b>5,664</b>
<b>Balance as at 31<sup>st</sup> March 2023</b>	<b>174</b>	<b>1,117</b>	<b>1,291</b>	<b>5,794</b>	<b>7,085</b>

## Comprehensive Income and Expenditure Statement for the Period ended 31<sup>st</sup> March 2023

Year ended 31/03/22 £'000		Year ended 31/03/23 £'000	Note
	<b>Expenditure</b>		
8,041	Employees	9,062	5.0
155	Premises	129	
13	Transport	48	
88,611	Supplies & Services	86,898	6.0
2,478	Third Party Payments	1,673	
126	Support Services	170	
<b>99,424</b>		<b>97,980</b>	
	<b>Income</b>		
(3,564)	Local Authority Contributions	(3,625)	
(94,255)	Grants & Other Income	(93,300)	7.0
<b>(97,819)</b>		<b>(96,925)</b>	
<b>1,605</b>	<b>Net Cost of Services</b>	<b>1,055</b>	
(4)	Interest Receivable and Similar Income	(104)	
2	Net Interest on Net Defined Asset/Liability	(26)	15.2
<b>1,603</b>	<b>(Surplus)/Deficit on the Provision of Services</b>	<b>925</b>	
(2,554)	Remeasurement of the Net Defined Benefit Liability	(6,589)	15.2
<b>(951)</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>(5,664)</b>	

### Balance Sheet as at 31<sup>st</sup> March 2023

31/03/22 £'000		31/03/23 £'000	Note
	<b>Long-Term Assets</b>		
843	Defined Benefit Pension Scheme Asset	5,858	15.5
<b>843</b>	<b>Total Long-Term Assets</b>	<b>5,858</b>	
	<b>Current Assets</b>		
1,435	Debtors	2,317	11.0
<b>1,435</b>	<b>Total Current Assets</b>	<b>2,317</b>	
	<b>Current Liabilities</b>		
(856)	Creditors	(1,090)	12.0
<b>578</b>	<b>Net Current Assets</b>	<b>1,227</b>	
<b>578</b>	<b>Total Assets Less Current Liabilities</b>	<b>1,227</b>	
	<b>Long-Term Liabilities</b>		
0	Defined Benefit Pension Scheme Liability	0	15.5
<b>1,421</b>	<b>Net Assets/(Liabilities)</b>	<b>7,085</b>	
	<b>Represented by:</b>		
	<b>Usable Reserves</b>		
174	General Reserves	174	13.1
453	Earmarked Reserves	1,117	13.2
	<b>Unusable Reserves</b>		
843	Pensions Reserve	5,858	15.5
(49)	Short-Term Accumulating Compensated Absence Account	(64)	
<b>1,421</b>	<b>Total Reserves</b>	<b>7,085</b>	

### Cash Flow Statement for the Period ended 31<sup>st</sup> March 2023

Year ended 31/03/22 £'000		Year ended 31/03/23 £'000	Note
	<b>Operating Activities</b>		
	Cash Outflows		
6,558	Cash Paid to and on Behalf of Employees	7,447	
91,881	Other Operating Cash Payments	88,699	
<b>98,439</b>	Total Cash Outflows	<b>96,146</b>	
	Cash Inflows		
(97,789)	Cash Received for Goods & Services	(96,926)	
(4)	Interest Received	(104)	
<b>(97,793)</b>	Total Cash Inflows	<b>(97,030)</b>	
<b>646</b>		<b>(884)</b>	
<b>646</b>	<b>Net (Increase) or Decrease in Cash and Cash Equivalents</b>	<b>(884)</b>	18.0
	<b>Analysis of Changes in Cash and Cash Equivalents</b>		
(1,984)	Balance as at 1 <sup>st</sup> April	(1,338)	
646	Net Cash (Inflows)/Outflows	(884)	
<b>(1,338)</b>	<b>Cash Balance Owed To/(From) Host Authority</b>	<b>(2,222)</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 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>4</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>4</sup> CI&ES – Comprehensive Income and Expenditure Statement

## Expenditure and Funding Analysis Statement for the year ending 31<sup>st</sup> March 2023

	2022/23		
	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>5</sup> £'000
Employees	7,447	1,615	9,062
Premises	129	0	129
Transport	48	0	48
Supplies & Services	86,898	0	86,898
Third Party Payments	1,673	0	1,673
Support Services	170	0	170
Income	(96,261)	(664)	(96,925)
<b>Cost of Services</b>	<b>104</b>	<b>951</b>	<b>1,055</b>
Other Income and Expenditure	(104)	(26)	(130)
<b>(Surplus) or Deficit</b>	<b>0</b>	<b>925</b>	<b>925</b>
Opening General Fund at 31 <sup>st</sup> March 2022	(174)		
Add Surplus on General Fund in Year	0		
<b>Closing General Fund at 31<sup>st</sup> March 2023</b>	<b>(174)</b>		

<sup>5</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 4.7% (2.7% in 2021/22).
- 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.

## 1.7 **Leases**

Whether a lease is a finance or operating lease depends upon the substance of the transaction rather than the legal form. Leases are reviewed at inception and classed as finance or operating by reviewing arrangements such as:

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

### **Finance Leases**

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

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

### **Operating Leases**

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

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

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

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

Two types of events can be identified:

- a) those that provide evidence of conditions existing at the end of the reporting period (adjusting events that shall be recognised in the financial statements); and
- b) those that are indicative of conditions that arose after the reporting period (non-adjusting events that are not reflected in accounting statements but

where material, disclosure is made in the Notes to the Core Financial Statements).

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

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

- IFRS 16 Leases (but only for those local authorities that have decided to voluntarily implement IFRS 16 in the 2023/24 year).
- Where an authority adopted IFRS 16 in 2022/23 but chose to defer implementation of IFRS 16 to PFI/PPP arrangements until 2023/24 information on that more specific accounting change will be required in its 2022/23 statements of accounts.
- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

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**

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

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

##### **COVID impact**

The 2022 valuation included actuarial assumptions of the impact of Covid-19 on long term mortality trends. The actuary has made no further adjustments to the mortality assumptions for COVID-19.

##### **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 recognises 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 recognised that this solution will not address all sex inequalities for a minority of members 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 was adopted for 2021/22 and updated in the 2022 valuation. The method used by AON to value the McCloud remedy and therefore disclosed within the Statement of Accounts is closely aligned to that proposed by the DLUHC in its consultation issued July 2020.

### 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". The outcomes of the reviews recommended no changes to the provisions of the scheme. However, 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**

<b>2021/22 £'000</b>	<b>Salaries &amp; Wages</b>	<b>2022/23 £'000</b>
5,002	Advisors	5,722
845	Administration	1,000
466	Management	454
204	Finance Team	218
1	Agency	0
0	Employee Redundancy	16
35	Employee Insurance	35
6	Employee Advertising	2
<b>6,559</b>	<b>Sub Total</b>	<b>7,447</b>
15	Short-Term Accumulating Compensated Absences Account adjustment	15
1,467	IAS 19 adjustments	1,600
<b>8,041</b>	<b>Total</b>	<b>9,062</b>

**6.0 Supplies and Services**

<b>2021/22 £'000</b>		<b>2022/23 £'000</b>
150	Office Expenses	159
594	Consultants Fees	344
54	Computer Costs	37
7	Photocopying	6
3	Subscriptions	4
3	Marketing	7
18	Audit Fees	18
6	Telephones	6
92	Training	106
	<u>Grants paid to local authorities &amp; schools:</u>	
50,784	Regional Consortia School Improvement Grant (RCSIG)	43,464
36,380	Pupil Development Grant (PDG)	42,200
520	Other	547
<b>88,611</b>	<b>Total</b>	<b>86,898</b>

**7.0 Income**

<b>2021/22 £'000</b>		<b>2022/23 £'000</b>
(1,293)	<b>Contributions</b> Cardiff Council	(1,327)



(966)	Rhondda Cynon Taf CBC	(977)
(549)	Bridgend CBC	(554)
(529)	Vale of Glamorgan Council	(538)
(227)	Merthyr Tydfil CBC	(229)
<b>(3,564)</b>	<b>Total Contributions</b>	<b>(3,625)</b>
	<b>Other Income</b>	
(55)	Other	(32)
(94,200)	Grants	(93,268)
<b>(94,255)</b>	<b>Total Other Income</b>	<b>(93,300)</b>
<b>(97,819)</b>	<b>Total Income</b>	<b>(96,925)</b>

### 7.1 Grant Income

2021/22 £'000		2022/23 £'000
	<b>Grant Programme</b>	
(37,582)	Pupil Development Grant (PDG)	(43,484)
(55,866)	Regional Consortia School Improvement Grant (RCSIG)	(48,891)
(752)	Other	(893)
<b>(94,200)</b>	<b>Total Grant Income</b>	<b>(93,268)</b>
	<b>Allocation</b>	
87,684	Paid to local authorities and schools (Note 6.0)	86,211
6,516	Retained by Central South Consortium	7,057
<b>94,200</b>	<b>Total Allocation</b>	<b>93,268</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:

2021/22			2022/23	
Exp. £'000	Inc. £'000	Local Authority	Exp. £'000	Inc. £'000
34,667	(1,293)	Cardiff Council	35,402	(1,327)
24,699	(997)	Rhondda Cynon Taf CBC	23,832	(1,081)
13,756	(549)	Bridgend CBC	11,659	(554)

12,059	(529)	Vale of Glamorgan Council	10,313	(538)
5,768	(227)	Merthyr Tydfil CBC	7,255	(229)

Income received from Rhondda Cynon Taf CBC (£104k) due to interest received is included in the table above but is not included in Note 7.0 as it does 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 2023, Rhondda Cynon Taf CBC owed the Consortium £2,222k relating to these cash transactions (Rhondda Cynon Taf CBC owed the Consortium £1,338k as at 31<sup>st</sup> March 2022). During 2022/23, Central South Consortium was charged £170k by Rhondda Cynon Taf CBC in respect of Central Establishment Charges (included in the table above, £126k in 2021/22).

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:

2021/22		Organisation	2022/23	
Exp. £'000	Inc. £'000		Exp. £'000	Inc. £'000
7	0	Cardiff University	15	0
0	0	Valley Education Services Ltd	2	0
<b>7</b>	<b>0</b>	<b>Total</b>	<b>22</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

<b>2021/22</b> <b>£'000</b>		<b>2022/23</b> <b>£'000</b>
--------------------------------	--	--------------------------------

18	Fees payable to the Auditor General for Wales in respect of external audit	18
----	--	----

## 10.0 Leases

A long term lease arrangement totalling £88k in 2022/23 (£153k in 2021/22) 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:

31/03/22 £'000		31/03/23 £'000
1,338	Host Authority	2,222
97	Other Entities and Individuals	79
0	Local Authority and Schools	17
<b>1,435</b>		<b>2,318</b>
0	Provision for Bad Debt	(1)
<b>1,435</b>	<b>Balance as at 31<sup>st</sup> March 2023</b>	<b>2,317</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:

31/03/22 £'000		31/03/23 £'000
(348)	Local Authorities and Schools	(499)
(32)	Central Government Bodies	(270)
(427)	Other	(258)
(49)	Employee Absences Accrual	(64)
<b>(856)</b>	<b>Balance as at 31<sup>st</sup> March 2023</b>	<b>(1,091)</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 2022	174	453	627
Increase/(Decrease)	0	664	664
<b>Balance as at 31<sup>st</sup> March 2023</b>	<b>174</b>	<b>1,117</b>	<b>1,291</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 2022	174
Increase/(Decrease) 2022/23	0
<b>Balance as at 31<sup>st</sup> March 2023</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 31/03/22 £'000</b>	<b>Transfers Out £'000</b>	<b>Transfers In £'000</b>	<b>Balance at 31/03/23 £'000</b>
Revenue Grant Reserves	253	(253)	508	508
Funding for Specific Projects	200	0	409	609
<b>Total</b>	<b>599</b>	<b>(253)</b>	<b>917</b>	<b>1,117</b>

The Central South Consortium holds an earmarked reserve for the funding of specific projects of which £609k is set aside for ongoing service remodelling and medium-term financial planning (£200k held as at 31<sup>st</sup> March 2022).

**14.0 Movements on Unusable Reserves**

<b>Reserve</b>	<b>Pension Reserve</b>	<b>Short-Term Acc Comp Absence Account</b>	<b>Total</b>

	£'000	£'000	£'000
Balance as at 1 <sup>st</sup> April 2022	843	(49)	794
Increase / (Decrease)	5,015	(15)	5,000
<b>Balance as at 31<sup>st</sup> March 2023</b>	<b>5,858</b>	<b>(64)</b>	<b>5,794</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 2023.

### **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>2021/22 £'000</b>	<b>2022/23 £'000</b>
<b>Cost of Services:</b>		
Current Service Cost	1,693	1,874
Past Service Cost	0	0
Settlements and curtailments	0	0
<i>Financing and Investment Income and Expenditure</i>		
Net Interest Expense / (income)	2	(26)
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>1,695</b>	<b>1,848</b>
<i>Remeasurement of the Net Defined Benefit Liability Comprising:</i>		
Return on Plan Assets (Excluding the Amount included in the Net Interest Expense)	(94)	3,483
Actuarial (Gains) and Losses Arising on Liabilities – Demographic Assumptions	(334)	(12)
Actuarial (Gains) and Losses Arising on Liabilities – Financial Assumptions	(2,232)	(13,301)
Actuarial (Gains) and Losses Arising on Liabilities – Experience	106	3,241
Net increase in liabilities from disposals / acquisitions	0	0
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(859)</b>	<b>(4,741)</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	(1,695)	(1,848)
<i>Actual Amount Charged Against the General Fund Balance for Pensions in the Year:</i>		
Employers' Contributions Payable to Scheme	226	274

The total remeasurement of the Net Defined Benefit Liability recognised in Other Comprehensive Income and Expenditure to the 31<sup>st</sup> March 2023 is a gain of £6,589k (£2,554k gain in 2021/22).

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 2023 is a gain of £11,862k (£5,273k gain in 2021/22).

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

	<b>2021/22</b> <b>£'000</b>	<b>2022/23</b> <b>£'000</b>
Opening balance at 1 <sup>st</sup> April	33,113	33,017
Current Service Cost	1,693	1,874
Interest Cost on Defined Obligation	695	891
Contributions by Scheme Participants	308	371
<i>Remeasurement Gains and (Losses):</i>		
Actuarial Gains and (Losses) Arising on Liabilities – Demographic Assumptions	(334)	(12)
Actuarial Gains and (Losses) Arising on Liabilities – Financial Assumptions	(2,232)	(13,301)
Actuarial Gains and (Losses) Arising on Liabilities – Experience	106	3,241
Benefits Paid	(332)	(463)
Past Service Costs	0	0
<b>Carried Forward at 31<sup>st</sup> March</b>	<b>33,017</b>	<b>25,618</b>

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

	<b>2021/22</b> <b>£'000</b>	<b>2022/23</b> <b>£'000</b>
Opening balance at as at 1 <sup>st</sup> April	32,871	33,860
Interest Income	693	917
<i>Remeasurement Gains and (Losses)</i>		
The Return on Plan Assets, Excluding the Amount Included in the Net Interest Expense	94	(3,483)
Employer Contributions	226	274
Contributions by Scheme Participants	308	371
Benefits paid	(332)	(463)
Net increase in assets from disposals/acquisitions	0	0
<b>Carried Forward as at 31<sup>st</sup> March</b>	<b>33,860</b>	<b>31,476</b>

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

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was a gain of £2,566k (£787k gain in 2021/22).

### 15.5 Scheme History

	<b>2021/22</b> <b>£'000</b>	<b>2022/23</b> <b>£'000</b>
Present Value of Defined Obligation	(33,017)	(25,618)
Fair Value of Plan Assets	33,860	31,476
<b>Surplus / (Deficit)</b>	<b>843</b>	<b>5,858</b>

The liabilities show the underlying commitments that the Joint Committee has in the long run to pay retirement benefits. The total asset of £5,858k has a substantial impact on the net worth of the Joint Committee as recorded in the Balance Sheet.

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

### 15.6 Local Government Pension Scheme Assets

Local Government Pension Scheme Assets investments as at 31<sup>st</sup> December 2022 (full scheme not Central South Consortium element) are comprised as follows:

	<b>Fair Value of Scheme Assets</b>	
	<b>2021/22</b> <b>£'000</b>	<b>2022/23</b> <b>£'000</b>
UK Equities	443,447	443,611
Overseas Equities	2,870,331	2,354,047
UK Fixed Interest Gilts	563,640	429,562
UK Corporate Bonds	607,650	507,735
Property	317,833	318,236
Infrastructure	0	21,975
Cash and net current assets	16,991	27,511
<b>Total</b>	<b>4,819,892</b>	<b>4,102,677</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:

	31/03/22	31/03/23
Long-Term Expected Rate of Return on Assets in the Scheme (in line with the discount rate)	4.25%	4.30%
Mortality Assumptions:		
Longevity at 65 for current pensioners:		
Men	21.6	21.6
Women	23.9	24.2
Longevity at 65 for future pensioners:		
Men	22.6	22.9
Women	25.4	25.7
CPI Inflation	3.0%	2.7%
Rate of Increase in Salaries	4.25%	3.95%
Rate of Increase in Pensions	3.0%	2.7%
Rate for discounting scheme liabilities	2.7%	4.7%
Option to Convert Annual Pension into Retirement Lump Sum	80%	85%

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)	666	(666)
Rate of Increase in Salaries (increase or decrease by 0.1%)	51	(51)
Rate of Increase in Pensions (increase or decrease by 0.1%)	410	(410)
Rate for Discounting Scheme Liabilities (increase or decrease by 0.1%)	(461)	461

### **15.8 Contributions for the Accounting Period ending 31<sup>st</sup> March 2024**

The Employer's regular contributions to the Fund for the accounting period ending 31<sup>st</sup> March 2024 are estimated to be £316k (£236k as at 31<sup>st</sup> March 2023).

### **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 2022/23, the Joint Committee paid £89k to the Teachers' Pension Fund in respect of teachers' retirement benefits, representing 23.68% of pensionable pay (£94k was paid in 2021/22 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 Deputy Chief Executive and Group Director - Finance, Digital and Frontline 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 2023, 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 2023 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>2021/22 £'000</b>		<b>2022/23 £'000</b>
1,603	(Surplus)/Deficit on the Provision of Services	925
482	(Increase)/Decrease in Creditors	(233)
30	Increase/(Decrease) in Debtors	(2)
(1,469)	IAS 19 Transactions	(1,574)
<b>646</b>	<b>Cash (Inflow)/Outflow from Revenue Items</b>	<b>(884)</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”. The outcomes of the reviews recommended no changes to the provisions of the scheme. However, 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 2022/23, the Consortium paid 107 employees on average every month (90 in 2021/22). Over the year, salary payments totalled £5,329k (excluding employer's national insurance and pension contributions) (£4,184k in 2021/22).

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	2021/22			2022/23		
	No. of Employees			No. of Employees		
	At 31/03/22	Left in Year	Total	At 31/03/23	Left in Year	Total
£60,000 - £64,999	11	0	11	16	1	17
£65,000 - £69,999	9	0	9	5	0	5
£70,000 - £74,999	5	0	5	6	0	6
£75,000 - £79,999	1	0	1	2	0	2
£80,000 - £84,999	0	0	0	1	0	1
<b>Total</b>	<b>26</b>	<b>0</b>	<b>26</b>	<b>30</b>	<b>1</b>	<b>31</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	2022/23				
	Salary	Taxable Benefits in Kind	Compensation for loss of employment	Employer's Pension Contributions	Total
	£'000	£'000	£'000	£'000	£'000
Managing Director *	117	0	0	7	124
Deputy Managing Director **	94	0	0	6	100

Assistant Director – Standards & Improvement Planning **	83	0	0	5	<b>88</b>
Assistant Director – Curriculum **	82	0	0	5	<b>87</b>

\* Total amount of salary, fees or allowances paid to or received during 2022/2023 excluding £2k that related to 2021/2022 but was remunerated to the senior officer during 2022/2023.

\*\* Total amount of salary, fees or allowances paid to or received during 2022/2023 excluding £1k that related to 2021/2022 but was remunerated to the senior officers during 2022/2023.

The comparative figures for 2021/22 are shown in the following table:

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	<b>122</b>
Deputy Managing Director **	94	0	0	6	<b>100</b>
Assistant Director – Standards & Improvement Planning **	81	0	0	5	<b>86</b>
Assistant Director – Curriculum **	82	0	0	5	<b>87</b>

\* Total amount of salary, fees or allowances paid to or receivable during 2021/2022 excluding £1k that related to 2020/2021 but was remunerated to the senior officer during 2021/2022. Includes £2k was 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) was remunerated to the senior officers during 2022/2023.

## 21.0 Severance Costs

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

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

Severance Cost Band	Number of Compulsory Terminations		Number of Other Terminations		Total Number of Terminations		Total Severance Cost	
							£000s	
	21/22	22/23	21/22	22/23	21/22	22/23	21/22	22/23
£0 - £20,000	0	0	0	3	0	3	0	16
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>16</b>

## CENTRAL SOUTH CONSORTIUM

### DRAFT ANNUAL GOVERNANCE STATEMENT 2022/23

#### 1. SCOPE OF RESPONSIBILITY

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

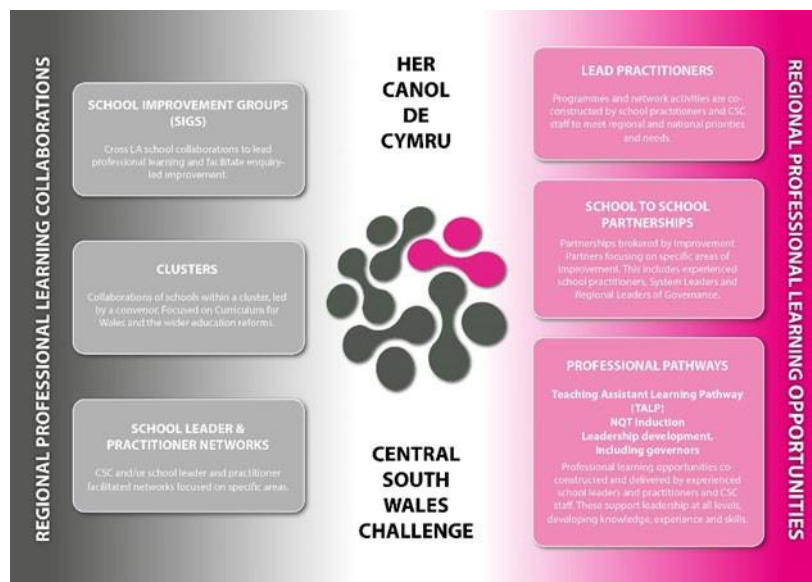
- Bridgend CBC;
- Cardiff CBC;
- Merthyr Tydfil CBC;
- Rhondda Cynon Taf CBC; and
- Vale of Glamorgan CBC.

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 has developed and consists of a number of different strategies:



\*Revised April 2023

- 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 2023.

## 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 2023 (and up to the date of approval of the 2022/23 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 2023 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 2023/23.

**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>• Comments, Compliments and Complaints – 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;
- 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, 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**

Key regard continued to be afforded to the Covid-19 pandemic as part of service planning and delivery throughout 2022/23, with CSC officers working flexibly to ensure the on-going provision of services.

The Joint committee and democratic processes of the CSC were in line with the legal agreement, this enabling transparent decision making, effective scrutiny and Committee fulfilling its responsibilities.

Financial and performance management arrangements (including risk register reporting) were in place to manage service delivery in line with resources available, this being demonstrated via the suite of information reported to the Joint Committee during the year, for example, budget monitoring reports, Medium Term Financial Plan update and 2021/22 audited Statement of Accounts.

## 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 2021/22 ANNUAL GOVERNANCE STATEMENT**

The 2021/22 Annual Governance Statement made 4 proposals for improvement. An update on progress was reported to Central South Consortium Joint Education Service Joint Committee on 13<sup>th</sup> December 2022 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 2023, progress had been made against the 4 proposals:

- 2 proposals for improvement have been implemented.
- 2 proposals for improvement were 'in progress' and will be completed during 2023/24 – it is considered that the part implementation status for these areas do 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 2022/23 in the delivery of the proposals for improvement with the requirement for further work to be completed in 2023/24. 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>6</sup> and [Protocols](#)<sup>7</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>8</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 confirmed 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, processes were put in place to support personal development of officers, this being overseen by management within the CSC and supported by the Human Resources Service within Rhondda Cynon Taf.

### **Arrangements in place to tackle potential misappropriation**

- 5.2.5 In the event that an officer decides to operate outside of the intended terms and conditions of employment, arrangements were in place for officers to “blow the whistle” through RCT’s [Whistleblowing Policy & Procedure](#).
- 5.2.6 In addition to the Whistleblowing arrangements, there were arrangements in place to tackle potential [fraud, bribery and corruption](#).
- 5.2.7 RCTCBC’s 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**

---

<sup>6</sup> Rules – for example, Financial and Contract Procedure Rules

<sup>7</sup> Protocols – for example, Gifts and Hospitality Policy

<sup>8</sup> Meeting minutes – a formal and agreed record of the events that took place at each meeting.

- 5.2.8 At the 7<sup>th</sup> December 2022 Governance and Audit Committee meeting, the Committee were provided with a progress update against the Anti-Fraud, Bribery and Corruption work programme for 2022/23 (this being an exempt item). This update provided assurance on the Council's arrangements to tackle potential fraud and covered the internal control environment that supports this area; the Committee resolved to note and review the outcome of the anti-fraud work progress during 2022/23.
- 5.2.9 The 15<sup>th</sup> March 2023 Governance and Audit Committee meeting considered the Anti-Fraud, Bribery and Corruption Annual Report for 2022/23, that provided an overview of the work undertaken during the year and a proposed work programme for 2023/24 (this being an exempt item). The report concluded that:
- The Governance and Audit Committee's on-going support for the delivery and monitoring of the Anti-Fraud, Bribery and Corruption Strategy will reinforce the Council's commitment and "zero tolerance" approach towards any fraudulent activity relating to its business.
  - Delivery of the Anti-Fraud, Bribery & Corruption work programme for 2023/24 will ensure the Council continues to operate within an effective anti-fraud culture across the organisation, with resilient preventive measures capable of identifying and addressing new threats.

### **Whistle-Blowing**

- 5.2.9 The Whistleblowing Annual Report for 2022/23 was reported to the [15th March 2023](#) Governance and Audit Committee and concluded that 'the Council's whistleblowing arrangements are appropriate'
- .
- 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.

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

5.2.13 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.

As set out in the 2021/22 Annual Governance Statement 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 2022/23 7 FOI requests were received and were responded to within 20 working days. Also 1 SAR request was received and responded to within one calendar month period.



## Planning ahead

- 5.3.4 CSC consulted with stakeholders on its vision and priorities for 2022/23 and set these out in a document called 'Business Plan 2022-25'; this Plan was agreed by Joint Education Committee on 17<sup>th</sup> March 2022. During 2022/23, 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 2022/23, will be reported to Joint Committee later in the year. 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 over the medium term, the public sector funding outlook is likely to be very challenging due to, for example, the impact of geo-politics, cost of living and inflationary pressures and increasing demand for public services. The CSC is focussed on medium term financial planning, to support financial stability and inform service planning and delivery, and has been provided with an indicative budget across a 3-year time horizon (2023/24 to 2025/26) as reported to the Joint Committee on [13th December 2022](#)

## Openness – Forward work programmes

- 5.3.5 CSC had in place a forward work plan of Committee meetings for 2022/23 together with the matters to be considered.

## 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 2022/23 received 27 reports, 25 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>9</sup>.

Based on the above information it is considered that the decision-making arrangements that operated during 2022/23 were open and transparent, and compliant with CSC's Legal Agreement.

---

<sup>9</sup> Subsequently known as the CSC Management Board

Finally, a review of a sample of Joint Education Committee Reports for 2022/23 has confirmed that a consistent format was used.

### **Engagement with stakeholders**

5.3.7 The arrangements for engagement with stakeholders were originally as follows (as set out in the 2015 legal agreement):

- **Directors' Steering Group** – The Directors' Steering Group comprises the Directors of Education from each of the five local authorities that make up the CSC. This group is responsible for delegated decision making on behalf of each local authority.

The membership, decision making process, meetings and the terms of reference for the Director's Steering Group are documented within Schedule 2 of the Legal Agreement.

- **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 2022/23; this included social media, focus group discussions with regional stakeholder groups and the Annual Survey which commenced in November 2022.

5.3.11 **Proposal for Improvement**

Analyse the findings from the stakeholder survey and report on next steps to all Governance groups.

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

**Defining outcomes**

- 5.4.1 CSC's 'Business Plan 2022-2023' was approved by the Joint Education Committee on the 17<sup>th</sup> March 2022 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 2022/23 financial year was approved at the 22<sup>nd</sup> December 2021 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 CSC to improve in its priority areas.
- 5.4.5 Throughout 2022/23 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 For 2022/23 66.2% of CSC's Business Plan was funded from Welsh Government, 33.4% from EWC and 0.4% from Local Authority contributions.

### **Proposal for Improvement**

- 5.4.7 Consult on a revision to the legal agreement following a national review of the middle tier by Welsh Government.
- 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.

### **Proposal for Improvement**

5.5.2 Publish an appendix to the Business Plan 2022/25 to provide an update on progress to date as well as to provide additional context for the year ahead.

5.5.3 When the above requirements were reviewed for the 2022/23 financial year:

- Performance Reports were presented to the Joint Education Committee and the Local Authority Scrutiny Committees during the year providing updates on financial performance; progress against Business Plan priorities; and strategic risks were reported to Joint Committee meetings. In addition, the information reported also highlighted and explained exceptions and noted where corrective action would be taken.

5.5.4 Based on the above, it is considered that the information published during the year would provide opportunity for stakeholders to understand CSC's performance and hold it to account

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

5.5.4 CSC's Business Plan set out how the agreed 3% decrease in core funding would be delivered and managed during 2023/24.

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, Welsh Government (WG) has cancelled most of the statutory data collections for 2020, 2021 and 2022. The collections suspended include:

- Attendance: Primary 2020, 2021 and 2022 data collections
- Attendance: Secondary 2020, 2021 and 2022 data collections
- National Data Collections (NDC): All 2020 and 2021 data collections, and Foundation Phase and key stage 2 for 2022

- 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, 2021 and 2022. However, due to the issues reported last year in relation to the collection for 2021 and the level of validation checks completed on 2020 PLASC, comparisons across this timeframe should be treated with an element of caution.
- 5.5.8 Statistical returns for Foundation Phase baseline assessment and at Key Stage 3 were reintroduced for 2021-22 and a statistical release at national level only was published in autumn term 2022. This report included analysis for eFSM/non eFSM pupils at national level only. No analysis below national level is available to view.
- 5.5.9 As reported last year, the Minister for Education also confirmed on 21 June 2021 that WG would not be publishing performance measures relating 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, 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, 2021 and 2022 results.
- 5.5.10 The Statistical bulletins for GCSE and A Level results will continue to be published for 2021-22 as made available for the two previous academic years 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 2021-22 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 continues to be suspended.
- 5.5.13 Pilot Estyn inspections we introduced in spring term 2022<sup>[1]</sup> with around 20 schools (phase 1), with inspections continuing into the summer term with Phase 2 schools.

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

---

<sup>[1]</sup> <https://www.estyn.gov.wales/news/owen-evans-her-majestys-chief-inspectors-speech-17-february-2022>

## **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.

### **5.7.1 Developing the capabilities of employees**

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 development sessions, Staff Briefings and a range of operational training such as Curriculum for Wales, Diversity and Anti Racism, Enabling Equity and Excellence, [School Improvement Guidance](#), Governor Self Evaluation Toolkit, [National Resource Evaluation](#) and

Improvement. All of which are underpinned by our National Mission. Staff development has been supported through induction sessions, RCT Manager Briefings and a range of relevant leadership training.

### **Proposal for Improvement**

- 5.7.3 Arrange a coaching and mentoring program for all staff, focussed on developing anti-racist practices in CSC in order for staff to learn more about anti-racism, increase staff confidence and become champions within the organisation on anti-racism. Also, to contribute towards the Welsh Government priorities related to anti-racist action plan.

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

### **Managing risk**

- 5.8.1 During 2022/23 CSC continued with the termly updating of its risk change template in line with its business plan monitoring and risk policies.
- 5.8.2 This risk change template is updated by all risk owners and then presented for review by the Senior Leadership Team. Following agreement of the SLT, proposals are presented to Directors for consideration and then to Joint Committee meetings for final review and acceptance. During the spring term the risk change template was presented to Directors on the 11 March 2022. Once this process is completed the risk register is finalised.
- 5.8.3 New risks were incorporated into the register during the year. For example, the risks associated with the COVID 19 pandemic and Curriculum for Wales. This has been incorporated into the Risk Register, with accompany actions to address, and will be reported and monitored by the Joint Committee.

### **5.8.4 Proposal for Improvement**

The risk management policy has been reviewed in 2022/23 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 2022/25 CSC business plan.

### **Robust internal control**

- 5.8.6 The membership and meeting frequency of CSC's Joint Education Committee during 2022/23 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 2022/23, based on the work of Internal Regional Audit during the year, to the Council's Governance and Audit Committee in July 2023. 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 2022/23 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>10</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>10</sup> Audit Wales – previously the Wales Audit Office

- 5.8.15 During 2022/23 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 2022/23 the Regional Internal Audit Service reviewed two grant claims i.e. RCSIG 2021/22 and PDG 2021/22 of the Central South Consortium Joint Education Service, in line with the agreed Internal Regional Audit Annual Plan and concluded there to be no material weaknesses. This was reported to the Joint Committee meeting held on 28<sup>th</sup> March 2023. In addition, 1 core financial system (i.e. the General Ledger) was reviewed in March 2023 and concluded there to be no material weaknesses. The report will be presented to the Joint Committee meeting arranged on 23<sup>rd</sup> May 23.

### **External Audit**

- 5.8.17 The latest audited statement of accounts (i.e. for the 2021/22 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 25<sup>th</sup> October 2022.
- 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 22<sup>nd</sup> December 2021 for the financial year 2022/23 of £3,624,875, representing an increase of 1.72% compared to the previous year. Financial performance results were publicly reported every term during the year and scrutinised by the Joint Education Committee. The final outturn position, subject to Joint Committee approval at the May 2023 meeting, demonstrates the delivery of a balanced budget for the 2022/23 financial year after setting aside specific earmark reserves to support the service remodelling.
  - CSC is financially stable, based on: 2022/23 General Reserve balances being in line with the 2021/22 year-end position i.e. £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 25<sup>th</sup> October 2022 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 2022; 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 2021-22.*

5.8.20 25<sup>th</sup> October 2022 Audit Wales report made no recommendations to be addressed by CSC and the Host Authority which has been accepted and implemented.

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

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

5.9.1 CSC has implemented an open and consistent approach to reporting its business, as set out in sections 5.4 and 5.5 of this Annual Governance Statement, with the aim of helping to ensure information is understandable to stakeholders and that they have the opportunity to challenge CSC’s performance, plans and decisions.

5.9.2 A review of a sample of information reported to the Joint Education Committee has revealed that:

- Annual Reports and Plans are reported publicly, providing an overview of performance, for example, the Council’s audited Statement of Accounts 2021/22 reported and approved by Joint Education Committee on 25<sup>th</sup> October 2022; 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.

**PROPOSALS FOR IMPROVEMENT**

7.1 Further to completing the assessment of the CSC’s governance arrangements, Table 1 sets out proposals for improvement.

<b>Core Principle / Area</b>	<b>Paragraph No.</b>	<b>Issue Identified</b>	<b>Proposal for Improvement</b>	<b>Timescale for Implementation</b>	<b>Responsible Officer</b>
<b>ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT</b>	5.3.11	Communication with stakeholders	<ul style="list-style-type: none"> <li>Analyse the findings from the stakeholder survey and report on next steps to all Governance groups</li> </ul>	Summer Term 23	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>Consult upon a revision to the legal agreement following a national review of the middle tier by Welsh Government</li> </ul>	Spring Term 24	Managing Director
<b>DEVELOPING THE ENTITY’S CAPACITY, INCLUDING THE CAPABILITY OF ITS LEADERSHIP AND THE INDIVIDUALS WITHIN IT</b>	5.5.2	Business Planning	<ul style="list-style-type: none"> <li>Publish an appendix to the Business Plan 2022/25 to provide an update on progress to date as well as to provide additional context for the year ahead</li> </ul>	September 2023	Deputy Managing Director

Page 322

<p><b>Developing the entity’s capacity, including the capability of its leadership and the individuals within it</b></p>	<p>5.7.2</p>	<p>Professional Learning</p>	<ul style="list-style-type: none"> <li>• Arrange a coaching and mentoring program for all staff, focussed on developing anti-racist practices in CSC in order for staff to learn more about anti-racism, increase staff confidence and become champions within the organisation on anti-racism. Also, to contribute towards the Welsh Government priorities related to anti-racist action plan.</li> </ul>	<p>September 2023</p>	<p>Managing Director</p>
--	--------------	------------------------------	--	-----------------------	--------------------------

Page 323

7.2 The CSC’s Senior Management Team has accepted the proposals for improvement and is committed to their implementation during 2023/24. The Senior Management Team has also confirmed that an update on progress will be reported to the Central South Consortium Joint Education Service Joint Committee during the year to enable Members to review and scrutinise the extent of progress being made.



Managing Director: \_\_\_\_\_



Section 151 Officer: \_\_\_\_\_



Chair, Joint Education Committee \_\_\_\_\_

24-05-2023

## APPENDIX A

## PROPOSALS FOR IMPROVEMENT 2021/22 – POSITION STATEMENT

<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>In progress –</b> Survey questions have been designed to align to the requirements of CSC's self-evaluation process. Due to a decision taken to delay the survey, a new deadline has been set for 30 June 23.
<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>In progress –</b> Following consultation with stakeholders, a draft revised version of the legal agreement has been sent to RCT legal team for consideration. However, the outcome of the review work of the middle tier will impact this - awaiting updates from Welsh Government.
<b>Developing the entity's capacity, including the capability of its leadership and</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</li> </ul>	Summer Term 22	Managing Director	<b>Completed -</b> Induction programme has been developed and shared with Members. Initial sessions have been



<p><b>the individuals within it</b></p>			<p>the work of Central South Consortium</p>			<p>completed and further sessions to be considered.</p>
<p><b>Managing risks and performance through robust internal control and strong public financial management</b></p>	<p>5.8.4</p>	<p>Risk Management</p>	<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>	<p>Summer Term 22</p>	<p>Deputy Managing Director</p>	<p><b>Completed –</b> The risk policy has been amended and approved by CSC Partnership Board in October 2022</p>

**(TO BE AMENDED UPON ADVICE FROM AUDIT WALES)****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 2023 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 2022/23 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 2023 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 2022/23.

**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 2022/23;
- 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.

**Adrian Crompton**  
**Auditor General for Wales**  
**XX YY 2023**

**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.

This page is intentionally left blank



## Accounting statements 2022-23 for:

Name of body: Llwylcoed Crematorium Joint Committee

	Year ending		Notes and guidance for compilers
	31 March 2022 (£)	31 March 2023 (£)	Please round all figures to nearest £. Do not leave any boxes blank and report £0 or nil balances. All figures must agree to the underlying financial records for the relevant year.
<b>Statement of income and expenditure/receipts and payments</b>			
1. Balances brought forward	1,477,782	1,488,589	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	983,268	1,090,515	Total income or receipts recorded in the cashbook minus amounts included in line 2. Includes support, discretionary and revenue grants.
4. (-) Staff costs	-234,186	-277,137	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	-738,275	-954,654	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	1,488,589	1,347,313	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	102,593	100,773	<b>Income and expenditure accounts only:</b> Enter the value of debts owed to the body.
9. (+) Total cash and investments	1,394,669	1,252,592	<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	-8,673	-6,052	<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	1,488,589	1,347,313	<b>Total balances should equal line 7 above:</b> Enter the total of (8+9-10).
12. Total fixed assets and long-term assets	1,667,839	1,561,477	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 2023, 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.


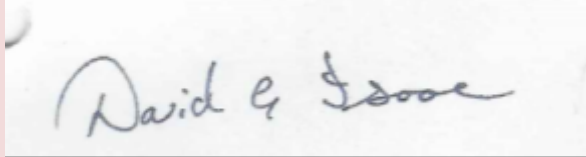
2.

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 2023.</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>RFO signature: </p>	<p>Minute ref:</p> <p>Chair of meeting signature: </p>
<p><b>Name:</b> BARRIE DAVIES</p>	<p><b>Name:</b> David Isacc</p>
<p><b>Date:</b> 14 June 2023</p>	<p><b>Date:</b> 27<sup>th</sup> June 2023</p>

## Annual internal audit report to:

Name of body: Llwydcoed Crematorium Joint Committee

The Committee's internal audit, acting independently and on the basis of an assessment of risk, has included carrying out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year ending 31 March 2023.

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"/>	Llwydcoed Crematorium does not operate a petty cash account
7. Salaries to employees and allowances to members were paid in accordance with minuted approvals, and PAYE and NI requirements were properly applied.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	Central function administered by Council's payroll service
8. Asset and investment registers were complete, accurate, and properly maintained.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	Central Function

	Agreed?				Outline of work undertaken as part of the internal audit (NB not required if detailed internal audit report presented to body)
	Yes	No*	N/A	Not covered**	
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. Risk Register & Risk Management Arrangements	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Detailed internal audit report presented to body
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 25th April 2023.

### 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 2021-22 and 2022-23. I also confirm that there are no conflicts of interest surrounding my appointment.

<b>Name of person who carried out the internal audit:</b> Andrew Wathan, Head of Regional Internal Audit Service
<b>Signature of person who carried out the internal audit:</b> <i>A P Wathan</i>
<b>Date:</b> 13 <sup>th</sup> June 2023

This page is intentionally left blank

## Section 5 – Financial reporting and regulatory matters

### Compliance with the law and regulations governing local authorities

Changes in legislation occur regularly within the sector and it is imperative that the authority establishes a mechanism to ensure that its audit committee members are aware of relevant topical legal issues.

To keep the audit committee up to date, it is worth considering including the following on the audit committee's agenda:

- an update of relevant circulars and correspondence from government departments etc
- relevant minutes and papers from council meetings (these are especially helpful for co-opted members)
- relevant reports from the Audit Commission, National Audit Office and other relevant regulators

### Financial Statements

The Audit Committee should review the Financial Statements before submission to the full Council, focusing particularly on:

- the outcome of reviews of the effectiveness of the internal control arrangements including internal audit
- the wording in the Statement on Internal Control and other disclosures relevant to the Terms of Reference of the Committee
- changes in, and compliance with, accounting policies and practices
- unadjusted mis-statements in the financial statements
- major judgemental areas
- significant adjustments resulting from the audit
- any relevant issues raised in the external auditor's report to those charged with governance

The Committee should also ensure that the systems for financial reporting to the full Council, including those of budgetary control, are subject to review as to completeness and accuracy of the information provided to the full Council and its committees.

The timetable for preparing the financial statements is normally tight. If the audit committee is to play an effective role in the process, it needs to hold a meeting before the financial statements are formally approved. The role of the audit

committee in the approval, and the purpose of the meeting should be made absolutely clear. If there are any delays in preparing and auditing the financial statements the audit committee should find out why, as they may be due to underlying problems within the finance department or audit process.

However, the audit committee needs to ensure it does not become involved in any details that should be dealt with more properly by the director of finance, designated office holder or other relevant committee.

**QUESTIONS FOR AUDIT COMMITTEE MEMBERS – REVIEW OF THE FINANCIAL STATEMENTS**

- Which significant items in the accounts are based on accounting estimates? Which accounting policies followed by the authority required an element of judgment in their application? How does the approach taken this year to these items and policies compare with the previous year?
- Have there been any developments in accounting standards or generally accepted accounting practice of relevance to the authority since the audit committee last reviewed the authority's accounting policies and practices?
- Do the financial statements satisfy all statutory and other regulatory disclosure requirements to which the authority is subject?



# Rhondda Cynon Taf CBC

## Governance & Audit Committee

### 4<sup>th</sup> September 2023

# Statement of Accounts 2022/23

## Overview of Accounting Policies

Page 341



# Purpose

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

# Contents

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

# Governance Framework

1. CIPFA Code of Practice on Local Authority Accounting in the UK 2022/23
2. Accounts and Audit (Wales) Regulations 2014 (as updated)
3. Public Audit (Wales) Act 2004
4. Local Government Measure 2011

# What is an Accounting Policy?

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

# Accounting policies disclosed

Policy	Rhondda Cynon Taf CBC	Pension Fund	Central South Consortium	Policy	Rhondda Cynon Taf CBC	Pension Fund	Central South Consortium
Accruals of Income and Expenditure	✓	✓	✓	Government Grants and Other Contributions	✓		✓
Cash and Cash Equivalents	✓	✓	✓	Charges to Revenue for Long Term Assets	✓		
Contingent Liabilities	✓	✓	✓	Minimum Revenue Provision (MRP)	✓		
Employee Benefits	✓		✓	Provisions	✓		
Events after the Reporting Period	✓		✓	Interests in Companies and Other Entities	✓		
Financial Instruments	✓	✓		Acquisition and Disposal Costs		✓	
Intangible Assets	✓			Taxation		✓	
Leases	✓		✓	Inventories	✓		
Property, Plant & Equipment	✓			Additional Voluntary Contributions		✓	
Reserves	✓		✓				
Revenue Expenditure Funded from Capital Under Statute	✓						

# Critical Judgements in Applying Accounting Policies

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

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

Page 348

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



# Timescales for 2022/23 onwards

- Audit Wales

2022/23	30 <sup>th</sup> November 2023
2023/24	31 <sup>st</sup> October 2024
2024/25	30 <sup>th</sup> September 2025

- Welsh Government

Statement of Accs	Preparation	Publication
2022/23	31 <sup>st</sup> July 2023	31 <sup>st</sup> December 2023
2023/24	30 <sup>th</sup> June 2024	30 <sup>th</sup> November 2024
2024/25	30 <sup>th</sup> June 2025	31 <sup>st</sup> October 2025

# Discussion points for Governance & Audit Committee

- Other discussion points...?

<p><b>GOVERNANCE AND AUDIT COMMITTEE</b></p> <p><b>4<sup>th</sup> September 2023</b></p>	<p><b>AGENDA ITEM NO. 5</b></p>
<p><b>REPORT OF THE HEAD OF THE REGIONAL INTERNAL AUDIT SERVICE in consultation with DEPUTY CHIEF EXECUTIVE AND GROUP DIRECTOR – FINANCE, DIGITAL &amp; FRONTLINE SERVICES</b></p>	<p><b>Public Sector Internal Audit Standards (PSIAS) - External Peer Assessment of the Regional Internal Audit Service</b></p>

Author: Andrew Wathan (Head of the Regional Internal Audit Service)

& Lisa Cumpston (Audit Manager)

**1. PURPOSE OF THE REPORT**

1.1 To provide members of the Governance and Audit Committee with the Public Sector Internal Audit Standards External Peer Assessment of the Regional Internal Audit Service.

**2. RECOMMENDATIONS**

2.1 It is recommended that Members give consideration to the Public Sector Internal Audit Standards External Assessment of the Regional Internal Audit Service and acknowledge and endorse that it is fully conforming to those Standards.

(**Appendix A**) - the Public Sector Internal Audit Standards External Peer Assessment of the Regional Internal Audit Service Report from the external assessor, Newport City Council.

**3. REASONS FOR RECOMMENDATIONS**

3.1 To keep the Governance and Audit Committee informed and to provide assurance that the Regional Internal Audit Service continues to provide a professional internal service in accordance with UK National Standards, the Public Sector Internal Audit Standards (PSIAS).

#### **4. BACKGROUND**

- 4.1 The United Kingdom Public Sector Internal Audit Standards provides the framework within which an internal audit service should function.
- 4.2 The Public Sector Internal Audit Standards (PSIAS) became effective from 1<sup>st</sup> April 2013 (updated 2017) and introduced a requirement for an external assessment of all internal audit services, which must be conducted at least once every five years by a qualified, independent reviewer from outside of the organisation.
- 4.3 The two possible approaches to external assessments outlined in the standard included either a full external assessment or an internal self-assessment which is validated by an external reviewer.
- 4.4 Members of the Welsh Chief Internal Auditor Group (WCIAG) elected to adopt the self-assessment approach, with another member of the WCIAG undertaking the validation; a peer review assessment. At the time this was agreed with the section 151 Officers and the former audit committees.

#### **Purpose**

- 4.5 The purpose of the external assessment was to help improve delivery of the audit service to an organisation. The assessment was designed to be a supportive process that identified opportunities for development which ultimately help to enhance the value of the audit function to the authority.

#### **Results**

- 4.6 The assessment involved a validation of a self-assessment of conformance against the PSIAS undertaken by the Acting Chief Internal Auditor at Newport City Council. The external report is attached at Appendix A.
- 4.7 The assessment comprised a desktop review of the self-assessment and supporting evidence and discussions were held with the previous Head of Regional Internal Audit Service (MT) to gain insight and views on the operation of the Internal Audit Team and adherence to the Standards.
- 4.8 In summary, there are 305 best practice lines within the PSIAS. A review of conformance against the PSIAS was undertaken during the period February to May 2023 by the Acting Chief Internal Auditor (DP) at Newport City Council, qualified via CIPFA with extensive internal audit management experience within local government. The Regional Internal Audit Service is currently conforming to all 305 of the requirements, with no partial conformance or non-conformance areas.
- 4.9 There were two areas for consideration which would further enhance conformance with the PSIAS, although these were not a significant concern:
- 1000 Purpose, Authority and Responsibility (41) – To make reference to the Counter Fraud Strategy in the Internal Audit Charter.
  - 1230 Continuing Professional Development (96) – All Internal Audit staff to maintain a record of their training activities.

- 4.10 As part of the self-assessment, the Regional Internal Audit Service, identified their own actions needed to strengthen arrangements where conformance was already being achieved. This summary can be seen at the beginning of Appendix C of the external report.

## **5. EQUALITY AND DIVERSITY IMPLICATIONS / SOCIO-ECONOMIC DUTY**

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

## **6. CONSULTATION**

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

## **7. FINANCIAL IMPLICATION(S)**

- 7.1 There are no financial implications as a result of the recommendations set out in the report, but effective audit planning and monitoring are key contributors in ensuring that the Council's assets and interests are properly accounted for and safeguarded.

## **8. LEGAL IMPLICATIONS OR LEGISLATION CONSIDERED**

- 8.1 The provision of an adequate and effective Internal Audit function is a legal requirement under the Accounts and Audit (Wales) Regulations 2018 as amended from time to time.
- 8.2 Regulation 7 (Internal Audit) of Part 3 of the 2018 Regulations directs that: "*A relevant body must maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control.*"

## **9. LINKS TO CORPORATE AND NATIONAL PRIORITIES AND THE WELL-BEING OF FUTURE GENERATIONS ACT & FIVE WAYS OF WORKING**

### **THE COUNCIL'S CORPORATE PLAN PRIORITIES**

- 9.1 The work of Internal Audit aims to support the delivery of the priorities contained within the Council's Corporate Plan 2020-2024 "Making a Difference", in particular 'Living Within Our Means' through ensuring that appropriate internal controls are in place to effectively manage resources.

### **WELL-BEING OF FUTURE GENERATIONS ACT & FIVE WAYS OF WORKING**

- 9.2 The wellbeing goals identified in the Act were considered in the preparation of this report. 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. It is considered that

there will be no significant or unacceptable impacts upon the achievement of wellbeing goals/objectives as a result of this report.

**10. CONCLUSION**

- 10.1 The external peer assessment has been undertaken in accordance with the Public Sector Internal Audit Standards and the Council's Internal Audit Charter by the Acting Chief Internal Auditor of Newport City Council Internal Audit Team, qualified with extensive local government internal audit management experience.
- 10.2 The Council's Governance and Audit Committee is requested to consider and endorse the external peer assessment and the Regional Internal Audit Service's full conformance with the Public Sector Internal Audit Standards.

\*\*\*\*\*

**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**

**4<sup>th</sup> September 2023**

**Public Sector Internal Audit Standards (PSIAS) - External Peer Assessment of the Regional Internal Audit Service**

**REPORT OF THE HEAD OF THE REGIONAL INTERNAL AUDIT SERVICE in consultation with the DEPUTY CHIEF EXECUTIVE AND DIRECTOR OF FINANCE, DIGITAL & FRONTLINE SERVICES**

Author: Andrew Wathan (Head of the Regional Internal Audit Service)  
& Lisa Cumpston (Audit Manager)

**Item 5**

**Background Papers**

None.

Officers to contact:

Andrew Wathan (Head of the Regional Internal Audit Service)  
Lisa Cumpston (Audit Manager)

This page is intentionally left blank





Newport City Council  
Internal Audit Report

**Public Sector Internal Audit Standards (PSIAS)**

**External Assessment of  
Regional Internal Audit Service**

**Welsh Chief Internal Auditor Group**

**WCIAG**

Date of Assessment Fieldwork	February 2023 to May 2023
Date of Report Issue	5th July 2023
Report Status	Final
Report Author	D Palmer CPFA, Acting Chief Internal Auditor, Newport City Council
Issued to	Andrew Wathan, Head of Regional Internal Audit Service

## 1. **Introduction**

- 1.1 The Public Sector Internal Audit Standards (PSIAS) became effective from 1<sup>st</sup> April 2013 (updated 2017) and introduced a requirement for an external assessment of all internal audit services, which must be conducted at least once every five years by a qualified, independent reviewer from outside of the organisation.
- 1.2 The two possible approaches to external assessments outlined in the standard included either a full external assessment or an internal self-assessment which is validated by an external reviewer.
- 1.3 Members of the Welsh Chief Internal Auditor Group (WCIAG) elected to adopt the self-assessment approach, with another member of the WCIAG undertaking the validation.

## 2. **Purpose**

- 2.1 The purpose of the external assessment is to help improve delivery of the audit service to an organisation. The assessment is designed to be a supportive process that identifies opportunities for development which ultimately help to enhance the value of the audit function to the authority.

## 3. **Results**

- 3.1 The assessment involved a validation of a self-assessment of conformance against the PSIAS undertaken by the Acting Chief Internal Auditor at Newport City Council.
- 3.2 The assessment comprised a desktop review of the self-assessment and supporting evidence and discussions were held with the previous Head of Regional Internal Audit Service (MT) to gain insight and views on the operation of the Internal Audit Team and adherence to the Standards.
- 3.3 In summary, there are 305 best practice lines within the PSIAS. A review of conformance against the PSIAS was undertaken during the period February to May 2023 by the Acting Chief Internal Auditor (DP) at Newport City Council, qualified via CIPFA with extensive internal audit management experience within local government. The Regional Internal Audit Service is currently conforming to 305 of the requirements, with no partial conformance or non-conformance areas.

3.4 The table below summarises the outcome of the assessment.

Standard	Conformance			Total
	Yes	Partly	No	
1. Mission of Internal Audit	1			1
2. Definition of Audit Risk	2			2
3. Core Principles	10			10
4. Code of Ethics	13			13
5. Attribute Standards				
Purpose, Authority and Responsibility (1000)	20			20
Objectivity and Independence (1100)	29			29
Proficiency and Due Professional Care (1200)	21			21
Quality Assurance and Improvement Programme (1300)	24			24
6. Performance Standards				
Managing the Internal Audit Activity (2000)	37			37
Nature of Work (2100)	28			28
Engagement Planning (2200)	52			52
Performing the Engagement (2300)	15			15
Communicating Results (2400)	47			47
Monitoring Progress (2500)	4			4
Communicating the Acceptance of Risks (2600)	2			2
<b>Total</b>	<b>305</b>	<b>0</b>	<b>0</b>	<b>305</b>

3.5 This report contains three appendices as follows:

<b>Appendix A</b>	Action Plan to address non / partial conformance areas
<b>Appendix B</b>	Enhancing proposals for areas where conformance is already achieved
<b>Appendix C</b>	Completed checklist for assessing conformance with the PSIAS and Local Government Application Note (LGAN)

3.6 There were no areas of partial conformance or non-conformance. There were two area's for consideration which would further enhance conformance with the PSIAS, although these are not a significant concern:

- 1000 Purpose, Authority and Responsibility (41) – To make reference to the Counter Fraud Strategy in the Internal Audit Charter.
- 1230 Continuing Professional Development (96) – All Internal Audit staff to maintain a record of their training activities.

3.7 As part of the self-assessment, the Regional Internal Audit Service, identified their own actions needed to strengthen arrangements where conformance was already being achieved. This summary can be seen at the beginning of Appendix C.

### **Impact of non-compliance and steps to be taken to ensure compliance**

3.7.1 Any non-conformance with the Standards and the impact must be disclosed to senior management and the Governance and Audit Committee.

3.7.2 In terms of the review that has been undertaken, the impact of the non-conformance is not relevant, such that the Regional Internal Audit Service generally conforms with the Standards in all significant areas and operates independently and objectively.

3.7.3 No Action Plan is required. The Head of the Regional Internal Audit Service has agreed to consider the proposals suggested to further enhance conformance in areas already conforming and share this information with the Governance and Audit Committee.

**Action Plan to address non / partial conformance areas**

Standard	Action to address non / partial compliance	Who is responsible for implementing the action	Timescale
<i>No areas of non / partial conformance identified</i>			

**Further Action Plan – Enhancing proposals for areas where conformance is already achieved**

Ref Attribute / Performance Standard	Compliant, but enhancing recommendation proposed.	Who is responsible for implementing the action	Timescale
1000 (31-45) K	To make reference to the Counter Fraud Strategy in the Internal Audit Charter.	Head of RIAS	Next review of Internal Audit Charter
1230 (96)	All Internal Audit staff to maintain a record of their training activities.	Head of RIAS	2023/24

**REGIONAL INTERNAL AUDIT SERVICE – PSIAS SELF ASSESSMENT 2022/23****Action Plan to address non / partial conformance areas:**

Standard	Action to address non / partial compliance	Who is responsible for implementing the action	Timescale
None	None identified	N/A	N/A

**Identified Actions for strengthening arrangements where conformance is already achieved (As determined by RIAS November 2022)**

Standard	Action to address non / partial compliance	Who is responsible for implementing the action	Timescale
Core Principles for the Professional Practice of Internal Auditing	Include a direct reference to the Seven Principles of Public Life in the Charter & Audit Manual	Head of Regional Internal Audit Service	Next review for 2023/24
Core Principles for the Professional Practice of Internal Auditing	Include a direct reference to the Local Code of Corporate Governance in the Charter & Audit Manual	Head of Regional Internal Audit Service	Next review for 2023/24
Attribute Standards 1000	Include reference to the Counter Fraud Strategy in the Audit Manual	Head of Regional Internal Audit Service	Next review for 2023/24
Attribute Standards 2010	Further develop the audit planning process by exploring the functionality available within the Pentana MK Audit Software to undertake a more systematic risk management process and options to link more easily with assurance mapping.	Head of Regional Internal Audit Service	During 2023/24

**CHECKLIST FOR ASSESSING CONFORMANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS  
AND THE LOCAL GOVERNMENT APPLICATION NOTE (LGAN)**

<b>Glossary</b>	
<b>GC</b>	<b>Generally Conforms with PSIAS</b> - The relevant structures, policies and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of individual Standard or element of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformance to a majority of the individual Standards or elements of the Code of Ethics, and at least partial conformance to the others, within the section / category. General conformance does not require complete / perfect conformance, the ideal situation, successful practice, etc.
<b>PC</b>	<b>Partially Conforms with PSIAS</b> - The activity is making good-faith efforts to comply with the requirements of the individual Standard or element of the Code of Ethics, section or major category, but falls short of achieving some major objectives. These will usually represent significant opportunities for improvement in effectively applying the Standards or Code of Ethics and / or achieving their objectives.
<b>DNC</b>	<b>Does Not Conform with PSIAS</b> - The activity is not aware of, is not making good-faith efforts to comply with, or is failing to achieve many / all of the objectives of the individual Standard or element of the Code of Ethics, section, or major category. These deficiencies will usually have a significant negative impact on the activity's effectiveness and its potential to add value to the organisation. These may also represent significant opportunities for improvement, including actions by senior management or the board.
<b>N/A</b>	<b>Not Applicable</b> - The sections marked N/A do not apply to this assessment. Any n/a answers should be treated as generally conforming with the PSIAS.
<b>CAE</b>	<b>Chief Audit Executive (CAE)</b> - A generic title used to describe the person responsible for managing the internal audit activity. In the Regional Internal Audit Service it is the Head of Regional Internal Audit Service (HoRIAS).



	SUMMARY OF RESULTS	GC	PC	DNC	N/A
A1	Mission of Internal Audit	✓✓			
B2-3	Definition of Internal Auditing	✓✓			
C4-13	Core Principles for the Professional Practice of Internal Auditing	✓✓			
D14-26	Code of Ethics	✓✓			
<b>Ref</b>	<b>Attribute / Performance Standards</b>				
1000	Purpose, Authority and Responsibility (The sum of <i>Standards</i> 1000-1010) 27-46	✓✓			
1100	Independence and Objectivity 47-54	✓✓			
1110	Organisational Independence 55-60	✓✓			
1111	Direct Interaction with the Board 61	✓✓			
1112	Chief Audit Executive Roles Beyond Internal Auditing 62-63	✓✓			
1120	Individual Objectivity 64-65	✓✓			
1130	Impairments to Independence or Objectivity 66-75	✓✓			
1200	Proficiency and Due Professional Care				
1210	Proficiency 76-84	✓✓			
1220	Due Professional Care 85-92	✓✓			
1230	Continuing Professional Development 93-96	✓✓			
1300	Quality Assurance and Improvement Programme 97-100	✓✓			
1310	Requirements of the Quality Assurance and Improvement Programme 101	✓✓			
1311	Internal Assessments 102-111	✓✓			
1312	External Assessments 112-115	✓✓			
1320	Reporting on the Quality Assurance and Improvement Programme 116-117	✓✓			
1321	Use of Conforms with the International Standards for the Professional Practice of Internal Auditing 118	✓✓			
1322	Disclosure of Non-conformance 119-120	✓✓			
2000	Managing the Internal Audit Activity				
2010	Planning 121-144	✓✓			
2020	Communication and Approval 145-147	✓✓			
2030	Resource Management 148-150	✓✓			
2040	Policies and Procedures 151-152	✓✓			
2050	Coordination 153	✓✓			
2060	Reporting to Senior Management and the Board 154-156	✓✓			
2070	External service Provider and Organisational Responsibility for Internal Audit 157	✓✓			
2100	Nature of Work				
2110	Governance 158-165	✓✓			

	SUMMARY OF RESULTS	GC	PC	DNC	N/A
2120	Risk Management 166-179	✓✓			
2130	Control 180-185	✓✓			
2200	Engagement Planning 186-205	✓✓			
2210	Engagement Objectives 206-218	✓✓			
2220	Engagement Scope 219-227	✓✓			
2230	Engagement Resource Allocation 228-230	✓✓			
2240	Engagement Work Programme 231-237	✓✓			
2300	Performing the Engagement				
2310	Identifying Information 238	✓✓			
2320	Analysis and Evaluation 239-244	✓✓			
2330	Documenting Information 245-250	✓✓			
2340	Engagement Supervision 251-252	✓✓			
2400	Communicating Results				
2410	Criteria for Communicating 253-266	✓✓			
2420	Quality of Communications 267	✓✓			
2421	Errors and Omissions 268	✓✓			
2430	Use of 'conducted in conformance with the International Standards for the Professional Practice of Internal Auditing'. 269	✓✓			
2431	Engagement Disclosure of Non-conformance 270-272	✓✓			
2440	Disseminating Results 273-278	✓✓			
2450	Overall Opinions 279-299	✓✓			
2500	Monitoring Progress 300-303	✓✓			
2600	Resolution of Senior Managements Acceptance of Risks 304-305	✓✓			
	<b>OVERALL CONCLUSION – CONFORMANCE WITH PSIAS</b>	✓✓			

✓ – external assessment confirms conformance

✗ – external assessment did not confirm conformance

Ref	Conformance with the Standard	Generally Conforms	Partially Conforms	Does Not Conform	Evidence	Evidence Ref
<b>A</b>	<b>Mission of Internal Audit</b>					
1	Based on your review of conformance with other requirements of the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN), does the internal audit activity aspire to accomplish the Mission of Internal Audit as set out in the PSIAS? <i>To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.</i>	✓✓			<b>Internal Audit Charter</b> <b>RIAS Manual</b> <b>Annual Reports 2021-22 * 4</b> <b>Strategy &amp; Plan 2022-23 * 4</b> <b>Governance &amp; Audit Committee Terms of Reference</b>	<b>1 ✓</b> <b>2 ✓</b> <b>3.1, 3.2, 3.3, 3.4</b> <b>4.1, 4.2, 4.3, 4.4</b> <b>5.1, 5.2, 5.3, 5.4</b>
	<b>Mission of Internal Audit</b>	✓✓			<b>Internal Audit Charter - page 2</b>	<b>1</b>
<b>B</b>	<b>Definition of Internal Auditing</b>					
2	Based on your review of conformance with other requirements of the PSIAS and LGAN, is the internal audit activity independent and objective?	✓✓			<b>Internal Audit Charter - Section 2 - Independence &amp; Objectivity (page7)</b> <b>RIAS Manual</b> – Reference made Section 1 and Appendix D All auditors are required to make an <b>annual declaration</b> to comply with PSIAS and Code of Ethics as well as declaring any conflicts of interest. A <b>register</b> is kept of these. Internal Auditors appointed from within the Council are not permitted to perform an audit, which is any way related to their previous post, for at least 2 years after appointment. Internal Audit has no operational responsibility for any other service delivery but does lead on Fraud matters in the Vale & Merthyr and liaises with Fraud staff at Bridgend & RCT	<b>1</b> <b>2</b> <b>6</b>
3	Based on your review of conformance with other requirements of the PSIAS and LGAN, does the internal audit activity use a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within the organisation?	✓✓			<b>Internal Audit Charter</b> <b>RIAS Manual</b> <b>Annual Reports 2021-22 * 4</b> <b>Strategy &amp; Plan 2022-23 * 4</b>	<b>1</b> <b>2</b> <b>3.1, 3.2, 3.3, 3.4</b> <b>4.1, 4.2, 4.3, 4.4</b>
	<b>Definition</b>	✓✓				
<b>C</b>	<b>Core Principles for the Professional Practice of Internal Auditing</b>					
4	Having regard to your review of conformance with the Code of Ethics (Integrity, Seven Principles of Public Life), do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by demonstrating integrity?	✓✓			<b>Internal Audit Charter</b> – Annex 2 Code of Ethics <b>RIAS Manual</b> - Section 3 Structure & Responsibilities <b>Annual Reports 2021-22 * 4</b> <b>Counter Fraud Strategy Framework 2021-24 – Introduction</b> <b>VOG Constitution – Section 23 (page 246 )</b>	<b>1</b> <b>2</b> <b>3.1, 3.2, 3.3, 3.4</b> <b>24</b> <b>22</b>

5	Having regard to your review of conformance with the Code of Ethics (Competence, Confidentiality, Seven Principles of Public Life) and any other evidence from the review of conformance with Standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by demonstrating competence and due professional care?	✓✓			<b>Internal Audit Charter</b> – Annex 2 Code of Ethics <b>RIAS Manual</b> - Section 3 Structure & Responsibilities <b>Annual Reports 2021-22 * 4</b>	1 2 3.1, 3.2, 3.3, 3.4
6	Having regard to your review of conformance with the Code of Ethics (Objectivity, Seven Principles of Public Life) and any other evidence from the review of conformance with standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by being objective and free from undue influence (independent)?	✓✓			<b>Internal Audit Charter</b> – Annex 2 Code of Ethics <b>RIAS Manual</b> - Section 3 Structure & Responsibilities <b>Annual Reports 2021-22 * 4</b>	1 2 3.1, 3.2, 3.3, 3.4
7-13	Based on your review of conformance with standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN a) By being aligned with the strategies, objectives, and risks of the organisation. b) Being appropriately positioned and adequately resourced? c) Demonstrating quality and continuous improvement? d) Communicating effectively? e) Providing risk-based assurance, based on adequate risk assessment? f) Being insightful, proactive, and future-focused? g) Promoting organisational improvement?	✓✓ ✓✓ ✓✓ ✓✓ ✓✓ ✓✓ ✓✓			Yes, all the documents listed below support this  <b>Internal Audit Charter</b> <b>RIAS Manual</b> <b>Annual Reports 2021-22 * 4</b> <b>Strategy &amp; Plan 2022-23 * 4</b> <b>Counter Fraud Strategy Framework 2021-24 – Introduction</b> <b>VOG Constitution – Section 23 (page 246 )</b>	1 2 3.1, 3.2, 3.3, 3.4 4.1, 4.2, 4.3, 4.4 24 22
	<b>Conclusion</b>	✓✓				
<b>D</b>	<b>Code of Ethics</b>					
14-17	<b>Integrity</b> Based on your review of conformance with other requirements of the PSIAS and LGAN, do you consider that internal auditors display integrity by: a) Performing their work with honesty, diligence and responsibility? b) Observing the law and making disclosures expected by the law and the profession? c) Not knowingly partaking in any illegal activity nor engaging in acts that are discreditable to the profession of internal auditing or to the organisation? d) Respecting and contributing to the legitimate and ethical objectives of the organisation?	✓✓ ✓✓ ✓✓ ✓✓			<b>Internal Audit Charter</b> – Section 2 & 3 <b>RIAS Manual</b> – Section 3 Structure & Responsibilities <b>Strategy &amp; Plan 2022-23 * 4</b>  All auditors are required to make an <b>annual declaration</b> to comply with PSIAS and Code of Ethics as well as declaring any conflicts of interest. A <b>register</b> is kept of these.  Internal Auditors appointed from within the Council are not permitted to perform an audit, which is any way related to their previous post, for at least 2 years after appointment.	1 2 4.1, 4.2, 4.3, 4.4 6
18-20	<b>Objectivity</b> Based on your review of conformance with other requirements of the PSIAS and LGAN, do you consider that internal auditors display objectivity by: a) Not taking part in any activity or relationship that may impair or be presumed to impair their unbiased assessment? b) Not accepting anything that may impair or be presumed to impair their professional judgement? c) Disclosing all material facts known to them that, if not disclosed, may distort the reporting of activities under review?	✓✓ ✓✓ ✓✓			<b>Internal Audit Charter</b> – Code of Ethics – Annex 2 <b>Vale of Glamorgan Code of Conduct &amp; Register of Interests</b> <b>Annual declarations</b>	1 7 6

21-22	<p><b>Confidentiality</b></p> <p>Based on your review of conformance with other requirements of the PSIAS and LGAN, do you consider that internal auditors display due respect and care by:</p> <p>a) Acting prudently when using information acquired in the course of their duties and protecting that information?</p> <p>b) Not using information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation?</p>	✓✓ ✓✓			<p>As above.</p> <p>Plus/ Annual mandatory idev training on GDPR</p>	8
23-25	<p><b>Competency</b></p> <p>Based on your review of conformance with other requirements of the PSIAS and LGAN, do you consider that internal auditors display competence by:</p> <p>a) Only carrying out services for which they have the necessary knowledge, skills and experience?</p> <p>b) Performing services in accordance with the PSIAS?</p> <p>c) Continually improving their proficiency and effectiveness and quality of their services, for example through CPD schemes?</p>	✓✓ ✓✓ ✓✓			<p>As above</p> <p>Plus/ <b>RIAS Manual – Appendix L – Quality Assurance &amp; Performance Management</b> outlines the continuous review process</p> <p>The 2 Audit Manager's allocate quarterly workloads to staff based on the knowledge, skills and experience of individual auditors.</p> <p>Relevant professional training actively encouraged and supported – CIA being actively supported, recently appointed Graduate Auditors with a view to them studying CIPFA</p> <p>Support to complete CPD requirements for those with professional qualifications</p>	2
26	<p><b>Seven Principles of Public Life</b></p> <p>Based on your review of conformance with other requirements of the PSIAS and LGAN, do you consider that internal auditors, whether consciously or through conformance with organisational procedures and norms, have due regard to the Committee on Standards of Public Life's <i>Seven Principles of Public Life</i>?</p>	✓✓			<p>Yes – as above plus</p> <p><b>Counter Fraud Strategy &amp; Framework</b></p> <p><b>VOG Constitution</b> – page 246 Local Code of Corporate Governance</p>	21 22
	<b>Code of Ethics Conclusion</b>	✓✓				
	<b>Standards</b>					
	<b>Attribute Standards</b>					
	<b>1000 Purpose, Authority and Responsibility</b>					
27-29	<p>Does the internal audit charter conform with the PSIAS by including a formal definition of:</p> <p>a) the purpose</p> <p>b) the authority, and</p> <p>c) the responsibility</p> <p>of the internal audit activity consistent with the Public Sector Internal Audit Standards (PSIAS)?</p>	✓✓ ✓✓ ✓✓			<b>Internal Audit Charter – Section 1</b>	1
30	<p>Does the internal audit charter conform with the PSIAS by clearly and appropriately defining the terms 'board' and 'senior management' for the purposes of the internal audit activity?</p> <p>Note that it is expected that the audit committee will fulfil the role of the board in the majority of instances.</p>	✓✓			<p><b>Internal Audit Charter – Definition of Internal Auditing</b> page 3</p> <p><b>Board &amp; senior management</b> - page 3</p> <p><b>Governance &amp; Audit Committees Terms of Reference</b> * 4</p>	1 1 5.1, 5.2, 5.3, 5.4
31-45	<p>Does the internal audit charter also:</p> <p>a) Set out the internal audit activity's position within the organisation?</p> <p>b) Establish the chief audit executive's (CAE) functional reporting relationship with the board?</p>	✓✓ ✓✓			<p><b>Internal Audit Charter</b></p> <p><b>Section 2 Independence and Objectivity</b> states that the Head of Internal Audit has unrestricted access to the Chair of Governance and Audit Committee and direct access to Chief Executive, S151 Officer and Monitoring Officers and unrestricted access to Directors, Leaders and Audit Wales.</p>	1





50	Does the CAE contribute to audit committee agendas?	✓✓			The Head of RIAS reports to all 4 Governance & Audit Committees the following items as per the Forward Work Plan and agendas – <ul style="list-style-type: none"> <li>Annual Internal Audit Report 2021/22</li> <li>Internal Audit Shared Service Charter 2022/23</li> <li>Internal Audit Annual Strategy and Audit Plan 2022/23</li> <li>Internal Audit Progress Report</li> <li>Recommendation Monitoring Report</li> <li>Governance &amp; Audit Committee Self-Assessment</li> </ul>	<b>10.1, 10.2, 10.3, 10.4</b>
51-54	Are threats to objectivity identified and managed at the following levels: a) Individual auditor? b) Engagement? c) Functional? d) Organisation?	✓✓ ✓✓ ✓✓ ✓✓			The IA activity complies with the definition of Internal Auditing, the Code of Ethics and Standards contained in Section 6 of the PSIAS, 2019 Edition.  <u>Individual Auditor</u> <ul style="list-style-type: none"> <li>Vale of Glamorgan Code of Conduct &amp; Register of Interests</li> <li>Annual declarations</li> </ul> All Internal Audit Staff members have signed a Declaration that they have read the PSIAS and that they understand that they must comply with the Standards and its Code of Ethics.  <b>Register of Personal Interests</b> is maintained and consulted when work is allocated  <b>RIAS Manual</b>  <b>Charter</b>	<b>7</b> <b>6.1</b>  <b>6</b>  <b>2</b>  <b>1</b>
	<b>1100 Conclusion</b>	✓✓				
	<b>1110 Organisational Independence</b>					
55	Does the CAE report to an organisational level equal or higher to the corporate management team?	✓✓			Head of RIAS reports to Regional Board made up of Chief Financial Officer of each of the 4 Authorities.- (Example of agenda provided )	<b>11</b>
56	Does the CAE report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities?	✓✓			Head of RIAS reports to Chief Financial Officers of each of the 4 authorities and has unrestricted access to the Chief Executives	
57-58	Does the CAE’s position in the management structure: a) Provide the CAE with sufficient status to ensure that audit plans, reports and action plans are discussed effectively with the board? b) Ensure that he or she is sufficiently senior and independent to be able to provide credibly constructive challenge to senior management?	✓✓ ✓✓			<b>Internal Audit Charter - Section 2 Independence and Objectivity</b>  <b>Audit Plans and Annual reports</b> approved by the relevant Governance and Audit Committee	<b>1</b>  <b>4.1.2, 4.2.2, 4.3.2, 4.4.2</b> <b>3.1, 3.2, 3.3, 3.4</b>
59	Does the CAE confirm to the board, at least annually, that the internal audit activity is organisationally independent?	✓✓			<b>Audit Strategy 2022-23</b>  <b>Internal Audit Charter</b>  <b>Annual Report 2021-22</b>	<b>4.1.1, 4.2.1, 4.3.1, 4.4.1</b>  <b>1</b>  <b>3.1, 3.2, 3.3, 3.4</b>
60	Is the organisational independence of internal audit realised by functional reporting by the CAE to the board?  <i>The ‘Interpretation’ to PSIAS 1110 provides examples of factors which may indicate that the CAE reports functionally to the Board, which include where the board:</i> a) approves the internal audit charter b) approves the risk-based audit plan c) approves the internal audit budget and resource plan d) receives communications from the CAE on the activity’s performance (in relation to the plan, for example) e) approves decisions relating to the appointment and	✓✓			a) and b) annually as per <b>Governance and Audit Committee agendas</b> c) Partnership agreement agrees days and therefore contributions and budget monitoring reported to RIAS Board. GAC kept informed of staff resource within the regular <b>Progress Against the Plan</b> reports (see agendas) and the <b>Annual Reports</b> d) <b>Progress Against the Plan</b> reports to each GAC quarterly as per agenda e) and f) Head of RIAS was appointed by VOG Senior Management Committee involving chairs of the 4 audit committees. Meeting 6/12/18. Replacement will be via the Senior Management Appointment Committee meeting 3/11/22 with input from S151 and Chairs of GAC of the 4 participating Councils g) highlighted if necessary, in above reports	<b>9.1, 9.2, 9.3, 9.4</b>      <b>3.1, 3.2, 3.3, 3.4</b>

	removal of the CAE f) approves the remuneration of the CAE g) seeks reassurance from management and the CAE as to whether there are any inappropriate scope or resource limitations.					
	<b>1110 Conclusion</b>	✓✓				
	<b>1111 Direct Interaction with the Board</b>					
61	Does the CAE communicate and interact directly with the board?	✓✓			At Governance & Audit Committee meetings. Meeting minutes evidence Head of RIAS in attendance. In addition there are pre meetings with Chairs and training sessions when appropriate.	
	<b>1111 Conclusion</b>	✓✓				
	<b>1112 Chief Audit Executive Roles Beyond Internal Auditing</b>					
62	Where the CAE has roles or responsibilities that fall outside of internal auditing, are adequate safeguards in place to limit impairments to independence or objectivity?	✓✓			<b>Not Applicable – Regional Internal Audit Service</b> Internal Audit has no operational responsibility for any other service delivery but does lead on Fraud matters in the Vale & Merthyr and liaises with Fraud staff at Bridgend & RCT	
63	Does the board periodically review these safeguards?	✓✓			<b>Not Applicable – Regional Internal Audit Service</b>	
	<b>1112 Conclusion</b>	✓✓				
	<b>1120 Individual Objectivity</b>					
64	Do internal auditors have an impartial, unbiased attitude?	✓✓			<b>Internal Audit Charter – Code of Ethics – Annex 2</b> <b>Vale of Glamorgan Code of Conduct &amp; Register of Interests</b> <b>Annual declarations</b>	<b>1</b> <b>7</b> <b>6</b>
65	Do internal auditors avoid any conflict of interest, whether apparent or actual?	✓✓			<b>Vale of Glamorgan Code of Conduct &amp; Register of Interests</b> <b>Annual declarations</b> Declarations and any previous roles within the Council are taken into account by Audit Managers when allocating work	<b>7</b> <b>6</b>
	<b>1120 Conclusion</b>	✓✓				
	<b>1130 Impairment to Independence or Objectivity</b>					
66	If there has been any real or apparent impairment of independence or objectivity, has this been disclosed to appropriate parties (depending on the nature of the impairment and the relationship between the CAE and senior management/the board as set out in the internal audit charter)?	✓✓			There has been no instances of an auditor's independence or objectivity being impaired.	
67	Does review indicate that work allocations have operated so that internal auditors have not assessed specific operations for which they have been responsible within the previous year?	✓✓			As above	
68	If there have been any assurance engagements in areas over which the CAE also has operational responsibility, have these engagements been overseen by someone outside of the internal audit activity?	✓✓			Not applicable - NCC external assessment ✓	
69	Is the risk of over-familiarity or complacency managed effectively: for example by rotating assignments for ongoing assurance engagements and other audit responsibilities periodically within the internal audit team?	✓✓			Whenever possible, as part of the annual planning process and audit allocation process, the Audit Managers will ensure that there is staff rotation of auditable areas if necessary	



70	Have internal auditors declared interests in accordance with organisational requirements?	✓✓			<b>Annual declarations</b>	<b>6</b>
71	Where any internal auditor has accepted any gifts, hospitality, inducements or other benefits from employees, clients, suppliers or other third parties (other than as may be allowed by the organisation's own policies), has this been declared and investigated fully?	✓✓			<b>N/A</b> - Auditors have not accepted any gifts or hospitality but are aware of the Council's Code of Conduct and the Gifts & Hospitality Policy.	<b>6</b>
72	Does review indicate that no instances have been identified where an internal auditor has used information obtained during the course of duties for personal gain?	✓✓			No evidence to suggest auditors using information obtained during their duties for personal gain.	
73	Have internal auditors disclosed all material facts known to them which, if not disclosed, could distort their reports or conceal unlawful practice, subject to any confidentiality agreements?	✓✓			<b>RIAS Manual</b> <b>Charter &amp; Code of Ethics</b> All audits are reviewed by a Senior staff member prior to draft being issued. Code of Ethics requires that ' <i>Internal Auditors will perform their work with honesty, diligence and responsibility. Will observe the law and make disclosures expected by law and the profession.</i> '	<b>2</b> <b>1 and 6</b>
74	If there has been any real or apparent impairment of independence or objectivity relating to a proposed consulting services engagement, was this disclosed to the engagement client before the engagement was accepted?	✓✓			N/A NCC external assessment ✓	
75	Where there have been significant additional consulting services agreed during the year that were not already included in the audit plan, was approval sought from the board before the engagement was accepted?	✓✓			All 4 Annual Plans include an allocation for emerging risks or unplanned work. Any unplanned work will be included on the Progress Against Plan report to GAC	
	<b>1130 Conclusion</b>	✓✓			NCC external assessment generally conforms	
	<b>1200 Proficiency and Due Professional Care</b>					
	<b>1210 Proficiency</b>					
76	Does the CAE hold a professional qualification, such as CMIIA/CCAB or equivalent?	✓✓			CIPFA qualified.	
77	Is the CAE suitably experienced?	✓✓			Head of RIAS has many years' experience in the public sector and a number of years audit experience prior to becoming the Head of RIAS in February 2019, as well as CIPFA qualified he is also AAT qualified and a qualified Programme Manager with over 30 years Internal Audit & Senior management experience in the public sector Deputy Head is also CIPFA qualified with over 30 years public sector finance & audit experience.	
78	Is the CAE responsible for recruiting appropriate internal audit staff, in accordance with the organisation's human resources processes?	✓✓			Recruitment & Selection undertaken in accordance with the Vale of Glamorgan Recruitment & Selection Policy as Vale is the host Authority. Adverts are placed externally and shared with partnering Authorities.	
79	Does the CAE ensure that up-to-date job descriptions exist that reflect roles and responsibilities and that person specifications define the required qualifications, competencies, skills, experience and personal attributes?	✓✓			All job descriptions and person specifications independently evaluated and were updated during 2021 prior to the RIAS staff restructure All JD's and Person Specs	<b>12</b>
80	Having regard to the answers to the other questions in this section and other matters, does the internal audit activity collectively possess or obtain the skills, knowledge and other competencies required to perform its responsibilities?	✓✓			<b>IA Charter</b> – Section 3.4 to 3.7 – Resources and Proficiency <b>RIAS Manual</b> Part 3 Structure & Responsibilities & App D Structure implemented in 2021 <b>Person Specifications</b> – specifies skills and knowledge required During 2021 staff were matched into posts within the structure, commensurate experience was demonstrated in some roles where the required formal qualifications were not held. The service has a qualified IT Auditor and some CIPFA + IIA qualified staff. It has recently recruited another IT Auditor and a number of graduates who will be undertaking professional training to increase the proportion of qualified staff. The Service also has a call off contract with SWAP to support with capacity and potentially specialist skills.	<b>1</b> <b>2 &amp; 13</b> <b>12</b>

81	Where the internal audit activity does not possess the skills, knowledge and other competencies required to perform its responsibilities, does the CAE obtain competent advice and assistance?	✓✓			SWAP Internal Audit Services are used if required. Not yet used for specialist skills, just additional capacity.	
82	Do internal auditors have sufficient knowledge to evaluate the risk of fraud and anti-fraud arrangements in the organisation?	✓✓			<p><b>RIAS Manual – Part 7 Anti Fraud, Bribery &amp; Whistleblowing</b></p> <p>Counter Fraud Strategy &amp; Framework and other fraud documents are available to all staff on staffnet</p> <p>Corporate Fraud Officer available for staff referrals / discussions at any time.</p> <p>Gaps in knowledge would be identified in individual's its about me process</p>	<p><b>2</b></p> <p><b>24, 23</b></p>
83	Do internal auditors have sufficient knowledge of key information technology risks and controls?	✓✓			<p>Staff have sufficient knowledge for audits that are allocated to them</p> <p>Gaps would be identified in its about me process and the post audit assessment reviews</p> <p>Assistant Audit Manager holds (ISACA) – CISA qualification and available if required to share knowledge</p> <p>ICT Auditor now in post and will assist in any complex IT issues</p>	
84	Do internal auditors have sufficient knowledge of the appropriate computer-assisted audit techniques that are available to them to perform their work, including data analysis techniques?	✓✓			<p>Auditors do consider the use of technology-based audit and other data analysis techniques</p> <p>IDEA Training was undertaken by some staff pre Regional Service</p> <p>4 IDEA licences within RIAS so specific Auditors use IDEA for complex data analysis.</p>	
<b>1210 Conclusion</b>		✓✓				
<b>1220 Due Professional Care</b>						
85-89	<p>Do internal auditors exercise due professional care by considering the:</p> <p>a) Extent of work needed to achieve the engagement's objectives?</p> <p>b) Relative complexity, materiality or significance of matters to which assurance procedures are applied?</p> <p>c) Adequacy and effectiveness of governance, risk management and control processes?</p> <p>d) Probability of significant errors, fraud, or non-compliance?</p> <p>e) Cost of assurance in relation to potential benefits?</p>	<p>✓✓</p> <p>✓✓</p> <p>✓✓</p> <p>✓✓</p> <p>✓✓</p>			<p>There is a statutory requirement for Internal Audit to work in accordance with the "proper audit practices". The PSIAS and the CIPFA Local Government Application Note have been adopted.</p> <p><b>Internal Audit Charter – Due Professional Care – 3.8</b></p> <p><b>RIAS Manual – 3.5</b></p> <p><b>Term of Reference template</b></p> <p><b>Report template</b></p> <p>e) N/A</p>	<p><b>1</b></p> <p><b>2</b></p> <p><b>25</b></p> <p><b>20</b></p>
90-92	<p>Do internal auditors exercise due professional care during a consulting engagement by considering the</p> <p>a) Needs and expectations of clients, including the nature, timing and communication of engagement results?</p> <p>b) Relative complexity and extent of work needed to achieve the engagement's objectives?</p> <p>c) Cost of the consulting engagement in relation to potential benefits?</p>	<p>✓✓</p> <p>✓✓</p> <p>✓✓</p>			<p>All requests considered on merit; requirements are obtained in writing. If appropriate reports are produced and recommendations are made if necessary.</p> <p>Attendance on certain Boards if presence requested -eg) Information Governance Board to offer advice and guidance</p>	
<b>1220 Conclusion</b>		✓✓				
<b>1230 Continuing Professional Development</b>						
93	Has the CAE defined the skills and competencies for each level of auditor?	✓✓			JD's and person specifications	<b>12</b>

94	Does the CAE periodically assess individual auditors against the predetermined skills and competencies?	✓✓			“Its about me” which is a corporate staff development process conducted by line managers on their staff to identify development and training needs. Also, assessment is undertaken as part of the review of every audit piece of work by the relevant Audit Manager.	14
95	Do internal auditors undertake a programme of continuing professional development?	✓✓			Those professionally qualified need to complete own CPD requirements Annual <i>its about me</i> – training and development discussed Opportunity to undertake professional qualifications regularly offered Idev –mandatory and optional training undertaken and recorded	
96	Do internal auditors maintain a record of their professional development and training activities?		✓✓		Idev maintains a record of courses completed and information held by staff. This is reported in the Head of Internal Audit Annual Reports 2021-22 * 4	3.1, 3.2, 3.3, 3.4
	<b>1230 Conclusion</b>	✓✓				
	<b>1300 Quality Assurance and Improvement Programme</b>					
97	Has the CAE developed a QAIP that covers all aspects of the internal audit activity and enables conformance with all aspects of the PSIAS to be evaluated?	✓✓			A Self-Assessment to ensure compliance with PSIAS is conducted on an annual basis by an auditor and any non-conformance is reported to the relevant Governance & Audit Committee.  Since forming the Regional Service many documents and work methods have changed to form as standardised approach and to reflect the new audit software system.	
98	Does the QAIP assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement?	✓✓			<b>Internal Audit Charter – Section 4</b>  <b>RIAS Manual – Section 6</b>  IA has recently adopted a <b>post audit performance and quality check</b> undertaken by the relevant Audit Manager or Assistant Audit Manager following the issuing of a draft report. This identifies good practice and areas for improvement for the Auditor completing the work.  IA performance / <b>progress against the plan</b> is reviewed by Audit Managers and reported to the Governance & Audit Committee on a quarterly basis  Performance Targets developed in consultation with All Wales IA Benchmarking Group are included in the respective <b>annual reports (Section 8)</b>  <b>Client Satisfaction Questionnaires</b> - The completed client satisfaction questionnaires are returned electronically and reviewed by the relevant manager  See completed questionnaire  Performance is raised at Team meetings and at <b>Service wide staff meetings</b> with staff involved in identifying how performance can be improved.	1 2 14  27.1, 27.2, 27.3 (RCT same format but GAC cancelled) 3.1, 3.2, 3.3, 3.4 16 15
99	Does the CAE maintain the QAIP?	✓✓			The PSAIS Self-Assessment is performed by an elected Auditor in consultation with the Head of RIAS and it is referenced in the <b>Annual Reports</b>	3.1, 3.2, 3.3, 3.4
100	Are any statutory requirements for review of the internal audit activity satisfied?	✓✓			<b>IA Charter</b> – Section 4 – Quality Assurance & Improvement Programme.  Self-assessment undertaken annually and reported in Annual Reports along with the RIAS Service Performance.	1 3.1, 3.2, 3.3, 3.4
	<b>1300 Conclusion</b>	✓✓				
	<b>1310 Requirements of the Quality Assurance and Improvement Programme</b>					
101	Does the QAIP include both internal and external assessments?	✓✓			<b>Charter - External Assessment (page 13)</b>  In compliance with the PSIAS, external assessment will be carried out once every five years by a qualified, independent assessor or assessment team from outside of the RIAS Councils. The External Assessment of the previous Shared Service between Bridgend CBC and the Vale of Glamorgan Council took place during in 2017 and RCT in 2017 and Merthyr Tydfil in	1

					2019. The next external assessment for the expanded Regional Service will take place in 2022.	
	<b>1310 Conclusion</b>	✓✓				
	<b>1311 Internal Assessments</b>					
102	Does the CAE ensure that audit work is allocated to staff with the appropriate skills, experience and competence?	✓✓			The relevant Audit Manager ensures that audits are allocated to appropriate staff members	
103-104	Do internal assessments include ongoing monitoring of the internal audit activity such as: a) Routine quality monitoring processes? b) Periodic assessments for evaluating conformance with the PSIAS?	✓✓ ✓✓			All audit reports are reviewed by the relevant Audit Manager or Assistant Audit Manager <b>Post audit performance and quality check</b> completed each time  See example of completed quality check	14
105	Does ongoing performance monitoring contribute to quality improvement through the effective use of performance targets?	✓✓			<b>Annual Reports</b> – Key performance measures reported in Section 8  Performance discussed at <b>RIAS Staff Session</b> August 2022	3.1, 3.2, 3.3, 3.4 15
106	Is there a set of comprehensive targets which between them encompass all significant internal audit activities?	✓✓			Performance Targets developed in consultation with All Wales IA Benchmarking Group. (WCIAG) and reported in all 4 <b>Annual Reports</b>	3.1, 3.2, 3.3, 3.4
107	Are the performance targets developed in consultation with appropriate parties and included in any service level agreement?	✓✓			Performance Targets developed in consultation with All Wales IA Benchmarking Group. (WCIAG)	
108	Does the CAE measure, monitor and report on progress against these targets?	✓✓			RIAS performance is reviewed by management and reported to the Governance & Audit Committee in the <b>annual report</b> – Section 8  Staff were informed via the annual report and the <b>RIAS Service Wide Staff meeting</b>	3.1, 3.2, 3.3, 3.4 15
109	Does ongoing performance monitoring include obtaining stakeholder feedback?	✓✓			<b>Client Satisfaction Questionnaire</b> issued after completion of each audit and outcomes reviewed and reported in annual report	16
110	Are the periodic self-assessments or assessments carried out by people external to the internal audit activity undertaken by those with a sufficient knowledge of internal audit practices?  Sufficiency would require knowledge of the PSIAS and the wider guidance available such as the Local Government Application Note and/or IIA practice advisories, etc.	✓✓			Annual internal self-assessments undertaken by Audit Managers.  External Assessment undertaken by a qualified, independent assessor every 5 years, last time it was CIPFA for Vale and Bridgend and peer reviews for RCT and Merthyr  Further External Assessment planned for 2022  External Assessment undertaken during 2022/23 by Chief Internal Auditor and Audit Manager at Newport CC, both CPFA qualified with extensive IA experience	
111	Does the periodic assessment include a review of the activity against the risk-based plan and the achievement of its aims and objectives?	✓✓			Monitoring of activity against the risk-based plan regularly undertaken and reported quarterly to Governance and Audit Committee – <b>Progress Against the Plan Reports</b>	27.1, 27.2, 27.3
	<b>1311 Conclusion</b>	✓✓				
	<b>1312 External Assessments</b>					
112	Has an external assessment been carried out, or is one planned to be carried out, at least once every five years?	✓✓			The External Assessment of the previous Shared Service between Bridgend CBC and the Vale of Glamorgan Council took place during in 2017 and in the other respective Councils in 2018/19. The next external assessment will take place in 2022 via a per review by a Head of Internal Audit in another Local Authority.  External Assessment undertaken during 2022/23 by Chief Internal Auditor and Audit Manager at Newport CC, both CPFA qualified with extensive IA experience	
113	Has the CAE discussed the alternative approaches to external assessment with the board?  <i>This should reflect the relative costs of the different approaches, the potential advantages of an external viewpoint, and whether</i>	✓✓			The Welsh Chief Internal Auditors Group (WCIAG) considered the pros and cons of the types of assessment and agreed upon self-assessment with independent external verification – peer review.	28

	<i>there are factors which might be considered to warrant a demonstrably independent assessment.</i>				Peer review was agreed with the RIAS Board but they requested that it should be undertaken by a Chief Auditor who has experience of providing Internal Audit to more than 1 Council.	
114	<p>Has the CAE properly discussed the qualifications and independence of the assessor or assessment team with the board?</p> <p><i>In doing this, the CAE should consider whether the assessor or assessment team has demonstrated its competence in both the professional practice of internal auditing and the external assessment process. Competence can be demonstrated through both experience and theoretical learning. Experience of similar organisations or sectors is more valuable than less relevant experience. In the case of an assessment team, not all members need to have all the competencies – it is the team as a whole that is qualified.</i></p> <p><i>If the capability of the assessor or assessment team is not immediately obvious, the CAE should document how they used professional judgement to decide whether this is sufficient to carry out the external assessment.</i></p> <p><i>If the assessor or assessment team has any real or apparent conflicts of interest with the organisation, this should be clearly explained to the board, and safeguards should be put in place to minimise the effect of this on the conduct of the external assessment.</i></p> <p><i>Conflict of interest may include, but is not limited to, being a part of or under the control of the organisation to which the internal audit activity belongs.</i></p>	✓✓			The Welsh Chief Internal Auditors Group (WCIAG) has established the scope of the assessment and the Terms of Reference identifies that the assessors must be appropriately qualified and competent.	
115	<p>Has the CAE agreed the scope of the external assessment with an appropriate sponsor, such as the chair of the audit committee, the CFO or the chief executive?</p> <p><i>The CAE should also agree this scope with the external assessor or assessment team.</i></p>	✓✓			<p>The <b>RIAS Board</b> agreed that the external review process as agreed with WCAG be adopted</p> <p>The external assessment was referenced in the <b>Annual Reports (Section 9)</b></p> <p>The Welsh Chief Internal Auditors Group (WCAG) has established the scope.</p>	<p><b>28</b></p> <p><b>3.1, 3.2, 3.3, 3.4</b></p>
	<b>1312 Conclusion</b>	✓✓				
	<b>1320 Reporting on the Quality Assurance and Improvement Programme</b>					



116	Has the CAE reported the results of the QAIP to senior management and the board? <i>Note that:</i> a) the results of both external and periodic internal assessment must be communicated upon completion b) the results of ongoing monitoring must be communicated at least annually c) the results must include the assessor's or assessment team's evaluation with regards to the degree of the internal audit activity's conformance with the PSIAS.	✓✓			The previous external assessments were reported to the relevant Audit Committees at the time. An example of the <b>VOG &amp; BCBC action plan</b> in 2017 is provided  <b>Annual Reports</b> confirm continuing compliance to the Standards – Section 9 and Progress in <b>Section 10</b>	<b>17</b>  <b>3.1, 3.2, 3.3, 3.4</b>
117	Has the CAE included the results of the QAIP and progress against any improvement plans in the annual report?	✓✓			<b>Annual Report - Section 9 &amp; 10</b>	<b>3.1, 3.2, 3.3, 3.4</b>
	<b>1320 Conclusion</b>	✓✓				
	<b>1321 Use of 'Conforms with the International Standards for the Professional Practice of Internal Auditing'</b>					
118	Has the CAE stated that the internal audit activity conforms with the PSIAS only if the results of the QAIP support this?	✓✓			<b>Annual Report - Section 9</b>	<b>3.1, 3.2, 3.3, 3.4</b>
	<b>1321 Conclusion</b>	✓✓				
	<b>1322 Disclosure of Non-conformance</b>					
119	Has the CAE reported any instances of non-conformance with the PSIAS to the board?	✓✓			No deviations from PSIAS have been identified	
120	If appropriate, has the CAE considered including any significant deviations from the PSIAS in the governance statement and has this been evidenced?	✓✓			n/a	
	<b>1322 Conclusion</b>	✓✓				
<b>F</b>	<b>Performance Standards</b>					
	<b>2000 Managing the Internal Audit Activity</b>					
	<b>2010 Planning</b>					
121	Has the CAE determined the priorities of the internal audit activity in a risk-based plan and are these priorities consistent with the organisation's goals?	✓✓			<b>RIAS Manual</b> – Preparing the RIAS Audit Plan - 4.8	<b>2</b>
122	Does the risk-based plan take into account the requirement to produce an annual internal audit opinion?	✓✓			<b>Charter</b> – Section 1 - Purpose  <b>Annual Reports</b> – 1.4 The 2021/22 Internal Audit Plan outlined the assignments to be carried out to enable the Head of Internal Audit to form an annual opinion of the Council's overall control environment including, governance, risk management and internal control. The plan had regard to the continuing impact caused by the pandemic and the changes that have been made to the way the Council is operating.	<b>1,</b>  <b>3.1, 3.2, 3.3, 3.4</b>

123-125	Does the risk-based plan incorporate or is it linked to a strategic or high-level statement of: a) How the internal audit service will be delivered? b) How the internal audit service will be developed in accordance with the internal audit charter? c) How the internal audit service links to organisational objectives and priorities?	✓✓ ✓✓ ✓✓			Charter Audit Strategy * 4	1, 4.1.1, 4.2.1, 4.3.1, 4.4.1
126	Does the risk-based plan set out how internal audit's work will identify and address local and national issues and risks?	✓✓			Charter Audit Strategy – Section 6	1, 4.1, 4.2, 4.3, 4.4
127	In developing the risk-based plan, has the CAE taken into account the organisation's risk management framework and relative risk maturity of the organisation?	✓✓			Charter Audit Strategy – Section 8	1, 4.1, 4.2, 4.3, 4.4
128	If such a risk management framework does not exist, has the CAE used their judgement of risks after input from senior management and the board and evidenced this?	✓✓			Meetings and emails between Chief Officers and Audit Managers during the planning process  See example of reply from HoS	18
129-131	Does the risk-based plan set out the: a) Audit work to be carried out? b) Respective priorities of those pieces of audit work? c) Estimated resources needed for the work?	✓✓ ✓✓ ✓✓			The Annual Plan is approved by Governance & Audit and sets out the audit work to be performed, the priorities and the resources required.  Resources are also discussed in the RIAS Board meetings See resources available to deliver the audit plan overall and per audit job	4.1.2, 4.2.2, 4.3.2, 4.4.2  28
132	Does the risk-based plan differentiate between audit and other types of work?	✓✓			Yes, consultancy, advice and guidance built in	4.1.2, 4.2.2, 4.3.2, 4.4.2
133	Is the risk-based plan sufficiently flexible to reflect the changing risks and priorities of the organisation?	✓✓			Contingency is built into the plan for emerging risks and unplanned items	4.1.2, 4.2.2, 4.3.2, 4.4.2
134	Does the CAE review the plan on a regular basis and has he or she adjusted the plan when necessary in response to changes in the organisation's business, risks, operations, programmes, systems and controls?	✓✓			Each plan is monitored regularly by the relevant Audit Manager and Head RIAS,  Regular meetings with relevant S151 Officers in each Authority regarding progress, issues identified etc, and  Progress against the plan is reported to all 4 GAC's quarterly.  In progress v plan reports state if there any changes to plan or not	27.1, 27.2, 27.3, 27.4
135	Is the internal audit activity's plan of engagements based on a documented risk assessment?	✓✓			Corporate risk registers and service plans are used to inform the planning process as per the <b>Audit Strategy</b> (Sections 6,7 and 8) alongside discussions with Senior Officer and Governance and Audit Committee  It is planned to refine this process further making use of the MK Pentana software functionality	4.1, 4.2, 4.3, 4.4
136	Is the risk assessment used to develop the plan of engagements undertaken at least annually?	✓✓			As Above.	
137-140	In developing the risk-based plan, has the CAE also given sufficient consideration to: a) Any declarations of interest (for the avoidance for conflicts of interest)? b) The requirement to use specialists, eg IT or contract and procurement auditors? c) Allowing contingency time to undertake ad hoc reviews or fraud investigations as necessary?	✓✓ ✓✓ ✓✓			a) All staff complete and are asked to maintain declarations of interest and Audit Manager had regard to these  b) Have IT Specialist in team and Senior Auditors have developed specialisms which are considered. Also have the option to use SWAP  c) Fraud and contingency provision is included in the audit plans	6  4.1.2, 4.2.2, 4.3.2, 4.4.2

	d) The time required to carry out the audit planning process effectively as well as regular reporting to and attendance of the board, the development of the annual report and the CAE opinion?	✓✓			d) This provision is also included in the audit plan for these items	
141	In developing the risk-based plan, has the CAE consulted with senior management and the board to obtain an understanding of the organisation's strategies, key business objectives, associated risks and risk management processes?	✓✓			Consultation meetings with Chief Executives, Directors, Heads of Service each year on the annual plan of work provides the opportunity for senior management to input to the risk-based plan.  This is completed using a questionnaire and meetings	18.1  18.2
142	Does the CAE identify and consider the expectations of senior management, the board and other stakeholders for internal audit opinion and any other conclusions?	✓✓			<b>Annual Reports 2021/22</b>  <ul style="list-style-type: none"> <li>• The Consultation with Heads of Service allows consideration of their expectations.</li> <li>• Quarterly meetings with External Auditors</li> <li>• Regular Meetings with S151 Officers</li> <li>• Pre Governance &amp; Audit Committee briefings with Chair &amp; Vice Chair.</li> <li>• Regular Governance and Audit Committee Meetings</li> </ul>	3.1, 3.2, 3.3, 3.4
143	Does the CAE take into consideration any proposed consulting engagement's potential to improve the management of risks, to add value and to improve the organisation's operations before accepting them?	✓✓			As above, audits and consultancy work terms of reference takes account of any identified / perceived risks	
144	Are consulting engagements that have been accepted included in the risk-based plan?	✓✓			If accepted they would be included in plan and therefore the monitoring reports. There is a provision in the plan for advice and guidance as well as a contingency provision.	
	<b>2010 Conclusion</b>	✓✓				
	<b>2020 Communication and Approval</b>					
145	Has the CAE communicated the internal audit activity's plans and resource requirements to senior management and the board for review and approval?	✓✓			Covering Reports of the Strategy and Plan to GAC * 4	4.1, 4.2, 4.3, 4.4
146	Has the CAE communicated any significant interim changes to the plan and/or resource requirements to senior management and the board for review and approval, where such changes have arisen?	✓✓			Any significant changes are reported to Governance & Audit Committee as and when they arise and included in quarterly the <b>progress against plan report</b> .	27.1, 27.2, 27.3
147	Has the CAE communicated the impact of any resource limitations to senior management and the board?	✓✓			Vacancies and impact of Covid have been communicated to G&A Committees and RIAS Board Meetings along with mitigation until posts are filled including use of SWAP.	11 & 28
	<b>2020 Conclusion</b>	✓✓				
	<b>2030 Resource Management</b>					
148	Does the risk-based plan explain how internal audit's resource requirements have been assessed?	✓✓			The number of audit days have been agreed in the RIAS business case and the plan is developed on this basis.	
149	Has the CAE planned the deployment of resources, especially the timing of engagements, in conjunction with management to minimise disruption to the functions being audited, subject to the requirement to obtain sufficient assurance?	✓✓			As part of the consultation process heads of service etc are informed of audit work to be undertaken in their areas in advance of work being performed. As part of the planning for individual audits, management are informed that an audit is to be undertaken and issues regarding timing considered.  An email is send to each Directorate after plan has been agreed to inform them of the planned work and request information in respect of best timings etc.	19
150	If the CAE believes that the level of agreed resources will impact adversely on the provision of the internal audit opinion, has he or she brought these consequences to the attention of the board?	✓✓			Any resource issues e.g. vacant posts are reported to Governance & Audit Committee including impact in terms of slippage. Agreement to have an agreement with SWAP Internal Audit Services to cover for any shortfalls as and when required.	
	<b>2030 Conclusion</b>	✓✓				



<b>2040 Policies and Procedures</b>					
151	Has the CAE developed and put into place policies and procedures to guide the internal audit activity?	✓✓			<b>RIAS Manual</b> and associated appendices <b>2</b>
152	Are the policies and procedures regularly reviewed and updated to reflect changes in working practices and standards?	✓✓			<b>RIAS Manual</b> updated regularly to reflect any changes in working practices, standards & legislation.  The RIAS Manual has been updated most recently to reflect the changes following the implementation of the audit software system and the adoption of processes across the RIAS <b>2</b>
<b>2040 Conclusion</b>		✓✓			
<b>2050 Coordination</b>					
153	Does the risk-based plan include an adequately developed approach to using other sources of assurance and any work that may be required to place reliance upon those sources?	✓✓			<b>Audit Strategy</b> – take account of other regulatory bodies’ reports, - 15.1  Regular Audit Wales meetings and Audit Wales reports  Other regulators where appropriate <b>4.1.1, 4.2.1, 4.3.1, 4.4.1</b>
<b>2050 Conclusion</b>		✓✓			
<b>2060 Reporting to Senior Management and the Board</b>					
154	Does the CAE report periodically to senior management and the board on the internal audit activity’s purpose, authority, responsibility and performance relative to its plan?	✓✓			<b>GAC - Progress against plan reports</b> <b>Annual Reports</b> <b>RIAS Board Meetings</b> <b>27.1, 27.2, 27.3</b> <b>3.1, 3.2, 3.3, 3.5</b> <b>11 &amp; 28</b>
155	Does the periodic reporting also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management and the board?	✓✓			<b>Performance and progress relative to the Plan</b> is reported to the Governance & Audit Committee on a quarterly basis. Issues identified within any limited assurance reports are detailed as well as any areas of concern including regular fraud updates Information also provided in the <b>Annual Reports</b> <b>27.1, 27.2, 27.3</b> <b>3.1, 3.2, 3.3, 3.5</b>
156	Is the frequency and content of such reporting determined in discussion with senior management and the board and are they dependent on the importance of the information to be communicated and the urgency of the related actions to be taken by senior management or the board?	✓✓			Quarterly reporting to the Governance & Audit Committee,  Additional meetings may be called as required in exceptional circumstances.
<b>2060 Conclusion</b>		✓✓			
<b>2070 External Service Provider and Organisational Responsibility for Internal Auditing</b>					
157	Where an external internal audit service provider acts as the internal audit activity, does that provider ensure that the organisation is aware that the responsibility for maintaining and effective internal audit activity remains with the organisation?	✓✓			Set out in reports and legal agreement for the expansion of Regional Internal Audit Service. Tender exercise undertaken and contract awarded to SWAP Internal Audit Services to be used as and when required.
<b>2070 Conclusion</b>		✓✓			
<b>2100 Nature of Work</b>					
<b>2110 Governance</b>					
158-163	Does the internal audit activity assess and make appropriate recommendations to improve the organisation’s governance processes for:  a) Making strategic and operational decisions? b) Overseeing risk management and control? c) Promoting appropriate ethics and values within the organisation?	✓✓ ✓✓ ✓✓			The following documents provide a systematic and disciplined approach:  <ul style="list-style-type: none"> <li>• RIAS Manual – Appendix F</li> <li>• Annual Reports 2021/22</li> <li>• IA Charter</li> <li>• Annual Plan 2022/23.</li> <li>• Progress against the plan reports</li> </ul> <b>2</b> <b>3.1, 3.2, 3.3, 3.4</b> <b>1</b> <b>4.1, 4.2, 4.3, 4.4</b> <b>27.1, 27.2, 27.3</b> <b>20</b>

	<ul style="list-style-type: none"> <li>d) Ensuring effective organisational performance management and accountability? ✓✓</li> <li>e) Communicating risk and control information to appropriate areas of the organisation? ✓✓</li> <li>f) Coordinating the activities of and communicating information among the board, external and internal auditors and management? ✓✓</li> </ul>			<p>In addition, the standard audit report template states the audit will provide an opinion on “the adequacy and effectiveness of internal control, governance and risk management arrangements in place”. Risk and controls are explained in context of findings</p> <p>Annual Governance Statement is included on the audit plan across all 4 Council’s for this purpose as well as this element being included in individual audits where appropriate</p>		
164	Has the internal audit activity evaluated the design, implementation and effectiveness of the organisation’s ethics-related objectives, programmes and activities? This is an area where the CAE may be able to use other sources of assurance.	✓✓			<p><b>Annual Reports</b> – to provide the Governance and Audit Committee with assurance on the whole system of internal control, including the adequacy of risk management and corporate governance arrangements and also audit reviews on the codes of conduct is included in the audit plans as well as a review of the Annual Governance Statements</p>	3.1, 3.2, 3.3, 3.4
165	Has the internal audit activity assessed whether the organisation’s information technology governance supports the organisation’s strategies and objectives? This is an area where the CAE may be able to use other sources of assurance.	✓✓			<p>IT audits are programmed each year to enable Internal Audit to assess whether the Authority’s IT governance supports its strategies and objectives.</p> <p>The Assistant Audit Manager is ISACA qualified and there is a new ICT Auditor post recently filled to ensure there is a level of expertise.</p>	
<b>2110 Conclusion</b>		✓✓				
<b>2120 Risk Management</b>						
166-169	<p>Has the internal audit activity evaluated the effectiveness of the organisation’s risk management processes by determining that:</p> <ul style="list-style-type: none"> <li>a) Organisational objectives support and align with the organisation’s mission? ✓✓</li> <li>b) Significant risks are identified and assessed? ✓✓</li> <li>c) Appropriate risk responses are selected that align risks with the organisation’s risk appetite? ✓✓</li> <li>d) Relevant risk information is captured and communicated in a timely manner across the organisation, thus enabling the staff, management and the board to carry out their responsibilities? ✓✓</li> </ul>				<p>Risk Management is included on the audit plan across all 4 Council’s for this purpose as well as this element being included in individual audits where appropriate</p> <p><b>RIAS Manual – Appendix G</b></p>	2
170-174	<p>Has the internal audit activity evaluated the risks relating to the organisation’s governance, operations and information systems regarding the:</p> <ul style="list-style-type: none"> <li>a) Achievement of the organisation’s strategic objectives? ✓✓</li> <li>b) Reliability and integrity of financial and operational information? ✓✓</li> <li>c) Effectiveness and efficiency of operations and programmes? ✓✓</li> <li>d) Safeguarding of assets? ✓✓</li> <li>e) Compliance with laws, regulations, policies, procedures and contracts?</li> </ul>				<p>These elements are considered in all audits as appropriate.</p>	
175	Has the internal audit activity evaluated the potential for fraud and also how the organisation itself manages fraud risk?	✓✓			<p><b>Counter Fraud Strategy Framework 2021-24</b></p> <p><b>Anti Fraud, Bribery &amp; Corruption Policy</b></p> <p><b>RIAS Manual Part 7 Anti-Fraud, Bribery And Whistleblowing</b></p> <p><b>Annual Plan</b> - Audit budget for fraud, error, and irregularities in each plan</p>	<p>24</p> <p>23</p> <p>2</p>

176	Do internal auditors address risk during consulting engagements consistently with the objectives of the engagement?	✓✓			Risk is always considered during all audit assignments. Corporate & Service Risk Registers are accessed Audit terms of reference and work programmes on MK Insight identify the risks	25
177	Are internal auditors alert to other significant risks when undertaking consulting engagements?	✓✓			Risk is always considered during all assignments.	
178	Do internal auditors incorporate knowledge of risks gained from consulting engagements into their evaluation of the organisation's risk management processes?	✓✓			Knowledge of risks gained from consulting engagements are considered where necessary. <b>Annual Reports</b> - Analyses the work and overall performance of the Internal Audit Service and contains the assurance statement based on all the work undertaken during the year.	
179	Do internal auditors successfully avoid managing risks themselves, which would in effect lead to taking on management responsibility, when assisting management in establishing or improving risk management processes?	✓✓			Auditors provide advice and guidance but would not directly be involved in risk management processes.	
<b>2120 Conclusion</b>		✓✓				
<b>2130 Control</b>						
180-184	Has the internal audit activity evaluated the adequacy and effectiveness of controls in the organisation's governance, operations and information systems regarding the: a) Achievement of the organisation's strategic objectives? b) Reliability and integrity of financial and operational information? c) Effectiveness and efficiency of operations and programmes? d) Safeguarding of assets? e) Compliance with laws, regulations, policies, procedures and contracts?	✓✓ ✓✓ ✓✓ ✓✓ ✓✓			<b>Annual Reports</b> – Evaluates and provides assurance to Governance & Audit Committee on the adequacy of controls in respect of each Authority's governance, operations and information systems.	3.1, 3.2, 3.3, 3.4
185	Do internal auditors utilise knowledge of controls gained during consulting engagements when evaluating the organisation's control processes?	✓✓			Yes all relevant information is used	
<b>2130 Conclusion</b>		✓✓				
<b>2200 Engagement Planning</b>						
186	Do internal auditors develop and document a plan for each engagement?	✓✓			<b>RIAS Manual – Section 5 : Conducting Audits</b> including <b>Appendix J</b> detailed process and <b>Appendix H</b> – MK Pentana instructions  Terms of reference then developed and issued from Pentana MK	2  25
187-190	Does the engagement plan include the engagement's: a) Objectives? b) Scope? c) Timing? d) Resource allocations?	✓✓ ✓✓ ✓✓ ✓✓			See RIAS Terms of reference template  Timing – when best to avoid or undertake the audit is asked of Senior Managers when plan is agreed and the Audit Manager makes every effort to take requests into consideration.  The Auditor is allocated a number of days to complete each audit on their quarterly allocation and this allocation is reflected on the Pentana MK system where actual against planned time is monitored.	25  19
191-198	Do internal auditors consider the following in planning an engagement, and is this documented: a) The objectives of the activity being reviewed? b) The means by which the activity controls its performance? c) The significant risks to the activity being audited? d) The activity's resources?	✓✓ ✓✓ ✓✓ ✓✓			<b>RIAS Manual – Section 5 : Conducting Audits &amp; Appendix J</b> All documents and evidence are saved in an electronic folder for each audit and key documents are linked in Pentana MK a) Objectives included in the terms of reference and on work programmes b) Expected and actual controls included in work programmes. c) Risks included in work programmes	2

	<p>e) The activity's operations?</p> <p>f) The means by which the potential impact of risk is kept to an acceptable level?</p> <p>g) The adequacy and effectiveness of the activity's governance, risk management and control processes compared to a relevant framework or model?</p> <p>h) The opportunities for making significant improvements to the activity's governance, risk management and control processes?</p>	<p>✓✓</p> <p>✓✓</p> <p>✓✓</p> <p>✓✓</p>			<p>d) Would be covered in initial meeting</p> <p>e) Service plans, performance indicators, staffnet reviewed</p> <p>f) Actual and expected controls are documented in Pentana MK</p> <p>g) All documented in work programmes</p> <p>h) Management action plan issued containing any recommendations made to make improvements</p>	
199-201	<p>Where an engagement plan has been drawn up for an audit to a party outside of the organisation, have the internal auditors established a written understanding with that party about the following:</p> <p>a) Objectives?</p> <p>b) Scope?</p> <p>c) The respective responsibilities and other expectations of the internal auditors and the outside party (including restrictions on distribution of the results of the engagement and access to engagement records)?</p>	<p>✓✓</p> <p>✓✓</p> <p>✓✓</p>			<p>Not applicable to Merthyr VOG &amp; BCBC but in RCT there is an agreement in place for work on SE Wales Corporate Joint Committee (CJC)</p>	29
202-204	<p>For consulting engagements, have internal auditors established an understanding with the engagement clients about the following:</p> <p>a) Objectives?</p> <p>b) Scope?</p> <p>c) The respective responsibilities of the internal auditors and the client and other client expectations?</p>	<p>✓✓</p> <p>✓✓</p> <p>✓✓</p>			<p>Same process would be followed as explained above</p>	
205	<p>For significant consulting engagements, has this understanding been documented?</p>	<p>✓✓</p>			<p>As above.</p>	
	<b>2200 Conclusion</b>	<p>✓✓</p>				
	<b>2210 Engagement Objectives</b>					
206	<p>Have objectives been agreed for each engagement?</p>	<p>✓✓</p>			<p>Initial objective is agreed at the <b>audit plan</b> stage as detailed</p> <p>This is developed during the initial meeting and are included on the <b>terms of reference</b></p> <p><b>RIAS Manual – Appendix J</b></p>	<p>4.1, 4.2, 4.3, 4.4</p> <p>25</p> <p>2</p>
207	<p>Have internal auditors carried out a preliminary risk assessment of the activity under review?</p>	<p>✓✓</p>			<p><b>RIAS Manual Section 4</b> – audit planning and risk assessment process to develop the audit plan</p> <p>Once the audit has been allocated, the Auditor will discuss risk in the initial meeting with the auditee</p>	
208	<p>Do the engagement objectives reflect the results of the preliminary risk assessment that has been carried out?</p>	<p>✓✓</p>			<p>Yes, the terms of reference will reflect any information gained by Auditors during the planning stage as well as the information gathered during the audit planning stage – risk registers, service plans etc</p>	
209-212	<p>Have internal auditors considered the probability of the following, when developing the engagement objectives:</p> <p>a) Significant errors?</p> <p>b) Fraud?</p> <p>c) Non-compliance?</p> <p>d) Any other risks?</p>	<p>✓✓</p> <p>✓✓</p> <p>✓✓</p> <p>✓✓</p>			<p><b>RIAS Manual – Section 4</b></p> <p>The audit objectives are prepared by the relevant Audit Manager based on the information obtained when preparing the audit plans.</p> <p>This is the basis for the TOR of the audit. The Auditor discusses this with the Auditee and develops the audit scope, testing etc to deliver the scope. This takes into account governance, risk and internal control and also errors, fraud and non-compliance</p>	2

213	Have internal auditors ascertained whether management and/or the board have established adequate criteria to evaluate and determine whether organisational objectives and goals have been accomplished?	✓✓			Corporate Plans, Service Plans, Corporate Self-Assessments are available and Corporate Self Assessment is included in 2022/23 plan	
214	If the criteria has been deemed adequate, have the internal auditors used the criteria in their evaluation of governance, risk management and controls?	✓✓			Yes, depending on the nature and type of audit being conducted	
215	If the criteria has been deemed inadequate, have the internal auditors worked with management and/or the board to develop appropriate evaluation criteria?	✓✓			Yes if necessary	
216	If the value for money criteria has been referred to, has the use of all the organisation's main types of resources been considered, including money, people and assets?	✓✓			Yes if necessary but VFM audits not conducted recently	
217	Do the objectives set for consulting engagements address governance, risk management and control processes as agreed with the client?	✓✓			Yes, depending on the nature and type of engagement	
218	Are the objectives set for consulting engagements consistent with the organisation's own values, strategies and objectives?	✓✓			As above.	
	<b>2210 Conclusion</b>	✓✓				
	<b>2220 Engagement Scope</b>					
219	Is the scope that is established for each engagement generally sufficient to satisfy the engagement's objectives?	✓✓			<b>RIAS Manual – Appendix J</b> Terms of Reference is discussed with relevant Manager and Auditor, and this is also agreed by relevant Audit Manager before issue	<b>2</b>
220	Does the scope for each engagement include consideration of relevant systems, records, personnel and physical properties?	✓✓			As above.	
221	Does this consideration include areas under the control of outside parties, where appropriate?	✓✓			As above.	
222	Where significant consulting opportunities have arisen during an assurance engagement, was a specific written understanding as to the objectives, scope, respective responsibilities and other expectations drawn up?	✓✓			N/A	
223	Where significant consulting opportunities have arisen during an assurance engagement, were the results of the subsequent engagement communicated in accordance with the relevant consulting standards?	✓✓			N/A	
224	For each consulting engagement, was the scope of the engagement generally sufficient to address any agreed-upon objectives?	✓✓			N/A	
225	If the internal auditors developed any reservations about the scope of a consulting engagement while undertaking that engagement, did they discuss those reservations with the client and therefore determine whether or not to continue with the engagement?	✓✓			N/A	
226	During consulting engagements, did internal auditors address the controls that are consistent with the objectives of those engagements?	✓✓			N/A	





	a) Intentional wrongdoing? b) Errors and omissions? c) Poor value for money? d) Failure to comply with management policy? e) Conflicts of interest?	✓✓ ✓✓ ✓✓ ✓✓ ✓✓				
	<b>2320 Conclusion</b>	✓✓				
	<b>2330 Documenting Information</b>					
245	Have internal auditors documented the relevant information required to support engagement conclusions and results?	✓✓			As above. All working papers & audit reports are reviewed to ensure this is the case.	
246	Are working papers sufficiently complete and detailed to enable another experienced internal auditor with no previous connection with the audit to ascertain what work was performed, to re-perform it if necessary and to support the conclusions reached?	✓✓			<b>RIAS Manual and Appendix J</b>  Standardised work programmes and linked evidence in MK Pentana  Relevant Audit Manager, during review process, will ensure that the working papers are sufficiently detailed and support the report's conclusions.	<b>2</b>     <b>14</b>
247	Does the CAE control access to engagement records?	✓✓			Pentana MK is a cloud based application with security access in place	
248	Has the CAE obtained the approval of senior management and/or legal counsel as appropriate before releasing such records to external parties?	✓✓			The Head of RIAS would only release information after advice from the relevant Information Governance Manager.	
249	Has the CAE developed and implemented retention requirements for all types of engagement records?	✓✓			<b>VOG Retention Schedule</b> is used as Vale is the host authority – information kept for 7 years  Pentana MK can allow archiving of information	<b>26</b>
250	Are the retention requirements for engagement records consistent with the organisation's own guidelines as well as any relevant regulatory or other requirements?	✓✓			As above	
	<b>2330 Conclusion</b>	✓✓				
	<b>2340 Engagement Supervision</b>					
251	Are all engagements properly supervised to ensure that objectives are achieved, quality is assured and that staff are developed?	✓✓			<b>RIAS Manual and Appendix K – Audit Reporting</b>  <b>RIAS Manual and Appendix L – Quality Assurance</b>  Audit Managers undertake audit reviews and the results are recorded on the <i>Post Audit Performance &amp; Quality Check form included in Appendix K</i>	<b>2</b>    <b>14</b>
252	Is appropriate evidence of supervision documented and retained for each engagement?	✓✓			<b>RIAS Manual and Appendix H – Pentana MK User Manual</b>  All work programmes within Pentana MK are examined and signed off during the audit review by the relevant Audit Manager.  Review points are also raised in MK for Auditors to action and review points on draft reports retained	<b>2</b>
	<b>2340 Conclusion</b>	✓✓				
	<b>2400 Communicating Results</b>					
	<b>2410 Criteria for Communicating</b>					
253-256	Do the communications of engagement results include the following: a) The engagement's objectives?	✓✓			<b>RIAS Manual and Appendix J – Managing Audit Assignments &amp; Appendix K – Audit Reporting</b>	<b>2</b>    <b>20</b>

	b) The scope of the engagement? c) Applicable conclusions? d) Recommendations and action plans, if appropriate?	✓✓ ✓✓ ✓✓			<b>Report Template</b> - Internal Audit reports include the scope & objectives, conclusions and recommendations of the audit.  See example of a completed audit report	
257	Do internal auditors generally discuss the contents of the draft final reports with the appropriate levels of management to confirm factual accuracy, seek comments and confirm the agreed management actions?	✓✓			<b>RIAS Manual and Appendix J – Managing Audit Assignments – Communicating Results</b> page 9  See evidence of discussion with management	2
258	If recommendations and an action plan have been included, are recommendations prioritised according to risk?	✓✓			<b>RIAS Manual and Appendix K – Audit Reporting</b>  Individual recommendations within the audit report will be categorised using colour coding as: <ul style="list-style-type: none"> <li>• <b>High Priority:</b> Action that is considered imperative to ensure that the organisation is not exposed to high risks.</li> <li>• <b>Medium Priority:</b> Action that is considered necessary to avoid exposure to significant risks.</li> <li>• <b>Low Priority:</b> Action that is considered desirable and should result in enhanced control.</li> </ul>	2  20
259	If recommendations and an action plan have been included, does the communication also state agreements already reached with management, together with appropriate timescales?	✓✓			As above.  All audit reports include an action plan, which includes a column “Management Comments” and the “date to be implemented”.	20
260	If there are any areas of disagreement between the internal auditor and management, which cannot be resolved by discussion, are these recorded in the action plan and the residual risk highlighted?	✓✓			As above.  There is a column on the action plan “agreed Y/N”. If the Manager selects no the Auditor or Audit Manager will ensure that the risk is highlighted to ensure that the Manager is willing to accept this risk. This does not happen very often.  Governance and Audit Committee receive a quarterly <b>Recommendation Monitoring report</b> and any recommendations not agreed will be highlighted in that report  This information is also included in the performance data in the Annual Reports Section 8	20  30.1, 30.2, 30.3  3.1, 3.2, 3.3, 3.4
261	Subject to confidentiality requirements and other limitations on reporting, do communications disclose all material facts known to them in their audit reports which, if not disclosed, could distort their reports or conceal unlawful practice?	✓✓			<b>Internal Audit Charter – Code of Ethics – Annex 2</b>  <b>Vale of Glamorgan Code of Conduct &amp; Register of Interests</b>  <b>Annual declarations</b>	1  7  6.1
262	When an opinion or conclusion is issued, are the expectations of senior management, the board and other stakeholders taken into account?	✓✓			Opinions are taken into account where relevant.	
263	Opinions should be supported by sufficient, reliable, relevant and useful information (in line with responses to questions for PSIAS 2300).	✓✓			<b>RIAS Manual and Appendix J – Managing Audit Assignments</b>  <b>RIAS Manual and Appendix K – Audit Reporting</b>  Audit Managers check that all conclusions are appropriately supported with evidence.	2  2  14
264	Where appropriate, do engagement communications acknowledge satisfactory performance of the activity in question?	✓✓			<b>Report Template –</b> strengths are reported as well as areas for improvement	20
265	When engagement results have been released to parties outside of the organisation, does the communication include limitations on the distribution and use of the results?	✓✓			<b>Report Template –</b> standard text states “any enquires regarding the disclosure or re-issue of this document to third parties should be sent to the Head of the Regional Internal Audit Service via <a href="mailto:cmthomas@valeofglamorgan.gov.uk">cmthomas@valeofglamorgan.gov.uk</a> ”	20
266	Where the CAE has been required to provide assurance to other partnership organisations, or arm's length bodies such as trading companies, have the risks of doing so been managed effectively, having regard to the CAE's primary	✓✓			Yes – SLA in place for CJC.	



	responsibility to the management of the organisation for which they are engaged to provide internal audit services?				Other examples are bodies hosted by the LA eg) Amgen and Central South Consortium as they are hosted by RCT, small body returns for Llwydcoed Crematorium, Coychurch Crematorium, Regional Adoption Service and Porthcawl Harbour	
	<b>2410 Conclusion</b>	✓✓				
	<b>2420 Quality of Communications</b>					
267	Are internal audit communications generally accurate, objective, clear, concise, constructive, complete and timely?	✓✓			RIAS Manual 5.6 & Appendix K – Audit Reporting	2
	<b>2420 Conclusion</b>	✓✓				
	<b>2421 Errors and Omissions</b>					
268	If a final communication has contained a significant error or omission, did the CAE communicate the corrected information to all parties who received the original communication?	✓✓			N/A but yes that would be the case	
	<b>2421 Conclusion</b>	✓✓				
	<b>2430 Use of ‘Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing’</b>					
269	Do internal auditors report that engagements are ‘conducted in conformance with the PSIAS’ only if the results of the QAIP support such a statement?	✓✓			Report template states this and assurance is gained that the report is reviewed prior to issue to ensure there is compliance.	20
	<b>2430 Conclusion</b>	✓✓				
	<b>2431 Engagement Disclosure of Non conformance</b>					
270-272	Where any non-conformance with the PSIAS has impacted on a specific engagement, do the communication of the results disclose the following: a) The principle or rule of conduct of the <i>Code of Ethics</i> or <i>Standard(s)</i> with which full conformance was not achieved? b) The reason(s) for non-conformance? c) The impact of non-conformance on the engagement and the engagement results?	✓✓ ✓✓ ✓✓			Charter – 4.4 – reported to the relevant Governance & Audit Committee and the Regional Board with any significant deviations being detailed within the relevant Annual Governance Statement	1
	<b>2431 Conclusion</b>	✓✓				
	<b>2440 Disseminating Results</b>					
273	Has the CAE determined the circulation of audit reports within the organisation, bearing in mind confidentiality and legislative requirements?	✓✓			RIAS Manual and Appendix K – Audit Reporting  Draft internal audit reports are issued to the relevant Group Manager / Operational Manager and the service manager.  Final Reports may also be issued to Heads of Service / Director depending on the content and audit opinion. In 2 Councils they are also routinely sent to the Chief Executive and S151 Officer. In 1 Council they are also routinely sent to the relevant Cabinet Member.	2
274	Has the CAE communicated engagement results to all appropriate parties?	✓✓			RIAS Manual and Appendix K – Audit Reporting  Audit reports are issued to all appropriate parties.	
275-277	Before releasing engagement results to parties outside the organisation, did the CAE:				Audit reports are not released to parties outside the organisation without the knowledge of the Head of Audit and further advice is sought if necessary, prior to the release. All audit reports state the following:	

	<ul style="list-style-type: none"> <li>a) Assess the potential risk to the organisation?</li> <li>b) Consult with senior management and/or legal counsel as appropriate?</li> <li>c) Control dissemination by restricting the use of the results?</li> </ul>	<ul style="list-style-type: none"> <li>✓✓</li> <li>✓✓</li> <li>✓✓</li> </ul>			“Any enquires regarding the disclosure or re-issue of this document to third parties should be sent to the Head of the Regional Internal Audit Service via cmthomas@valeofglamorgan.gov.uk”	20
278	Where any significant governance, risk management and control issues were identified during consulting engagements, were these communicated to senior management and the board?	✓✓			<b>RIAS Manual and Appendix J – Managing Audit Assignments</b> – Communicating Results (page 8) – consulting engagements dealt with in the same way as audit assignments	20
	<b>2440 Conclusion</b>	✓✓				
	<b>2450 Overall Opinion</b>					
279	Has the CAE delivered an annual internal audit opinion?	✓✓			<b>Annual Reports 2021-22 * 4</b> – Section 11	3.1, 3.2, 3.3, 3.4
280	Does the annual internal audit opinion conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control?	✓✓			<b>Annual Reports 2021-22 * 4</b> – Section 11	3.1, 3.2, 3.3, 3.4
281	Does the annual internal audit opinion take into account the expectations of senior management, the board and other stakeholders?	✓✓			<b>Annual Reports 2021-22 * 4</b> – Section 11.  There has been one example where the Council Leadership disagreed with the unsatisfactory annual opinion of the Head of RIAS and this was discussed at the highest level within the organisation on a number of occasions and at the Governance & Audit Committee. The Head of IA took into consideration the various comments and amended some of the wording but stood by the original opinion given.	3.1, 3.2, 3.3, 3.4
282	Is the annual internal audit opinion supported by sufficient, reliable, relevant and useful information (having regard to the answers to questions on PSIAS 2300)?	✓✓			<b>Annual Reports 2021-22 * 4</b> – Section 11	3.1, 3.2, 3.3, 3.4
283-286	Does the communication identify the following: <ul style="list-style-type: none"> <li>a) The scope of the opinion, including the time period to which the opinion relates?</li> <li>b) Any scope limitations?</li> <li>c) The consideration of all related projects including the reliance on other assurance providers?</li> <li>d) The risk or control framework or other criteria used as a basis for the overall opinion?</li> </ul>	<ul style="list-style-type: none"> <li>✓✓</li> <li>✓✓</li> <li>✓✓</li> <li>✓✓</li> </ul>			<b>Annual Reports 2021-22 * 4</b> – Section 11	3.1, 3.2, 3.3, 3.4
287	Where a qualified or unfavourable annual internal audit opinion is given, are the reasons for that opinion stated?	✓✓			Yes.  There has been one example for 2019/20 where the Council Leadership disagreed with the unsatisfactory annual opinion of the Head of RIAS and this was discussed at the highest level within the organisation on a number of occasions and at the Governance & Audit Committee. The Head of IA took into consideration the various comments and amended some of the wording but stood by the original opinion given.	
288	Has the CAE delivered an annual report that can be used by the organisation to inform its governance statement?	✓✓			Yes	
289 - 299	Does the annual report incorporate the following: <ul style="list-style-type: none"> <li>a) The annual internal audit opinion?</li> <li>b) A summary of the work that supports the opinion?</li> </ul>	<ul style="list-style-type: none"> <li>✓✓</li> <li>✓✓</li> </ul>			As per annual report for 4 LA's.	

	c) A disclosure of any qualifications to the opinion?	✓✓				
	d) The reasons for any qualifications to the opinion?	✓✓				
	e) A disclosure of any impairments or restriction in scope?	✓✓				
	f) A comparison or work actually carried out with the work planned?	✓✓				
	g) A statement on conformance with the PSIAS?	✓✓				
	h) The results of the QAIP?	✓✓				
	i) Progress against any improvement plans resulting from the QAIP?	✓✓				
	j) A summary of the performance of the internal audit activity against its performance measures and targets?	✓✓				
	Any other issues that the CAE judges is relevant to the preparation of the governance statement?					

	<b>2450 Conclusion</b>	✓✓				
	<b>2500 Monitoring Progress</b>					
300	Has the CAE established a process to monitor and follow up management actions to ensure that agreed actions have been effectively implemented or that senior management have accepted the risk of not taking action?	✓✓			<p><b>RIAS Manual – 5.8</b> - Recommendations and intended management actions are recorded with Pentana MK with the agreed timescales for implementation. These are monitored to ensure successful completion. Detailed process is included in <b>Appendix K</b>.</p> <p><u>Process</u>                      Limited / No Assurance Opinion</p> <ul style="list-style-type: none"> <li>Subject to a follow up to reperform testing</li> </ul> <p>All remaining audit assignments which have recommendations shall be</p> <ul style="list-style-type: none"> <li>followed up via email ideally within six months of the audit review, but also dependent on the agreed implementation date supplied by senior management</li> </ul> <p>Quarterly report on <b>Recommendation Monitoring</b> is taken to the relevant Governance and Audit Committee. This will highlight those overdue and those not accepted by management</p>	2          <b>30.1, 30.2, 30.3</b>
301	Where issues have arisen during the follow-up process (for example, where agreed actions have not been implemented), has the CAE considered revising the internal audit opinion?	✓✓			If a previous limited assurance audit is followed up a new audit report will be issued with an appropriate audit opinion based on the recent testing.	
302	Do the results of monitoring management actions inform the risk- based planning of future audit work?	✓✓			All recommendations are followed up by the relevant auditor to ensure implementation and if recommendations are not implemented the matter will be escalated and reported to Governance and Audit Committee as well as being considered for another audit.	
303	Does the internal audit activity monitor the results of consulting engagements as agreed with the client?	✓✓			Reports issued as a result of consulting engagements i.e. additional unplanned work, are reported to Governance & Audit Committee and will be followed up in the same manner if any recommendations are made.	
	<b>2500 Conclusion</b>	✓✓				
	<b>2600 Communicating the Acceptance of Risks</b>					
304	If the CAE has concluded that management has accepted a level of risk that may be unacceptable to the organisation, has he or she discussed the matter with senior management?	✓✓			<p>If the Manager does not accept a recommendation the Auditor or Audit Manager will ensure that the risk is highlighted to ensure that the Manager is willing to accept this risk. This does not happen very often.</p> <p>This is recorded onto Pentana MK and included in the quarterly Recommendation Monitoring report to Governance and Audit Committee.</p>	<b>3.1, 3.2, 3.3, 3.4</b>

					The Percentage of recommendations accepted versus made are reports in the relevant <b>annual report</b> – Section 8	
305	If, after discussion with senior management, the CAE continues to conclude that the level of risk may be unacceptable to the organisation, has he or she communicated the situation to the board?	✓✓			If the Head of Audit concludes that management has accepted a level of risk that may be <u>unacceptable</u> to the Authority, the issue will be brought to the attention of the Senior Leadership Team. If the matter remains unresolved this will be communicated to the relevant Governance & Audit Committee.	
	<b>2600 Conclusion</b>	✓✓				

## RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2023/24

<b>GOVERNANCE AND AUDIT COMMITTEE</b>  4 September 2023	<b>AGENDA ITEM NO. 6</b>
<b>REPORT OF THE SERVICE DIRECTOR FOR DEMOCRATIC SERVICES AND COMMUNICATION</b>	<b>AUDIT WALES – The Council’s response to the Auditor General for Wales National Reports</b>

**Author:** Christian Hanagan - Service Director for Democratic Services and Communication

### **1. PURPOSE OF THE REPORT**

- 1.1 To consider the national reports of the Auditor General for Wales in respect of ‘Time for Change’ - Poverty in Wales; ‘A missed opportunity’ - Social Enterprises; and ‘Together we can’ - Community resilience and self-reliance, together with the Council’s response in respect of the recommendations contained therein.

### **2. RECOMMENDATIONS**

It is recommended that Members:

- 2.1 Consider whether there are any matters of a governance, internal control or risk management nature that require further action or attention by Governance and Audit Committee.
- 2.2 Consider whether there are any matters of a performance nature that require review by the Council’s Scrutiny Committees.

### **3. ARRANGEMENTS FOR MONITORING AUDIT WALES PROPOSALS FOR IMPROVEMENT/RECOMMENDATIONS**

- 3.1 The Council recognises the important role that Audit Wales plays in supporting on-going improvement to governance and service delivery and uses the oversight of the Governance and Audit Committee and Scrutiny Committees to oversee the arrangements and the monitoring of progress.

## **Governance and Audit Committee**

- 3.2 The Terms of Reference of the Council's Governance and Audit Committee contained within the [Council's Constitution](#) includes the following responsibilities in relation to reports from the Council's External Auditor (for the purposes of this report the External Auditor being Audit Wales):

*'The Committee will:*

*O - 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'; and*

*P - consider national reports, for example, from Audit Wales, of relevance to the work of the Authority'.*

- 3.3 To discharge the above requirements, the Council's Governance and Audit Committee has responsibility for:

- Providing independent assurance that there are adequate controls in place to mitigate key risks; and
- Determining whether there are any matters of a governance, internal control or risk management nature that require further action or attention.

- 3.4 As part of discharging its Terms of Reference, Governance and Audit Committee should also take account of the conclusions and findings from each Audit Wales report when forming an opinion on the adequacy of internal control/governance arrangements in place.

- 3.5 In addition to the above, where the Governance and Audit Committee considers there are performance related matters that require further review, it is able to refer these to the designated Scrutiny Committee for review.

## **Scrutiny Committees**

- 3.6 Members will note the Council's Scrutiny function has a different, albeit, complementary role, in respect of overseeing the reports issued by Audit Wales i.e. to review and challenge the progress the Council is making toward implementing agreed actions.

- 3.7 Where a Scrutiny Committee determines there are matters of a governance, internal control or risk management nature that require further review, it is able to refer these to the Governance and Audit Committee for consideration

## **4 AUDITOR GENERAL FOR WALES NATIONAL STUDIES**

- 4.1 The Auditor General published three interconnected national reports between November 2022 and January 2023. These three national reports were in respect of:

- Poverty in Wales – ‘Time for Change’ (attached as Appendix 1);
- Social Enterprises – ‘A missed opportunity’ (attached as Appendix 2); and
- Community resilience and self-reliance ‘Together we can’ (attached as Appendix 3).

4.2 The above-mentioned national reports contain recommendations that are specific to Local Government and more generally to Welsh Government. A summary of each report is set out in Table 1.

Table 1 – Summary of national reports

<b>Report</b>	<b>Summary</b>
Poverty in Wales ‘Time for Change’ (November 2022)	This report looks at the challenge of poverty in Wales and how government is responding. The report concluded that the scale of the challenge and weaknesses in current work make it difficult for Welsh and local government to deliver the systemic change required to tackle and alleviate poverty.
Social Enterprises ‘A missed opportunity’ (December 2022)	This report looks at how local authorities are working to grow and make the most of Social Enterprises. The report concluded that Social Enterprises need to be better utilised by local authorities to maximise their impact for the people and communities they serve.
Community resilience and self-reliance ‘Together we can’ (January 2023)	This report looks at how local authorities are creating the conditions needed to help communities thrive as independently as possible and highlights the important role communities can play in a more active role and become less dependent on public services but sustaining this requires local authorities to change how they work.

4.3 The recommendations emerging from each of these national reports have been considered by officers in the context of Rhondda Cynon Taf and have been set out in the following appendices:

- Appendix 1a – Poverty in Wales ‘Time for Change’
- Appendix 2a – Social Enterprises ‘A missed opportunity’
- Appendix 3a - Community resilience and self-reliance ‘Together we can’

4.4 For Members’ information, the [March 2023](#) full Council meeting resolved to adopt a Notice of Motion (NOM) to develop a Child Poverty Strategy. In line with this, the agreed way forward, as set out in the NOM, has been

incorporated into the Council's response to the Audit Wales 'Poverty in Wales 'Time for Change' report (Appendix 1a).

- 4.5 Members are requested to review the reports set out in Appendices 1 - 3 and the associated Council responses in Appendices 1a - 3a, and consider (in addition to their own lines of enquiry):
- Whether there are any matters of a governance, internal control or risk management nature that require further action or attention; and
  - Whether there are any matters of a performance nature that require review by the Council's scrutiny committees.

## 5. **EQUALITY AND DIVERSITY IMPLICATIONS/SOCIO-ECONOMIC DUTY**

- 5.1 This report provides an update on the work being taken by the Council to implement and progress recommendations reported by Audit Wales; therefore, an Equality and Socio-Economic Impact Assessment is not required.

## 6. **WELSH LANGUAGE IMPLICATIONS**

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

## 7. **CONSULTATION/INVOLVEMENT**

- 7.1 There is no direct requirement for Consultation/Involvement in this report. However, more widely, Involvement is a key pillar to enable the Council to deliver the Sustainable Development Principle.

## 8. **FINANCIAL IMPLICATION(S)**

- 8.1 There are no financial implications aligned to this report.

## 9. **LEGAL IMPLICATIONS OR LEGISLATION CONSIDERED**

- 9.1 There are no legal implications aligned to this report.

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

- 10.1 The Council's priorities are its Well-being Objectives as required by the Well-being of Future Generations Act. The Council uses relevant data, information and best practice, including Audit Wales recommendations, to strengthen its



corporate planning and delivery arrangements and also support the development of the new Corporate Plan in advance of its launch in 2024.

11. **CONCLUSION**

- 11.1 Audit Wales reports play an important role in supporting on-going improvement to the Council's governance and service delivery arrangements. As part of this process, the Council utilises its Governance and Audit Committee and Scrutiny Committees, in line with their Terms of Reference, to oversee the arrangements and the monitoring of progress.

**LOCAL GOVERNMENT ACT, 1972**  
**as amended by**  
**THE ACCESS TO INFORMATION ACT, 1985**  
**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**  
**LIST OF BACKGROUND PAPERS**  
**GOVERNANCE AND AUDIT COMMITTEE**  
**4<sup>th</sup> September 2023**

**AUDIT WALES – The Council’s response to the Auditor General for Wales  
National Reports**

**REPORT OF: Service Director for Democratic Services and Communication**

Author: Christian Hanagan (Service Director for Democratic Services and  
Communication)

Contact Officer: Christian Hanagan – 01443 424005

# 'Time for Change' – Poverty in Wales

Report of the Auditor General for Wales

November 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 Senedd 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 Senedd 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 provide staff and other resources for the exercise of the Auditor General's functions, and to monitor 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

---

Context	4
Key findings	7
Recommendations	16
<b>Detailed report</b>	
1 Poverty is multidimensional, complex, growing and impacting more people in Wales	18
2 The challenge of alleviating and tackling poverty in Wales	27
3 Delivering local government services to help people in poverty	37
<b>Appendices</b>	
Audit methods and approach	43

## Context

- 1 Poverty shapes the lives of many people in Wales, with hundreds of thousands of families struggling to make ends meet. This is not a new phenomenon and tackling poverty, particularly child poverty, has been a longstanding priority for both the Welsh Government and councils in Wales.
- 2 We know that the impact of poverty can be far reaching with many damaging effects. The longer someone is in poverty, the harder it is to break out. And those who live in poverty can find it extremely difficult to play a full role in society and benefit from education and life opportunities that most of us take for granted.
- 3 Often people in crisis are unable to manage and cope. And it is in these times that they look to government – the UK Government, the Welsh Government and the 22 councils – for help and assistance to deal with their difficulties.
- 4 However, the current cost-of-living crisis, with food, fuel and energy costs all rising sharply, is hitting the pockets of many more people and placing families who have managed to live comfortably into poverty for the first time. The consequence of this is creating expectations, and a need, for government to do much more to help people who are struggling to survive.
- 5 This report looks at the challenge of poverty in Wales and how government is responding. We acknowledge that effectively tackling poverty is not easy and is exceedingly difficult for both Welsh and local government. **Appendix 1** sets out our audit approach and methods.
- 6 This is also the first of three reviews on the challenge of alleviating and tackling poverty. In our other work we focus on two potential solutions. Firstly, how councils are working to grow and expand social enterprises to help local government deliver more services and reduce demand – in essence are we making the most of social enterprises and ensuring social value and social capital stay in communities and help people who are struggling. And secondly, given the priority placed on community resilience and self-reliance in council plans, how well are councils equipping people to be less reliant on the state and reduce demand for often overstretched services.

## Key findings

---

- 7 Our overall conclusion is that **the scale of the challenge and weaknesses in current work make it difficult for Welsh and local government to deliver the systemic change required to tackle and alleviate poverty.**
- 8 In **Part 1** of this report we highlight that poverty is multidimensional, complex, growing and impacting more people in Wales. The impact of poverty is far reaching and increasingly more difficult for people to deal with. People in all parts of Wales continue to live in poverty and the number is estimated to be rising, with the cost-of-living crisis pushing more people into poverty. Our analysis shows that poverty is the single major challenge facing all tiers of government.
- 9 In **Part 2** we consider how the different tiers of government are prioritising action on alleviating poverty. Tackling poverty remains a priority but many of the levers to alleviate poverty are outside of Wales's control. The Welsh Government adopted a Child Poverty Strategy in 2011, which was also revised in 2015, but this is out of date in the context of the current cost-of-living crisis, and the target to eliminate child poverty by 2020 was dropped. Despite this, councils and partners have prioritised work on poverty, but the mix of approaches and a complicated partnership landscape mean that ambitions, focus, actions and prioritisation vary widely. In particular, understanding need and drawing on a wide range of data to shape responses remain an area for improvement. Because the agenda is so broad, it is understandable that no council has a comprehensive anti-poverty team, and activity cuts across a range of services which can reinforce silo working.
- 10 The Welsh Government makes significant revenue funding available to councils to alleviate the impact of poverty but due to the complexity and nature of the issues, the total level of spending is unknown, and no council knows the full extent of its spending on alleviating and tackling poverty. All councils are dependent on grants but the short-term nature of grant programmes, overly complex administration, weaknesses in guidance and grant restrictions, and difficulties spending monies mean that funding is not making the impact it could. Lastly, councils find it hard to deliver preventative work because of the sheer scale of demand from people in crisis.

- 11 Finally, in **Part 3** we consider how public bodies deliver services to help people in poverty. We found that only one council is formally undertaking experience mapping with service users to shape how they provide all services to help people in poverty. Despite this, councils are changing how they deliver services as a result of the pandemic and ongoing budget pressures. But the new models of delivery are not always helping people in poverty and those struggling with the cost-of-living crisis.
- 12 Digital exclusion remains a major challenge and data shows that people in poverty can find it difficult to access online services. Community hubs offer an opportunity for councils to help people at the point of crisis. Comprehensive and integrated publicity, advice and information services can significantly help people who are struggling but the picture across Wales is mixed. All councils undertake some form of assessment to determine the likely socio-economic impact of policy choices and decisions, but the approach varies and is not always effective. With a few exceptions, most councils struggle to demonstrate the value of their work in alleviating and tackling poverty.



I acknowledge that scale of challenge that poverty presents. It is essential therefore that Welsh Government and councils maximise their efforts and address the weaknesses identified in my review. We need to ensure all tiers of government work together to help people in need and my recommendations are targeted at supporting improvement.

---

**Adrian Crompton**  
Auditor General for Wales





# Recommendations

---

- 13 Our recommendations are set out below. We expect each council 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.

## Recommendations

---

### National strategy and targets for tackling and alleviating poverty

- R1 In **Paragraphs 2.8 – 2.12** we note that there is currently no specific target for reducing poverty in Wales and the current Child Poverty strategy needs to be refreshed. We recommend that in updating its strategy the Welsh Government:
- set SMART national actions;
  - establish a suite of performance measures to judge delivery and impact;
  - sets target for alleviating and tackling poverty; and
  - undertake regular evaluation of performance and public reporting.

## Recommendations

---

### Local strategies, targets and performance reporting for tackling and alleviating poverty

- R2 In **Paragraphs 2.13 – 2.23** and **Paragraphs 3.33 – 3.35** we highlight that councils and partners have prioritised work on poverty, but the mix of approaches and a complicated delivery landscape mean that ambitions, focus, actions and prioritisation vary widely. We highlight that evaluating activity and reporting performance are also variable with many gaps. We recommend that the councils use their Wellbeing Plans to provide a comprehensive focus on tackling poverty to co-ordinate their efforts, meet local needs and support the revised national plan targets and actions. This should:
- include SMART local actions with a greater emphasis on prevention;
  - include a detailed resourcing plan for the length of the strategy;
  - be developed with involvement from other public sector partners, the third sector, and those with experience of poverty;
  - include a robust set of consistent outcome indicators and measures to increase understanding of poverty locally; and
  - be subject to annual public reporting to enable a whole system view of poverty locally to help improve delivery and support.

## Recommendations

---

### Leadership on the poverty agenda

R3 In **Paragraph 2.23** we note that just over a third of councils have lead members and lead officers for addressing poverty. Given the importance of effective leadership in driving the poverty agenda forward and breaking silos within councils and between public bodies, we recommend that each council designate a cabinet member as the council's poverty champion and designate a senior officer to lead and be accountable for the anti-poverty agenda.

### Improve the efficiency and effectiveness of grant-funded programmes

R4 In **Paragraphs 2.31 – 2.38** we note that all councils are dependent on grants but weaknesses in programmes mean that funding is not making the impact it could. To ensure councils are able to maximise the impact of funding and tackle the more difficult and longstanding problems, we recommend that the Welsh Government:

- provide longer timescales for announcing and receiving bids to enable better resource planning;
- move away from annual bidding cycles to multi-year allocations;
- enable funding to be more flexibly spent to avoid an emphasis on quicker projects, rather than more impactful interventions that take longer to establish;
- allow councils to consolidate funding to reduce bureaucracy;
- streamline and simplify processes and grant conditions to reduce the administrative burden; and
- keep requests for information and supporting materials from councils to a minimum.

## Recommendations

---

### Experience mapping to create inclusive services for people in poverty

R5 In **Paragraphs 3.2 – 3.6** we highlight that people in poverty are often in crisis, dealing with extremely personal and stressful issues, but they often find it difficult to access help from councils because of the way services are designed and delivered. We recommend that councils improve their understanding of their residents' 'lived experience' through meaningful involvement in decision-making using 'experience mapping' and/or 'Poverty Truth Commissions' to review and improve accessibility to and use of council services.

### Single web landing page for people seeking help

R6 In **Paragraph 3.14** we highlight the difficulties people in poverty face accessing online and digital services. To ensure people are able to get the information and advice they need, we recommend that councils optimise their digital services by creating a single landing page on their website that:

- is directly accessible on the home page;
- provides links to all services provided by the council that relate to poverty; and
- provides information on the work of partners that can assist people in poverty.

## Recommendations

---

### Streamlining and improving application and information services for people in poverty

R7 In **Paragraphs 3.15 and 3.16** we note that no council has created a single gateway into services. As a result, people have to complete multiple application forms that often record the same information when applying for similar services. We highlight that whilst it is important that councils comply with relevant data protection legislation, they also need to share data to ensure citizens receive efficient and effective services. We recommend that councils:

- establish corporate data standards and coding that all services use for their core data;
- undertake an audit to determine what data is held by services and identify any duplicated records and information requests;
- create a central integrated customer account as a gateway to services;
- undertake a data audit to provide refresher training to service managers to ensure they know when and what data they can and cannot share; and
- review and update data sharing protocols to ensure they support services to deliver their data sharing responsibilities.

## Recommendations

---

### Complying with the socio-economic duty

R8 In **Paragraphs 3.27 to 3.32** we set out that while all councils undertake some form of assessment to determine the likely socio-economic impact of policy choices and decisions, approaches vary and are not always effective. We recommend that councils review their integrated impact assessments or equivalent to:

- ensure that they draw on relevant, comprehensive and current data (nothing over 12 months old) to support analysis;
- ensure integrated impact assessments capture information on:
  - involvement activity setting out those the service has engaged with in determining its strategic policy such as partners, service users and those it is co-producing with;
  - the cumulative impact/mitigation to ensure the assessment considers issues in the round and how it links across services provided across the council;
  - how the council will monitor and evaluate impact and will take corrective action; and
  - an action plan setting out the activities the Council will take as a result of the Integrated Impact Assessment.



**Poverty is  
multidimensional,  
complex, growing  
and impacting more  
people in Wales**

---

**01**

- 1.1 In this part of the report we provide a brief overview of how poverty is defined, setting out the complexities of poverty showing its day-to-day impact on people in Wales. We outline how poverty is measured, highlighting the differences between the countries of the UK and show that poverty in Wales is growing. Finally, we consider the current cost-of-living crisis and how this is pushing more people into poverty for the first time, making poverty the single biggest challenge facing people and public services across Wales.

## Defining poverty

- 1.2 Poverty may be described in different ways and there is no single, universally accepted definition. In 1995, the United Nations adopted two relative definitions of poverty, framing the issue in terms of minimum acceptable standards of living within the society in which a particular person lives. These are:
  - a **absolute poverty** is defined as a condition characterised by severe deprivation of basic human needs, including food, safe drinking water, sanitation facilities, health, shelter, education and information. It depends not only on income, but also on access to services.
  - b **overall poverty** takes various forms, including a lack of income and productive resources to ensure sustainable livelihoods; hunger and malnutrition; ill health; limited, or lack of access to, education and other basic services; increased morbidity and mortality from illness; homelessness and inadequate housing; unsafe environments and social discrimination and exclusion.
- 1.3 Poverty therefore occurs in all countries and even the most developed places will have pockets of poverty amid wealth. For instance, the loss of livelihoods as a result of economic recession, sudden poverty as a result of disaster or conflict, the poverty of low-wage workers, and those who struggle to cope outside family support systems, social institutions and safety nets.
- 1.4 The causes of poverty can also be structural, derived and enhanced by the way society and the economy are framed and work, which helps create a cycle that makes it more difficult for some people to provide for their families and keeps them trapped in hardship. These structures drive disparities in access to transportation, education, childcare, health care, high-quality jobs, and affordable housing. For example, people who are not able to easily access training or education can struggle to land a secure job, making it harder to escape poverty. Likewise, the operation, or inflexibility, of welfare systems can make it difficult for those struggling and trap them in poverty.



- 1.5 Consequently, poverty needs to be seen as multi-dimensional incorporating aspects of, for example, deprivation, and psychological wellbeing, such as mental health and shame. Looking at deprivation allows a wide range of aspects of living standards to be included. Here, deprivation should not be seen only in terms of material deprivation but also in the social exclusion from 'the ordinary patterns, customs and activities' of society<sup>1</sup>.

### **The impact of poverty is far reaching and increasingly more difficult for people to deal with**

- 1.6 Poverty is not just therefore the absence of the money people require to meet their needs. It is also the consequences of this lack of resources and how this impacts them in ways that those not in poverty often find hard to comprehend. Some of these consequences – for instance social isolation, exclusion, powerlessness, physical and emotional wellbeing – can extend and perpetuate poverty, making it difficult, if not impossible, for people to escape its impact. And often the way policies and services are set and delivered can make the situation far more challenging.
- 1.7 Through our fieldwork, in particular speaking to people in poverty, we have sought to define its characteristics or dimensions on a human level – what does it feel and look like to live in poverty. From our work, there are some common issues that re-occur for people who live in poverty. We have set these out under seven broad headings in **Exhibit 1**. Not everyone will encounter all of these, and people can experience different problems at different times. Taken as a whole, however, they demonstrate how multidimensional poverty can be and provide a sense of what it means to live in poverty and, at the extreme end, destitution.

---

1 Lansley, S. and Mack, J., Breadline Britain – the rise of mass poverty, London, Oneworld, (2015).

## Exhibit 1 – The 'Dimensions' or 'Characteristics' of living in poverty in Wales

### Housing issues

- I have experience of being homeless, street sleeping and/or sofa surfing
- My home is insecure, and I fear losing it
- I am unable to afford to pay my rent or mortgage
- I live in poor quality/substandard housing
- People in my home share bedrooms and have inadequate space
- I cannot afford furniture or white goods in my home



### Clothing and footwear issues

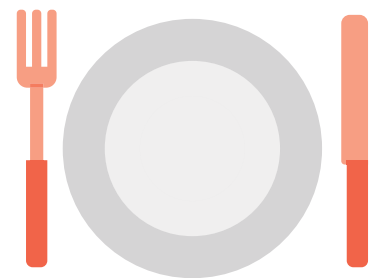
- I do not have warm clothing in winter
- I depend on handouts and charity for clothes
- I only have two pairs of shoes
- I do not have clothes for work or job interviews

### Fuel and Energy issues

- My home has poor energy efficiency
- I have to use prepayment meters and/or have to use high-cost tariffs
- I have high energy usage due to my and/or my family's ill health
- I have high energy use due to the size of my family
- I am regularly unable to afford to use electricity or gas
- I depend on an off-grid, more expensive energy supply – oil

### Food and water issues

- I cannot guarantee a regular and sufficient supply of food and water
- I am unable to purchase sufficient food and water to meet me and my family's needs
- I am unable to eat healthily
- I periodically have no food available
- I regularly miss meals
- I am unable to afford to wash myself and/or my clothes



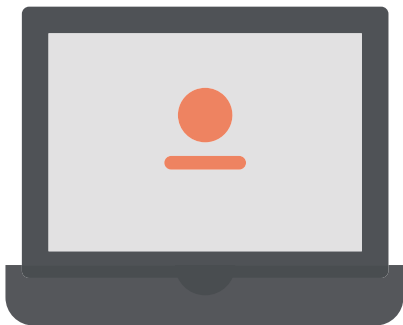
**Financial issues**

- I have insufficient income to afford to meet my living costs
- My income is unstable, and I do not know how much money I have week to week
- I am unable to access credit
- I have no savings
- I am in debt
- I depend on welfare benefits and/or charity



**Exclusion from services issues**

- I am unable to register for health, dental and care services
- Transport is unreliable and I find it difficult to access and/or afford transport
- I do not have a computer, a SMART phone and/or tablet
- I do not have access to the internet at home
- I find it difficult to access the essential public services I need
- I find it difficult to participate in or influence decisions that affect me – eg not registered to, or do not, vote
- I find it difficult to get the advice and information I need to help me
- I feel marginalised by the services I seek help from



**Emotional and relationship issues**

- I lack confidence and self esteem
- I find it difficult to deal with problems
- I find it difficult communicating with people and services
- I have poor literacy and numeracy skills
- I find it difficult to build and/or maintain relationships
- I experience feelings of shame and stigma because of my circumstances



## People in all parts of Wales continue to live in poverty and the number is estimated to be rising

- 1.8 There is no single source of evidence that is universally drawn on to determine levels of poverty in Wales. Consequently, we have based our analysis on three key data sets. These are the Wales Index of Multiple Deprivation; the Department of Work and Pensions' (DWP) households-below-average-income data; and persistent poverty information, again published by the DWP.
- 1.9 Taken together, this information shows us that a significant number of people are living in poverty in Wales and deprivation reaches all part of the country. Importantly, the levels of poverty remain stubbornly high and are impacting all parts of the population – children, working-aged people and pensioners. Significantly, many people also continue to experience poverty on an ongoing basis.

### The Welsh Index of Multiple Deprivation

- 1.10 The Welsh Government uses the Welsh Index of Multiple Deprivation (WIMD) to measure relative deprivation of small areas of Wales and then ranks them from the most to the least deprived. The WIMD uses 47 indicators split into eight domains – income, employment, health, education, access to services, housing, community safety, and the physical environment. WIMD is a measure of multiple deprivation that is both an area-based measure and a measure of relative deprivation.
- 1.11 WIMD ranks all small areas in Wales from 1 (most deprived) to 1,909 (least deprived). Using this information it is therefore possible to say that one area is more or less deprived than another<sup>2</sup>. The full WIMD is revised every four to five years and was last updated in 2019, before the pandemic and the impact of the current cost-of-living crisis. Nonetheless, the WIMD remains the best available data for comparing levels of poverty by council.
- 1.12 Using the WIMD data, we set out in **Exhibit 2** the comparative levels of deprivation by council based on this small-areas analysis. In broad terms, the WIMD shows us that all areas of Wales have pockets of deprivation, but the urban areas of south-east Wales are where people are persistently experiencing poverty and are struggling the most.

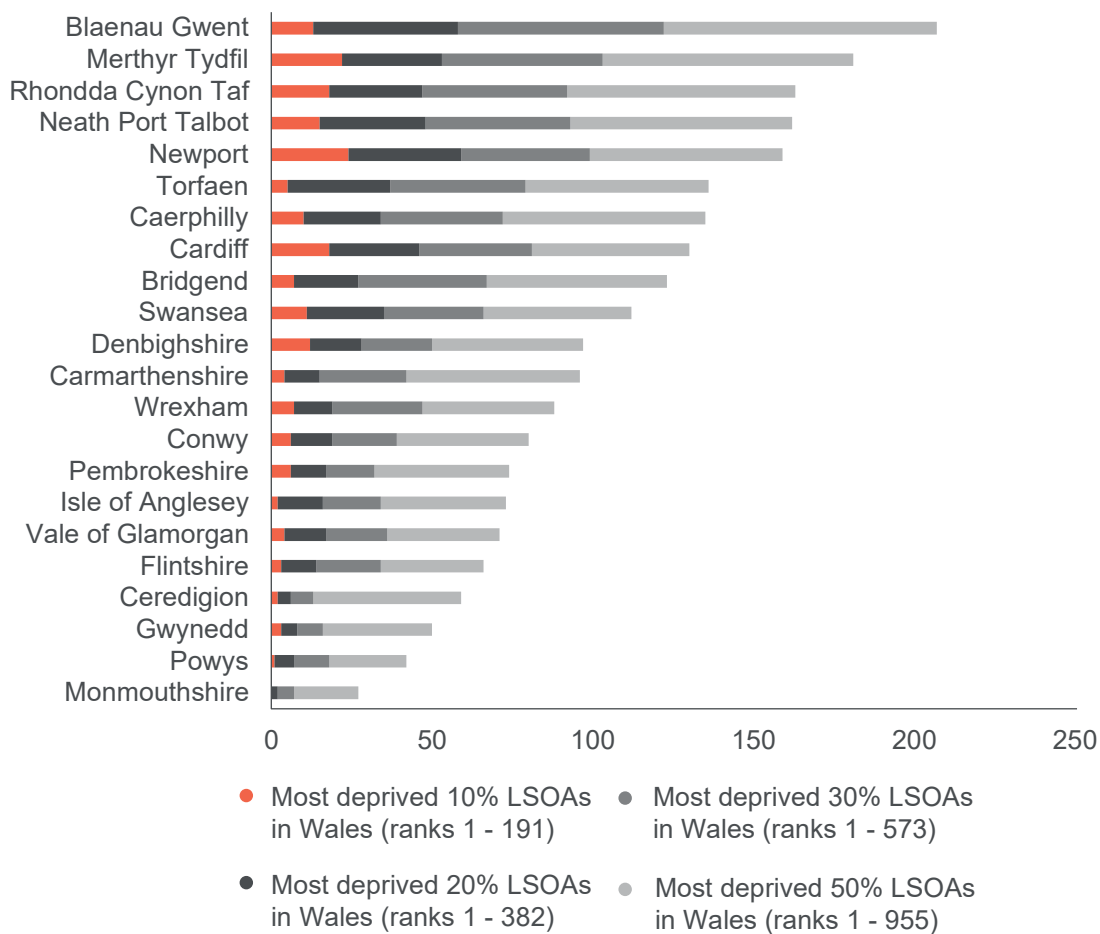
---

2 The Welsh Index of Multiple Deprivation (WIMD) is the Welsh Government's official measure of relative deprivation for small areas in Wales. It identifies areas with the highest concentrations of several different types of deprivation. WIMD ranks all small areas in Wales from 1 (most deprived) to 1,909 (least deprived). Small areas are Census geographies called Lower-layer Super Output Areas (LSOAs).

- 1.13 Tackling and alleviating poverty is at the heart of providing for the wellbeing of citizens, and government at all levels in Wales clearly operates many programmes to support this. This includes the NHS, education, welfare payments, infrastructure, and utilities. The broad nature of poverty and the wide range of areas that it touches on mean that it inherently crosses over the different constitutional boundaries of the UK.
- 2.14 Wales has had stubbornly high levels of poverty for many years (**Exhibit 2**) and as a result poverty remains a longstanding priority of the Welsh Government. The Welsh Government recognises that due to the nature of poverty, it cannot be tackled alone and must be tackled collaboratively between all levels of government. Notwithstanding, the Welsh Government exercises considerable autonomy when it comes to tackling poverty. For instance, major areas of economic development, education, health and housing policy are its responsibility, and it can decide where it allocates its budgets.

### Exhibit 2 – Welsh Index of Multiple Deprivation – Council Analysis by Lower-layer Super Output Areas

People in all parts of Wales are experiencing poverty, but it is most acutely felt in the urban and valley areas of South Wales.



Source: Welsh Index of Multiple Deprivation, Welsh Government, November 2019

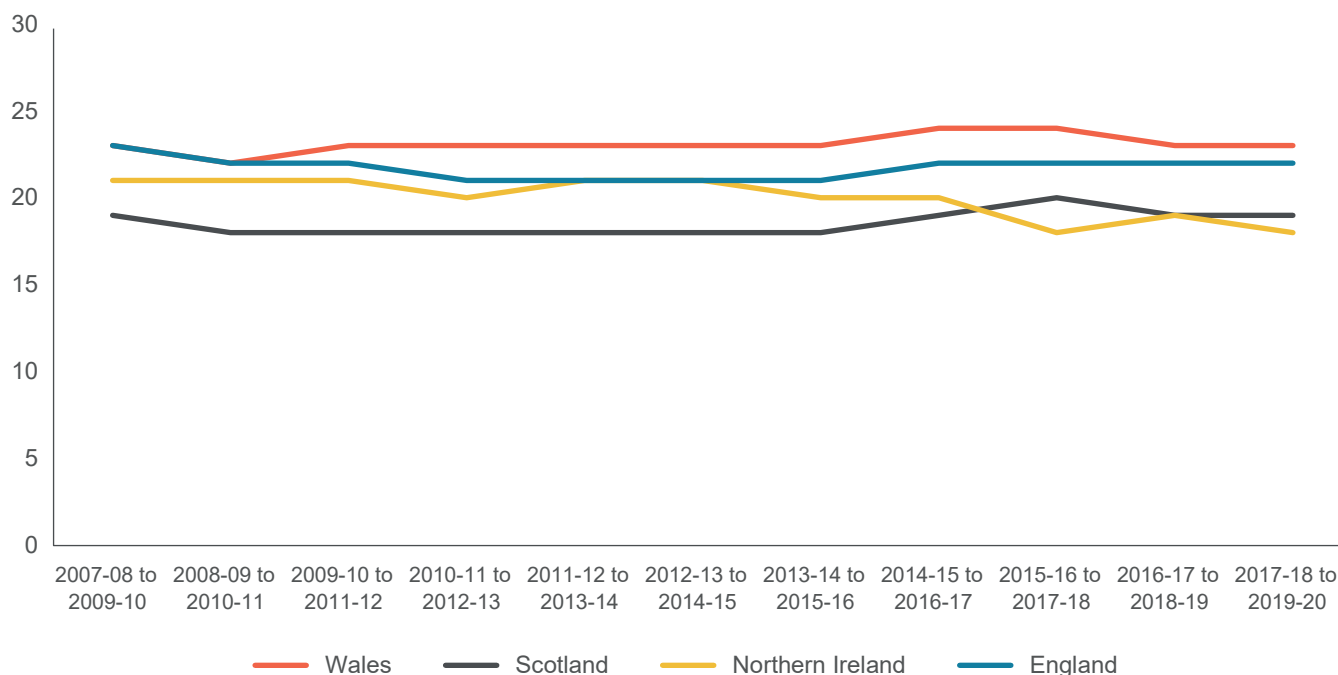
### Households Below Average Income

1.15 Most official measures of poverty use relative income to assess who is in poverty; an income threshold is set and those who fall below it are seen to be 'in poverty'. The current benchmark for judging relative levels of poverty is the number of households who get less than 60% of the average wage. Using this measure<sup>3</sup>, and drawing on data published by the DWP, 23% of people in Wales live in poverty and Wales continues to have the highest levels of poverty in the United Kingdom – **Exhibit 3**.

3 Relative income is the sum of money after housing costs such as mortgage interest payments/rent, water rates and structural house insurance have been paid.

### Exhibit 3 – Percentage of people living in relative income poverty by UK countries between 2007-08 to 2009-10 and 2017-18 to 2019-20 (three-year averages of financial years)

Wales has consistently had the highest levels of relative income poverty in the UK in the last decade.



Source: Households Below Average Income, Family Resources Survey, Department for Work and Pensions, reported on StatsWales (Indicator [SIEQ0031](#)), March 2021

1.16 Digging below the surface of the headline figures allows us to identify some important trends on poverty in Wales, and the differences between Wales and the other countries of the UK. While the number of children living in relative income poverty in Wales fell from 32% in 2010-11 to 28% in 2018-19, the numbers rose sharply in 2019-20 to 31%. The most recent data published by the DWP<sup>4</sup> in March 2022 (as analysed by the Welsh Government<sup>5</sup>) suggests that this trend is continuing with 34% of children in Wales predicted to be living in poverty in March 2021<sup>6</sup>. Across the four countries of the UK, Wales has the highest number of children in relative income poverty.

4 [Households Below Average Income](#), Department for Work and Pensions, March 2022

5 [Measures of poverty: April 2020 to March 2021](#), Welsh Government, March 2022

6 It should be noted that the most recent data for Wales is based on the Family Resources Survey which samples around 900 households in Wales every year. This is why data is presented as three-to-five year rolling averages, to reduce (but not eliminate) unreliability.

- 1.17 Pensioners have the lowest levels of poverty in Wales, with numbers remaining consistent at 18% in the last decade, although the most recent Welsh Government analysis for March 2021 suggests this has marginally risen to 19%. Again, when comparing numbers across the UK, Wales has more pensioners in poverty than the other three nations. Finally, with regard to working-age adults, the data has remained stable at 22%, but Wales again has the highest numbers classed as in relative income poverty across the four countries of the UK.
- 1.18 One growing problem facing many working-age adults is 'in-work poverty' – poverty faced by anyone living in a household where someone is in work but whose income (including welfare benefits) has and is not keeping up with the cost of day-to-day living. In-work poverty is not new and is an issue that has been growing since the mid-1990s. It has, however, become a more acute problem in the last 12 months. This growing trend highlights that while work reduces the risk of poverty, incomes are often not sufficient to allow someone to escape from poverty. Research suggests that in-work poverty increased across the UK in 2021 but rose most sharply in London (22% of households), Wales and the North of England (both – 18% of households)<sup>7</sup>.

### **Persistent Poverty**

- 1.19 The DWP also produces an incomes dynamics report on changes in income over time highlighting rates of persistent low income for different groups. This is often referred to as 'persistent poverty.' Individuals are classed as living in persistent poverty if they are in relatively low income for at least three out of four consecutive years.

---

<sup>7</sup> Institute for Public Policy Research, NO LONGER 'MANAGING', May 2021



- 1.20 Persistent poverty is a major concern. Evidence from the Joseph Rowntree Foundation shows that the negative consequences of poverty are worse for families the longer they spend, and the deeper they are, in poverty<sup>8</sup>. The most recent DWP data published in March 2022 found that:
- a an individual in England and Wales had a 12% chance of being in persistent poverty between 2016 and 2020 (after housing costs were paid). This is more than in Scotland (10%), and in Northern Ireland (9%);
  - b a child in Wales had a 13% likelihood of being in persistent poverty, which is less than for England (19%) but higher than for Northern Ireland (12%) and Scotland (10%);
  - c a working-age adult in Wales had a 13% likelihood of being in persistent poverty, which is higher than England (11%), Scotland and Northern Ireland (10%); and
  - d a pensioner living in Wales had a 10% likelihood of being in persistent poverty, which is lower than in England and Scotland, both at 11%. The likelihood in Northern Ireland is 5%.

### **The cost-of-living crisis is pushing more people into poverty**

- 1.21 The 'cost-of-living crisis' refers to the fall in 'real' disposable incomes (adjusted for inflation and after taxes and benefits) that the UK has experienced since late 2021. It is predominantly caused by high inflation outstripping wage and benefit increases and has been further exacerbated by recent tax increases. The price of goods, especially of essentials, is increasing at a faster rate than most people's income and is squeezing household finances, especially those on low wages. The Office for National Statistics (ONS) estimates that inflation is now higher than at any time since 1982<sup>9</sup>, affecting the affordability of goods and services for millions of households.

---

8 Joseph Rowntree Foundation, [UK Poverty 2022](#), January 2022

9 Office for National Statistics, [CPIH Annual Rate](#), May 2022

- 1.22 In January 2022, the Institute for Fiscal Studies reported that the lowest-income tenth of households will face around 1.5 percentage points more inflation than the highest-income tenth over the year<sup>10</sup>. Similarly, research by the Resolution Foundation concluded that the poorest quarter of households are set to see their real incomes drop by 6% in 2022-23<sup>11</sup>. Because energy prices are rising particularly quickly, the Joseph Rowntree Foundation estimates that low-income families will now need to spend 19% of their income on energy costs alone in 2022-23, compared to middle-income families who will need to spend 7% of their take-home pay<sup>12</sup> (although these figures may be lower following the UK Government's recent announcement to provide help with<sup>13</sup> energy bills until April 2023). Finally, the Office for Budget Responsibility forecasts household incomes when adjusted for inflation will fall in 2022-23 by the largest amount (-2.2%) since records began in the mid-1950s<sup>14</sup>.
- 1.23 **Exhibit 4** draws together a range of data to show the rapid changes taking place in energy and food costs and the impact this is having. This research shows that greater numbers of people are now experiencing energy and food insecurity, and the poorer you are, the greater the impact of the cost-of-living crisis is having on you. Importantly, because it is difficult to record and report poverty data in real time, the number of people impacted by the cost-of-living crisis and living in poverty is absent from current data.

---

10 Institute for Fiscal Studies, The cost-of-living Crunch, January 2022

11 Resolution Foundation, The Living Standards Audit 2022, July 2022

12 Joseph Rowntree Foundation, Energy Price Analysis, March 2022

13 <https://www.itv.com/news/2022-10-17/jeremy-hunt-to-outline-mini-budget-tax-spending-and-plan-today>

14 Office for Budget Responsibility, [Economic and fiscal outlook](#), March 2022

## Exhibit 4 – Changes in energy and food costs and the predicted impact

### Energy and food cost changes in 2021 and 2022

From April 2021 to April 2022, domestic gas prices increased by 95% and domestic electricity prices by 54%.

On 1 April 2022, the new price cap came into force. The regulator Ofgem announced the cap would increase from its current equivalent annual level of £1,277 per year to £1,971; a 54% increase.

The Chief Executive of Ofgem said on 24 May that he expected the price cap to increase to around £2,800 in October 2022, a 40% increase. Recent research suggests that this will rise again to £4,200 by January 2023. Ofgem estimates that the increase in the price cap will affect around 22 million customers.

In September 2022, the UK Government announced that it will freeze energy bills at an average of £2,500 a year for two years from 1 October 2022.

Between August 2021 and August 2022 unleaded petrol has risen by 48.6 pence per litre and diesel by 56.2 pence.

### Impact on people

YouGov reported that 87% of adults in the UK reported an increase in their cost of living in March 2022 and 83% cited an increase in gas and energy as a significant contributor.

In August 2022, YouGov noted that 78% of people in Great Britain are worried about the current price of their household's energy bills – including a third (37%) who are 'very' worried about the cost. Of those with the lowest household incomes (£19,999 a year or less), 83% say they are concerned about how much they spend on energy.

Households in the lowest income group spent 7.1% of their overall spending on electricity and gas, compared to 2.5% for households in the highest income group.

A January 2022 YouGov poll found 49% of people from households with an income of less than £15,000 a year say they cannot afford to heat their home when it is very cold outside.

According to Welsh Government research 14% of Welsh households now live in 'fuel poverty' and 11% are at risk of 'fuel poverty'.



### Energy and food cost changes in 2021 and 2022

Food and non-alcoholic drink prices were 6.7% higher in the year to April 2022. This is up from 5.9% and the highest rate of increase since June 2011.

An index of world food prices compiled by the UN Food and Agriculture Organisation hit a record high in March 2022. It fell slightly in April but remains 29.8% higher than in April 2021.

### Impact on people

YouGov reported that 80% of adults in the UK had seen an increase in their cost of living in March 2022 and 85% of these cited increased price of food as the reason. 54% of those responding to the survey who reported a rise in the cost of living in March 2022 say they are spending less on non-essentials as a result and 33% report spending less on food and essentials. The most recent analysis from YouGov in September 2022 notes that 21% of UK citizens now say they have found themselves forced to make cutbacks to their essential food-item spending.

The Food Foundation's Insecurity Tracker reported that 13.8% of UK households (7.3 million adults) experienced food insecurity in April 2022. Amongst those on Universal Credit, the figure rose to 47.7%.



Sources: ONS, [Energy prices and their effect on households](#), February 2022; Ofgem, [Default Tariff Cap Level](#), February 2022; [Fuel poverty modelled estimates for Wales \(headline results\): as at October 2021 \(gov.wales\)](#); The Food Foundation, [Food Insecurity Tracking](#), April 2022; Cornwall Insights, [Price Cap Forecasts](#), August 2022; YouGov, [Eurotrack Survey Results](#), March 2022; YouGov, [Finances Survey Results](#), March 2022; and YouGov Results, [Energy Bills](#), August 2022; and YouGov, [Essential Spending Results](#), September 2022

1.24 In conclusion, and considering the information in this section as a whole, poverty is a long-term problem facing all parts of Wales, but areas in the south in particular. Comparatively, data suggests that Wales has the highest levels of poverty across the four countries of the UK, and this is growing. There remain significant numbers who persistently live in poverty and find it difficult to escape its impact. And the effect of the current 'cost-of-living crisis' is pushing more people into poverty. Given this situation, in the proceeding sections we look at how government in Wales is responding.



# The challenge of alleviating and tackling poverty in Wales

---

02

2.1 In this part of the report we set out how government is currently alleviating and tackling poverty in Wales. We highlight the limitations that Welsh and local government have in responding to poverty and also review current plans and strategies. We set out how alleviating and tackling poverty are resourced and how weaknesses in current arrangements limit the potential positive impact of this funding.

**Tackling poverty remains a priority for all tiers of government but many of the levers to alleviate poverty are outside of Wales’s control**

**Exhibit 5 – The purpose of ‘Government’**

Western democratic governments, in general, have the same key purposes, although vary in their delivery of them. They are:



**To establish laws**

Government has the legitimate authority to set law that everyone is required to follow.



**Maintain law and order**

Government, through the courts or police, can enforce law and punish those who do not follow it to regulate and protect others from harm.



**Protect from external threats**

Government can use military, diplomatic actions, or international agreements to protect citizens from threats.



**Provide for the general wellbeing of citizens**

Government attempts to ensure the health, happiness, and prosperity of citizens through healthcare, education, and other programmes.

2.2 However, in other respects the Welsh Government is significantly constrained, most obviously its inability to control key areas which are reserved by the UK Government. This includes welfare benefits, wider social security, taxation and employment law, such as the minimum wage. The Welsh Government is unable to influence the UK Government's policy or the powers they reserve, but often has divergent views on the role of the state in tackling and alleviating poverty. This leaves the Welsh Government without the key levers to act on this priority area.

### UK and Scottish Governments' strategies

- 2.3 UK Governments led by both major parties had, until 2016, a longstanding target to end child poverty by 2020 that was enshrined in the Child Poverty Act 2010. This was repealed in 2016 and since then there have been no targets at a UK level.
- 2.4 In response, the Scottish Government set its own targets to reduce child poverty by 2030 through the Child Poverty (Scotland) Act 2017 (the Act). The Act requires the Scottish Government to publish a national delivery plan and annual reports, to be supported by joint annual reports from councils and health boards to demonstrate how the strategy is being implemented. The Act also establishes a Poverty and Inequality Commission to monitor progress and to hold the Scottish Government to account.
- 2.5 Progress on poverty in Scotland is aided by greater powers being devolved from Westminster. The Scottish Government has additional powers over finance and welfare that are not devolved to Wales which enables it to invest and develop policy that helps alleviate and tackle poverty directly. This includes the Scottish Child Payment. The Scottish Government estimates that this alone could result in a 5% reduction in child poverty in 2023-24<sup>15</sup>.

### **There is no national target for reducing child poverty and the current Child Poverty Strategy needs to be refreshed**

- 2.6 In 2011, the Welsh Government set a national target to eradicate child poverty by 2020 under the Child Poverty Strategy for Wales. This was subsequently repeated in 2015 but the target was dropped during the Fifth Senedd. While the strategy remains relevant and provides the focus for work on poverty, it does not reflect the current challenges facing people in Wales and has no targets to focus work and effort.

---

15 Scottish Child Payment – estimating the effect on child poverty (gov.scot)

- 2.7 The Welsh Government also produced a [Child Poverty: Income Maximisation Action Plan](#) in November 2020. This set out a series of practical actions to help increase the incomes of families living in poverty, reduce essential living costs and provide support to build their financial resilience. It does however fall short of a refreshed and up-to-date strategy.
- 2.8 From our fieldwork we conclude that a revised national strategy would enable the Welsh Government to articulate an up-to-date vision, direct delivery to support objectives and put in place appropriate measures to judge impact. A refreshed national strategy would help set a strategic vision with expectations and ambitions for the whole public sector to achieve collectively. And the need to update and refresh the strategy has been recognised by the Minister for Social Justice, who has committed to introduce a revised Child Poverty strategy<sup>16</sup>. In addition, under the [Child Poverty Strategy \(Corporate Joint Committees\) \(Wales\) Regulations 2021](#) the four recently established [Corporate Joint Committees \(CJCs\)](#) will also be required to review local child poverty strategies and produce a report. This provides an opportunity for councils to reconsider their local plans and collaborate with neighbours. Finally, the Welsh Government has also recently consulted on new national milestones which include measures related to improving household income per head and income poverty<sup>17</sup>.
- 2.9 Despite this, as the sections below outline, the Welsh Government and other public bodies continue to invest in a wide range of initiatives to tackle and alleviate poverty. The Welsh Government, via specific cost-of-living grants, supports public bodies to deliver programmes that help those in poverty, and much money is being invested in this way. Within councils this includes Families First and Flying Start programmes, as well as targeted grants, such as those for food or period poverty. These elements could be better co-ordinated and measured through a national strategy and indicators.
- 2.10 To enhance this at a time of acute need, some have called for the Welsh Government to do more following the Scottish Government's lead. For example, the Bevan Foundation and the Joseph Rowntree Foundation have called for the Welsh Government to implement a 'Welsh Benefits System', which would take existing programmes of financial and other support for families and integrate them into a single welfare system. This would mean the myriad of current funding programmes, many of which are administered by councils, would be amalgamated into a single fund, which would help streamline and improve efficiency.

---

16 [Welsh Parliament, Plenary Record, 13 July 2022](#)

17 [Shaping Wales' Future: Using National Indicators and Milestones to measure our Nation's progress \(gov.wales\)](#)



## **Councils and partners have prioritised work on poverty, but the mix of approaches and a complicated delivery landscape mean that ambitions, focus, actions and prioritisation vary widely**

- 2.11 The Children and Families (Wales) Measure 2010 placed a duty on councils to produce a child poverty strategy to support the national strategy. Since 2015, this has been discharged through local well-being plans from councils or Public Service Boards (PSB). Overall, our review found a complicated picture of how public bodies are working to address poverty across Wales.
- 2.12 While all councils have well-being objectives that would support those living in poverty, only 12 have specific objectives addressing poverty. We found that five councils also have dedicated anti-poverty strategies that are council-wide and draw on their corporate and well-being objectives. Other councils target individual dimensions of poverty, such as energy or food poverty. Some also include poverty as a PSB objective or theme to be addressed alongside other partners. Nine also reference poverty within their Strategic Equality Plans.
- 2.13 The strongest strategies provide clear definitions of poverty and link to wider corporate objectives. Swansea's Tackling Poverty Framework is an example of this, setting out a vision with themes and outcomes, linked to other plans. Bridgend also effectively links its plan by using consistent objectives with other strategies. This enables a focus on poverty to exist alongside wider corporate objectives.
- 2.14 A common theme across many councils is, however, a lack of ambition to address the causes of poverty over a longer period. While the key drivers of poverty, primarily decisions on welfare spending and entitlements, are outside the control of councils, there are local changes that can be made to support people. Most councils are reactive only and focus on delivering the Welsh Government's grants and programmes. This leads to an inward focus on what the council can achieve for people in crisis who are already known to them and within the public service delivery system. Those on the margins of poverty, and those being pushed into poverty by the cost-of-living crisis, are often overlooked.
- 2.15 Worryingly, some officers we interviewed stated that poverty strategies are not needed because they see all their councils' work as inherently about tackling poverty. Having a strategy was seen as resulting in poverty being 'lost' in the overall corporate plan. Whilst this view recognises the holistic nature of poverty, it can also result in a lack of co-ordination and silo working, with each service focusing on delivering the programmes they are responsible for rather than how they collectively contribute to the bigger picture.

- 2.16 Employment remains a dominant theme for councils, both as a cause of poverty but also its solution. However, as noted above, this often overlooks the large and growing numbers of people who experience in-work poverty. The dominant narrative concerning those on welfare benefits in poverty, results in an overly significant focus on employability programmes over other actions. Whilst minimum income levels are not set in Wales, employability should be seen in the context of the wider issues that those living in poverty experience.
- 2.17 Due to the broad nature of the poverty agenda, there are a wide range of potential partners for councils to engage with. This includes PSBs, CJs, Regional Partnership Boards and other local forums. We found that councils have adopted widely different approaches to working in partnership to tackle and alleviate poverty. And, because of the limitations in the national strategy and a lack of targets, the inconsistency between councils is adding an unnecessary level of complexity to partnership working, especially with public bodies that operate regionally.
- 2.18 To enable the greatest impact from services, councils need to plan specifically to tackle and alleviate poverty, drawing on a range of evidence and meaningful collaboration with partners. However, we found that planning is often focused on the contribution of the council alone, rather than the contribution of all partners. Councils deliver a large range of services that help and support people living in poverty, but few look to build on this with meaningful links with other partners. The lack of co-ordination often means councils are reliant on individual service areas forming their own links, despite lacking the spare capacity to do this.
- 2.19 Collaboration in some councils takes place within existing forums that overlap with the poverty agenda, both internally and externally, but other councils have gone further. Swansea formed a council-wide co-ordination group that brings senior officers together within their Tackling Poverty Framework. Similarly, Wrexham has recently created a cost of living working group to support local residents in relation to benefit maximisation, reducing costs on energy, fuel poverty and winter pressures. Others, such as Monmouthshire and Flintshire, have drawn together external reference groups to involve other partners, such as food banks or Citizens Advice. The PSB has played a similar role in Ceredigion.
- 2.20 The best councils have prioritised their work with third-sector partners to invest and deliver advice and information activity to specifically help those in poverty. For example, Cardiff funds the local Citizens Advice and the Cardiff and Vale Credit Union to provide bespoke advice to individuals who present themselves to the council's Money Advice Team. To ease their partners' administrative burden, Bridgend has a central grants team to streamline grants provided.

- 2.21 Effective leadership is also required to drive the poverty agenda forward. Strong and coherent leadership can offer the impetus for councillors and officers to break silos to work collaboratively to deliver shared objectives and provide a focus for partnership working. We found that only eight councils have a cabinet member responsible for poverty and eight councils a senior officer with corporate responsibility for leading on tackling poverty.
- 2.22 One growing concern is the difficulty in attracting sufficient talent to deliver what are often very demanding and challenging services. A significant proportion of council officers we interviewed noted a growing problem of recruiting and retaining essential staff, both within their organisation but also key third-sector partners. Issues of growing workloads, reductions in capacity, increasing burn-out from frontline work during the pandemic, less competitive salaries and the impact of inflation on wages were all flagged as major risks.
- 2.23 In 2022, the Welsh Local Government Association (WLGA) established a Poverty Group bringing council officers together to share approaches, identify opportunities for joint working and lobby for change. Whilst at an early stage in development, this group offers a potential forum for good practice exchange and collaboration. The roles of officers that attend are wide reaching, reflecting the broad poverty agenda, but also the absence of a central anti-poverty team in most councils. This will make it more difficult for the group to co-ordinate and agree concerted action because the responsibilities and influence of individual officers vary from council to council. This is something the WLGA is planning to address.

### **Large sums of money are being invested in tackling and alleviating poverty, but no one knows how much, and the way money is allocated and managed limits its positive impact**

#### **The Welsh Government makes significant revenue funding available to councils to alleviate the impact of poverty but the total level of spending is unknown**

- 2.24 The Welsh Government funds a wide range of programmes that support people in poverty. This includes wide-ranging awards, such as the Children and Communities Grant, and more targeted funding, such as digital inclusion. Collectively, we estimate that this revenue funding is worth over £1 billion in 2021-22<sup>18</sup>.

<sup>18</sup> Audit Wales analysis of the Welsh Government's Second supplementary budget, February 2022

2.25 In response to the cost-of-living crisis, the Welsh Government has allocated additional funding in both 2021-22 and 2022-23. £152 million was provided in 2021-22 to fund £150 support payments for households living in properties within council tax bands A to D. A further £25 million was also made available for a discretionary council tax scheme, with payment criteria to be set by councils according to local need. This has included:

- a payments to those who are exempt from council tax;
- b payments to people living in homes in bands E and F;
- c payments to those receiving free school meals;
- d supporting homelessness prevention support; and
- e top-ups for discretionary housing payments.

Additional budgeted support for 2022-23 totalled £162 million and includes a winter fuel support fund, holiday hunger support, and vulnerable family support.

2.26 Because the poverty agenda is so broad and poverty-related activity is captured within the broader Welsh Government base budgets, it is difficult to identify and quantify the specific level of spending that is being provided to tackle and alleviate poverty in Wales. This, in turn, makes assessing the impact, or the value for money, of this funding difficult to measure.

### **No council knows the full extent of its spending on alleviating and tackling poverty**

2.27 No council has a dedicated budget or can identify the total amount of revenue spending used to tackle and alleviate poverty. As with the Welsh Government, this is largely due to the wide definition of programmes that support those in poverty, limitations in budget designations and a lack of understanding on how money is allocated and used.

2.28 Some councils, such as Swansea and Carmarthenshire, do know the total Welsh Government grant funding provided to them and committed on poverty initiatives. But no council officer we interviewed was able to quantify the proportion of spend or how many staff in frontline services are helping to alleviate and tackle poverty. Given the significant amount of activity related to poverty, this would be a significant task that councils do not have the capacity to undertake.

### **All councils are dependent on grants but weaknesses in programmes mean that funding is not making the impact it could**

2.29 The vast majority of officers we interviewed acknowledged that the funding provided by the Welsh Government is essential to helping councils tackle and alleviate the impact of poverty. Without this funding it is clear the situation would be much worse than at present. Despite this, during our interviews, some common weaknesses were identified.

- 2.30 Poverty-related Welsh Government grants are often linked to defined programmes for councils to deliver, such as Families First. These are often seen as separate to council-initiated programmes within corporate plans. As a result, often when the Welsh Government funding stops the programme stops, leading to short-term, limited interventions.
- 2.31 Funding is generally allocated to initiatives that are tightly focussed and/or have a high administrative burden to process and deliver. Often grants have short timescales which can make it challenging to submit comprehensive, impactful bids or to fully spend funding prior to the financial year-end. Many we interviewed and surveyed noted that the annual cycle of bidding does not support councils to tackle the more difficult and longer standing problems. This promotes spending on easy to deliver initiatives, rather than on activity which can make a greater impact. It also means that officers are under significant pressure to deliver existing work and to respond to grants due to a lack of resources after cuts during years of austerity.
- 2.32 Weaknesses in guidance and grant restrictions can also limit the impact of funding. Some grant restrictions mean that groups that experience poverty, such as residents in Houses of Multiple Occupancy or members of the travelling community, are unable to receive funding. Digitally excluded residents can also be prevented where schemes are administered and resourced online.
- 2.33 This increases the importance of having knowledgeable customer-facing staff in order to navigate the complex range of funding streams and the different programme conditions. Some councils reported finding it particularly challenging to recruit to grant-funded roles in recent years due to the short-term nature of project working and uncertainty of whether grant funding will continue. Multiple application processes, programme eligibility restrictions, and difficulties in applying have all led to lower levels of take-up under some programmes, which has required councils to invest additional resources to increase their coverage. These each function as barriers to people receiving the intended support and limit the impact of programmes and interventions.

- 2.34 Unsurprisingly, some councils have sought to address this by streamlining activity to reduce bureaucracy and duplication. For example, Rhondda Cynon Taf brought together separate funding programmes into a single service to help target action on the most vulnerable and to avoid people slipping through the net. The Council acknowledges that there is more to be done, but this new single gateway approach is supporting the council to shift to focus on early intervention and prevention. Likewise, Bridgend brought together five different employment funding streams under Employability Bridgend to create a single gateway to services. Caerphilly also recently created a £3 million cost of living hardship fund to undertake a series of initiatives aimed at providing support to those most in need<sup>19</sup>.
- 2.35 Grant funding to support people in poverty has also historically been provided by EU Structural Funds (ESF). Between 2014 and 2020, Wales spent £595.12 million of ESF on a range of skills, youth employment and attainment, and employability programmes. The UK Government has replaced ESF with the UK Shared Prosperity Fund (SPF) and the Levelling Up Fund (LUF). The SPF monies are calculated using a formula and are allocated directly to councils rather than managed by the Welsh Government. The LUF is allocated by the UK Government according to bids against assessment criteria.
- 2.36 Overall, the Welsh Government has calculated that Wales will receive substantially less funding through the SPF than ESF, a shortfall of £772 million between 2021-22 and 2024-25<sup>20</sup>. And with LUF based on bids, some areas of the country are likely to miss this funding in its entirety. Consequently, Wales is predicted to have less money available to tackle and alleviate poverty going forward<sup>21</sup>.

---

19 <https://www.southwalesargus.co.uk/news/23019836>

20 Welsh Government, [Written Statement: Loss of funding to Wales as a result of the UK Government's arrangements for replacement EU funding](#), May 2022

21 Welsh Parliament, [The Shared Prosperity and Levelling Up funds: what's the latest?](#), May 2022



# **Delivering local government services to help people in poverty**

---

03

- 3.1 In this final section of our report, we consider how councils are shaping their services to consider the needs of people living in poverty, looking at the importance of experience mapping and the work of poverty truth commissions. We look at how councils are changing and modernising service delivery and how they need to shape these responses to consider people in poverty. Finally, we consider how councils evaluate past work to help determine future policy choices and consider the robustness of socio-economic impact assessments.

### **The lived experience of poverty is mostly not shaping council service delivery**

- 3.2 Because people often only seek help at the point of crisis, it is crucial that councils create person-centred services. This is especially important in respect of poverty which carries a stigma of embarrassment and shame. People we spoke to noted that by the time they seek help, they are often dealing with extremely personal and seemingly impossible problems, which creates considerable stress and anxiety. If councils are to fully understand the nature of living with poverty, and how the decisions they take and the services they deliver improve or worsen this experience, then they need to understand what it is like to navigate your way through what can often be complex and daunting council processes.
- 3.3 Working to understand these experiences at scale is best done through experience mapping – **Exhibit 6**.



## Exhibit 6 – Experience mapping

Experience mapping can help a council understand the overall experience a customer has with its services, physical and digital. It then allows councils to make better-informed decisions when setting policy and agreeing budgets to ensure they are doing all they can to help people in poverty. Identifying barriers that are common to people seeking support from councils can prompt changes to services making it a less daunting and more inclusive experience for people.

Elements of a successful experience would include:

- focusing on poverty from the user's lived experience to determine whether services are geared and structured to help tackle poverty;
- judging how well councils are targeting resources where they can have the most effect;
- collaborating with people to understand the causes behind their experiences of poverty;
- ensuring consistent face-to-face contact is the norm to offer a personal service and to talk through the process and act as an advocate to help them navigate through services;
- working to understand 'what matters' to that person;
- understanding the barriers to that person accessing services –where the pinch points are, and whether services are sufficiently co-ordinated and integrated; and
- involving the individual in creating an action plan that helps lift them out of poverty.



- 3.4 One approach to gathering 'lived experience' views to help inform policy and budget choices is through the use of 'Poverty Truth Commissions.' Poverty Truth Commissions are models of direct citizen engagement in decision-making, usually hosted by councils but independent of them. They bring together people with lived experiences of poverty, decision-makers, public and private-sector leaders and wider civil society. A nationally recognised model of practice, Poverty Truth Commissions enable residents to directly inform and shape the policies and programmes of councils and partners to ensure those experiencing poverty offer challenge and feedback.

- 3.5 An additional benefit of the Commissions is the relationships that are forged between the community – both sets of Commissioners will gain valuable insight from the other, who can then feed this intelligence back to their social and professional networks. They have proved successful in enabling councils like Glasgow and Leeds to design services that better meet the needs of people in poverty.
- 3.6 The Swansea Poverty Truth Commission<sup>22</sup> brings together those living at the sharp end of poverty with key decision makers to work together towards tackling and overcoming poverty in Swansea. It is placing those affected by poverty at the heart of decision-making about poverty by creating safe spaces for people with lived experience of poverty to tell their stories, build relationships with each other, and with influential decision makers in the local area. The Swansea commission has just been established and is in the early stages of organising its programme of work. However, other councils have not adopted this model and people we interviewed noted that service users are not consistently shaping policies, service delivery choices and budgets for tackling and alleviating poverty.

### The experience of commissioners in Swansea...

'Going to the services is like continually hitting a brick wall. Not just having to repeat the story all the time, it's being unable to reach a person who is not a jobsworth.'

'There needs to be recognition that services cavuse a lot of people's trauma. Whether that is social care, education or health. A lot of the services cause trauma. Not even just about communication. The system has processes to work through that are damaging.'

'It's like the underground with the train coming into the platform and it's 'mind the gap.' This gap has just got wider and wider over the years.'



Source: Audit Wales interview with the Swansea Poverty Truth Commission, April 2022

<sup>22</sup> [Swansea Poverty Truth Commission's website](#)

## **Councils are changing how they deliver services as a result of the pandemic and ongoing budget pressures, but the new models of delivery are not always helping people in poverty**

- 3.7 The pandemic created many challenges for councils. Offices, schools and workplaces closed, and face-to-face interactions between many staff and people requiring services stopped. Consequently, councils had to respond creatively to ensure that the services people needed and depended on were available and accessible. In the wake of the pandemic, these innovative solutions, strategies, and technologies have helped to create a new service delivery landscape.
- 3.8 Councils and citizens alike are now living in a challenging and transformative climate where 'brick-and-mortar' provision is less prevalent and relevant, and digital is becoming the default options for many services. For some councils, this is part of a journey that they embarked on pre-pandemic. For others, it is just the beginning. For all councils, however, it is important they continue to connect with and work to help those who most need their assistance, in particular people in poverty. This should be central to the decisions and choices they make.

### **Shifting services online continues to grow in importance but digital exclusion remains a major challenge, especially for people in poverty**

- 3.9 There are clear benefits to shifting to digital services, for both service users and councils. Encouraging those who are at most risk of poverty to access services online helps people to be more self-reliant, gives them access to up-to-date advice and can help users who are unable to travel long distances access the services they need. For councils, they are able to reduce administration costs, and with a well-designed system, can ensure services are better integrated.
- 3.10 However, digitising services can cause difficulties. Data published by the Office for National Statistics<sup>23</sup> (ONS) shows that the number of people who have never used the internet remains stubbornly high in Wales – 8% of the population. This is higher than Scotland and England but lower than Northern Ireland. The areas in Wales with the poorest levels of connectivity are Powys (20.3%); Central South Wales Valleys (15.4%); and Gwent Valleys (14%). The areas with the best connectivity and internet usage are Monmouthshire and Newport (4.2%); Swansea (5.3%); and Cardiff and the Vale of Glamorgan (5.4%).

- 3.11 In terms of economic activity status, at a UK level those with the poorest levels of internet usage are retired people (28.9% of whom never or rarely use the internet) and people who are economically inactive (9.5% of the total). Research published by Lloyds<sup>24</sup> also found that Wales has the highest number of people who have not used the internet in the last three months – 13% of the population – and those earning under £20,000 are more likely to be offline and less able to use digital services.
- 3.12 Ensuring the growing shift to digital does not leave anyone behind or, if people struggle to access services digitally, support is put in place to help them is therefore critical. We found that most councils recognise the problem of digital exclusion, with 14 of the 22 Welsh councils having adopted a digital strategy and many of these focus on tackling digital exclusion. For example, Cardiff Council's digital strategy makes a commitment to reduce potential exclusion from digital services by:
- a employing officers with specific responsibilities for digital inclusion;
  - b providing 4G devices to those who are unable to afford to purchase equipment;
  - c offering digital surgeries across the city;
  - d introducing free weekly drop-in sessions to provide help assistance to people who are less IT confident; and
  - e creating a dedicated public phone line for digital queries.
- 3.13 However, the range and comprehensiveness of support in Cardiff is not always replicated elsewhere. While 15 of the 22 councils specifically reference the negative impact of digital exclusion as an area for action in a corporate plan or strategy, only 12 councils are providing people with access to a digital skills inclusion programmes and only five provide devices to help people access online services. In addition, no council has a single landing page or dedicated web resources focussed on poverty that bring together all the councils work in one easy-to-find area which proactively promotes in a single place what people need to do get the help they require.
- 3.14 One priority of the Welsh Government's Child Poverty: Income Maximisation Action Plan is to ensure families in Wales are supported to claim all the financial support they are entitled to through the development of a 'tell us once' approach. Having a 'single entry point' to services helps to reduce complexity in the system and places the citizen at the heart of service delivery by requiring councils to make the links and provide services rather than someone having to write, telephone or even attend each service individually to ask for help.

3.15 The findings from our review highlight that councils still administer, manage and provide services in a wide variety of ways and no council has created a single gateway into services. For example, people have to complete multiple application forms that often record the same information when applying for similar services. Having to tell and re-tell your story in order to access related services, as information is not shared between organisations, can discourage people from seeking help. For instance, links with other types of support provided by other organisations such as managing debt, food banks and wider advice vary widely. There is also an enduring resistance to sharing information across systems, between council departments and with partners because of concerns over data protection and a fear of being penalised.

**Comprehensive and integrated publicity, advice and information services can significantly help people who are struggling but the picture across Wales is mixed, and councils find it hard to prioritise preventative work because of the high numbers of people in crisis**

- 3.16 The public service landscape is wide, varied and complex with a mix of organisations from different sectors delivering a huge range of services which are rarely co-ordinated with one another. People can find it difficult to navigate the system and access the support they need, particularly when they are struggling to make ends meet.
- 3.17 We found some positive examples of how council and third-sector services are integrating and collaborating to provide a comprehensive response focused on helping people in need. For instance, in Cardiff, the local Citizens Advice Bureau, the Cardiff and Vale Credit Union and Cardiff Council advice services operate from community Hubs across the city. Through this collaborative work the council and its partners are providing a one-stop advice service which is helping people to access more money and support.
- 3.18 Similarly, Denbighshire County Borough Council are working through the Rhyl Community Development Board to target those in the most need and provide support and assistance. Some councils also regularly run advertising campaigns to ensure people are aware of what is available and to what they are entitled. Flintshire's [Holiday Hunger](#) campaign which supported the distribution of thousands of meals during school holidays and Neath Port Talbot and Swansea councils' joint communication campaign to increase take-up of pension credit.

- 3.19 However, these approaches are not always replicated, and some councils operate independently of partners, which can create difficulties for people in poverty. Those we spoke to noted that they often find it hard to find information, do not know where to start, or who to go to, particularly when multiple organisations offer similar services. Feedback from people who use advice services noted that when they are able to access services quickly and can get in-depth advice and support, this is often sufficient to prevent smaller problems turning into an unmanageable crisis.
- 3.20 Citizens Advice Cymru and Swansea Council both noted that people are often reluctant to engage with a council and seek help if they also owe money to them, fearing that the council will pursue them for non-payment of debt. To address this, Swansea Council is developing a Corporate Personal Debt Recovery Policy which will set out the principles for supporting people that have overdue personal debt with the council.
- 3.21 During interviews, most officers felt that council activity is mostly focused on dealing with people in crisis rather than preventing people getting into poverty in the first place. This is mostly a reflection of the high levels of demand for services from people who are struggling day to day and are unable to manage without support. For example, Citizens Advice recently reported that demand for their services has increased by 200% in the last two years<sup>25</sup>. We also found that the main focus of prevention work is the provision of timely advice, especially ensuring people access the benefits they are entitled to, and supporting people into employment. These services can be provided directly by councils but also by third-sector bodies, in particular, organisations like Citizens Advice.

### **Community hubs offer an opportunity for councils to help people at the point of crisis**

- 3.22 Shifting services to communities, particularly through the development of community hubs, allowed councils to co-ordinate responses and ensure services remained available during the pandemic. These hubs strengthened the visibility of council services in the community during the pandemic and were often the first port of call for vulnerable people. With poverty in mind they can also act as the first port of call to ensure people get help.
- 3.23 Some provided services directly while others offered a triage service, assessing need and making referrals to other council or partner services. During the pandemic, they helped distribute fuel poverty funding and fast-tracked self-isolation payments. For example, Cardiff created 22 community hubs, Ceredigion has five community hubs, Newport four community hubs, and under the North Wales Economic Ambition Board there are five Covid Support Hubs.

---

<sup>25</sup> <https://www.itv.com/news/wales/2022-10-03/its-a-scary-time-citizens-advice-sees-200-jump-in-people-needing-help>



3.24 Hubs are also often multi-purpose, providing and hosting a range of activities and services that are used by lots of different people. The range of services reflects local need and may be delivered by local people, other organisations or public agencies. They also support better joint working and more integrated services. They can transform existing, unused buildings and provide a focus for community-led regeneration. Their core strength is that they provide a stronger presence in communities and are able to respond more quickly to people who are struggling. Community hubs can therefore help build more cohesive and resilient communities.

### **Understanding the potential impact of policy decisions and knowing what works vary widely**

3.25 Understanding the impact of policy and budget decisions, both at the point you agree action but also when you evaluate the impact and success of your decisions, is essential if councils are to maximise their efforts in tackling and alleviating poverty. A thorough and informed impact assessment will help public services to avoid making bad decisions and support them to deliver their legal responsibilities. And having comprehensive, good quality and relevant data that is evaluated, scrutinised and challenged will strengthen accountability and enable corrective action to be taken quickly.

### **All councils undertake some form of assessment to determine the likely socio-economic impact of policy choices and decisions, but the approach varies and is not always effective**

3.26 The Socio-economic Duty came into force in Wales on 31 March 2021. It aims to improve decision making and help those who are socio-economically disadvantaged. Councils now have to think about how their strategic decisions, such as setting objectives and developing public services, can improve equality of outcome for people who suffer socio-economic disadvantage. In particular, when making strategic decisions on tackling poverty, councils must demonstrate how they are effectively considering the views of those affected by those decisions. This can only be achieved by involving people through effective engagement and consultation, considering their views carefully and ensuring that policy reflects the views of citizens.

3.27 We found that all councils undertake some form of assessment to determine the likely socio-economic impact of decisions. Many use an integrated impact assessment that brings together all statutory and key corporate policy considerations in one place, focussing on the implications in relation to, most usually, corporate plan priorities; well-being objectives; the Welsh language; equalities; wider council legal, people and finance issues; and the new socio-economic duty. Some also consider the Human Rights Act and the UN convention of human rights for children.

- 3.28 Swansea Council has a comprehensive integrated impact assessment that not only considers in detail the likely impact of a policy decision on the various statutory responsibilities but also includes sections covering:
- a involvement activity setting out those the service has engaged with in determining its strategic policy such as partners, service users and those it is co-producing with;
  - b an assessment of the cumulative impact/mitigation to ensure the policy is considered in the round showing how it links across services provided across the council;
  - c how the council service will monitor and evaluate impact to be able to make changes swiftly; and
  - d an action plan setting out the activities the Council will take as a result of the Integrated Impact Assessment.
- 3.29 Caerphilly also includes six detailed socio-economic assessments rather than a single catch-all consideration. These cover specific assessments looking at low income/income poverty; low and/or no wealth; material deprivation; area deprivation; socio-economic background; and socio-economic disadvantage. This enables the Council to consider socio-economic issues in significant depth to better target action.
- 3.30 We also found weaknesses in other councils' socio-economic impact assessments. Several impact assessments we reviewed concluded that there is no need to conduct a thorough assessment even when the policy has clear socio-economic implication. For example, reductions in services and cuts in budgets. In others we found that some completed assessments were very brief, skirting over the potential socio-economic impact of a policy and lacked detail on critical socio-economic implications in relation to COVID Recovery plans, changes to criteria for grants and other assistance. And this was despite several councils framing the policy presented for decision in helping it to address poverty.
- 3.31 The evidence drawn on and used to complete assessments also varies in terms of depth and quality and not all use the rigour adopted in Swansea and Caerphilly. For instance, we found consultation and involvement information was often out of date drawing on pre-pandemic data or insufficient to provide meaningful feedback to help shape conclusions in the impact assessment.



**Understanding need and drawing on a wide range of data to shape responses remain an area for improvement and most councils struggle to demonstrate the value of their work in alleviating and tackling poverty**

- 3.32 Good understanding of local and national data is needed to develop specific, timely actions that can make the most impact. It also enables councils to identify effective programmes with positive outcomes, which is essential to creating effective oversight and scrutiny of activity. Most councils draw on WIMD data to identify local areas of deprivation. Whilst this is a useful foundation, this data is mostly historic and out of date. It is now particularly weak as it was last updated prior to both the pandemic and cost-of-living crisis<sup>26</sup>.
- 3.33 We found, however, that councils are not making full use of the significant amounts of data they collect and hold. At present, councils focus more on recording delivery of specific projects capturing numbers assisted and not enough on impact, wellbeing and the wider benefits of investment. These weaknesses and limitations in coverage and focus do not allow for a comprehensive evaluation of performance, especially as councils often report information in silos and do not collate data to enable a comprehensive picture of activity and impact across the council to be drawn. Similarly, we found that there is little comparison or benchmarking of performance with other councils to help identify opportunities for improvement. This is not helped by the lack of national indicators and targets. As a result, while councils can identify the actions they are taking, these weaknesses make it difficult to truly know how well they are performing and whether the resources they are spending are making the best impact they can and represent value for money.
- 3.34 Efforts to improve data gathering and analysis to better target actions and impact are therefore an area for improvement. The Isle of Anglesey and Ceredigion councils have developed dashboards of publicly available data to help prioritise future action. The Isle of Anglesey worked in collaboration with Data Cymru to develop such a dashboard.
- 3.35 Going further, Neath Port Talbot uses a low-income tracker that combines council and publicly available data to improve how and where they target support for those who are known to the council and already receive services. In addition, Data Cymru has recently published a [data tool](#) that collates publicly available key data in one place.
- 3.36 Cardiff collects good data to demonstrate the impact of its interventions. In 2020-21, the Council assisted roughly 17,000 people through its advice centre and through the Adviceline, and claimed an additional £14 million in welfare benefits for people. Similarly, the 'Caerphilly Cares' programme in 2020-21 secured an additional £5 million of income for council-house tenants in the county borough and prevented any evictions from council housing.

---

26 The [Wales Index of Multiple Deprivation](#) was last updated in 2019.



# Appendices

---

## 1 Audit approach and methods

# 1 Audit approach and methods

## Approach

Our approach was to understand councils' strategic planning and delivery of actions to support those who live in poverty. We examined the ability to alleviate the immediate impact of poverty on people, as well as councils' ability to tackle it as an issue in the long term.

This report sits alongside other forthcoming reviews examining how councils empower the resilience of communities and the role of social enterprises in delivering public services. Combined they serve to examine how councils empower citizens to tackle and prevent issues developing into a crisis that requires statutory intervention.

We examined all 22 principal councils in Wales at a high level, managing delivery to be mindful of the pressures council officers are under during both the pandemic and the cost-of-living crisis. We ensured coverage was sufficient to draw a view on the whole sector but not to significantly detract from officers' delivery. Our approach was flexible to fit around officers when agreeing and delivering our fieldwork.

## Methods

We completed our review between April 2021 and September 2022 and used a range of methods in delivering our review:

- **document review:** we reviewed documentation from the Welsh Government, councils, Public Service Boards and other relevant public bodies. We also reviewed a range of publications from charities, representative groups, other public bodies in other UK countries, and publications by the UK Government.
- **interviews** – we undertook a range of different interview types:
  - officer interviews – we interviewed officers nominated by all Welsh principal councils, generally those with responsibility for poverty or an associated service area, such as employability, benefits, or Welsh Government programmes. These took place between January and May 2022.
  - national interviews – we interviewed representatives of Welsh charities, food banks, third-sector groups, and civil servants. We also interviewed representatives of UK charities, organisations, and officers of councils in other UK countries. These took place between March and July 2022.
  - academic interviews – we interviewed academics focused on poverty and destitution from three UK universities. These took place between March and April 2022.
- **focus groups** – we undertook two types of focus groups:
  - officer focus groups – in line with our approach, some councils felt it was more appropriate for us to speak to a range of officers in focus groups to reduce our impact on service delivery.
  - lived experience focus group – we held a focus group in April 2022 with representatives of Swansea Poverty Truth Commission to understand and listen to their experiences.
- **survey** – we surveyed 16 clients of Rhondda Cynon Taf Citizens Advice for their experiences of poverty in June 2022.
- **data analysis** – we collected and analysed a range of publicly available datasets from the Welsh Government, the UK Government, the Office for National Statistics, and third-sector organisations.



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)

This page is intentionally left blank

<p><b>What are we trying to achieve, the outcome</b></p>	<p>People do not choose to live in poverty, many of our residents and families have access to fewer choices and opportunities about how they live their lives. Poverty and its effects can impact on mental and physical well-being and create a wide range of challenges for individuals and families. The Council wants to break down the organisational barriers that get in the way of residents of all ages getting the help they need and having opportunities to improve their life chances and thrive but that as a minimum, they have the resources they need to meet their basic needs and to positively contribute to the wider economic, cultural and environmental well-being of communities.</p>
<p><b>Why we need to do it:</b></p>	<p>The Council’s strong commitment and steps to tackle Poverty are woven throughout the Corporate Plan – <a href="#">Making a Difference</a>. This was referenced in the report of findings emerging from the recent Estyn Report considered by the Education and Inclusion Scrutiny Committee on 20 <a href="#">June</a> 2023. These steps include: working in partnership with Welsh Government, strive to reduce child poverty, providing services that encourage and build resilience of children and their families; supporting children to have the best start in life and be ready for learning through an improved early years’ system and childcare offer; and developing community hubs where residents have the opportunity to meet, socialise and access a range of Council and other services. We also know there is more to do as a Council and in partnership.</p> <p>We can point to a number of measures, a snapshot of which can be seen below, that together paint a picture of deprivation across RCT and which affect all ages. The effects of the circumstances described by many of the measures are being exacerbated by the current ‘Cost of Living Crisis’. Poverty, and its causes, is complex and affects a significant proportion of the population of RCT. The solutions are equally complex and cannot be delivered or managed by Local Government alone, but we can play our part in helping people of all ages to access the services that will most benefit them and in some circumstances provide direct assistance. We are continuing to strengthen our understanding of the population of RCT, many of whom will experience negative legacy of the impact of the Covid pandemic, with RCT (Merthyr Tydfil) having the highest mortality rates in Wales over the course of the pandemic.</p> <p>A snap shot of Poverty related measures for RCT is below:</p> <ul style="list-style-type: none"> <li>• 23% of children aged 0-19 are in relative low-income families compared with 21% across Wales (June 2023).</li> <li>• 12,108 (8.1%) incapacity claimants compared with a Wales average of 6% (November 2022).</li> <li>• 109 of 154 areas in RCT are in the 50% most deprived areas in Wales (2019 WIMD).</li> <li>• 28 RCT areas in top 10% most deprived.</li> </ul>

	<ul style="list-style-type: none"> <li>• 24.2 % of people of working age without qualifications compared to a Wales average of 29.9% (census 2021).</li> <li>• 28.3% working age benefit claimants compared to a Wales average of 25.5%.</li> <li>• 11.3% working age workless claimants compared to a Wales average of 9.4%.</li> <li>• At the beginning of the Autumn term 2022 take up of universal free school meals by reception pupils was 61%.</li> </ul> <p>Our work to reduce inequalities within our communities will also be informed and strengthened by the Socio-economic Impact Assessments of our Council strategies, policies and programmes.</p>
--	--

Recommendation	Council's Response	Next Steps	Time Scale	Responsible Officer / Service
<p><b>National strategy and targets for tackling and alleviating poverty</b></p> <p>R1 In Paragraphs 2.8 – 2.12 we note that there is currently no specific target for reducing poverty in Wales and the current Child Poverty strategy needs to be refreshed. We recommend that in updating its strategy the Welsh Government:</p> <ul style="list-style-type: none"> <li>• set SMART national actions;</li> <li>• establish a suite of performance measures to judge delivery and impact;</li> <li>• sets target for alleviating and tackling poverty; and</li> <li>• undertake regular evaluation of performance and public reporting.</li> </ul>	<p>Agree. Recommendation (s) for Welsh Government</p>	<p>Council Officers will take every opportunity, through existing networks, to lobby and influence Welsh Government in the shape and content of any new national targets and/or strategies to maximise alignment with relevant existing strategies, plans and reporting mechanisms.</p>	<p>Ongoing</p>	<p>All relevant services</p>
<p><b>Local strategies, targets and performance reporting for tackling and alleviating poverty</b></p> <p>R2 In Paragraphs 2.13 – 2.23 and Paragraphs 3.33 – 3.35 we highlight that Councils and partners have prioritised work on poverty, but the mix of approaches and a complicated delivery landscape mean that ambitions, focus, actions and prioritisation vary widely. We highlight that evaluating</p>	<p>Agree. The Council is starting to consider its new Well-being (Corporate) Plan which will be in place from 2024. The content of the Plan, its aims,</p>	<p>We will continue to implement local actions with a focus on prevention and support as we continue develop our longer term corporate approach and</p>		



Recommendation	Council's Response	Next Steps	Time Scale	Responsible Officer / Service
<p>activity and reporting performance are also variable with many gaps. We recommend that the Councils use their Well-being Plans to provide a comprehensive focus on tackling poverty to co-ordinate their efforts, meet local needs and support the revised national plan targets and actions. This should:</p> <ul style="list-style-type: none"> <li>include SMART local actions with a greater emphasis on prevention;</li> <li>include a detailed resourcing plan for the length of the strategy;</li> <li>be developed with involvement from other public sector partners, the third sector, and those with experience of poverty;</li> <li>include a robust set of consistent outcome indicators and measures to increase understanding of poverty locally; and</li> <li>be subject to annual public reporting to enable a whole system view of poverty locally to help improve delivery and support.</li> </ul>	<p>actions, measures and targets will be developed over the next few months. Among other things, the Plan will be shaped by the CTM Well-being Assessment, conversations with our residents and stakeholders and an analysis of data as well as national strategies targets etc. Once agreed, reporting will continue to be integrated through the Quarterly Reports to Cabinet and thereafter scrutiny and so will be publicly available.</p> <p>The <a href="#">Audit Wales Poverty Data portal</a> is a helpful source of comparative/data.</p>	<p>seek to integrate our response to Poverty into our new Corporate Plan and associated measures. The work to develop the plans and measures will also be informed by a new data library repository, an early version of which was piloted in July as reported to <a href="#">Overview and Scrutiny Committee in January 2023</a>. The aim of the repository is to provide a single source of County Borough wide data to inform a greater understanding of the communities which we serve and also to be the single source of data for Officers completing Socio Economic and Welsh Language Impact Assessments.</p>	<p>April 2024 (as part of developing and agreeing a new Corporate Plan)</p>	<p>All relevant services</p>
<p><b>Leadership on the poverty agenda</b> R3 In Paragraph 2.23 we note that just over a third of Councils have lead members and lead officers for addressing poverty. Given the importance of effective leadership in driving the poverty agenda forward and breaking silos within councils and between public bodies, we recommend that each Council designate a Cabinet Member as the council's poverty champion and designate a senior officer to lead and be</p>	<p>Noted.</p> <p>Work is already in hand to widen the visibility and response to tackling the cycle of poverty - this includes:</p>	<p>This recommendation will be progressed as part of the work undertaken for R2 above.</p> <p>Other detailed updates of related actions can be found</p>	<p>December 2023</p>	<p>Paul Mee</p>

Recommendation	Council's Response	Next Steps	Time Scale	Responsible Officer / Service
<p>accountable for the anti-poverty agenda. Improve the efficiency and effectiveness of grant-funded programmes.</p>	<ol style="list-style-type: none"> <li>1. support to children and families and individuals living in poverty see <a href="#">2021 Annual Self Assessment report</a> and</li> <li>2. response to a Notice of Motion (NOM) in respect of Child Poverty arising from Council in <a href="#">March 2023</a></li> </ol>	<p>in the <a href="#">People</a> and <a href="#">Prosperity</a> priority sections and associated summary sections of the <a href="#">Quarter 4 Performance Report to Cabinet</a> July 2023.</p> <p>In response to the NOM (Council / March 2023), the Council requested that a report is presented to the appropriate Scrutiny Committee proposing options to develop a Child Poverty Strategy, to be implemented across all relevant services including education.</p> <p>Given the extensive cross directorate approaches to effectively tackling child poverty, the Corporate Plan will continue to integrate and capture the strategic approaches adopted across the Council. Nevertheless, a scrutiny report on child poverty is planned for the Education and Inclusion</p>	<p>Oct 23</p>	<p>Daniel Williams</p>

Recommendation	Council's Response	Next Steps	Time Scale	Responsible Officer / Service
		Services Scrutiny Committee for October 2023.		
<p><b>Improve the efficiency and effectiveness of grant-funded programmes</b></p> <p>R4 In Paragraphs 2.31 – 2.38 we note that all councils are dependent on grants but weaknesses in programmes mean that funding is not making the impact it could. To ensure councils are able to maximise the impact of funding and tackle the more difficult and longstanding problems, we recommend that the Welsh Government:</p> <ul style="list-style-type: none"> <li>• provide longer timescales for announcing and receiving bids to enable better resource planning;</li> <li>• move away from annual bidding cycles to multi-year allocations;</li> <li>• enable funding to be more flexibly spent to avoid an emphasis on quicker projects, rather than more impactful interventions that take longer to establish;</li> <li>• allow Councils to consolidate funding to reduce bureaucracy;</li> <li>• streamline and simplify processes and grant conditions to reduce the administrative burden; and</li> <li>• keep requests for information and supporting materials from Councils to a minimum.</li> </ul>	<p>Agree. Recommendation (s) for Welsh Government</p>	<p>The Council welcomes more flexibility in Welsh Government grant funding arrangements. If implemented, the recommendations will allow Councils to implement more timely and sustainable programmes that will provide more opportunity to maximise the impact of the funding available and more proportionate administration in respect of grants.</p>	<p>N/A</p>	<p>N/A</p>

Recommendation	Council's Response	Next Steps	Time Scale	Responsible Officer / Service
<p><b>Experience mapping to create inclusive services for people in poverty</b>                      R5 In Paragraphs 3.2 – 3.6 we highlight that people in poverty are often in crisis, dealing with extremely personal and stressful issues, but they often find it difficult to access help from councils because of the way services are designed and delivered. We recommend that Councils improve their understanding of their residents' 'lived experience' through meaningful involvement in decision-making using 'experience mapping' and/or 'Poverty Truth Commissions' to review and improve accessibility to and use of council services.</p>	<p>Agree.                      Some mapping is already undertaken across the Council including the Housing Support Grant Team, who commission Housing related support service provision to help alleviate crisis and help people deal with stressful issues through the provision of a new early intervention and prevention support model. In this example, we have also completed a review of our Homelessness service which aims to provide an intervention prior to our Statutory duty of 56 days. The new model will be piloted, offering advice and assistance at an early stage, to help alleviate tenancy and financial difficulties, with the aim of minimising loss of accommodation due to rent arrears or affordability.</p>	<p>Further work plans will be developed in line with the strategic approach set out in response to recommendations 2 and 3 above. In the meantime, we will use data sources including the new Data Library/Repository, Community Insights and reports at ward level to supplement direct feedback emerging from the residents through the Community Development Team and associated Networks.</p> <p>Our work to develop ways to improve service accessibility for Housing Support Grant (HSG) funded services will be integral to experience mapping.</p>	<p>To be confirmed as part of the approach above for recommendations 2 and 3</p> <p>September 2023</p>	<p>To be confirmed as part of the approach above for recommendations 2 and 3</p> <p>Cheryl Emery</p>
<p><b>Single web landing page for people seeking help</b>                      R6 In Paragraph 3.14 we highlight the difficulties people in poverty face accessing online and digital services. To ensure</p>	<p>Agree.</p>			

Recommendation	Council’s Response	Next Steps	Time Scale	Responsible Officer / Service
<p>people are able to get the information and advice they need, we recommend that councils optimise their digital services by creating a single landing page on their website that:</p> <ul style="list-style-type: none"> <li>• is directly accessible on the home page;</li> <li>• provides links to all services provided by the council that relate to poverty; and</li> <li>• provides information on the work of partners that can assist people in poverty.</li> </ul>	<p>The Council has already put in place a dedicated <a href="#">Cost of Living Support</a> page on the Council’s Website. This dedicated page can be accessed through a single visible presence on the Council’s Home page.</p> <p>The current <a href="#">Cost of Living Support</a> page contains information including a benefits calculator, Homelessness Advice and Support and Foodbank Support. Additional work is in progress to widen the content, including Free School Meals, Period Dignity products and ‘Big Bocs Bwyd’. However, there remains scope to refresh and widen content to provide a more relevant and cohesive approach in respect of the Council’s support for individuals and families experiencing poverty.</p>	<p>Potential to engage with people using the advertised Cost of Living services to seek views as to how web presence and content can be widened to provide helpful/relevant local information for people needing help.</p> <p>In the meantime, conduct an internal review and refresh of the Cost of Living site, using best practice to challenge content and ensure local relevance and accessibility to RCT residents.</p>	<p>Complete engagement process – December 2023</p> <p>Completion of revised web presence dependent on the scope of work identified by the above engagement – March 2024</p>	<p>Syd Dennis</p> <p>Cross cutting input including. Web and Digital Improvement Teams</p>

Recommendation	Council's Response	Next Steps	Time Scale	Responsible Officer / Service
<p><b>Streamlining and improving application and information services for people in poverty</b></p> <p>R7 In Paragraphs 3.15 and 3.16 we note that no council has created a single gateway into services. As a result, people have to complete multiple application forms that often record the same information when applying for similar services. We highlight that whilst it is important that councils comply with relevant data protection legislation, they also need to share data to ensure citizens receive efficient and effective services. We recommend that councils:</p> <ul style="list-style-type: none"> <li>• establish corporate data standards and coding that all services use for their core data;</li> <li>• undertake an audit to determine what data is held by services and identify any duplicated records and information requests;</li> <li>• create a central integrated customer account as a gateway to services;</li> <li>• undertake a data audit to provide refresher training to service managers to ensure they know when and what data they can and cannot share; and</li> <li>• review and update data sharing protocols to ensure they support services to deliver their data sharing responsibilities.</li> </ul>	<p>See above</p> <p>The Council's new CRM which is currently being implemented will allow the further development of the citizen portal.</p> <p>The Citizens' Portal is not currently visible to citizens. Plans are in place to develop the functionality to allow a self-service function for people applying for services, together with progress updates as the application moves through the organisation.</p>	<p>There is potential to consider poverty support within the new CRM as part of a wider strategic approach to poverty reduction through the Citizens Portal.</p>	<p>March 2024</p>	<p>Digital Improvement Team</p>
<p><b>Complying with the socio-economic duty</b></p> <p>R8 In Paragraphs 3.27 to 3.32 we set out that while all Councils undertake some form of assessment to determine the likely socio-economic impact of policy choices and decisions, approaches vary and are not always effective. We</p>	<p>Agree</p> <p>Whilst the Council has put in place a process of Socioeconomic Assessment in</p>	<p>We have already committed to reviewing and strengthening the EQIA</p>		

Recommendation	Council's Response	Next Steps	Time Scale	Responsible Officer / Service
<p>recommend that Councils review their integrated impact assessments or equivalent to:</p> <ul style="list-style-type: none"> <li>• ensure that they draw on relevant, comprehensive and current data (nothing over 12 months old) to support analysis;</li> <li>• ensure integrated impact assessments capture information on:               <ul style="list-style-type: none"> <li>○ involvement activity setting out those the service has engaged with in determining its strategic policy such as partners, service users and those it is co producing with; -</li> <li>○ the cumulative impact/mitigation to ensure the assessment considers issues in the round and how it links across services provided across the Council;</li> <li>○ how the council will monitor and evaluate impact and will take corrective action; and –</li> <li>○ an action plan setting out the activities the Council will take as a result of the Integrated Impact Assessment.</li> </ul> </li> </ul>	<p>2022, it is acknowledged that there is more work needed to fully embed the process into the work of the Council.</p> <p>This position was acknowledged in the Council's <a href="#">response</a> to an <a href="#">Audit Wales Report – Equality Impact Assessments: more than a tick box exercise</a> considered by Overview and Scrutiny Committee on <a href="#">25 January 2023</a>.</p> <p>The Data library/repository referenced above will be a feature of making relevant and timely data visible, consistent, quick and easy to access and interpret.</p>	<p>processes, including the Socioeconomic duty requirement. There is also scope to strengthen further as part of the review of the Strategic Equality Plan and the implementation of a comprehensive data set emerging from the data Library/Repository</p>	<p>March 2024</p>	<p>Melanie Warburton / Chris Davies</p>

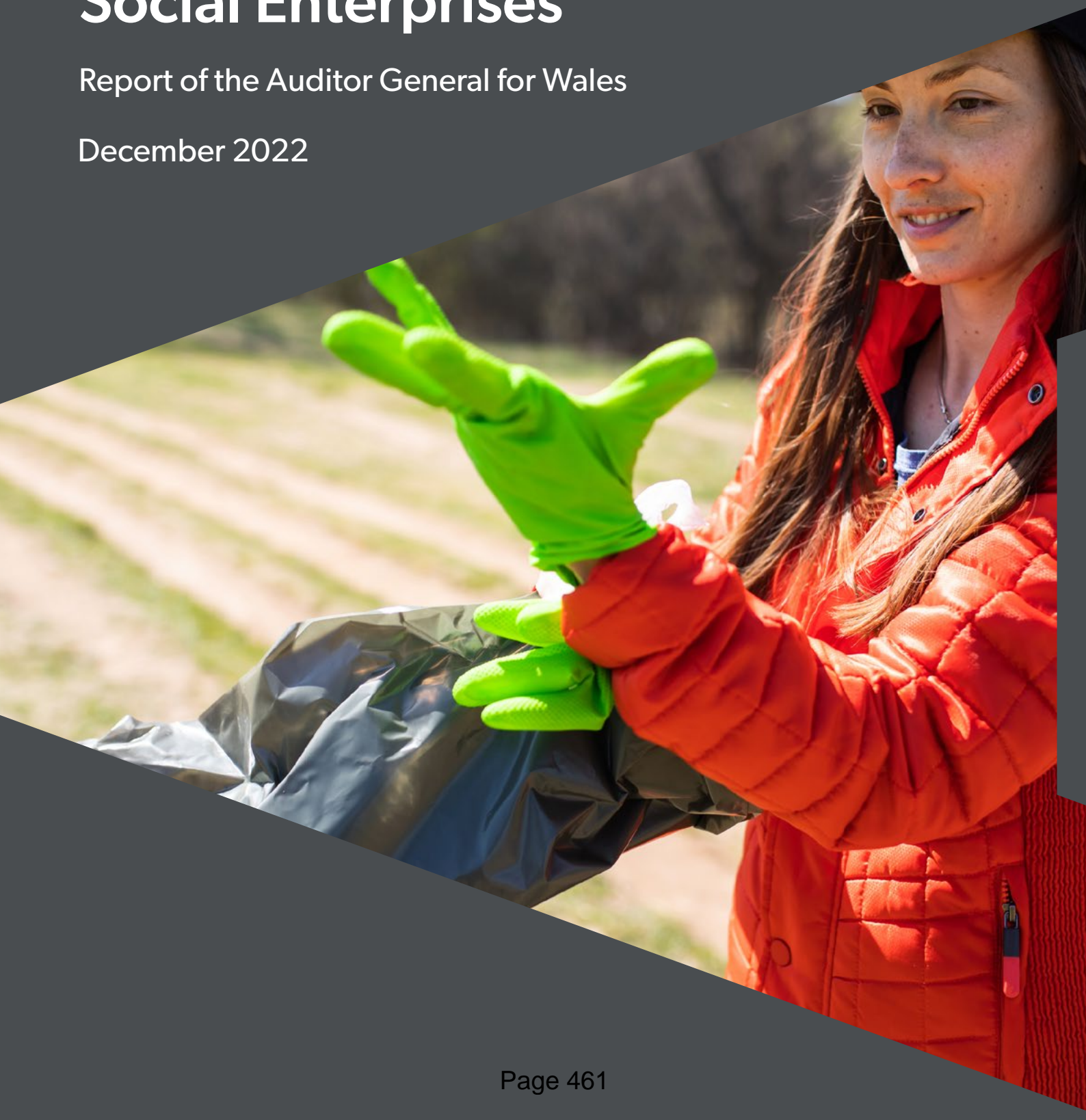
This page is intentionally left blank



# 'A missed opportunity' – Social Enterprises

Report of the Auditor General for Wales

December 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 Senedd 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 Senedd 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 provide staff and other resources for the exercise of the Auditor General's functions, and to monitor 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

---

Context	4
Key findings	5
Key Facts	7
Recommendations	8
<b>Detailed report</b>	
1 Social Enterprises can provide important services, but most local authorities lack a coherent strategy and are not working collaboratively to help support their growth and development	10
2 Local authorities do not have the right mechanisms in place to maximise value for money from their work with Social Enterprises	22
3 Local authorities are not delivering their responsibilities under the Social Services and Well-Being (Wales) Act and weaknesses in data and evaluation limits their ability to promote Social Enterprises	28
<b>Appendices</b>	
1 Audit approach and methods	35
2 Checklist for local authorities for effectively engaging and working with Social Enterprises	37
3 Differences in legislative, policy and funding for Social Enterprises across the three countries of Great Britain	46
4 Number of Social Enterprises by Welsh local authority and percentage change between 2016 - 2020	47
5 Southeast Wales Community Economic Development programme	48
6 Summary of Good Practice identified in this review	49

## Context

- 1 As organisations, Social Enterprises sit between the public and private sectors. They apply commercial strategies to maximise improvements in financial, social and environmental well-being, often for individual groups in society, defined communities or geographical areas. In particular, Social Enterprises can benefit disadvantaged communities; create wealth where money is scarce; and help to tackle poverty and need. The structure of Social Enterprises vary and include partnerships for-profit or non-profit, co-operatives, mutual organisations, social businesses, community interest companies and charities.
- 2 Social enterprise can therefore work in every sector of the Welsh economy and in all parts of the country and are increasingly prominent in Welsh Parliament legislation. Section 16 of the Social Services and Well-being (Wales) Act 2014 places a duty on local authorities to 'promote development of Social Enterprises to provide care and support and preventative services'. Likewise, the ethos and approach of Social Enterprises fits well with the Wellbeing of Future Generations Act 2015. Social enterprises can make a significant contribution to delivering the seven national wellbeing goals by helping to create a fairer and more equal country.
- 3 Importantly, because Social Enterprises focus on keeping wealth within communities, they can assist people who are in poverty by:
  - directly helping people in disadvantaged communities by providing services that would otherwise not be available;
  - supplying basic public benefits such as social, educational, health and general economic interest services to local communities, including to people who are unable to pay;
  - creating new employment opportunities as a result of the services they supply;
  - contributing to the economic development of deprived communities; and
  - targeting their work to help disadvantaged people, including vulnerable women, people with disabilities and ethnic minority groups.
- 4 This report therefore looks at how local authorities are working to grow and make the most of Social Enterprises ensuring social value and social capital stay in communities and help people who are struggling. This is also the second report of our three reviews on the challenge of alleviating and tackling poverty in Wales. **Appendix 1** sets out our audit approach and methods and includes more information on our poverty themed work.

## Key findings

---

- 5 Our overall conclusion is that local authorities are not effectively working with Social Enterprises to maximise their impact, make better use of resources and improve services for people and communities.
- 6 In **Part 1** of the report, we consider the strategic approach of local authorities to working with Social Enterprises. While they claim they value Social Enterprises, few local authorities have mapped their activity. Less than a third of local authorities consider themselves to have a proactive and supportive relationship with Social Enterprises and none have a dedicated strategy or policy that charts how they intend to promote and grow the sector.
- 7 We also found that most local authorities have adopted a passive leadership role, often responding to Social Enterprises that approach them but not proactively seeking to work with Social Enterprises or help stimulate new ones. This leadership vacuum has resulted in Social Enterprises often being at the fringes of local authority business. An overly reactive approach and variable support arrangements also means that local authorities are missing out on the potential for Social Enterprises to help deliver services that can improve people's quality of life.
- 8 In **Part 2** we consider the mechanisms local authorities have in place to ensure they maximise the potential value for money of Social Enterprises. While most local authorities provide grants for businesses and the third sector, they are not using them to specifically support Social Enterprises. Current procurement and commissioning arrangements often unintentionally discourage Social Enterprises to engage. Overly bureaucratic approaches and a lack of capacity and resources within local government also limits the potential to grow the role of Social Enterprises in delivering services. Social value – the added value that commissioning processes can deliver – does not feature as a key driver for many local authorities.

- 9 Finally, in **Part 3** we examine evaluation and impact arrangements. We found that most local authorities are not delivering their responsibilities under the Social Services and Wellbeing (Wales) Act 2014 and effectively promoting Social Enterprises. No Director of Social Services Annual Report sets out how their authority is delivering the Section 16 duty and the majority of reports make little reference to Social Enterprises. Positively, a number of authorities are working to develop micro social enterprise businesses and Regional Partnership Boards have a growing role to drive positive change. Taken together, these represent good opportunities for the future. Despite this, over three-quarters of local authorities do not have robust performance management, reporting and evaluation systems in place to be able to judge the impact and value of the work of Social Enterprises.



Social Enterprises play an important role in meeting needs and helping people in communities across Wales. Local authorities could do more to maximise the impact of Social Enterprises, get better value for money from their work, and improve services for people and communities.

---

**Adrian Crompton**  
Auditor General for Wales





## Key facts

### The Value of Social Enterprises

- In 2021 the UK had over **100,000 Social Enterprises**, worth a combined **£60 billion** to the UK economy employing 2 million people.
- The Social Enterprise sector in Wales in 2020 – up to **2,309** businesses employing **56,000** people and generating **£3.1 – £3.8 billion** in value.
- In Scotland in 2019 there were estimated to be **6,025** Social Enterprise businesses, with **88,318** staff and a net worth of **£6.1 billion**.
- Between 2018 and 2020 the Social Enterprise sector in Wales increased by **43%** rising from **1,601** organisations in 2016 to **2,247** in 2020.
- In Scotland Social Enterprises increased by **15.9%** between 2015 and 2019 rising from **5,199** to **6,025** in this period.



### The size and turnover of the sector in Wales

- **5%** of Welsh Social Enterprises are medium sized to large (i.e. have at least 50 employees), far above the equivalent for all businesses within the Welsh economy (only **1%**).
- **32%** of Social Enterprises surveyed had no paid staff at all, whilst a further **9%** only had one.
- In 2020 the mean average turnover level was **£1.25 million**, of which:
  - **43%** have a turnover of between **£0** and **£50,000**;
  - **34%** turnover between **£50,001** and **£250,000**;
  - **14%** turnover of between **£250,001** and **£1 million**;
  - **6%** turnover of between **£1.01 million** and **£5 million**; and
  - **4%** over **£5 million**.

Source: [Social Business Wales, Mapping the Social Business Sector in Wales / 2020 Census](#), June 2021; [Social Enterprise UK, No Going Back – State of the Social Enterprise Survey 2021](#); and [CEIS, Social Enterprise in Scotland – Census 2019](#).

# Recommendations

---

- 10 Our recommendations are set out below. We expect each council 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.

## Recommendations

---

- R1 To get the best from their work with and funding of Social Enterprises, local authorities need to ensure they have the right arrangements and systems in place. We recommend that local authority officers use the checklist in **Appendix 2** to:
- self-evaluate current Social Enterprise engagement, management, performance and practice;
  - identify opportunities to improve joint working; and
  - jointly draft and implement an action plan with timeframes and responsibilities clearly set out to address the gaps and weaknesses identified through the self-evaluation.
- R2 To drive improvement we recommend that the local authority:
- formally approve the completed Action Plan;
  - regularly report, monitor and evaluate performance at relevant scrutiny committees; and
  - revise actions and targets in light of the authority's evaluation and assessment of its performance.



## Recommendations

---

- R3 To ensure the local authority delivers its S.16 responsibilities to promote Social Enterprises we recommend that it reports on current activity and future priorities following the evaluation of its Action Plan including the Annual Report of the Director of Social Services.



**Social Enterprises can provide important services, but most local authorities lack a coherent strategy and are not working collaboratively to help support their growth and development**

---

- 1.1 In this section of the report, we consider the strategic approach of local authorities to working with Social Enterprises. We review local authority plans, the range of information used to identify and prioritise action and arrangements to support the development of Social Enterprises. We also consider how well local authorities and Social Enterprises work together.

## While they claim they value Social Enterprises, few local authorities have mapped their activity or planned how they will collaborate with them to maximise their impact

### Local authorities have not mapped out the social enterprise sector in their area

- 1.2 In order to maximise impact, it is essential that local authorities have a full and detailed knowledge of the services Social Enterprises provide. Unless you know who works in your area, what services they provide and what opportunities they offer, it is difficult to develop a coherent strategic response. In this context, mapping is critical for local authorities to understand the contribution that Social Enterprises are making and the barriers they face to growing their role and enhancing their value in communities.
- 1.3 We found that very few local authorities have completed any formal mapping exercise to either understand the current role and contribution of Social Enterprises in their area or to identify opportunities for the future. While some noted that they have databases of Social Enterprises, these are out of date, mostly as a result of the pandemic.
- 1.4 Generally, those local authorities that have dedicated staff with a responsibility for working with the social enterprise sector, or business support staff in economic development, had a better understanding of the local situation and could describe relative strengths, weaknesses and opportunities. However, even in these circumstances, officers acknowledged that there were still gaps in their understanding and their intelligence was not sufficient to drive future strategic choices and priorities.

1.5 **Exhibit 1** below shows that the social enterprise sector in Wales is primarily community-based with most organisations operating in only one local authority area. This is markedly different to England where Social Enterprises are more likely to work across several local authority areas and often operate regionally, nationally and internationally. For instance, in 2021 only 23% of Social Enterprises in England<sup>1</sup> work in one local authority.

### **Exhibit 1 – number of Welsh local authorities Social Enterprises operate in**

Just over 60% of Welsh Social Enterprises work in one local authority area and less than a quarter in six or more local authorities

<b>Number of local authorities</b>	<b>2016</b>	<b>2018</b>	<b>2020</b>
One	62%	59%	61%
Two	7%	7%	7%
Three	8%	7%	7%
Four	3%	3%	2%
Five	2%	3%	2%
Six to fifteen	6%	4%	4%
Sixteen to twenty-two	12%	15%	18%

Source: Social Business Wales, Mapping the Social Business Sector in Wales / 2020 Census, June 2021

1.6 Given that Social Enterprises in Wales are primarily community based, often concentrated in areas of deprivation<sup>2</sup>, it is important that local authorities undertake a wider mapping exercise to better understand the sector and the opportunities they present and use this information to inform their future plans. If authorities do not have a good understanding of the sector then it will be difficult for them identify opportunities to work collaboratively and agree actions to promote and grow Social Enterprises.

1 Social Enterprises UK, No Going Back: State of Social Enterprise Report 2021

2 Research by [Social Business Wales](#) found that 45% of social businesses operate in the top 40% most deprived areas in Wales, and only 30% operate in the 40% least deprived areas.

## Local authorities speak about the value of Social Enterprises but are not always translating this into action

- 1.7 A strategic approach to working with Social Enterprises will ensure the local authority as a whole understands what Social Enterprises offer and will set out how the local authority is seeking to maximise the benefits of working with Social Enterprises. Moreover, given Social Enterprises contribute to the enhancement of social cohesion, to the accumulation of social capital, and to a more equitable economic development at the community level, they are bodies with a strong poverty reduction focus. A small number of local authorities recognise that Social Enterprises could therefore be an inherently more sustainable method of delivering services given their deep-rooted work in communities and often strong preventive focus.
- 1.8 Research by Social Business Wales shows that Social Enterprises are particularly strong in areas that either complement the work of local government or where the role and work of local authorities has diminished in recent years. For instance, **Exhibit 2** shows a strong presence in community-based arts, leisure, recreation and youth work and important contributions in social care, health and education.

## Exhibit 2 – proportion of Social Enterprises working in different sectors

Social Enterprises cut across a wide range of operational sectors but are primarily based in arts and recreation, community centres/groups, education, and health and care

Sector	Proportion 2018	Proportion 2020 <sup>3</sup>
Arts, entertainment, recreation & other services	22%	26%
Community Centre / Social Space / Youth Club	8%	20%
Education	14%	10%
Health & Care	19%	9%
Business administration & support services	4%	6%
Other	9%	6%
Accommodation & food services	3%	6%
Agriculture, forestry & fishing	0%	3%
Information & communication	2%	3%
Retail	5%	3%
Property	6%	3%
Transport & storage	1%	2%
Professional, scientific & technical	6%	2%

Source: Social Business Wales, Mapping the Social Business Sector in Wales / 2020 Census, June 2021

<sup>3</sup> The report suggests that due to the method of data collection (surveys), organisations which were more likely to close their doors (such as community spaces) are easier to contact and more likely to respond than healthcare organisations who are under heavy strain due to COVID-19.

- 1.9 Local authorities told us that they appreciate the good qualities of Social Enterprises and their potential, whether they provide services commissioned from the local authority or are merely active at a community level in the local area. However, we found that no local authority has a dedicated Social Enterprise strategy. And, while 10 of the 21 local authorities responding to our survey<sup>4</sup> stated that they have a wider policy, strategy and/or plan that identifies the contribution of Social Enterprises, our review of these plans found that they are mostly limited, lacking detail on future priorities and opportunities for both local authorities and the sector.
- 1.10 For instance, none of the documents we reviewed set out a vision for Social Enterprises nor the potential outcomes that Social Enterprises can deliver for local authorities, residents and communities. A robust analysis of need was mostly missing from the Plans we reviewed and Social Enterprises did not receive more than a passing mention in any local authority's COVID-19 Recovery Strategy. As a consequence, priorities and actions for improvement are unambitious and limited, often overlooking added social value and social capital outcomes that Social Enterprises can secure. Our survey of local authority officers also found that only seven of the 21 authorities responding proactively engage with Social Enterprises in developing future plans and activity. Consequently, the significant benefits of working with Social Enterprises are less pronounced and often not shaping local authorities' priorities.

---

4 We surveyed all local authorities and received responses from 21 of the 22. Newport City Council did not respond to our survey.

## Local authorities are not harnessing the potential of Social Enterprises to help deliver improved services, and a better quality of life for people

1.11 Successful Social Enterprises can have a good grasp of local need, work within strong local networks and have legitimacy as a voice for the community. They are, therefore, well placed to deliver services efficiently and innovatively. It is important therefore that local authorities help communities to identify needs, opportunities and proactively work with the sector to deliver the services people want. The growth and sustainability of Social Enterprises is therefore increasingly dependent on the opportunity and capacity for collaboration.

### Effective local authority leadership on Social Enterprises is mostly absent

- 1.12 Leadership of the social enterprise agenda often rests with a handful of individuals in economic development or social care, but too often those managing these relationships are service managers and often not senior enough to direct resources, policies and decisions. For example, our survey of local authority officers found that only three of the 21 local authorities responding to our survey have a lead member for Social Enterprises and only six a lead officer.
- 1.13 We also found that most local authorities have adopted a passive leadership role, often responding to Social Enterprises that approach them rather than proactively seeking to work with existing Social Enterprises and help stimulate new ones. This is partly a reflection of some seeing Social Enterprises as 'risky,' citing issues with governance, handling of money, and legitimacy as areas of concern. Irrespective, this leadership vacuum is not helping to bring Social Enterprises from the fringes of local authority business to play a more central role.
- 1.14 More than half of the local authority officers we interviewed acknowledged that there was much more they could and should do to lead on this agenda, recognising that without an investment in senior leaders time, the local authority is unlikely to be successful in attracting new businesses and entrepreneurs to commit resources. Because leadership is generally poor, local authorities do not have a common understanding of how they want to work with Social Enterprises, which means that Social Enterprises cannot play a more active role in tackling poverty and disadvantage.



- 1.15 A number of local authorities in England<sup>5</sup> have sought to create a more cohesive leadership approach by raising awareness to improve understanding. For instance:
- a hosting a social enterprise day within the local authority;
  - b putting on workshops for councillors and senior managers;
  - c ensuring senior management teams take responsibility for communicating their vision for Social Enterprises;
  - d setting targets for growth of the social enterprise sector; and
  - e developing activities to celebrate and promote social enterprise.
- 1.16 Good and effective leadership is therefore critical to support the Social Enterprise agenda's movement to the mainstream. Particularly as there is significant 'churn' in the Social Enterprise market which is mostly happening outside of any engagement with or support from local authorities. Research shows that the social business sector in Wales is very dynamic, comprising a core group of well-established organisations but also a growing group of start-ups.
- 1.17 For instance, in 2020 just under a fifth of Social Enterprises (17%) started trading within the last two years<sup>6</sup> and double the number of start-ups in 2016. Start-up activity is particularly concentrated in Northeast Wales — Denbighshire and Wrexham account for 15% of all start-ups. With such a vibrant and ever-changing sector, it is important that local authorities take a more proactive and less passive approach in working with Social Enterprises if they are to maximise their potential and help support businesses that are struggling.

---

5 For example, Northumberland County Council raised awareness of the work conducted by social enterprises through information stalls aimed at staff, a social enterprise day and senior manager workshops to enhance understanding of the role and vision for the social enterprise sector. The local authority is also looking to create a cross-party member task group to consider how the local authority can support social enterprise. The task group will also champion social enterprise as a concept and promote a joint vision.

6 [Social Business Wales, Mapping the Social Business Sector in Wales / 2020 Census, June 2021](#)

**While there are good examples of how some local authorities effectively collaborate with Social Enterprise, most authorities are not effectively promoting opportunities to widen their role and maximise their impact**

- 1.18 Collaboration between local authorities and the Social Enterprise sector can provide greater opportunities for all parties. It can also increase understanding by sharing knowledge. Just over half of local authorities have partnership boards or forums, usually with the third sector, which involve Social Enterprises, and a smaller number the presence of a sector led local Social Enterprise network. For example, the Blaenau Gwent 'voluntary sector group' brings together many partners, including Social Enterprises, and works with Transport for Wales, Jobcentre Plus, and others to prioritise future work, including opportunities to work with Social Enterprises, in the county.
- 1.19 In addition, a small number of local authorities have officers with specific responsibility for engaging with and developing relationships with Social Enterprises. For instance, the Business Enterprise Officer in Wrexham is the local authority's key contact with the local Social Enterprise Network. Generally, authorities with a better understanding of the barriers facing Social Enterprises are in a better place to work with the sector going forward.
- 1.20 The ways in which local authorities in Wales work with Social Enterprises to deliver services vary considerably. A small number of authorities have created and funded their own Social Enterprises. For example, in Torfaen, [Circulate](#) operates a recycling centre, providing recycling and waste disposal services which in turn help achieve the local authority's environmental sustainability goals. In the Vale of Glamorgan, the [Big Fresh Catering Company](#) is a social enterprise which provides food services to schools, businesses and private events, investing all profits into local schools. Other local authorities have externalised local authority services such as leisure services and libraries and transferred delivery responsibility to Social Enterprises with a proven record in delivering these activities.
- 1.21 In addition, officers we interviewed flagged the important role of Social Enterprises and the third sector more generally during the pandemic. Social Enterprises 'stepped up' to fill gaps in provision following the closure of frontline offices. One officer noted that 'Social Enterprises did amazing work during COVID-19, giving out food and making PPE. They deserve recognition. They stepped up to the plate at a time when some charities had to furlough all their staff!'

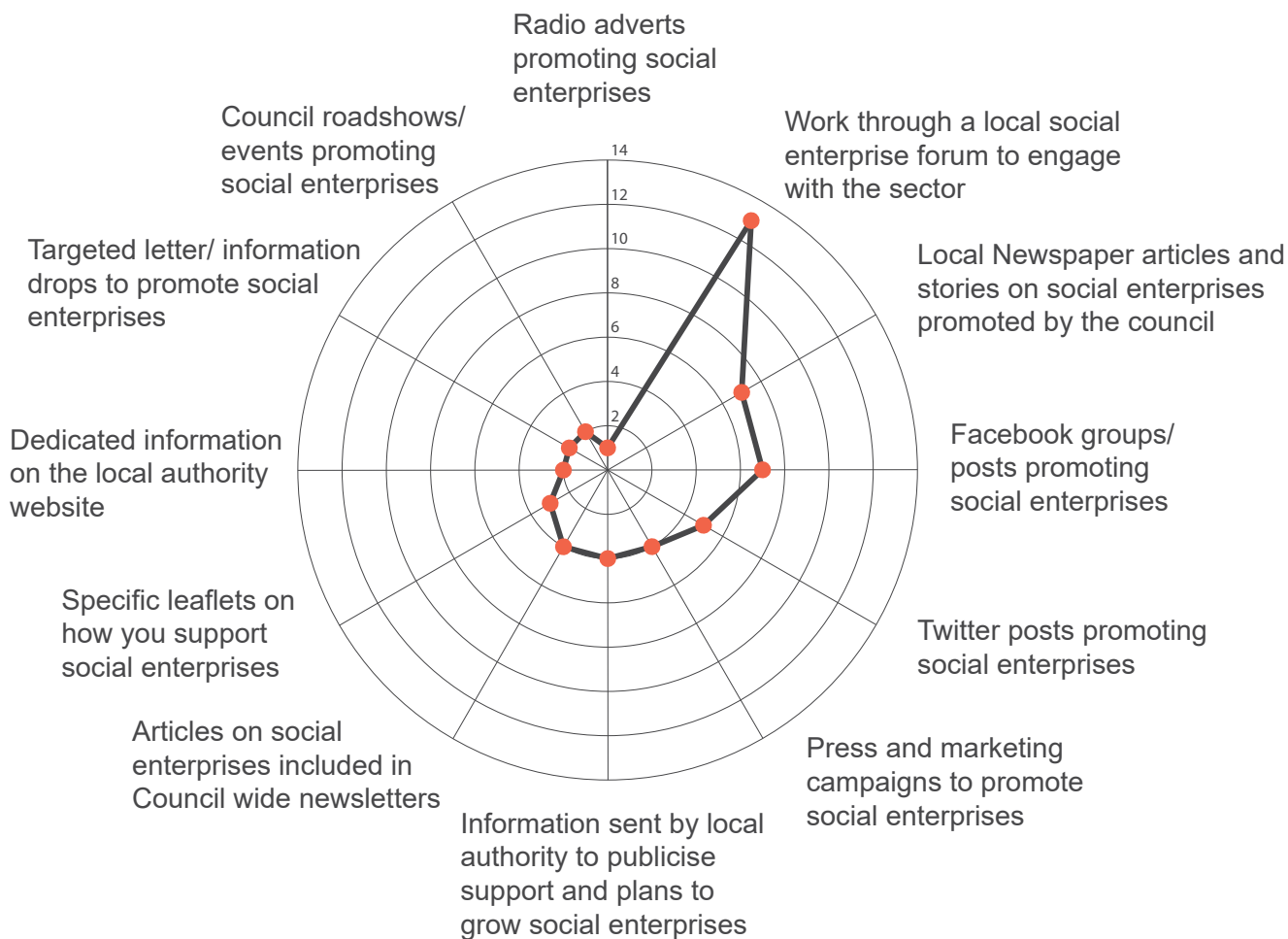
- 1.22 A number of local authority officers however, reflected that the pandemic had limited opportunities for involving Social Enterprises in the work of the local authority. While others noted that Social Enterprises 'value their independence' and do not respond well to local authority involvement. National organisations like CWMPAS and Social Business Wales are seen by some local authority officers as being better placed to work with the sector and determine future growth strategies. In addition, County Voluntary Councils also play an important support and development role linking between local authorities and Social Enterprises.
- 1.23 While almost all local authorities signpost to information on Social Enterprises on their website, only six local authorities had a dedicated page for Social Enterprises, and a small number had no information on Social Enterprises at all. Overall, we judge the quality and level of website information on Social Enterprises as limited. Too often information is not easy to find and is more than '3 clicks' away<sup>7</sup>. Local authorities are mostly not actively promoting opportunities to work with existing Social Enterprises nor effectively encouraging the creation of new ones.
- 1.24 The best local authority websites include:
- a a clear definition of what a Social Enterprise is;
  - b have links to a wide variety of organisations to access further and more detailed information, particularly on legal issues, such as Social Business Wales, CWMPAS, Social Enterprise UK or the WCVA; and
  - c provide contact details and information on local support programmes and grants administered by the local authority.
- 1.25 The findings of our officer survey set out in Exhibit 3 show that beyond working with forums or networks which include Social Enterprises as members, local authorities are not using all the available avenues to deliver their responsibilities to promote Social Enterprises.

---

<sup>7</sup> The three-click rule is an unofficial web design rule concerning the design of website navigation. It suggests that a user of a website should be able to find any information with no more than three mouse clicks. It is based on the belief that users of a site will become frustrated and often leave if they cannot find the information within the three clicks.

### Exhibit 3 – local authority officer survey - Options used by local authorities to promote the growth of Social Enterprises

Local authorities are not effectively promoting opportunities to enhance the Social Enterprise sector which weakens their ability to deliver their statutory responsibilities



Source: Audit Wales, Survey of Local authority Officers, January – May 2022

- 1.26 A small number of local authority officers identified raising awareness as an area for improvement. For example, one noted that 'It should be [part of our role], but we don't do much of that, due to not having a formal strategy. We don't really report our impact either.' And some local authorities have sought to encourage Social Enterprises to work collectively in order to bid for larger contracts or encourage them to move into areas of activity that better align with local authority grants and funding programmes.
- 1.27 However, other local authorities noted that while they would support emerging Social Enterprises, they would not necessarily 'push' them as a preferred option. One officer noted that they were 'a bit cautious about foisting a specific model or approach on people.' This passive approach to engagement and involvement with Social Enterprises is not supporting local authorities to make best use of the sector and we conclude that there is much more to do.



**Local authorities do not have the right mechanisms in place to maximise value for money from their work with Social Enterprises**

---

02

2.1 In this section of the report, we consider how local authorities are working to exploit the potential value of Social Enterprises. We consider the effectiveness of procurement and commissioning approaches and whether they are delivering value for money and adding social value for people.

## Procurement and commissioning arrangements do not encourage Social Enterprises to pursue public funding. Local authorities do not have sufficient capacity and resources to grow the sector

2.2 **Exhibit 4** shows that roughly two-thirds of Social Enterprises generate income through trade with the general public and just under half from public sector grants. These are predominantly from Welsh Government and/or grant-making trusts rather than local authorities and in 2020 mostly related to the financial support made available to help businesses through the pandemic. With regards to bidding for and delivering commissioned services the data highlights that there has been a slight drop in trade with the public sector between 2018 and 2020, indicating the significant untapped potential of Social Enterprises for local authorities.

### Exhibit 4 – where Social Enterprises in Wales get their money from in 2016, 2018 and 2020

Trading with the general public remains the main source of income for Social Enterprises although public sector grants are growing in importance

Sources of income	2016	2018	2020
Trading with the general public	57%	63%	64%
Public sector Grants	39%	49%	49%
Other grants	39%	44%	42%
Trading with the public sector	23%	40%	32%
Donations	24%	33%	33%
Trading with third sector organisations	15%	32%	25%
Trading with the private sector	17%	29%	25%
Trading with other Social Enterprises	8%	22%	17%

Source: Social Business Wales, [Mapping the Social Business Sector in Wales / 2020 Census](#), June 2021

- 2.3 Analysis by Social Business Wales highlights that while 32% of Social Enterprises currently trade with the public sector, most businesses (61%) do not tender for public sector work and just under a third (31%) consider their inability to access funding from local authorities and other public sector bodies as a barrier to their sustainability and growth<sup>8</sup>. This research also noted more generally that local authority funding of Social Enterprises has significantly reduced since 2014, in part because of a greater reliance on trade with the general public but also because of difficulties in working under public bodies commissioning and procurement rules<sup>9</sup>. In addition, the findings of the CWMPAS 'Buy Social Buy Local project' – which was set up to identify public sector spend that Social Enterprises could secure – found that too often the sector in Wales is not geared up to work with public bodies.
- 2.4 Local authorities are under continuous pressure to deliver public services with limited budgets and resources. Combined with rising expectations from service users and growing demand for many statutory services, local authorities need to ensure they make every £1 count through their procurement and commissioning processes.
- 2.5 Local authorities have a strong record in local economic development work, promoting growth and, in particular, providing help for small and medium size businesses. Over half of the local authority officers we interviewed however, did not differentiate between their wider economic development work and the specific opportunities Social Enterprises present, seeing Social Enterprises as one option among many locally. And, while most local authorities provide financial assistance to businesses and the third sector, these grants are for businesses in general, with no specific focus on growing Social Enterprises. Some local authorities noted that their procurement and commissioning approaches sought to create a 'level playing field' and did not favour one group of organisations over others.

---

8 [Social Business Wales, Mapping the Social Business Sector in Wales / 2020 Census, June 2021](#)

9 <https://wales.coop/wp-content/uploads/2019/06/SBW-Full-Mapping-Report-English.pdf>



- 2.6 Notwithstanding, authority officers responding to our survey also identified various barriers to Social Enterprises benefitting from local authority procurement and commissioning opportunities. These include:
- a 'onerous' and 'not proportionate' procurement rules that discourage smaller businesses;
  - b processes focusing too much on profit and savings and not enough on social value, community resilience and well-being, all areas where Social Enterprises can add value;
  - c Social Enterprises not operating in the appropriate sector, or not offering all the services required;
  - d a preference for local authorities to go to existing providers and 'work with what we know' rather than pushing the boundaries and actively seeking to develop new opportunities; and
  - e limited capacity, skills and resources in local authorities which reduces opportunity to broaden the contractor base and specifically target Social Enterprises.
- 2.7 However, despite these weaknesses we also found that most local authorities are not resourcing work to promote Social Enterprises. For example, our survey of local authorities found that only two of the 21 responding to us have a dedicated budget to support the growth of Social Enterprises. Social Enterprise UK recognise four of the seven local authorities – Conwy, Flintshire, Gwynedd and Wrexham – as 'Social Enterprise Places' – areas where social business activity is thriving and there is commitment to invest in and work with the sector.<sup>10</sup>
- 2.8 A number of interviewees also noted the impact of the loss of the EU funded Southeast Wales Community Economic Development (SEWCED) program, a £13.5 million programme delivered in six authorities (Bridgend, Blaenau Gwent, Caerphilly, Merthyr Tydfil, Rhondda Cynon Taf and Torfaen) that funded work on developing Social Enterprises. The SEWCED program ended in 2015 and, despite its success, has ended. Officers from the six authorities who delivered the SEWCED initiative felt the loss of EU funding stopped them from working collaboratively to grow the social business sector. **Appendix 5** provides further information on this project.

---

10 There are 33 recognised social enterprise places in the UK of which four are in Wales.

## Social value does not feature as a key driver in local authority commissioning

- 2.9 There is no single definition of social value, however Social Enterprise UK has defined social value in the context of procurement as ‘the additional benefit to the community of a commissioning/procurement process over and above the direct purchasing of goods, services and outcomes.’ For local authorities who are commissioning services it is important to consider and measure this social value from the perspective of those affected by the organisation’s work. By capturing in a monetised form the value of a wide range of outcomes, commissioners are then able to broadly identify how much social value they can get for every £1 of investment. The social value model of delivery is therefore a framework that supports a collaborative re-design of services in every area of activity.<sup>11</sup>
- 2.10 Our local authority officer survey found that of the 21 who responded, nine authorities specifically consider social value when scoring tenders for services, nine do not and three did not know. Of the nine local authorities who do consider social value, five said the level of weighting varies across tenders but four did not know.
- 2.11 Recent research published by Welsh Government echoes these conclusions noting that because local authorities are under resourced, procurement and commissioning teams often lack the skills and capacity to realise the benefits of social value<sup>12</sup>. Current approaches, which focus too much on cost, are leading to less sustainable models of delivery because too often the only area where organisations can reduce price is by squeezing pay and/or staff terms and conditions.
- 2.12 Notwithstanding, our review of local authorities’ procurement strategies identified some good approaches to widening impact and enhancing social value. For example, Caerphilly’s Procurement Strategy includes an option to use ‘Social/Community Benefit Clauses’ in contracts. Flintshire has also introduced a ‘Dynamic Purchasing System,’ allowing smaller businesses to fulfil small parts of larger orders, rather than going to a single large supplier. This can also encourage existing businesses to establish social enterprise arms. Flintshire and Rhondda Cynon Taf, have also created ‘Social Value Development Officer’ (or similar), a dedicated role that specialises in scrutinising tenders and budgets and identifies and promotes opportunities to maximise social value.

---

11 [cwmpas.coop/wp-content/uploads/2022/04/3.2.9.-supporting-care-commissioners-and-procurers-to-promote-social-value-models-of-delivery-2020-ENG.pdf](https://cwmpas.coop/wp-content/uploads/2022/04/3.2.9.-supporting-care-commissioners-and-procurers-to-promote-social-value-models-of-delivery-2020-ENG.pdf)

12 CWMPAS, [For economic and social change: Welsh Government Social value review - Summary Report](#), June 2022.

- 2.13 A number of authorities use the Welsh Local Government Associations (WLGA) Themes, Outcomes and Measures<sup>13</sup> (TOMS) metrics which provide a social value weighting for analysing and scoring tenders. For example, Flintshire told us 'We will likely lean on our TOMS, to measure success, as these are pre-made and standard across the social enterprise sector and the local authority.' Flintshire's TOMs, which relate to their corporate priorities and well-being objectives, allow the Council to use its commissioning procurement activities to generate strategic place-based outcomes in line with local community needs. Similarly, Rhondda Cynon Taf similarly noted that 'we use the TOMS system as they are national and include an underlying social value element. It's considered when we look at their business plan.' However, several local authorities noted that from their experience TOMS did not provide a helpful or workable solution for social care commissioning.
- 2.14 The majority of local authorities would also consider it their responsibility to 'step in' to support a struggling Social Enterprise if they had commissioned services from the organisation. However, given the limited amount of commissioning taking place and a natural reluctance to bail out organisations that are struggling, most would not seek to support them financially or otherwise, considering this too risky and uncertain.
- 2.15 Given limitations in how authorities are promoting social value in commissioning and procurement, Welsh Government have recently reappointed CWMPAS to support the needed transformation of services within the social care sector, by pushing forward the development of social value models for care. CWMPAS has announced its intention to 'help strengthen regional arrangements for rebalancing the social care market by introducing more co-operatives, Social Enterprises and social value delivery models in the Welsh social care sector'<sup>14</sup>. In addition, a sub-group of the National Commissioning Board is also producing a guide for social value in social care commissioning. While still in draft, it notes that to make procurement work more effectively commissioners need to think differently with a greater focus on place, people and use of assets.

---

<sup>13</sup> Published in November 2020, Themes, Outcomes and Measures guidance is in three parts with [Part 1](#) providing an overview of the approach.

<sup>14</sup>[www.wales247.co.uk/welsh-government-appoints-cwmpas-to-transform-social-care-delivery-across-wales](http://www.wales247.co.uk/welsh-government-appoints-cwmpas-to-transform-social-care-delivery-across-wales)



**Local authorities are not delivering their responsibilities under the Social Services and Well-Being (Wales) Act and weaknesses in data and evaluation limits their ability to promote Social Enterprises**

---

3.1 In this final section of the report, we examine how local authorities are delivering their responsibilities under the Social Services and Wellbeing (Wales) Act 2014. We also assess the strength of oversight arrangements and whether they allow authorities to fully evaluate the work of Social Enterprises, their impact and identify opportunities for the future.

## The majority of local authorities are not delivering their responsibilities under the Social Services and Well-Being (Wales) Act to promote Social Enterprises

3.2 Section 16 of the Social Services and Well-being (Wales) Act 2014 (the 'Act') places a duty on local authorities to 'promote development of Social Enterprises to provide care and support and preventative services'. Social enterprises themselves are well-placed to collaborate with local authorities to deliver social care services. Research by Social Business Wales<sup>15</sup> found that:

- a 54% of Social Enterprises are aware of the 'Act';
- b 21% reported that the 'Act' is central to the work that they undertake;
- c 19% incorporated the requirements of the 'Act' into their governance and policy documents;
- d 9% of Social Enterprises are legally obliged to adhere to the 'Act';
- e 9% explained that the 'Act' formed part of their safeguarding policies;
- f 8% reported that the 'Act' informed their staff-training programme; and
- g 7% use the 'Act' for lobbying and marketing purposes.

3.3 We found that relatively few local authority officers we spoke to were aware of their legal duty to champion the use of Social Enterprises and very few could set out how they are working to grow the sector and deliver their Section 16 responsibilities. The imprecise language in the Act is unhelpful in this context; specifically, the word 'promote.' In practice local authorities interpret their responsibilities to 'promote' very widely. A number of authorities simply focus their efforts on working with existing Social Enterprises with little active promotion to encourage others and help create new ones. Few authorities are investing time and resources in refreshing policies and procurement procedures to build capacity and provide more opportunities to existing Social Enterprises, as well as helping to stimulate new ones.

---

15 [Social Business Wales, Mapping the Social Business Sector in Wales / 2020 Census, June 2021.](#)

- 3.4 Recent research echo these findings noting that there has not been a major shift by local authorities commissioning to provide more social care services through Social Enterprises, and the private sector is still the dominant partner<sup>16</sup>. Third sector partners we interviewed and surveyed likewise noted that since the Act went live in 2016, there has been little change in how local authorities work with and encourage Social Enterprises. Consequently, Welsh Government legislative ambitions are not being delivered.
- 3.5 One opportunity to deliver this change is through the new Social Value Forums created under each Regional Partnership Board<sup>17</sup> which are intended to support the growth of the social value sector within the health and social care market. While these forums have varying degrees of support from statutory partners and commissioners, they do provide a good opportunity to engage with the sector, County Voluntary Councils and others within a region to identify opportunities for investment and growth. The 20% allocation of the Regional Integration Fund<sup>18</sup> for the social value sector, managed via Regional Partnership Boards provides a real opportunity for working with Social Enterprises to invest in new ways of delivering services.
- 3.6 In addition, there is an expectation from Welsh Government that each Regional Partnership Board creates a Social Value Forum to explicitly deliver the S.16 responsibilities. For instance, the North Wales Social Care and Well-being Improvement Collaborative<sup>19</sup> have created a Social Value Forum to explore how to promote social value in public services in the region. The Regional Market Stability Reports<sup>20</sup> – recently completed by local authorities through the Regional Partnership Boards – also provide a wealth of information on the scale and stability of the social value market within health and social care and will support the work of Social Value Forums.

---

16 [gov.wales/sites/default/files/publications/2022-07/social-value-review-summary-report.pdf](https://gov.wales/sites/default/files/publications/2022-07/social-value-review-summary-report.pdf)

17 In April 2016, seven statutory regional partnerships came into being. Their purpose is to drive the strategic regional delivery of social services in close collaboration with health.

18 The Health and Social Care Regional Integration Fund is a 5-year fund from April 2022 to March 2027.

19 The North Wales Social Care and Well-being Improvement Collaborative includes the six local authorities in North Wales, Betsi Cadwaladr University Health Board and other partners. The aim is to improve services, make the most of the resources available, reduce duplication and make services more consistent across North Wales.

20 Market Stability Reports review the sufficiency of care and support in an area to provide a snapshot of the sector to help plan and shape services, including care for the future.

- 3.7 A number of local authorities such as Rhondda Cynon Taf and Pembrokeshire are already using (or are in the process of creating) micro-enterprises. Micro-enterprises are small business delivering independent care or support services which employ fewer than 10 people. They are an alternative to often expensive day care services. Due to the current staffing pressures in social services, Micro-Enterprises offer a more sustainable solution as well as delivering better outcomes.
- 3.8 The Act also introduced a requirement for each Director of Social Services to produce an annual report that sets out the local authority's improvement journey in providing services to people in its area <sup>21</sup>. Guidance for the annual reports requires local authorities to report their performance against six quality standards. Standard one – 'Working with people to define and co-produce personal well-being outcomes that people wish to achieve' – specifically covers the promotion of Social Enterprises.
- 3.9 Our review of all Reports of the Director of Social Services found that only eight reports referenced the use of micro-enterprises and a further three mentioned Social Enterprises in some capacity, whether highlighting the work of a specific social enterprise in the area or a service commissioned from a social business. The other 11 reports did not mention Social Enterprises and only expressed in general terms the value of working with the third sector. We also found that no report specifically named the Section 16 duty, though several did include statements acknowledging that the 'Act' requires co-production or partnership working with the third sector. Overall, we conclude that there is more for local authorities to do in their public reporting on how they are promoting Social Enterprises.

---

21 Welsh Government and ADDS Cymru, [The Local Authority Annual Social Services Reports Guidance](#)

## There is minimal oversight and evaluation of Social Enterprises by local authorities

3.10 Social Enterprises play an important role in meeting need and helping people in communities across Wales. For instance, the findings of Social Business Wales Census in 2020, set out in **Exhibit 5**, show that improving local communities and improving the wellbeing of the people are key objectives for over half of all Social Enterprises.

### Exhibit 5 – the priority areas for the work of Social Enterprises in Wales

Social Enterprises are widening out the focus of their work and increasingly delivering activity to benefit the most vulnerable people in communities across Wales

Social Enterprises social and/or environmental objectives	2016	2018	2020
Improving a particular community	64%	57%	66%
Improving health and well-being	39%	45%	52%
Supporting vulnerable people	35%	46%	48%
Addressing financial exclusion	26%	28%	44%
Encourage people to participate in the arts, sports & recreation	-	32%	42%
Supporting vulnerable children and young people	20%	29%	34%
Creating employment opportunities	21%	24%	31%
Promoting education and literacy	32%	29%	29%
Protecting the environment	16%	26%	29%
Providing access to services	-	22%	27%
Supporting other Social Enterprises / organisations	9%	16%	25%
Promotes and protect culture, heritage & the Welsh language	-	21%	24%
Addressing social exclusion	7%	9%	21%
Providing affordable housing	5%	4%	3%

Source: [Social Business Wales, Mapping the Social Business Sector in Wales / 2020 Census, June 2021.](#)



- 3.11 Despite Social Enterprises providing services that help public bodies deliver their wellbeing objectives and other statutory responsibilities, local authorities are mostly not monitoring or evaluating their activities nor their impact. Five local authorities responding to our survey noted that they have agreed measures to judge the impact of Social Enterprises in their local area and report against these. Over half (13) have no arrangements to evaluate activity, and the remainder responding did not know.
- 3.12 Because of weaknesses in performance management, reporting and evaluation, it is difficult for local authorities to judge how well they are currently performing and identify how they can support a growth and expansion in the role of Social Enterprises in the future. While a few local authorities included broad input/output measures in core documents on the work of partners, these are often limited to capturing the 'number of Social Enterprises we work with.' A minority of local authorities stated that they considered obtaining 'qualitative' information on the impact of Social Enterprises, drawing on service users experience, but we found little evidence of local authorities following this through in practice.
- 3.13 Local authorities are mostly not reporting to elected members on Social Enterprises. Consequently, those officers responsible for delivering services are not held to account and the ability to challenge and identify development opportunities are lost. Several officers we interviewed acknowledge that the lack of performance reporting to members restricts chances to encourage elected members to take ownership of this agenda and actively promote Social Enterprises.
- 3.14 Local authorities who commission services from Social Enterprises generally have a Service-Level Agreement (SLA) in place underpinned by a range of agreed performance measures to evaluate commissioned services. However, we found that performance reporting of SLAs focus heavily on 'inputs' and 'outputs' – for instance, number of service users dealt with – rather than assessing the wider social benefit of the work of Social Enterprises and the impact they have on people who receive their services.



# Appendices

---

- 1 Audit approach and methods**
- 2 Checklist for local authorities effectively engaging and working with Social Enterprises**
- 3 Differences in legislative, policy and funding for Social Enterprises across the three countries of Great Britain**
- 4 Number of Social Enterprises by Welsh local authority and percentage change between 2016 - 2020**
- 5 Southeast Wales Community Economic Development programme**
- 6 Summary of Good Practice identified in this review**

# 1 Audit approach and methods

## Approach

This report is the second of our themed work for 2022 looking at poverty. This report sits alongside [our earlier report on poverty in Wales](#) and our forthcoming review examining how local authorities empower people to be more self-reliant and resilient.

For this work our approach has been to understand how well local authorities are working with, promoting and developing Social Enterprises. In particular we have looked at the robustness of needs information, strategies, plans and policies for Social Enterprises and how local authorities are ensuring they deliver their commitments under the Social Services and Wellbeing Act 2014 to promote Social Enterprises.

We examined all 22 principal local authorities in Wales at a high-level, managing delivery to be mindful of the pressures local authority officers are under during both the pandemic and the cost-of-living crisis. We ensured coverage was sufficient to draw a view on the whole sector but not to significantly detract from officers' service delivery responsibilities. Our approach was flexible to fit around officers when agreeing and delivering our fieldwork.

## Methods

We completed our review between August 2021 and September 2022 and used a range of methods in delivering our work:

- **document review:** we reviewed documentation from the Welsh Government, local authorities, PSBs and other relevant public bodies. This included, relevant committee minutes, corporate strategies, economic, business, regeneration and procurement strategies; COVID-19 recovery plans; and the Director of Social Services Annual reports. We also reviewed information published by Social Business Wales, Social Enterprise UK and Social Enterprise Scotland.

- **interviews** – we undertook a range of different interviews:
  - officer interviews – we interviewed officers nominated by all Welsh principal local authorities, generally those with responsibility for Social Enterprises, social care or economic development. These took place between January and May 2022.
  - national interviews – we interviewed representatives of Welsh and Scottish Social Enterprises, national representative bodies such as CWMPAS, charities, think tanks, academic institutions and research bodies. These took place between March and June 2022.
- **focus groups** – in line with our approach, some local authorities felt it was more appropriate for us to speak to a range of officers in focus groups to reduce our impact on service delivery.
- **survey** – we undertook a survey with local authority officers. The survey was open between January and May 2022, and we received responses from all local authorities except Newport City Council.
- **websites** – local authority and external resources, eg DEWIS.
- **data analysis** – we analysed a range of data collated and published by Social Business Wales, Social Enterprise UK and Social Enterprise Scotland.

## 2 Checklist for local authorities for effectively engaging and working with Social Enterprises

Action	Completed	Started	Not Started
--------	-----------	---------	-------------

### 1 Strategic Arrangements

#### Vision

We have an agreed vision on how we will work with Social Enterprises.			
The vision has been shared with, and is understood by, all relevant staff in the local authority.			
The vision has been shared with, endorsed by and is understood by elected members.			
The vision has been developed in discussion with the local County Voluntary Council.			
The vision has been disseminated to Social Enterprises we work with.			
<p>The vision clearly sets out how we intend to deliver our Section 16 responsibilities for promoting Social Enterprises including:</p> <ul style="list-style-type: none"> <li>• Our work to promote social value through the Regional Partnership Board; and</li> <li>• Use of the Regional Integrated Fund to promote and develop Social Enterprises.</li> </ul>			

Action	Completed	Started	Not Started
--------	-----------	---------	-------------

**Corporate Approach**

We have a corporate led approach for working with Social Enterprises that covers all departments and services.			
The corporate approach translates our vision into practical actions.			
We have designated a corporate lead for Social Enterprises who is responsible for overseeing and coordinating our work with the sector.			

**Understanding the local Social Enterprise sector**

<p>We have mapped out the Social Enterprise sector in our local authority area and know:</p> <ul style="list-style-type: none"> <li>• The number of organisations working locally;</li> <li>• The services they provide;</li> <li>• The communities the services are provided in;</li> <li>• The people the service is provided for;</li> <li>• How the services are funded;</li> <li>• The operating hours/days for services;</li> <li>• The eligibility criteria for the service (if any);</li> <li>• How the service fits with our Section 16 responsibilities for promoting Social Enterprises in delivering social care services; and</li> <li>• Who to contact for more information.</li> </ul>			
We have a record of all our Social Enterprise funding.			

Action	Completed	Started	Not Started
<p>We collate financial information and report at least annually on the totality of our Social Enterprise funding covering:</p> <ul style="list-style-type: none"> <li>• which organisations we fund;</li> <li>• the contract value;</li> <li>• the length of the contract;</li> <li>• which department/service has contracted;</li> <li>• the measures of success established for the work; and</li> <li>• what the intended benefits of the work are.</li> </ul>			
<p>We raise awareness on the benefits presented by Social Enterprises to ensure all staff identify opportunities to collaborate with them by:</p> <ul style="list-style-type: none"> <li>• hosting a social enterprise day within the local authority;</li> <li>• putting on workshops for councillors and senior managers; and</li> <li>• developing activities to celebrate and promote social enterprise.</li> </ul>			

**Collaboration and partnership arrangements**

<p>We have identified and agreed how the work of Social Enterprises will be managed and scrutinised at a:</p> <ul style="list-style-type: none"> <li>• corporate level – in the work of strategic partnerships and corporate scrutiny committees;</li> <li>• department level – in specific partnership arrangements to support wider policy agendas within defined areas; and</li> <li>• service level – on local partnerships and specific service-led initiatives.</li> </ul>			
--	--	--	--

Action	Completed	Started	Not Started
We effectively raise awareness of the work of social enterprises and involve local people and communities in developing new Social Enterprises.			
We have a clear and effective relationship with our County Voluntary Council as a key strategic and delivery partner			
We have a nominated lead senior official to promote and lead work through the regional Social Value Forum.			

**Strategy**

Our approach to Social Enterprises is integrated with our key strategies and plan – eg Wellbeing Plan, corporate priorities and other community and regional strategies.			
We have set SMART objectives and actions on how we will support and promote the growth of Social Enterprises.			
We are clear on the benefits and risks of Social Enterprises for citizens, local communities and the local authority.			

**Delivering the strategy**

We have enough staff and resources to promote and grow Social Enterprises.			
We have staff in the right services and with the required seniority to deliver our vision for Social Enterprises.			
We have a can-do culture mindset within the council to make the best use of Social Enterprises.			
We give staff the opportunity to take well-managed risks and explore innovative practices			



Action	Completed	Started	Not Started
--------	-----------	---------	-------------

## 2 Commissioning and Procurement

### Designing services

We draw on the expertise and knowledge of Social Enterprises in designing new services.			
Our commissioners make good use of the Market Stability Report process to inform commissioning and market shaping activity for the social care sector.			
In designing services, we clearly set out: <ul style="list-style-type: none"> <li>• what demand the service will meet;</li> <li>• how we have decided on the type of service that we require; and</li> <li>• how we will engage with current and potential providers to develop the service.</li> </ul>			
We ensure that our tender process is accessible for all potential collaborators.			
We can demonstrate we have the capacity and skills to undertake the strategic commissioning process.			
We actively look for ways to invite collaboration			

Action	Completed	Started	Not Started
<b>Effective award systems</b>			
<p>We have created a single centralised and corporate funding system for the management and award of all funding to Social Enterprises.</p>			
<p>We have effective systems to award funding to organisations that sets out:</p> <ul style="list-style-type: none"> <li>• a clear funding timetable that is available to all potential bidders so that they can prepare for opportunities;</li> <li>• the process that will be used to decide (for example, seeking quotations or using a tender or proposal process);</li> <li>• the value and risk associated with the various funding routes;</li> <li>• clear and published criteria that are understood by all organisations seeking funding, including community benefit and social value clauses;</li> <li>• the cost and resources to oversee and administer the process; and</li> <li>• the length of time that funding will be provided.</li> </ul>			
<b>Efficient award systems</b>			
<p>We have efficient corporate systems to award funding based on:</p> <ul style="list-style-type: none"> <li>• concise and clear application processes;</li> <li>• use of online and electronic systems to distribute and collate information and bids;</li> <li>• short end-to-end decision-making arrangements;</li> <li>• the minimum number of stages and processes required to decide; and</li> <li>• decisions being delegated to the lowest level.</li> </ul>			

Action	Completed	Started	Not Started
Our contract terms and conditions are proportionate to the level of funding being made and are specific to the work that is being funded.			
We review our funding processes to ensure we are not excluding Social Enterprises from securing work.			

### Training and information sharing

<p>We provide training to support Social Enterprises covering:</p> <ul style="list-style-type: none"> <li>• how to apply for funding – the do's and don'ts;</li> <li>• complying with our commissioning and procurement systems;</li> <li>• data collection processes;</li> <li>• performance management and scrutiny arrangements;</li> <li>• payment cycles and performance targets; and</li> <li>• contract termination/continuation requirements.</li> </ul>			
--	--	--	--

Action	Completed	Started	Not Started
--------	-----------	---------	-------------

### 3 Managing performance

#### Information collection

We have specified the information required to monitor and evaluate the performance of the Social Enterprises we fund.			
The information only measures relevant activity.			
The systems to collect information are streamlined and efficient, and Social Enterprises only submit information once and electronically on agreed timescales.			

#### Performance review

<p>We regularly report on our Social Enterprise funding to scrutiny committee(s) against a balanced set of performance information that covers:</p> <ul style="list-style-type: none"> <li>• the service standards we set for the Social Enterprise we fund to perform against;</li> <li>• improvements in people’s wellbeing and social outcomes; and</li> <li>• relevant service-based performance data; and</li> <li>• conclusions of external audit/inspection reviews.</li> </ul>			
<p>Our scrutiny and evaluation processes:</p> <ul style="list-style-type: none"> <li>• are proportionate for the value of the funding we provide; and</li> <li>• provide us with assurance that our funding is achieving the expected outcomes.</li> </ul>			
<p>Annually we report publicly:</p> <ul style="list-style-type: none"> <li>• on the work of Social Enterprises;</li> <li>• on the current performance of Social Enterprises we fund;</li> <li>• how we will promote further opportunities for the sector in the future; and</li> <li>• how well we are performing in delivering our S.16 responsibilities for Social Enterprises.</li> </ul>			

Action	Completed	Started	Not Started
--------	-----------	---------	-------------

### Risk management

We regularly review risks associated with our Social Enterprise funding.			
We agree risk management plans if risks are not being managed and mitigated.			
We have a rolling programme of internal audit systems testing and compliance reviews to ensure the robustness, efficiency and effectiveness of our funding of Social Enterprise services.			

### 3 Differences in legislative, policy and funding for Social Enterprises across the three countries of Great Britain

Issues	England	Scotland	Wales
Legislation on Social Enterprises	Mainly focussed on making better use of Social Value contracts under the <a href="#">Public Services (Social Value) Act 2012</a>	Mainly through land/ asset usage and requirement for public bodies to have at least one Social Enterprise contract	Yes, S.16 of the SSWBA 2015 requires Local Authorities to “Promote Social Enterprises, co-operatives, user led services and the third sector”. This could also be widened out in the <a href="#">Social Partnership and Public Procurement Bill</a>
National Strategy for growing Social Enterprises	Social Enterprises UK have published a futures report – <a href="#">Social Value 2032</a> .	Scotland’s <a href="#">Social Enterprise Strategy 2016-2026</a>	Welsh Government had strategy in 2005 but this has ended. The current strategy – <a href="#">Transforming Wales Through Social Enterprises</a> – was developed by the sector and is supported by Welsh Government
Government funding for Social Enterprises	Government backed Start Up Loan of £500 to £25,000 and Levelling Up monies	Just Enterprise, Developing Markets, Social Growth, Business Gateway, etc	Business Wales Economic Resilience Fund and Development Bank of Wales
Government support for Social Enterprises	Mainly provided via the UK Government’s <a href="#">Business Support Helpline</a> and 38 local ‘ <a href="#">growth hubs</a> ’	Mainly coordinated via <a href="#">Business Support Scotland</a>	Welsh Government’s <a href="#">Social Business Wales</a>
Minister with responsibility for Social Enterprises	Junior Minister for Civil Society and Youth	Cabinet Minister for Business, Trade, Tourism and Enterprise	Cabinet Minister for Economy

Source: Audit Wales.

## 4 Number of Social Enterprises by Welsh local authority and percentage change between 2018 - 2020

Local Authority	2018	2020	Difference	% increase
Vale of Glamorgan <sup>22</sup>	41	217	176	429%
Cardiff	228	265	37	16%
Newport	51	76	25	49%
Swansea	135	158	23	17%
Wrexham	62	78	16	26%
Ceredigion	71	79	8	11%
Flintshire	65	70	5	8%
Monmouthshire	29	34	5	17%
Isle of Anglesey	56	60	4	7%
Conwy	76	78	2	3%
Denbighshire	71	72	1	1%
Bridgend	83	85	2	2%
Gwynedd	127	128	1	1%
Caerphilly	99	98	-1	-1%
Merthyr Tydfil	67	64	-3	-4%
Pembrokeshire	121	115	-6	-5%
NPT	79	73	-6	-8%
RCT	162	155	-7	-4%
Carmarthenshire	174	164	-10	-6%
Blaenau Gwent	45	38	-7	-16%
Powys	110	100	-10	-9%
Torfaen	51	40	-11	-22%
Total identified	2,003	2,247	244	12%

Source: Social Business Wales, Mapping the Social Business Sector in Wales / 2020 Census, June 2021.

<sup>22</sup> Per the report by CWMPAS, the figure for the Vale of Glamorgan is an outlier, due to the inclusion of an additional source provided by the Vale of Glamorgan Voluntary Service. It is not known if this approach was adopted elsewhere in Wales.

## 5 Southeast Wales Community Economic Development programme

Six local authorities (Bridgend, Blaenau Gwent, Caerphilly, Merthyr Tydfil, Rhondda Cynon Taf and Torfaen) funded dedicated Social Enterprise programs using £13.5m of EU monies under the Southeast Wales Community Economic Development (SEWCED) program. An evaluation of the SEWCED program commissioned by Merthyr Tydfil County Borough Council found that the project had exceeded expectations in terms of generating new jobs, and all aspects of the project were rated highly in surveys with social enterprise beneficiaries. For instance, SEWCED supported:

- the creation of 30 new jobs and 3 new Social Enterprises;
- the provision of financial assistance to 28 local organisations;
- 15 organisations to adopt and implement Environmental Action Plans; and
- 13 to adopt Equality Strategies and improve how their systems for monitoring and evaluating delivery.

The SEWCED program ended in 2015 and, despite the success of the project and the evaluation findings, the activity has not been continued or replaced in the majority of cases. Only two local authorities received transitional funding to keep on the staff they employed to work with Social Enterprises under SEWCED.

The evaluation determined that 'without the support of the SEWCED, the social enterprise sector in Southeast Wales would not have achieved the same outcomes as it did. Furthermore, without similar support in the future, these results would suggest that the social enterprise sector will not produce the same benefits as it has done as a result of the SEWCED programme.' The interviews with local authorities where SEWCED were mentioned have borne this out, as there is no equivalent funded and organised effort to promote Social Enterprises active in Wales at this time.



## 6 Summary of Good Practice identified in this review

### Good practice – how we determine it

These are the parameters we use to judge whether to include a case study as good practice:

- a programme, activity or strategy that has proven effectiveness, supported by a comprehensive evaluation.
- a programme, activity or strategy that has been shown to produce successful outcomes and is supported to some degree by subjective and objective data sources.
- a programme, activity or strategy that has worked within one organisation and shows promise during its early stages for becoming practice with long-term sustainable impact.
- a programme, activity or strategy that has the potential for replication among other organisations.
- a programme, activity or strategy that is delivering value for money. Value for money is defined as the optimal use of resources to deliver the intended benefits.
- a programme, activity or strategy that is delivering savings/reductions in expenditure with no or low impact on performance.

Within the body of the report, we have identified the following areas of good practice:

- Blaenau Gwent County Borough Council – the work of the Voluntary Sector Group that leads on engaging with Social Enterprises – paragraph 1.18.
- Wrexham County Borough Council – the work of the Business Enterprise Officer to support and promote Social Enterprises – paragraph 1.19.
- Torfaen County Borough Council and the Vale of Glamorgan Council – the creation of Social Enterprises to deliver local services – paragraph 1.20.

- Caerphilly County Borough Council – the use of Social and Community Benefit Clauses in contracts – paragraph 2.12.
- Flintshire County Council – Dynamic Purchasing System which allows smaller businesses to fulfil small parts of larger orders – paragraph 2.12.
- Flintshire County Council and Rhondda Cynon Taf County Borough Council – creation of officers with specific responsibilities to identify and promote opportunities to maximise social value in tendering processes – paragraph 2.12.
- Rhondda Cynon Taf County Borough Council and Pembrokeshire County Council – promotion of and work with Micro-Enterprises – paragraph 3.7.





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)

## Audit Wales – A missed opportunity - Social Enterprises

[Published December 2022](#)

<b>What are we trying to achieve, the outcome</b>	The Council is committed to continue to support steps to deliver a circular economy that provides local jobs, training opportunities and other community and social benefits for local social good and that help to mitigate poverty and inequality. Considering Social Enterprise can be part of our service options in the context of socially responsible procurement. This means taking action when purchasing goods, works and services, to improve economic, social, environmental and cultural wellbeing of Rhondda Cynon Taf.
<b>Why we need to do it:</b>	Our current Corporate Plan ' <a href="#">Making a Difference</a> ' aims to create the opportunity for people and businesses to be entrepreneurial and fulfil their potential. In 2020 a <a href="#">Vision for Social Enterprise 2020-30</a> was launched alongside an action plan for its delivery. Transforming Wales through Social Enterprise: vision and action plan was co-produced by social enterprises and social enterprise support agencies with the support of Welsh Government and has the potential to play a significant role in helping Public Bodies to meet the seven National Well-being Goals, and in particular a Wales of Cohesive Communities. Also, the Social Partnership and Public Procurement (Wales) Act which places social partnership on a statutory footing in Wales has recently gained Royal Assent. Among other things the Act promotes fair work and socially responsible public procurement.

Recommendation	Council's Response	Next Steps	Timescale	Responsible Officer
1. To get the best from their work with and funding of Social Enterprises, local authorities need to ensure they have the right arrangements and systems in place. We recommend that local authority officers use the checklist in Appendix 2 to: <ul style="list-style-type: none"> <li>self-evaluate current Social Enterprise engagement,</li> </ul>	Noted The Audit Wales report identifies a number of complex and interconnected issues across a range of services. The report also included reference to our work to develop micro enterprises through our *'Community Catalyst' project, recently implemented, which offers a local and sustainable solution within social care.	The Council is considering the detail of the report so that we can more effectively maximise resources in developing our approach both strategically and locally. We will continue to use all resources, including the Audit Wales checklist, to inform and strengthen our	March 2024	Syd Denis/ Marc Crumbie/ Lesley Lawson

Recommendation	Council's Response	Next Steps	Timescale	Responsible Officer
<p>management, performance and practice;</p> <ul style="list-style-type: none"> <li>• identify opportunities to improve joint working; and</li> <li>• jointly draft and implement an action plan with timeframes and responsibilities clearly set out to address the gaps and weaknesses identified through the self-evaluation.</li> </ul>	<p>The Council has a good track record of establishing Community Benefits through our procured contracts; has used a local Social Enterprise to deliver part of refit in our office accommodation and can point to examples of providing opportunities for training and jobs for people with disabilities including our 'Learning Curve' enterprises as well as the Award winning <u>Vision Products</u>. In 2022, we also implemented a local Social Value Measurement Framework (TOMS) through which we are able to monitor the social value of our contracts. However, we can do more to consider social enterprises in delivering our services. The Council also plays a significant role in its work with, and support, to community based social enterprises including:</p> <ul style="list-style-type: none"> <li>• utilising social enterprises to provide low level assistance to residents as part of a range of support options.</li> <li>• administering a range of funds to local social enterprises.</li> <li>• providing support to apply for funding.</li> <li>• facilitating Community Asset Transfers to local social enterprises such as 'Y Siop Fach Sero', Age Connects Morgannwg, Cambrian Village Trust.</li> </ul>	<p>wider approach, recognising the need to raise the understanding and profile of social enterprises and the community value they offer.</p> <p>This approach will also be in the context of our continuing work to implement the Social Partnership and Public Procurement (Wales) Act which has recently gained Royal Assent, and the opportunities to develop our arrangements within the new Corporate Plan which comes into effect in 2024.</p>		

Recommendation	Council's Response	Next Steps	Timescale	Responsible Officer
	<ul style="list-style-type: none"> <li>providing projected and actual Social Value calculations on the social and wellbeing value of their activities along with a 'Social Return on Investment' calculation.</li> </ul>			
<p>2. To drive improvement we recommend that the local authority:</p> <ul style="list-style-type: none"> <li>formally approve the completed Action Plan;</li> <li>regularly report, monitor and evaluate performance at relevant scrutiny committees; and</li> <li>revise actions and targets in light of the authority's evaluation and assessment of its performance.</li> </ul>	<p>Noted</p> <p>The Council is currently mapping community based enterprises as part of its business as usual and is also in early discussions with a third party to scope a potential project that will establish a baseline of Social Businesses in RCT, their size and scope and the extent of their ability and willingness to engage with the Council.</p> <p>The draft Aberdare Regeneration Strategy also contains reference to early plans to engage with Social Enterprises within the context of the strategic objective '<i>To support the development of a greater variety of businesses within the town that satisfy emerging opportunities from both growing visitor demands and local needs</i>'.</p>	<p>Continue to establish the scale and scope of Social Enterprise across RCT.</p> <p>The actions arising from recommendation 1 will also support the delivery of recommendation 2.</p>	<p>March 2024</p>	<p>Syd Dennis/ Marc Crumby/ Derek James/ Lesley Lawson/</p>
<p>3. To ensure the local authority delivers its S.16 responsibilities to promote Social Enterprises we recommend that it reports on current activity and future</p>	<p>Noted. *See also recommendation above.</p> <p>The <a href="#">2021/22 Director's Report</a> set out early work to develop the 'Community Catalyst' Partnership Service model to support</p>	<p>The Annual Report of the Director of Social Services 2022/23 will continue to</p>	<p>October 2023</p>	<p>Neil Elliot</p>

Recommendation	Council's Response	Next Steps	Timescale	Responsible Officer
<p>priorities following the evaluation of its Action Plan including the Annual Report of the Director of Social Services.</p>	<p>people to develop small community based enterprises which is currently being piloted in North Cynon.</p>	<p>address relevant Social Enterprises input that will help to strengthen its response to meeting the requirements of Social Services and Well-being Act.</p>		

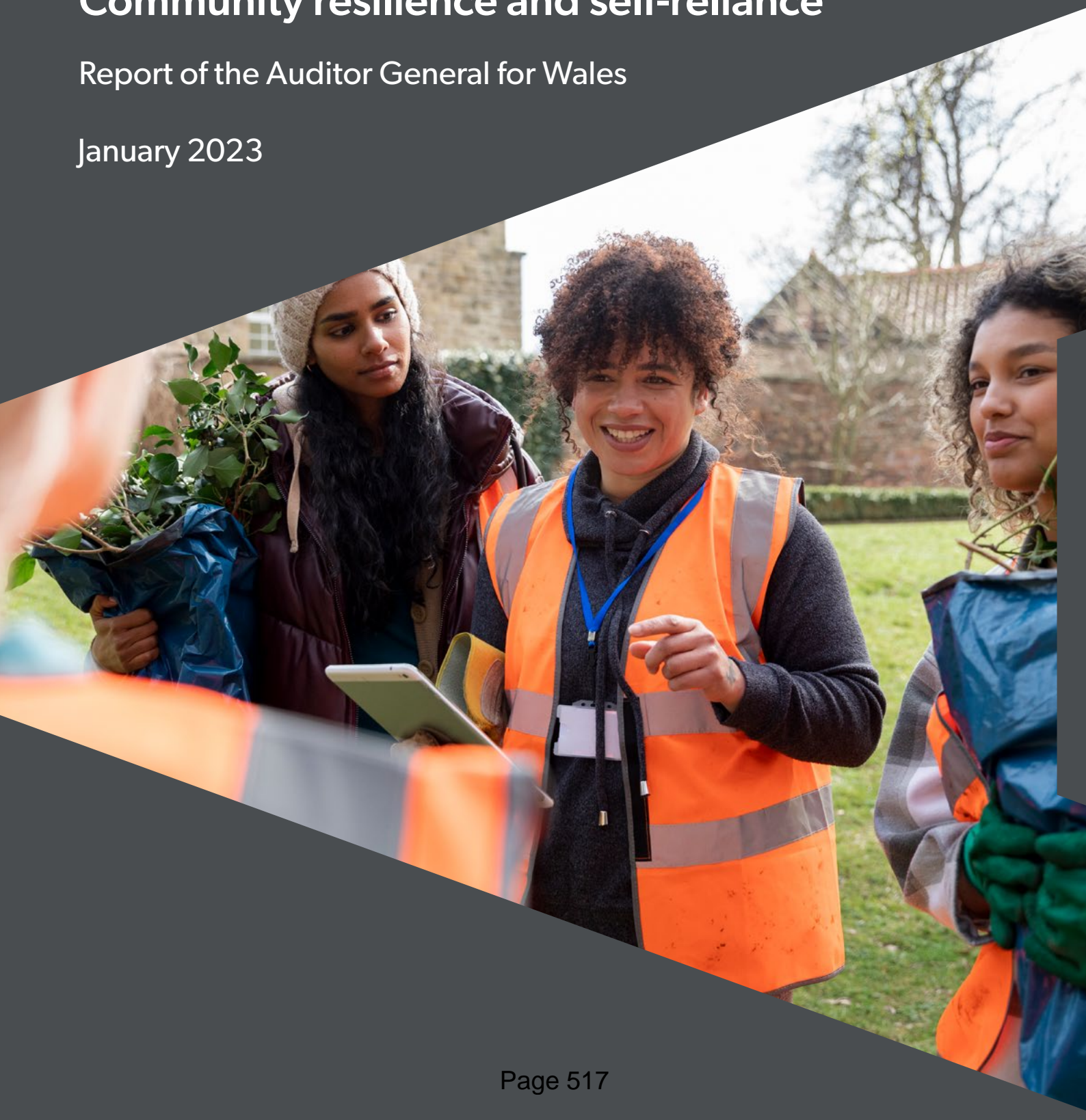


# 'Together we can'

## Community resilience and self-reliance

Report of the Auditor General for Wales

January 2023



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

The Auditor General is independent of the Senedd 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 Senedd 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 2023

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 provide staff and other resources for the exercise of the Auditor General's functions, and to monitor 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

---

Context	4
Key findings	6
Recommendations	8
<b>Detailed report</b>	
1 Defining community resilience and self-reliance	9
2 The current approach of local authorities to creating more resilient communities and self-reliant people	17
3 Looking to the future and learning from elsewhere	30
<b>Appendices</b>	
1 Audit approach and methods	45
2 Community resilience and self-reliance evaluation tool	47

# Context

---

- 1 This study is the final report of three under our themed programme of work looking at how local government is alleviating and tackling poverty. Through our work we have sought to:
  - **Assure** people on how public money is being spent on tackling and alleviating poverty and provide evidence on where change is needed.
  - **Explain** the scale of the poverty challenge facing people in Wales and set out how all tiers of government are working to address this. We highlight good practice but also identify areas where improvement is needed.
  - **Inspire** a change in how money and services can be delivered in the future identifying new ways of doing things to help address poverty.
- 2 Our first report provided a baseline showing that poverty is the major challenge facing all tiers of government, and Wales has the greatest and deepest levels of poverty in Great Britain. With this context in mind, our second report looked at how local authorities are working to grow and expand social enterprises to help local government deliver more services and reduce demand.
- 3 This final review focuses on understanding how local authorities are creating the conditions needed to transform ways of working and empower communities to thrive as independently as possible. We specifically look at the priority placed on community resilience and self-reliance in local authority plans, and how local authorities are equipping people to be less reliant on often over stretched local authority services.

## Local authorities face a daunting challenge

- 4 In the last 15 years, local government in Wales has faced significant pressures, dealing with crisis after crisis, which has changed the way services are provided. Austerity tested local government's ability to change and react. Local authorities adapted well in responding to this challenge, devising and implementing a range of efficiency measures that reduced the cost of services, but also finding innovative ways of working. Similarly, local authorities were flexible when responding to COVID-19, finding new ways of delivering services that protected people while overcoming the many challenges the pandemic presented.

- 5 Local authorities are now facing more significant challenges as a result of the current cost-of-living crisis, and it is clear that they are again being challenged to support people where demand for services is likely to increase. But, because capacity within local authorities has been eroded and opportunities to deliver further efficiency savings are exhausted, local authorities will have to find other ways of maintaining services and continuing to support the wider community and in particular those most in need. This is also set against the current situation of public spending not keeping pace with inflation. While the Welsh Government revenue settlement for local authorities in 2023-24 will increase by 7.9% on a like-for-like basis compared to the current year<sup>1</sup>, this is below the rate of inflation which was estimated to be 9.3% at the end of November<sup>2</sup>.
- 6 Against this challenging situation, local authorities are showing an increasing interest in encouraging and growing community resilience; equipping people to do more for themselves and be less reliant on the state. Resilience is not a new concept and has been central to how local authorities have traditionally responded to local emergencies such as flooding, natural disasters and, indeed, the pandemic. In this context, resilient communities are defined by their ability to deal with a sudden calamity but are also able to quickly bounce back to their pre-crisis state.
- 7 But at a time of reductions in budgets and uncertainty in public finances, the idea of equipping people to do more for themselves on a more sustained basis, is increasingly appealing. It responds to the pressure of where to prioritise local authority activity and ensure there is an adequate safety net in place for the most vulnerable and disadvantaged. Consequently, community and self-resilience has begun to appear as a priority in more local authority corporate plans and strategy documents, not merely as a response to a natural disaster but as means of equipping people to be able to adapt and directly manage the problems they face.
- 8 The application of resilience thinking is not, however, without its risks and challenges. While promoting resilience can be seen as a pragmatic response by local authorities faced with difficult decisions about how to use their reducing resources, it is important to recognise the limits of what might be achieved; resilience might serve as a strategy for helping communities to cope with adversity, but it cannot overturn structural inequalities and deliver solutions to generational issues like poverty alone.

---

1 [Written Statement: Provisional Local Government Settlement 2023-24](#)

2 [www.ons.gov.uk/economy/inflationandpriceindices/timeseries/l55o/mm23](https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/l55o/mm23)



## Key findings

---

- 9 Overall, we conclude that local authorities face a challenging and uncertain financial future but find it difficult to empower people and communities to be more self-reliant and less dependent on services.
- 10 In **Part 1**, we consider why community resilience and self-reliance are important for local authorities. We found that much of the current narrative on community resilience is framed by the need to respond to emergencies and civil contingency requirements. This narrow focus can lead to local authorities missing opportunities to make a broader impact and, in some cases, even unintentionally encouraging dependency.
- 11 Importantly, recent Welsh Parliament legislation such as the Well-being of Future Generations (Wales) Act 2015 is mapping a new direction for public service delivery. However, we found that this has not translated into the fundamental shift with people being encouraged to do more for themselves and being less reliant on local authority services. While 19 of the 22 local authorities are prioritising community resilience, too often the work is poorly defined and the actions that underpin plans are narrowly focussed.
- 12 In **Part 2**, we outline how local authorities are currently working to engender more self-reliance and greater resilience in communities. We summarise current activity highlighting how local authorities are framing their changing relationship with communities. In this section, we also consider the effectiveness of approaches, noting areas of strength and good practice but also the barriers to making positive change.
- 13 The growth in volunteering, community asset transfers, community hubs, emerging work on community empowerment and the work of community navigators shows the commitment of local authorities to transform how they operate. However, given the societal, financial and demographic challenges facing Wales, there is a need to scale and speed up activity. We acknowledge that the shift in emphasis from local authorities doing less and requiring others to do more is not easy to achieve.
- 14 There are also significant barriers to overcome, both within local authorities but also communities. Capacity, resources and skills are scarce, people are facing tougher choices and struggling to cope with the cost-of-living crisis. Communities and local authorities themselves also have different abilities and are starting from different places with their own unique challenges to overcome.

- 15 Positively, as a result of COVID-19, there is a huge amount of goodwill and commitment within communities that local authorities can build on and use. However, the view of partners and stakeholders we spoke to suggests that some local authority services are returning to their pre-pandemic ways of working and the opportunity to shift to being an 'influencer' and 'enabler' rather than 'direct provider' is potentially being wasted.
- 16 In **Part 3**, we look to the future, setting out approaches and learning from elsewhere. We highlight positive practice and examples of how others are seeking to address the challenge of enabling people to be less reliant on local authority services and how they are supporting and enabling this transition. We frame this around the following:
- creating a clear vision of how things will work in the future;
  - holding a two-way dialogue and communicating what change will 'look' and 'feel' like;
  - revitalising the role of local authority members as community champions;
  - refocussing the work of local authority staff;
  - recognising that recasting community relationships will require different solutions in different places; and
  - ensuring wealth stays local and works for all the community.



The pandemic showed communities can play a more active role and become less dependent on public services but sustaining this requires local authorities to change how they work. I recognise how difficult this is in the current climate but also believe that change is necessary. Our report makes the case for change and provides helpful recommendations to help authorities make the transition.

---

**Adrian Crompton**  
Auditor General for Wales



# Recommendations

---

- 17 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.

## Recommendations

---

- R1 To strengthen community resilience and support people to be more self-reliant, local authorities need to ensure they have the right arrangements and systems in place. We recommend that local authorities use the evaluation tool in **Appendix 2** to:
- self-evaluate current engagement, management, performance and practice;
  - identify where improvement is needed; and
  - draft and implement an action plan with timeframes and responsibilities clearly set out to address the gaps and weaknesses identified in completing the evaluation tool.
- R2 To help local authorities address the gaps they identify following their self-evaluation, we recommend that they:
- formally approve the completed Action Plan arising from the evaluation exercise;
  - regularly report, monitor and evaluate performance at relevant scrutiny committees; and
  - revise actions and targets in light of the authority's evaluation and assessment of its performance.





# Defining community resilience and self-reliance

---

01

## The policy shift from 'doing' to 'enabling' and 'influencing'

- 1.1 Nurturing resilience is not an exact science. Neither is it a traditional service or a neatly defined activity in its own right. An understanding of the evolving role of government and the changing relationship between citizen and state provides the foundations; from this evolving position, local authorities can develop their approach to community resilience, embedding consistent and sustained ways of working that ultimately empower people and communities.
- 1.2 This fundamental shift – from 'providers' to 'enablers' – is not insignificant or easy to achieve. Austerity drove local authorities to reflect on their role and in many ways necessitated a shift towards adopting a more enabling approach. At the same time, however, the budgetary constraints that demanded this shift in the first place, also significantly reduced the capacity and expertise needed to navigate this tricky transformation. However, with a challenging and uncertain future for public finances<sup>3</sup>, increasing demand for statutory services through an aging population<sup>4</sup>, and Wales already facing some of the worst poverty levels in the UK<sup>5</sup>, local authorities have little option but to focus their efforts on equipping communities to become more resilient and self-reliant.
- 1.3 Broadly, the terms resilience and self-reliance should encapsulate both community preparedness for adverse situations; the support to promote individuals' independence, and everything else in between. From those we reviewed, we found Public Health Wales's<sup>6</sup> definition of resilience to be the most rounded; 'an ability to draw on strengths and assets to cope or thrive in adversity – be that a severe or acute life event or the chronic stresses of everyday life'. The 2019 Public Health Wales report on community resilience sets out a number of key contributors to community resilience, highlighting its importance as a means of tackling complex societal issues such as poverty. These are set out in **Exhibit 1**.

---

3 Welsh Local Government Association (WLGA), ['Autumn Statement is a missed opportunity to help our communities'](#), November 2022

4 Welsh Government, [Population and household estimates for Wales \(Census 2021\)](#), June 2022

5 Auditor General for Wales, [Time for change – Poverty in Wales](#), November 2022

6 Public Health Wales, [Resilience: Understanding the interdependence between individuals and communities](#), 2019

**Exhibit 1: Public Health Wales' 'Building blocks of resilience'****Human capital**

the innate and acquired personal attributes including skills and education, capacity and local knowledge

**Social capital (community level)**

the extent of social networks and connections within a community, effectiveness of local community and voluntary organisations (support, participation), and resources of public, private and third sector organisations that are available to support a community

**Physical/built capital**

the physical infrastructure including homes and roads, access to amenities

**Natural/environmental capital**

access to green and blue space, availability and use of natural resources

**Financial or economic**

capital: income, wealth, access to resources, civic and social enterprises

Source: Public Health Wales, [Resilience: Understanding the interdependence between individuals and communities](#), Public Health Wales, 2019

- 1.4 Defining social resilience and community self-reliance is not helped by different interpretations and meanings in the contexts of key legislation and various functions of local authorities. For example, as a core principle of the [Social Services and Well-being Act \(Wales\) 2014](#), local authorities have long focused on supporting people to live independently by providing information, advice and assistance to prevent the escalation of their needs. This shifts the emphasis for local authorities to playing a more 'enabling' role, albeit in the context of supporting those needing care and support. This has not been without its challenges and there is still more to do to fully embed the principles of the Social Services and Well-being (Wales) Act 2014 and to ensure organisational cultures support its implementation<sup>7</sup>.

7 Audit Wales, [The 'front door' to adult social care](#), Audit Wales, 2019

- 1.5 At the other end of the spectrum, under the [Civil Contingencies Act 2004](#), Local Resilience Forums are responsible for co-ordinating local responses to threats and emergencies. Community resilience is a well-known term in this context but relates specifically to ensuring community preparedness for and adequate response to events such as pandemics, flooding, or terrorist incidents. The inherent focus and emphasis on emergency planning clearly relates to events or situations which threaten serious damage to human welfare, the environment or to the security of the UK<sup>8</sup>. Beyond the scope of emergency planning, resilience in this sense has little to do with promoting self-reliance in daily life and equipping people to be less dependent on the state.
- 1.6 A further interpretation is set out in the context of the [Well-being of Future Generations \(Wales\) Act 2015](#) – specifically, the focus on climate change and air quality in the national wellbeing goal of 'A resilient Wales'. Although clearly relevant in a broader sense, this has little to do with creating the social and human conditions that help communities thrive without calling on local authorities. Developing resilient communities and self-reliant citizens, therefore, requires local authorities to 'let go' of control and involve and empower people. Despite 'involvement' being one of the five ways of working under the Well-being of Future Generations (Wales) Act, public bodies are often not creating opportunities for citizens to be involved from the early stages of design through to evaluation and must do more to include the full diversity of the population<sup>9</sup>.

---

8 Cabinet Office, [The role of Local Resilience Forums](#), Cabinet Office, 2013

9 Auditor General for Wales, [So, what's different? Findings from the Auditor General's Sustainable Development Principle Examinations](#), May 2020

## Most local authorities recognise the need to create more resilient and self-reliant communities, but very few have clearly defined what this means or entails

- 1.7 Given the current policy and legislative drivers, it is not surprising to find that local authorities' interpretations of resilience and self-reliance are rooted in either emergency planning or social care, and/or linked to their corporate efforts to reduce carbon emissions and boost biodiversity. Whilst these approaches clearly make an invaluable contribution to people's well-being and safety, their narrower focus can mean local authorities risk missing opportunities to make a broader impact and, in some cases, even risk encouraging dependency.
- 1.8 At the time of our review, we found that most local authorities have no clear definition of resilience or self-reliant communities, despite 19 having well-being objectives specifically aimed at promoting community resilience. In a survey of local authority lead officers, fewer than half could define what is meant by a resilient community and only three could define characteristics of a self-reliant individual.
- 1.9 All local authorities reference the national well-being goals, including a more resilient Wales, in their plans, but there is little development from these into local objectives or actions. The lack of definition for the terms 'community resilience' and 'self-reliance' means they are nebulous and often little more than catch-all statements. Between different local authorities, and between different services within local authorities, it can mean various things.
- 1.10 During interviews, we asked local authority officers to define community resilience and self-reliance (**Exhibit 2**). Some believed these are not possible to define, or that definitions are not a priority, or their meaning varies significantly between different services. While this recognises the holistic nature of resilience to the individual and the need to consider it in all service areas, it also illustrates the importance of a clear definition for different parts of the local authority to work towards.

## Exhibit 2: example of local authority officers' definitions of community resilience and self-reliance



'A resilient community is one that reacts to a challenge.'



'Cannot be defined.'



'Looking at opportunities to make people in their communities feel more engaged.'



'The local authority working with communities and individuals to find the things that matter in life without the local authority being the first port of call.'



'Can be defined differently wherever you go. Different areas need different support.'



'Working with residents and the community to share responsibility, helping communities to do more for themselves and give them more control over what they can do to support local people in their communities.'



'The process and outcome of engaging with the third sector and investing in their knowledge of their communities.'

Source: Audit Wales interviews with local authority officers.

**“ A resilient community is one that reacts to a challenge ”**

- 1.11 Other officers placed more emphasis on the need to engage with communities and the third sector to develop resilience – both as an outcome and a process. The end outcome would be that citizens work as a community to address issues rather than going straight to the local authority. There was also recognition of the need for resilience to empower communities to cope both with crises, but also grasp opportunities. Having a clear definition, therefore, enables impactful actions to be devised that embody these key features. Many officers we interviewed also view their role as helping to network community groups and involve them in creating infrastructure and systems to support their development. Others see the role of the local authority as a co-producer alongside partners continuing to deliver services rather than the end goal of passing all delivery onto partners.
- 1.12 Despite this, we found some promising approaches. Bridgend's Corporate Plan<sup>10</sup> includes a well-being objective to help 'people and communities to be more healthy and resilient'. This is framed around reducing or preventing an escalation of need in response from the local authority and to enable community-based solutions. Newport's refreshed Corporate Plan for 2022-27 includes a well-being objective to make Newport 'a supportive city where communities and care are at the heart of what we do'<sup>11</sup>. The plan describes how the ambition is for communities to support each other in a more co-operative approach.
- 1.13 Successful transformation requires local authority leaders, both officers and elected members, to clearly articulate the benefits of the new ways of working and successful outcomes. This, in turn, allows officers in each service area to take actions to the greatest benefit locally, such as commissioning investment in social enterprises to keep funding within the local economy. Consequently, third sector and social business organisations that support groups that promote community resilience felt that local authority leadership was paramount both externally in creating the needed dialogue within communities but also within local authorities to stimulate culture change.
- 1.14 In addition, many local authorities continue to frame their activities around continuing to be a service delivery body and have further work to do to help create a change in mindset and culture. Self-reliance is clearly influenced by the things that local authorities do. But it is also shaped by the things they do not do – it follows that, by supporting communities to do more for themselves, local authorities will ultimately change or limit what they do.

---

10 Bridgend County Borough Council, [Corporate Plan 2018-23](#)

11 Newport City Council, [Corporate Plan 2022-27](#)

1.15 Through our interviews, we found that local authorities are comfortable in discussing direct provision of activities – for example, activities to support vulnerable people – but are less clear on their role in moving towards supporting communities to do more for themselves. Getting the balance between helping those who need support and enabling others to do more is a key challenge facing local authorities in creating greater levels of self-reliance.





## **The current approach of local authorities to creating more resilient communities and self-reliant people**

---

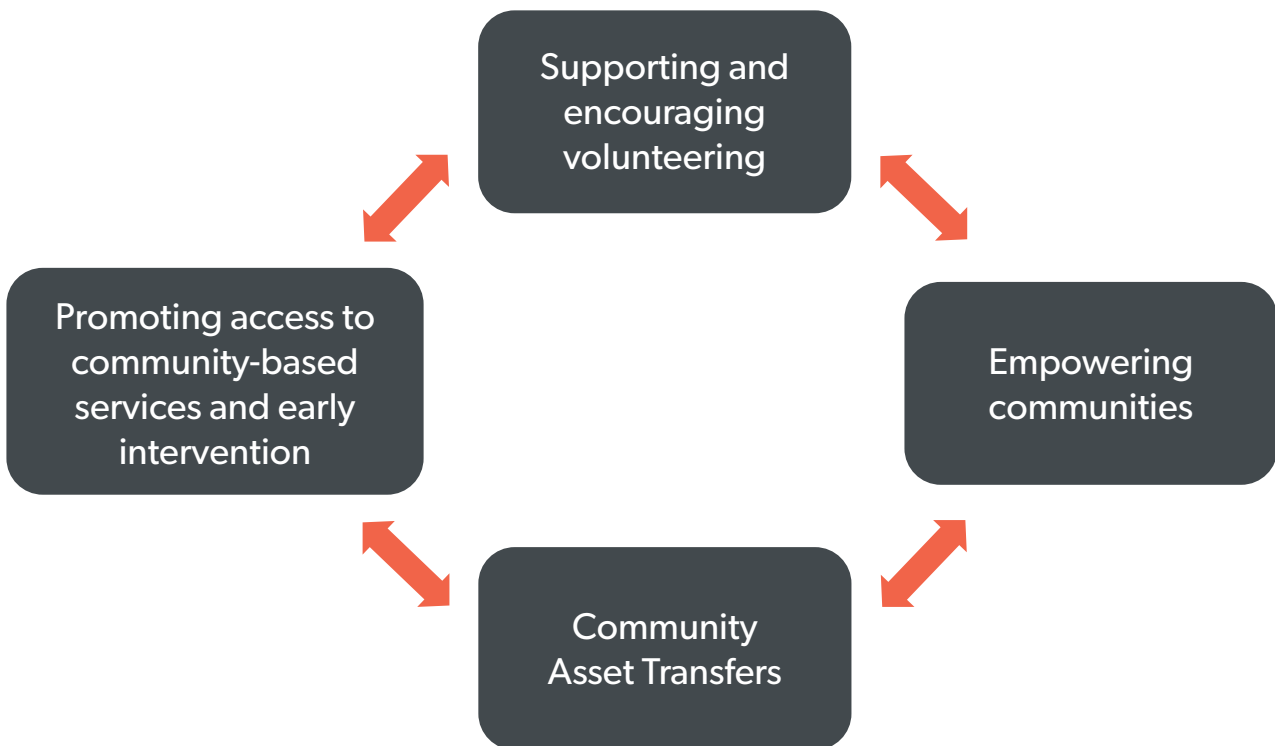
02

2.1 In **Part 2** of the report, we outline how local authorities are currently working to engender more self-reliance and greater resilience in communities. We summarise current activity highlighting how local authorities are framing their changing relationship with communities. We consider the effectiveness of approaches, noting areas of strength and good practice but also the barriers to making positive change.

### Local authorities have a mixed track record in helping to build community resilience and strengthen self-reliance

2.2 In terms of where local authorities have traditionally pitched their efforts in helping to build stronger and more self-reliant individuals and communities, their work in recent years has broadly fallen into one or more of the following areas – **Exhibit 3**.

**Exhibit 3: how local authorities are helping to create resilient and self-reliant communities**



Source: Audit Wales

## Supporting and encouraging volunteering

- 2.3 Local authorities value the additional support provided by volunteers to a range of services, and volunteers bring new skills, new ideas and a fresh perspective. There are many examples of volunteer programmes within local government, and volunteering has evolved in line with the changing policy and operational context of local authority services. As local authorities increasingly focus on community engagement and participation, they have also begun to take a more strategic approach to volunteer involvement in service delivery.
- 2.4 Through our interviews with local authorities, we found that volunteering initiatives often work best when the local authority has a close working relationship with their local County Voluntary Council (CVC)<sup>12</sup>. We also found some positive examples of how local authorities are building upon these local relationships to boost volunteering. For example, [Caerphilly's Employee Volunteering Scheme](#), and the Isle of Anglesey 'good turn schemes' in defined communities on the island.
- 2.5 There are nonetheless some challenges around volunteering. Not all communities have a strong volunteering demographic and communities themselves have different capabilities and capacity. For instance, we found good work taking place within Pembrokeshire, with the creation of an effective volunteer network undertaking a range of activities including good neighbour schemes, a 50+ network and a pharmacy delivery service. However, it is clear that Pembrokeshire has a strong local community with a good range of volunteers with the skills and abilities to thrive independently that the local authority and its partners can draw on. This is not the same everywhere in Wales, and it is clearly more challenging to encourage volunteers in the more deprived areas.
- 2.6 There is also a growing worry of burnout in the volunteering sector and a danger that while volunteers can play an important role, they are often 'papering over the cracks' of a system under stress. Volunteering has its place, but it needs to be managed and nurtured carefully and requires a shift in culture and policy within local authorities to be successful<sup>13</sup>.

---

12 Every county in Wales has a voluntary sector infrastructure body, generically called a County Voluntary Council or CVC. The key role of a CVC is to provide advice and information to local voluntary and community groups on volunteering, funding sources and a wide range of other issues.

13 Nesta, [Making the shift to people powered services: a cross-Government agenda](#), gov.uk

## Empowering communities

- 2.7 A number of local authorities are similarly focusing their efforts on mobilising community capacity and empowering communities to identify their own needs and priorities and produce workable solutions. A good example of this is the work of Isle of Anglesey Council with Medrwn Môn, an independent agency providing support and advice to voluntary organisations and community groups. Under the 'network of alliances' initiative, Medrwn Môn is helping to create a system of local coalitions across the island which are empowered to identify the problems in their area, the assets that are available to help tackle these problems and the solutions needed to address them<sup>14</sup>. An evaluation of the success of this initiative was not available at the time of our audit.
- 2.8 Caerphilly has established a Community Empowerment Fund to support its Transformation Strategy. The first round of funding was shared between 18 community projects totalling over £40,000. The local authority has established criteria for applications to help focus efforts on improving resilience across the County Borough. While the criteria prioritise initiatives to support the establishment of new community groups, projects to support greater community cohesion, and projects aimed at tackling isolation and loneliness, although no update on the success of this work was provided at the time of our audit.
- 2.9 Despite the above, there is more that local authorities can do. Our analysis of responses to our survey of officers highlights that local authorities are not shifting efforts to empower communities to do more for themselves. From our survey of local authority officers, the activities where communities are more directly involved in delivery without local authority involvement are things like community litter picks, food banks and recycling and repurposing furniture, goods and clothing. While clearly important, these fall short of activities that help to encourage people to be more self-reliant and less dependent. In addition, procurement and grants processes are often not streamlined or agile enough to either encourage local groups to apply for funding or to get money to community organisations in a timely manner<sup>15</sup>.

---

14 Medrwn Môn, 'What is an Alliance?' Event, July 2022

15 South Wales Argus, 'Caerphilly Council still has budget for grants to charities', November 2022

## Community Asset Transfers

- 2.10 A Community Asset Transfer (CAT) happens when a local authority transfers the management and/or ownership of a property asset to a town and community council, third-sector body or community group. This will sometimes include the delivery of any associated services. Transferring assets enables the retention of key local facilities and services that might otherwise be closed. Overall, we found that local authorities are not using CATs to help stimulate and build community resilience, and are mostly focussing on opportunities to reduce expenditure and divest themselves of assets that can no longer be subsidised.
- 2.11 Our survey of town and community local authorities highlights mixed performance in their experience of local authorities transferring assets. A common complaint from town and community councils is that transfers of community assets are unequitable and unfair. They often take far too long, with some reporting that the process took multiple years, resulting in the loss of potential funding opportunities, spiralling costs, and sudden changes in contract agreements. Local authorities were categorised as being excessively risk averse and poor at communicating.
- 2.12 Some respondents to our survey also flagged that they had no option but to take on the asset because of the threat that the service would otherwise be stopped. Several we interviewed reflected that local authorities were not transferring assets but liability with conditions placed on transfers that made success unachievable. Suggestions for improvement included providing an easily-accessible register of available transfers, more flexibility in transfer agreements, recognising the importance of cross-subsidisation and guaranteed ongoing support from local authorities.

## Promoting access to community-based services and early intervention

2.13 Local authorities are recognising the need to reset their presence in communities and have focussed primarily on two approaches:

- **Community Hubs** – Several local authorities including Cardiff Council have developed 'community hubs,' providing a space for people to access key services. The Hubs also function as a place for people to meet and interact and are helping to reduce isolation and loneliness. In Gwynedd, the community hub in Maesgeirchen, Bangor has been instrumental in strengthening the local authority's presence on the estate, creating a more easily accessible and suitable space where services and the community can come together to work in partnership.

Likewise, the positive work of the Pembrokeshire Community Hub. This started life as a COVID-19 response for the county and was based in county hall in Haverfordwest. During the pandemic, the Hub took over 10,000 calls providing help and assistance so that citizens could access the food, prescriptions and the community services they needed. Following its success and in-depth engagement with communities and partners at a Community Activity and Wellbeing Day in June 2022, the Hub has recently been re-launched with a broader role<sup>16</sup>.

- **Community Navigators or Connectors** – Most local authorities are recognising the importance of the community navigator role to co-ordinate access to community-based services and to support the development of alternative non-local-authority provision. The job titles vary across Wales. Some are referred to as local area co-ordinators, others community navigators. Irrespective, local authorities recognise the value of these roles in helping to support resilience in communities. They often draw their roots from work in social care, and are focused on developing the provision of community-based services and activities, identifying potentially vulnerable people before their needs escalate and promoting access to alternative services<sup>17</sup>.

For example, Bridgend County Borough Council through its 'Local Community Coordination and Connecting Communities' programme which supports people whose needs would not usually meet the eligibility criteria for care and support. The local authority, working with Swansea University, has quantified and evaluated the impact of this programme, highlighting that every £1 spent delivers a return of £4. In addition, and more importantly, only 4% of people referred by the Local Co-ordinators to third-sector services subsequently needed to access statutory help from the local authority.

16 The Hub partnership includes Pembrokeshire Alliance of Voluntary Services (PAVS), Hywel Dda Health Board, Pembrokeshire County Council, Public Health Wales, PLANED, Volunteering Matters and West Wales Action for Mental Health.

17 The roles are rooted in the principles of the Social Services and Well-being (Wales) Act 2014 and are focused on prevention, helping to ensure people's well-being is maintained to avoid them requiring statutory care and support.

## There are significant cultural, resource and capacity barriers to overcome in helping to create more resilient and self-reliant communities

2.14 While it is clear local authorities have a strong track record in some key areas that can help create more self-reliant individuals and resilient communities, our survey of senior local authority officers highlights that significant challenges remain – **Exhibit 4**.

### Exhibit 4: barriers to creating more self-reliant and resilient individuals and communities identified by local authority officers



Lack of resources, limited skills and weak capacity to be able to drive this agenda.



Inability to redirect resources from service delivery to supporting communities to be more self-reliant.



A lack of trust between the council and residents and a perceived inability and appetite within communities to be more self-reliant.



The prevailing service delivery culture within the council of needing to be 'direct providers' rather than 'influencers' and 'enablers'



Limitations in joined up working with partners on the ground to foster stronger community involvement and influence.



Lack of a strategic vision and limited understanding of community needs and abilities



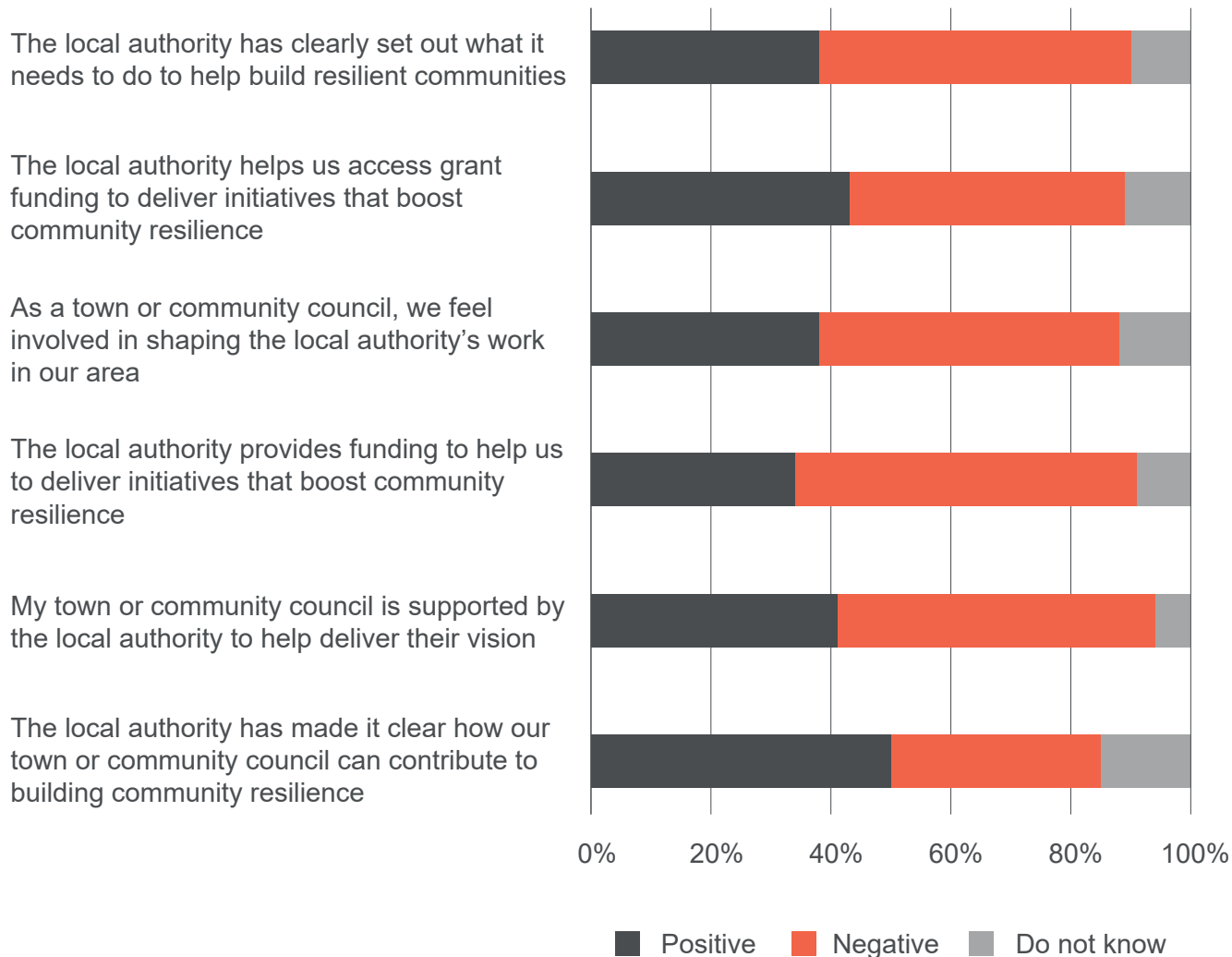
Ongoing challenges in helping connect and re-connect communities due to challenges of poverty, rurality, transportation and digital exclusion.

Source: Local Authority Officer Survey, Audit Wales analysis

- 2.15 A strong message from our interviews and survey work is that local authorities are not using resources to effectively stimulate community resilience. This is unsurprising. In the current fiscal climate, with an uncertain future, switching resources from often over stretched services is no easy thing. However, without some investment on the ground targeted at building capacity and encouraging resilience, it is clear some communities will not be able to respond, and responses where they happen, may not be sustainable.
- 2.16 Town and community councils are a key stakeholder in creating resilient and self-reliant communities. They are often well placed in local networks and hold significant community assets that can be used by groups. Collaborating with town and community councils opens the opportunity to involve communities more actively, which should increase public buy-in, and, in turn, help stimulate community resilience.
- 2.17 Town and community council survey comments had an overwhelmingly negative tone. While local authorities were felt to be effective at planning and creating a vision, they are overwhelmingly seen as ineffective at putting these into action. Poor communication, as well as delays caused by 'red tape,' were cited as the reasons initiatives failed. One respondent recorded that due to delays, 'the enthusiasm tends to tail off.' Survey responses on specific questions identify lots of opportunity for improvement. For example, while half of town and community council respondents felt that their local authority had set out what was needed to help build resilient communities, only 41% felt involved in shaping the approach and just over a third were clear on what they could and should be doing – **Exhibit 5**.



**Exhibit 5: town and community council views on how well they collaborate with their local authority**



Source: Town and Community Council Survey, Audit Wales analysis

- 2.18 Another strong line of feedback from town and community councils is the lack of funding and resources. Respondents noted that local authority budgets have shrunk, resulting in the local authorities 'not having enough experienced staff to cover statutory functions' let alone engage in community development activity. In addition, services that could often be in the frontline in engendering community resilience, are often absent on the ground. For instance, the lack of focus on the role of economic development to keep funding within local communities and prevent wealth extraction is seen as a missed opportunity.
- 2.19 Others highlight an enduring 'command and control' culture in some local authorities, strengthening the power imbalance between the local authority and its communities, framing the relationship as 'them' and 'us.' This limits local authorities' ability to fully engage with, involve and understand the community, and in turn creates difficulties for a community to fully trust the local authority. One respondent noted that their local authority continues to identify its own priorities and only then goes to local communities for validation of their work.
- 2.20 This is not helped by local authorities' performance monitoring and evaluation arrangements. Most local authorities reflect on their previous performance towards all well-being objectives and against key performance indicators as part of regular performance monitoring arrangements. However, we found that, because of weaknesses in how local authorities have articulated their vision around community resilience, performance monitoring is often limited to focusing on specific projects or initiatives and does not consider what these mean collectively in terms of community resilience.
- 2.21 There are no national measures collected that formally determine how resilient people and communities are in Wales. However, a number of publicly available datasets can be used as proxy measures to identify the key challenges facing local government in nurturing more resilient and self-reliant communities:
- active citizenship, measured through people's participation in democratic processes and decision-making drawing on data by [The Electoral Commission](#) showing the proportion of eligible voters who participated in local authority elections. Ceredigion had the highest turnout of voters in the most recent election in 2022, with 48.6% of eligible voters voting. This compares with a turnout of 31.3% in Torfaen during the same election. And across Wales, turnout on average was almost 4% lower in 2022 compared with the 2017 election. The data shows that turnout in local authority areas across some of the South Wales Valleys is consistently lower<sup>18</sup>.

---

18 [Views and Research, The Electoral Commission](#)

- the National Survey for Wales measures emotional and social loneliness over time, and these are key issues to address in promoting social capital. The data shows that almost a third of the Wales population reported feeling socially lonely in 2019-20. Data by the Office for National Statistics (ONS) breaks a similar measure down by local authority area. It shows that, by 2020-21, almost 40% of the Welsh population reported feeling lonely. Local authority areas in the South Wales Valleys, including Blaenau Gwent and Torfaen, are amongst those with the highest proportions of people having reported feeling lonely<sup>19</sup>.
- Data Cymru publishes data showing people's sense of belonging to an area and levels of community cohesion. It measures the number of people agreeing that they belong to the area; that people from different backgrounds get on well together; and that people treat each other with respect. It shows an increase in recent years – from an average of 51% agreement across Wales in 2016-17 to 70% agreement in 2020-21<sup>20</sup>.

2.22 Through our review we found no local authority in Wales using these proxy measures to help evaluate or monitor resilience.

---

19 [National Survey for Wales](#)

20 [Well-being of Wales, Data Cymru](#)

## The pandemic showed communities can play a more active role and become less dependent, but sustaining this requires local authorities to change how they work

- 2.23 Local authorities in Wales responded to COVID-19 with effective leadership and extraordinary sacrifices from frontline workers, elected members and senior leaders. The pandemic made people more aware of the role of local authorities in their lives. As such there is a window of opportunity to reset the relationship between local authorities and their citizens and to use the experience of collaborating with communities as genuine partners to reset relationships and expectations.
- 2.24 People we interviewed in particular noted that the pandemic had sparked a resurgence in 'community activism' with individuals, groups, and organisations working together to bring about change. Several people we spoke to also highlighted that the crisis encouraged local authorities to be more open, with officers and elected members showing a new willingness to involve and collaborate with people to find solutions to problems, often on a daily basis.
- 2.25 Our town and community council survey asked recipients how the pandemic had impacted on resilience and self-reliance in their local areas. Positively, a number of respondents stated that COVID-19 had supported communities to 'pull together' and support vulnerable people in the community by providing meals and medication to vulnerable people shielding, undertaking home deliveries and community activities like litter picking. Some also noted that having to operate with less support from their local authority also helped increase resilience, demonstrating that individuals and communities could do more for themselves.

- 2.26 We also found some good examples of local authorities taking learning from the pandemic to help improve community resilience. For instance, Gwynedd County Council are learning from the shift to prevention required by the Social Services and Well-being (Wales) Act 2014 to influence its work and approach elsewhere in the organisation. By rolling out training on the 'What Matters'<sup>21</sup> principles more widely to staff in other services, the local authority is seeking to redefine its work moving away from responding to need to identifying personal and local strengths and solutions as a way of supporting resilience. Similarly, Flintshire County Council is drawing on the positive response from communities during the pandemic to help address staff shortages in social care. Building on the success of people volunteering during COVID-19, the local authority is prioritising work to engage with its residents to encourage people to begin a career in care.
- 2.27 However, others we spoke to noted that much of the good work of reframing relationships and changing how people access and use services created by the pandemic have not been embedded and maintained. Despite local authorities having the experience of the pandemic to draw on how to do things differently, many are not grasping the opportunities to recast their relationship with people and communities. Through our interviews with officers, we found that a growing number acknowledge that a culture shift is required but are yet to articulate and set out what they will do differently to reduce dependency. As a result, there is a growing concern that local authorities are reverting to their traditional ways of working and not building on the enthusiasm and buy-in created by the pandemic.
- 2.28 This is echoed in the evidence of our local 'Springing Forward' review delivered in 2022. Our audit work focussed on how local authorities are taking learning from the pandemic to transform both their workforce and use of assets. We found that local authorities are increasingly seeing flexibility and agility in their human and physical assets as critical in the models of service delivery they will need to apply in the future. However, we found little focus on the need to create more resilient communities and self-reliant citizens, nor a prioritisation of the steps needed to reduce demand on services.

---

21 A 'What Matters' assessment is an outcomes-focused, strengths-based conversation between a social care practitioner and an individual to determine whether they have eligible care and support needs.



## Looking to the future and learning from elsewhere

---

03

- 3.1 In this final part of the report we look to the future, setting out approaches and opportunities from other parts of Great Britain. We acknowledge that different parts of Wales will have different challenges to overcome, and no local authority is starting from exactly the same place. However, from our research there are opportunities to learn from elsewhere that can help local authorities make this transition.

## With an uncertain future and growing complexity in service delivery, local authorities must change how they work and use resources differently to empower communities and individuals to build resilience and become more self-reliant

- 3.2 The scale of the current challenges facing communities across Wales is threatening to overwhelm local authority services. Entrenched poverty, longstanding inequalities, uncertain public finances and growing demand from people with a range of complex problems are creating a tough operating environment<sup>22</sup>.
- 3.3 It is clear that local authorities are going to face significant problems in the next few years with capacity continuing to be stretched, services increasingly becoming more targeted and potentially oversubscribed. There are likely to be fewer services delivered directly by local authorities, to fewer people, and local authority services as we know them will look hugely different by the end of the next decade.
- 3.4 As a consequence, a key focus for local authorities will need to be on steering people away from their services and replacing this with a co-operative approach, collaborating with communities and doing things differently. To achieve this, local authorities need to think and act differently, building capacity and social capital and encouraging communities and citizens to do more for themselves.
- 3.5 Positively, we are not starting from zero. As noted in Part 2, local authorities are already doing much and during COVID-19, we witnessed a community response on a scale and diversity that were previously unthinkable highlighting that many communities have significant depths of resilience. There is also much work already happening across Wales and the other nations of the United Kingdom from which we can learn. **Exhibit 6** sets these out.

---

<sup>22</sup> For instance, see the conclusions of the [Future Trends Report Wales 2021](#) produced by the Welsh Government, which brings together a range of information to assist Welsh citizens and policy makers in understanding the big trends and drivers that are likely to shape Wales' future. The most recent report of December 2021 set out a series of significant challenges facing local authorities in the next decade and beyond.

**Exhibit 6: key approaches in how local authorities are seeking to strengthen community resilience and self-reliance to reduce demand on services**



Creating a clear vision of how things will work in the future.



Holding a two-way dialogue and communicating what change will 'look' and 'feel' like.



Revitalising the role of council members as community champions.



Refocussing the work of council staff.



Recognising that recasting community relationships will require different solutions in different places.



Ensuring wealth stays local and works for all the community.

Source: Audit Wales



## Creating a clear vision of how things will work in the future

- 3.6 When embarking on a new direction, it is important for local authorities to articulate what their vision for the future is. Setting a vision helps to describe the local authority's purpose, what it is striving for, and what it wants to achieve. The vision should be derived from the local authority's core values and should function as a guiding principle to support long-term decision making.
- 3.7 Bristol City Council in its [Resilience Strategy 2016](#) set out a long-term direction of travel, reflecting the need for change at all levels: starting with individual citizens, through local communities and neighbourhoods, to the city as a whole and its place in the wider world. With the overall ambition of creating a flourishing resilient city the Council and its partners are focussing on:
- **Fair** – Every person living in Bristol has the assets and opportunities to enjoy a good quality of life.
  - **Liveable** – The city centre and neighbourhoods are great places for people of all ages to live, work, learn and play.
  - **Sustainable** – The city and region prosper within environmental limits through adopting new behaviours and technology.
  - **Agile** – Bristol citizens and leaders make effective decisions based on shared priorities and real-time information.
  - **Connected** – A strong network of local communities and organisations promotes trust, co-operation and shared action across the city.
- 3.8 Similarly, Oldham Council has embarked on a bold programme centred on becoming a co-operative borough with everybody doing their bit and everybody benefitting. The Council's [Corporate Plan](#) sets out an ambition of 'working with communities to reduce need by taking a community-centred, preventative approach to public services'. The starting point for the local authority was to recognise that everybody in Oldham has shared problems and ambitions and only by working together and looking at what the local authority, partners, community groups and individual citizens can do, are you be able to deliver change.

- 3.9 For Oldham, a whole system approach is required, engaging with communities to design and deliver things in partnership and emphasising self-help and responsibility by supporting communities to be more resilient. The driving ethos is to collaborate with communities to reduce need by focussing on four key areas of work:
- supporting local leaders and empowering people because the local authority is often not well placed to deal with issues at a community level;
  - encouraging staff to constantly look for ways to improve services or solve problems, supporting them to take responsibility and act boldly;
  - putting Oldham and its people first and doing what's best for communities; and
  - creating a high-performance culture which focuses on knowledge and using data to maximise the impact of spending and service delivery choices.

### **Holding a two-way dialogue and communicating what change will 'look' and 'feel' like**

- 3.10 Setting a vision is one thing. Making this a reality requires local authorities to enable a cultural shift within their communities, away from seeing them as the first point of contact when seeking help to a shared understanding of the future role of the local authority. This will require local authorities to clearly articulate a strong message on what they can and will do in the future but also how they will support and encourage communities to do more for themselves. In driving this shift, local authorities will need to ask some fundamental questions, for instance:
- What do we need to do differently to develop and improve the resilience in each of our communities?
  - What support and assistance do we need to provide and maintain to ensure the resilience capability and capacity in each of our communities is retained?
  - How can we maintain community resilience beyond the voluntary sector?
  - What partnership approach and support are needed to truly enable community resilience?

- 3.11 As a starting point, local authorities will need to have an honest conversation with the public about the reality of future service provision and the potential role of the local community going forward. Within this conversation, local authorities will need to engage with communities to determine what they might be able to do without help, and how they can collaborate better with local people, local groups and local community assets.
- 3.12 Asset mapping is essential to highlight what already takes place and what others are doing, both for the local authority (elected members in their role as community champions and local authority staff) and local people. Likewise, local authorities will need to promote opportunities to apply for funding, directly to the local authority but also from other organisations, locally and nationally, and set out how they will support this activity.
- 3.13 An example highlighted in Scotland of intense involvement of communities in designing and planning new approaches is the use of Community 'Charrettes'. Supported with funding by the Scottish Government<sup>23</sup>, the Charette model brings together stakeholders and decision makers to collaborate with experts to co-develop solutions to address problem issues in the physical environment of an area. Examples of recent successful Charrettes include Crieff and Glenrothes West. As such, Charrettes have the power to provoke transformation; but without careful preparation they can backfire, creating distrust within communities. Although traditionally applied to regeneration and planning work, the Charette approach is also being used in policy and organisational planning and change efforts.

## Revitalising the role of local authority members as community champions

- 3.14 Elected members, as community leaders, can play a critical role in recasting the future relationship between the local authority and local communities. They often lead local partnerships, sit on the boards and management committees of voluntary groups, represent their communities with other organisations, such as the Police or Local Health Board, and regularly promote local services within the community.
- 3.15 Going forward, elected members will now have to deliver a different community leadership role, one which focuses on encouraging people to take more responsibility for their neighbourhoods and inspiring people to do more to help out in their local community. The role of elected members in developing stronger and more resilient communities cannot be underestimated. They will have key roles to play in:
- managing the expectations of communities, by setting out why things are changing and explaining why things will be different going forward;
  - identifying and collaborating with local community activists and leaders to ensure they are encouraged, supported and assisted to play a more prominent role in the future;
  - enabling the flow of two-way information and intelligence between local communities and the local authority, to identify the issues on the ground and provide the information local communities need to ensure they can get involved; and
  - acting as the channel between local community groups and the local authority to help develop local community-led solutions that strengthen resilience and meet local need.
- 3.16 A number of Welsh local authorities we interviewed highlighted the important role of elected members in developing community resilience and a rejuvenated role is central to strengthening self-reliance and community resilience. For example, in Cardiff, officers emphasised that members often 'approach life from the bottom up' and bring a deep understanding of community issues and the role the Council can play in helping communities to thrive.

3.17 In Oldham, the local authority has taken this approach a step further introducing in 2011 a Local Leaders Programme. This has been vital in equipping elected members with the skills, knowledge, competencies and attitudes necessary for engaging with and driving a new relationship with communities. The course included a mix of elected member-led discussions, seminars offering useful tools and models, expert facilitators and speakers, and a range of formats for discussions and activities. The six modules covered:

- the local leadership role in communities;
- personal leadership skills and understanding;
- working inside the organisation and the politics;
- a deeper look at community leadership in Oldham;
- issues and challenges; and
- neighbourhoods, partnerships and outward communication.



### Refocussing the work of local authority staff

3.18 As with the revitalised role for elected members, local authorities will also need to ensure their workforce has the skills to deliver a new way of working. Local authority staff are trained and experienced in delivering services to people, but the move towards community development and community resilience work will entail a quite different way of thinking and doing for some.

3.19 At present, the model for many local authority services is predicated on meeting need, with responses concentrating on delivering actions to address short-term acute issues. But with less emphasis on direct provision and more focus on influencing others to do more, the local authority worker of the future will need to be able to foster positive working relationships with networks and groups in communities.

3.20 To do this well will require staff to be good communicators who are able to encourage and motivate people, facilitating change and encouraging communities and individuals to step up and do more. Critically, staff will also need to be effective problem solvers and active agents for change, being less concerned with process and more driven by delivering solutions on the ground.

3.21 Local authorities will therefore need to develop their workforce to be able to respond to this new set of challenges. This will mean redefining roles and responsibilities for those both on the frontline, but also managers. Support and training will be required to help engender a new culture and ethos for service delivery, focussing on prevention rather than intervention.

### **Recognising that recasting community relationship will require different solutions in different places**

3.22 Communities themselves are not uniform. They will have different capacities, skills and assets and each will come from a different starting point. It is clear that there are communities in Wales which are still coming to terms with their post-industrial past, where levels of poverty remain stubbornly high, and the socio-economic challenges are vast. The response to engendering community resilience in these areas will therefore be quite different to areas with high levels of affluence and an active history of doing many things for themselves with little intervention or support from local authorities.

3.23 Irrespective, it is important that local authorities recalibrate their relationship with their communities and find solutions that are specific to the differing needs of Wales. To be successful in achieving this shift of emphasis – from concentrating on need and service provision to focusing on mobilising the energies and strengths within communities – requires local authorities to create a new relationship with citizens, helping to build capacity and improve a community's potential to do more. For instance, by working with:

- **individuals**, including volunteers, to build capacity to do things that local authorities traditionally have done;
- **groups**, including faith and community groups, who offer a wealth of experience in helping support people and have established and successful links on the ground;
- **organisations**, including town and community councils, local businesses and anchor institutions, which are active in supporting local interests but now need to be encouraged to do more; and
- **networks**, including associations such as county voluntary councils and local partnerships which are better placed to influence others to do what is needed.

- 3.24 Research highlights that for communities to have the capacity to act, three things are generally required: the motivation and commitment to act; the resources required to support action; and the skills, confidence and understanding to act<sup>24</sup>. Often the starting point for local authorities is to understand current capacity within a community, focussing on things such as local needs and issues and the relative strengths and weaknesses of a community. Key to this is to identify the community players and leaders and to establish forums, systems, and structures that encourage participation, engagement and involvement.
- 3.25 Scotland's Urban Regeneration Forum (SURF) has a track record in highlighting positive examples of community-led regeneration work and awarded Campbeltown in Argyll and Bute the most improved place award in 2020. In response to socio-economic challenge, the local authority initiated a wide-ranging programme of activities in Campbeltown that secured the participation of public, private, community and third-sector organisations<sup>25</sup>.
- 3.26 A shared vision based on trust and perseverance helped to transfer ownership from the local authority into the community which is now empowered to shape and deliver projects that respond to local circumstances to the extent that Campbeltown is once again a thriving town centre, and an increasingly attractive place to live, work and invest in. Importantly, less reliance is placed on the local authority with the community doing far more for itself.
- 3.27 The work in Argyll and Bute has also been helped greatly by the policy framework adopted by the Scottish Government under the umbrella of the Community Empowerment (Scotland) Act 2015 – **Exhibit 7**.

---

24 Building Community Capacity – Resources for Community Learning and Development Practice: A Guide, Scottish Government, 2007.

25 Argyll and Bute Council, Campbeltown Regeneration.

## Exhibit 7: Community Empowerment in Scotland

The Community Empowerment (Scotland) Act 2015 was introduced to help empower community bodies through the ownership or control of land and buildings, and by strengthening their voices in decisions about public services. To support implementation of the Act, the Scottish Government has sought to empower communities to do more for themselves through the provision of, for example:

- funding for community-led regeneration through the Empowering Communities Fund;
- funding participatory budgeting through the £1.5 million Community Choices Fund, giving people more power to make decisions on spending in their local areas; and
- making it easier for communities to take over land and buildings in public ownership through asset transfer and extending the community right to buy to all of Scotland;
- supporting community local authorities to represent communities' opinions and needs to public bodies; and
- giving communities the ability to request to participate in decisions and processes which are aimed at improving outcomes through participation requests.

Taken together, it is clear that national policy in Scotland has developed to encourage and support the ownership of assets by communities and for communities themselves to have more say in how services should both be provided to them and how public services should collaborate with them. Scottish communities now have legal rights to participate in policy development and buy assets from public bodies. They can shape services on the ground and play a greater role in deciding where resources are committed.



## Ensuring wealth stays local and works for all the community

- 3.28 Community wealth building is a people-centred approach to local economic development, which redirects wealth back into the local economy, and places control and benefits into the hands of local people. It is an especially helpful model for delivering services in a time of restrictions on public funding, austerity and growing economic uncertainty because it seeks to stop, or at least limit, the flow of money out of those communities that most need investment and financial stimulation, by reshaping the local economy and using an organisation's assets in vastly different ways.
- 3.29 To do this, community wealth building uses the economic power of large, locally-rooted organisations, commonly referred to as 'Anchor Institutions' – **Exhibit 8**. The way in which these institutions spend their money, employ people and use their land, property and financial assets can make a huge difference to a local area. The role of 'Anchor Institutions' cannot be underestimated, and they can play a defining role in creating and reinforcing local economic ties.

### Exhibit 8: the role and value of Anchor Institutions

The term '**Anchor institutions**' is used to refer to organisations which:



Have an important presence in a place, usually through a combination of being largescale employers, the largest purchasers of goods and services in the locality, controlling large areas of land and/or having relatively fixed assets.

Are tied to a particular place by their mission, histories, physical assets and local relationships. Examples include local authorities, NHS services, universities, trade unions, large local businesses, the combined activities of the community and voluntary sector and housing associations.



Source: [Community business and anchor institutions](#), CLES, February 2019

3.30 The Centre for Local Economic Strategies (CLES) has been at the forefront of developing approaches to community wealth building. Through their work with public sector bodies, CLES have identified five key principles that are critical to delivering successful community wealth building. These are:

- plural ownership of the economy;
- making financial power work for local places;
- fair employment and just labour markets;
- progressive procurement of goods and services; and
- socially productive use of land and property.

3.31 Preston City Council have been long-term exponents of Community Wealth Building and are a positive example of an organisation that are using the CLES method, focussing on providing value for communities within the city directly and indirectly through their policy choices and spending power. The City Council's approach, often referred to as the 'Preston Model', is centred around tackling inequality by collaborating and building locally controlled economies, which put communities first<sup>26</sup>. Practical examples of how the local authority has sought to deliver this vision on the ground include:

- using local authority procurement of services as a means of investing in the local economy and urging other local public sector partners to do the same. New procurement practices are providing opportunities for local SMEs, worker co-operatives, social enterprises and businesses to bid for contracts.
- encouraging suppliers to enhance the social value aspects of their contracts through the inclusion of training and employment opportunities in agreements.
- being an early adopter of the 'real living wage' locally and using the local authorities' profile and soft power to influence other employers to do the same.
- supporting and encouraging greater diversity of ownership in the local economy by investing directly in key assets in the centre of the city, bringing services back in-house and promoting worker cooperatives and community businesses;

- enabling more financial wealth to be retained locally by contributing to the establishment of a regional development bank – the North West Mutual – with Liverpool City Council and the Wirral. The new bank is tasked with improving access to financial services for local people and businesses, and has a specific aim to retain banking profits in the North West and recycle regional savings into business loans and mortgages.
- encouraging the Lancashire County Pension Fund to invest in Preston.



# Appendices

---

- 1 Audit approach and methods**
- 2 Community resilience and self-reliance evaluation tool**

# 1 Audit approach and methods

## Approach

Our approach was to understand local authorities' definitions and approaches to building social resilience and community self-reliance and how town and community local authorities are supported to promote resilience.

This report sits alongside other reviews examining how local authorities are addressing poverty, and another review considering the role of social enterprises in delivering public services. Combined, they serve to examine how local authorities empower citizens to tackle and prevent issues developing into a crisis that requires statutory intervention.

We examined all 22 principal local authorities in Wales at a high level, managing delivery to be mindful of the pressures local authority officers are under during both the pandemic and the cost-of-living crisis. We ensured coverage was sufficient to draw a view on the whole sector but not to significantly detract from officers' delivery. Our approach was flexible to fit around officers when agreeing and delivering our fieldwork.

## Methods

We completed our review between September 2021 and August 2022 and used a range of methods in delivering our review:

- **document review** – we reviewed published research and documentation from the Welsh Government, local authorities and other relevant public bodies. We also reviewed a range of publications from representative groups, research organisations and public bodies in other UK countries.
- **interviews and focus groups** – we undertook a range of different interviews and focus groups:
  - officer interviews – we interviewed officers nominated by all Welsh principal local authorities, generally those with responsibility for leading on social resilience and community self-reliance. These took place between January and May 2022.

- officer focus groups – in line with our flexible approach, some local authorities felt it was more appropriate for us to speak to a range of officers in focus groups to provide more rounded information and reduce our impact on service delivery.
- national interviews – we interviewed representatives from national bodies, UK-wide think tanks, research organisations and representative bodies. These took place between March and July 2022.
- **surveys** – we undertook two surveys to inform our work:
  - a national survey of town and community councils – we invited all 732 town or community councils in Wales to share their views on social resilience and community self-reliance through an online survey. We received a total of 336 responses, including 195 fully completed submissions and a further 141 partially completed responses. The completed responses represent roughly one in every four town or community council in Wales, and we received responses from all 22 local authority areas.
  - survey of senior local authority officers. We invited all 22 local authorities to participate and received 21 responses. Despite being invited to take part, Pembrokeshire County Council elected not to respond.
- **data analysis** – we collected and analysed a range of publicly available datasets from the Welsh Government, the UK Government, the Office for National Statistics, and third-sector organisations.

## 2 Community resilience and self-reliance evaluation tool

Action	Yes	No	Do not know
<b>Understanding the challenge and articulating your role</b>			
We have clearly defined and agreed what community resilience and self-reliance means to us.			
Our vision makes clear what we need to do and what others are best placed to do.			
We have identified by service the activities: <ul style="list-style-type: none"> <li>• that the authority must continue to provide;</li> <li>• those that can be delivered in partnership with others; and</li> <li>• those that the community can lead on.</li> </ul>			
We have communicated our definitions widely to ensure all key stakeholders understand what we want to achieve through our work on community resilience and self-reliance.			
Our key partners have identified how they will collaborate with us to strengthen community resilience and self-reliance.			
We have completed a place-based asset mapping exercise to assess community resilience and capacity for increased self-reliance.			
We know the number and types of organisations working locally that can help us improve community resilience and self-reliance.			
We know where there are gaps that we need to address.			

Action	Yes	No	Do not know
We have agreed the actions required to help improve community resilience and self-reliance in our area.			
We have set SMART objectives and actions on how we will improve community resilience and self-reliance.			
We are clear on the benefits and risks of our work on community resilience and self-reliance for citizens, local communities and the local authority.			

**Knowing your communities**

We know who our key community activists and leaders are.			
We have good working relationships and work effectively with our key community activists and leaders.			
We provide help, support and training to ensure our key community activists and leaders are as effective as they can be.			
We effectively encourage local community activists and leaders to improve community resilience and self-reliance.			

**Skills and knowledge to build community resilience**

We are good at encouraging people to help out and do more in their community.			
We have the right staff in the right place to help improve community resilience and self-reliance.			
We have revised job descriptions and person specifications to strengthen their focus on involvement, to help improve community resilience and self-reliance.			



Action	Yes	No	Do not know
We give staff the opportunity to take well-managed risks and explore innovative practices with communities.			
Our staff are good at influencing people to do more for themselves where they can.			
Elected members support the authority's work on strengthening community resilience and self-reliance.			
We have put in place the right support to help Elected Members strengthen community resilience and self-reliance in their wards.			
We have a can-do culture and mindset within the local authority to improve community resilience and self-reliance.			
We are good at encouraging communities to find their own solutions to problems and not rely on us.			

**Making a difference**

We have reviewed ways of working across the Council and are changing services to help improve community resilience and self-reliance.			
We have identified how these changes will impact on people.			
We are communicating to citizens how our services are changing.			
We have specified the information required to evaluate how our work is improving community resilience and self-reliance.			
We use our resources, money and assets to build and retain wealth in our local communities.			

<b>Action</b>	<b>Yes</b>	<b>No</b>	<b>Do not know</b>
We use our procurement of services as a means of investing in the local economy.			
We work with our local anchor institutions to ensure they support community wealth building through their provision of services, use of resources, procurement and assets.			
We encourage suppliers to enhance the social value aspects of their contracts through the inclusion of training and employment opportunities in agreements.			
<p>We regularly report on our community resilience and self-reliance work to scrutiny committee(s) against a balanced set of performance information that covers:</p> <ul style="list-style-type: none"> <li>• demand for local authority services;</li> <li>• alternative provision within communities and by partners; and</li> <li>• impact of our work on people’s wellbeing.</li> </ul>			
Our scrutiny and evaluation processes provide us with assurance that our work is delivering anticipated outcomes.			





Audit Wales

24 Cathedral Road

Cardiff

CF11 9LJ

Tel: 029 2032 0500

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)

## Audit Wales – Community Resilience and Self Reliance – ‘Together we Can’

[Published January 2023](#)

<p><b>What are we trying to achieve, the outcome</b></p>	<p>The Council’s Corporate Plan recognises the strong business, voluntary, community and religious groups across RCT and sets out how the Council will work with residents so that communities are able to do more for themselves; have more control over what they can do to support their communities and help residents to live safely and independently for as long as possible; and also maximise the impact of our resources.</p> <p>Continuing to strengthen relationships with residents and communities to achieve these outcomes is not only a priority for the Council, importantly, it also provides opportunities to improve the current and future economic, social, environmental and cultural wellbeing of the residents and communities of Rhondda Cynon Taf.</p>
<p><b>Why we need to do it:</b></p>	<p>The Council has a positive track record of supporting communities, significantly but not exclusively through our ‘RCT Together’ approach. The <a href="#">Council’s Corporate Plan</a> sets out the strategic approach to sharing responsibility to achieve this in <i>the context of reducing budgets and growing demand pressures, the traditional role of the local authority as service deliverer continues to evolve and change</i>. The Corporate Plan anticipated the different relationship with communities as moving to one where we work together and where both residents and businesses take a shared responsibility for themselves and the communities in which they live and work.</p> <p>The Covid pandemic accelerated and strengthened partnership working with the third sector, health services and the police in tackling the complex and multi-faceted challenges, the legacy of which continue to face communities and core services. Since 2019, Covid and other recent and unprecedented events, i.e. impact of storms Dennis, Ciara and Jorge, support for people fleeing conflict in Ukraine and more recently the response to the cost of living crisis, also accelerated and embedded the development of Community Resilience Hubs and put Neighbourhood Networks at the forefront of a coordinated response.</p>

Recommendation	Council's Response	Next Steps	Timescale	Responsible Officer
<p>To strengthen community resilience and support people to be more self-reliant, local authorities need to ensure they have the right arrangements and systems in place. We recommend that local authorities use the evaluation tool in Appendix 2 to:</p> <ul style="list-style-type: none"> <li>• self-evaluate current engagement, management, performance and practice;</li> <li>• identify where improvement is needed; and</li> <li>• draft and implement an action plan with timeframes and responsibilities clearly set out to address the gaps and weaknesses identified in completing the evaluation tool.</li> </ul>	<p>Noted.</p> <p>The Audit Wales report identifies several complex and interconnected issues across a range of services. The Council is considering the detail of the report so that we can more effectively maximise resources in developing our approach.</p> <p>Since February 2020, the community landscape has shifted significantly. We have seen strengthened communities and stronger relationships forged from many events outside the control of both communities and the Council; the response to Storms in February 2020 and thereafter Covid, the Cost of Living crisis and the community response to supporting people from Ukraine. Positively, the events over the last three years brought forward the Council's Community Resilience Hub development significantly ahead of schedule.</p> <p>As a result of experience of dealing with the unprecedented events we have learnt even more about what each partner has to offer</p>	<p>The Council will be in stronger position to work with communities to help them to meet their identified needs for the next three years through the Shared Prosperity Fund – RCTCBC Community Grant.</p> <p>The Community Fund and work to help communities to identify their own needs will continue through the various community communication channels in place. The Council will use all relevant tools to identify need, including the Audit Wales evaluation tool featured in <a href="#">‘Together we Can’</a>. We are also undertaking a review of Community Resilience Hubs during 2023-24.</p>	<p>March 2024 (recognising that this will be an on-going programme of work)</p>	<p>Syd Dennis / Caroline O'Neill</p>

Recommendation	Council's Response	Next Steps	Timescale	Responsible Officer
	and we will continue to build on these strong relationships.			
<p>To help local authorities address the gaps they identify following their self-evaluation, we recommend that they:</p> <ul style="list-style-type: none"> <li>• formally approve the completed Action Plan arising from the evaluation exercise;</li> <li>• regularly report, monitor and evaluate performance at relevant scrutiny committees; and</li> <li>• revise actions and targets in light of the authority's evaluation and assessment of its performance.</li> </ul>	<p>Noted.</p> <p>Any action plan arising from the review and the use of the Audit Wales evaluation tool will be monitored as part of our planning and grant monitoring arrangements. Work undertaken across the County Borough is also subject to regular reporting and scrutiny as part of the Council's governance arrangements.</p>	<p>The actions arising from the work in the recommendation above will also address this recommendation.</p>	<p>On-going</p>	<p>Syd Dennis / Caroline O'Neill</p>

This page is intentionally left blank