



**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**  
**COUNCIL**

**29<sup>th</sup> September 2021**

**STATEMENT OF ACCOUNTS FOR RHONDDA CYNON TAF CBC 2020/21**

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

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

**1.0 PURPOSE OF REPORT**

- 1.1 This report ensures that the Authority complies with the legal requirements relating to the production of a “Statement of Accounts” for the financial year ended 31<sup>st</sup> March 2021 with regard to Rhondda Cynon Taf CBC.

**2.0 RECOMMENDATIONS**

It is recommended that Members:

- (a) Approve and note the Statement of Accounts of Rhondda Cynon Taf CBC (Appendix 1), and associated Letter of Representation (Appendix 2).
- (b) Approve and note the audited final out-turn position for the Council with regard to the financial year 2020/21 and the level of General Fund Balances (paragraph 8.4); and
- (c) Note the considerations and comments of the 12<sup>th</sup> July 2021 and 13<sup>th</sup> September 2021 Governance and Audit Committee meetings as required by the Local Government Measure (paragraphs 11.1 and 11.2).

### **3.0 STATUTORY APPROVAL PROCESS**

- 3.1 The Accounts and Audit (Wales) Regulations require that Council approve the **audited** Statement of Accounts by the 31<sup>st</sup> July.
- 3.2 The regulations require the Responsible Financial Officer to certify unaudited accounts by the 31<sup>st</sup> May following financial year end and further information in this regard is set out in Section 5.
- 3.3 The Authority has administrative responsibility for the production of the Annual Return for Llwydcoed Crematorium Joint Committee. which has been audited and was approved by the relevant Joint Committee on 21<sup>st</sup> September 2021.
- 3.4 The Authority also has administrative responsibility for the production of the Statement of Accounts for the Central South Consortium Joint Education Service Joint Committee which has been audited and was approved by the relevant Joint Committee on 22<sup>nd</sup> September 2021.

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

- 4.1 The Accounts and Audit (Wales) (Amendment) Regulations 2018 require Local Authorities to produce and publish Statements of Accounts in accordance with the table below:

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

- 4.2 To enable officers to meet the earlier closure requirements, and prior to the COVID 19 pandemic, an earlier closure timetable had been prepared which saw the Council publish audited accounts by the 31<sup>st</sup> July for the financial year 2018/19, 2 years before the statutory requirement. The pandemic and the necessary reprioritisation of resources however has resulted in a planned delayed production of the Council's accounts.

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

- 5.1 The Accounts and Audit (Wales) Regulations 2014 (as amended) require the Responsible Financial Officer (for Rhondda Cynon Taf, the Director of Finance and Digital Services) to certify unaudited accounts by 31<sup>st</sup> May following financial year-end as detailed above. The regulations include a

provision whereby if the Responsible Financial Officer does not certify the draft accounts by 31<sup>st</sup> May, there is a requirement to publish a statement setting out the reasons for non-compliance. In accordance with the requirements, the appropriate notice was published on the Council website from the 31<sup>st</sup> May 2021.

- 5.2 Welsh Government clarified their expectation for the timescales for the preparation and publication of 2020/21 statutory financial statements, confirming there is no requirement to amend regulations and, in line with the revised 2019/20 timetable, would require preparation and certification of draft accounts by 31<sup>st</sup> August 2021 and publication of final audited accounts by 30<sup>th</sup> November 2021 for all local government bodies in Wales. However, the Welsh Government encouraged Councils to approve earlier wherever possible.
- 5.3 Officers have maintained regular dialogue with Audit Wales with regard to timescales for the production and audit of the Statement of Accounts. Finance teams have continued to work effectively (generally from home) and the target date was re-set in light of continued pressures as a result of the pandemic.
- 5.4 The draft Statement of Accounts for Rhondda Cynon Taf County Borough Council was subsequently certified by the Director of Finance and Digital Services on the 2<sup>nd</sup> July 2021.

## **6.0 STATEMENT OF ACCOUNTS**

- 6.1 The approval of this year's accounts provides Members with the continued assurance that the Council operates within the statutory requirements and builds further upon the robust financial management arrangements which the Council has in place.
- 6.2 The 2020/21 Statement of Accounts for Rhondda Cynon Taf CBC is attached at Appendix 1. These accounts are "final" and the external audit process has been completed in line with statutory timescales.

## **7.0 LETTER OF REPRESENTATION**

- 7.1 It is normal practice for Audit Wales to request that the Responsible Finance Officer provides a "Letter of Representation", which highlights material issues relating to the completeness and/or accuracy of the information included in their financial statements and could, therefore, influence his audit opinion. This is to ensure that the accounts properly reflect financial standing and is consistent with the approach taken by Audit Wales in prior years.
- 7.2 The draft Letter of Representation for this Council, which has been prepared after full consultation with the Council's Senior Leadership Team, is provided at Appendix 2.

## **8.0 OUT-TURN UPDATE, GENERAL FUND BALANCES & EARMARKED RESERVES**

- 8.1 The unaudited outturn for 2020/21 was presented to the Cabinet on the 20<sup>th</sup> July 2021, within the Council Performance report. Within this report, the variance against the revenue budget was an overspend of £0.204M. This results in the General Fund balances reducing from £8.709M to £8.505M.
- 8.2 During the intervening period, the external audit process has taken place resulting in a number of amendments to the Statement of Accounts. As detailed in the Audit Wales ISA 260 Report to those charged with governance, the auditor has identified a number of misstatements within the Financial Statements, which have been corrected in the updated version now presented to Council for approval. The misstatements are all presentational in nature and do not impact upon the primary financial statements nor General Fund balances.
- 8.3 In line with the 2021/22 Revenue Budget Strategy report presented to Council on 10<sup>th</sup> March 2021, it is my view, as Section 151 Officer, that £10M represents the minimum level of General Fund Balances the Council should maintain to ensure financial flexibility and stability going forward. Whilst the current level of General Fund reserves is below this minimum level, I am satisfied that plans are in place to replenish to the recommended level. The level of General Fund reserves will be kept under on-going review taking into account the overall quantum of the budget and the financial risks therein and facing the Council.
- 8.4 The level of balances maintained by the Council at the end of financial year 2020/21 are detailed below:

### **General Fund Balances**

	<b>£M</b>
General Fund Balances as at 1 <sup>st</sup> April 2020	(8.709)
2020/21 Net Overspend (as reported to Cabinet 20 <sup>th</sup> July 2021)	0.204
Audited General Fund Balances as at 31 <sup>st</sup> March 2021	(8.505)

### **Earmarked Reserves**

- 8.5 At the 31<sup>st</sup> March 2021, revenue stream funding earmarked reserves amounted to £73.791M. These are detailed within the Statement of Accounts (note 13.2 to the accounts).
- 8.6 For Members information, I provide some detail on a number of these below.

Revenue Grant Reserves IFRS (£4.8M) – this represents accounting for grants entries necessary to comply with International Financial Reporting Standards (it is not distributable for other purposes).

Financial Management and Human Resources Risk Management (£31.6M) – this represents a risk based judgement as to financial risks into the future and protects the annual revenue budget from foreseeable volatility (e.g. economic downturn) and risk assessed future liabilities.

Prior Year Commitments (£18.6M) – represents monies allowed for carry forward from one year to another as a result of budgeted / committed spend not actually being incurred before the 31<sup>st</sup> March (as reported in the Council's quarterly Performance Reports).

Revenue Budget Strategy 2021/22 (£0.7M) – this reflects the money released from earmarked reserves as funding for the 2021/22 budget, as approved by Council (10<sup>th</sup> March 2021).

Medium Term Financial Planning and Service Transformation (£3.6M) – this represents transitional funding to support medium term financial and service planning requirements.

Investment / Infrastructure (£9.5M) – this represents funding for the costs of maintaining and enhancing infrastructure across the County Borough.

Invest to Save (£1.0M) – this represents funding identified (pump priming) to support Invest to Save opportunities as and when they arise.

- 8.7 In addition to the above, there are specific reserves relating to Capital Funding, Insurance and Treasury Management.

Capital Developments (£66.4M) – this relates to funding needed to balance the existing 3-year capital programme. This Council's capital funding strategy is to maximise the use of capital resources in the first instance, retaining revenue funding for latter years, thereby providing greater future year flexibility if necessary. Included here are the resources identified but not yet expended in respect of the additional capital investment agreed during 2020/21 (aligned to Corporate Plan Investment Priorities).

Insurance Reserve (£8.0M) – funding identified as needed for financing the Council's insurance liabilities over the medium term.

Treasury Management (£2.5M) – funding for known and potential future pressures upon the Capital Financing budget.

## **9.0 INTERNATIONAL STANDARD ON AUDITING (ISA) 260**

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

- 9.2 The auditor, in his report on the Rhondda Cynon Taf CBC Statement of Accounts, draws attention to a number of misstatements that have been corrected by management. These are detailed in the Audit Wales ISA 260 report.
- 9.3 Audit Wales intend to issue an unqualified auditor's report on the financial statements of Rhondda Cynon Taf CBC.

## **10.0 UNCORRECTED MISSTATEMENT**

- 10.1 The ISA260 report on the Rhondda Cynon Taf CBC Statement of Accounts identifies there are no misstatements identified in the accounts, which remain uncorrected

## **11.0 LOCAL GOVERNMENT MEASURE REQUIREMENTS**

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

- 11.2 The Council's Governance and Audit Committee considered the draft accounts on 12<sup>th</sup> July 2021 and also received a verbal update from Audit Wales on the progress of the audit on 13<sup>th</sup> September 2021. Based on the verbal update of progress, the Governance and Audit Committee concluded that there were no issues that would prevent Council from approving the Statement of Accounts.

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

12.1 The report provides the legal requirements for the approval of the Council's Statement of Accounts in accordance with the Accounts and Audit (Wales) (Amendment) Regulations 2018. As a result, there are no equality and diversity or socio-economic duty implications to report.

## **13.0 CONSULTATION**

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

## **14.0 FINANCIAL IMPLICATION(S)**

14.1 The financial results / implications within this report have been reported to Cabinet on 20<sup>th</sup> July 2021. The Council's financial performance will continue to be monitored within quarterly Performance Reports during 2021/22. Such reports are presented to Cabinet and are also subject to scrutiny by the Finance and Performance Scrutiny Committee.

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

## **15.0 LEGAL IMPLICATIONS OR LEGISLATION CONSIDERED**

15.1 The report ensures the Council complies with the Accounts and Audit (Wales) (Amendment) Regulations 2018 and in doing so is in line with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom.

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

16.1 This report supports the Council's Corporate Plan 2020-24 – "Making a Difference", in particular through supporting the 'Living Within Our Means' theme.

16.2 The report also supports the Well-being of Future Generations Act in particular 'a globally responsible Wales' through responsible management of the Council's financial resources.

## **17.0 CONCLUSION**

- 17.1 The certification of the draft Statement of Accounts by 2<sup>nd</sup> July demonstrates the continued effective financial management arrangements at this Council despite the challenges of COVID 19.
- 17.2 The completion of the external audit and sign off of the 2020/21 final accounts represents further assurance as to the Council's general financial standing.
- 17.3 The level of General Fund Balances will be replenished going forward.

### **Other information:**

**Governance and Audit Committee 12<sup>th</sup> July 2021 and 13<sup>th</sup> September 2021**

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