



**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL  
COUNCIL**

**29<sup>th</sup> November 2023**

**STATEMENT OF ACCOUNTS FOR 2022/23**

**REPORT OF THE DEPUTY CHIEF EXECUTIVE / GROUP DIRECTOR OF  
FINANCE, DIGITAL AND FRONTLINE 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 2023 with regard to Rhondda Cynon Taf CBC and the Rhondda Cynon Taf Pension Fund.

**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 incorporating responses to the Audit Enquiries Letter (Appendix 2).
- (b) Approve and note the Statement of Accounts of the Rhondda Cynon Taf Pension Fund (Appendix 3), and associated Letter of Representation incorporating responses to the Audit Enquiries Letter (Appendix 4).
- (c) Approve and note the audited final out-turn position for the Council with regard to the financial year 2022/23 and the level of General Fund Balances (paragraph 6.4); and

- (d) Note the considerations and comments of the 4<sup>th</sup> September 2023 Governance and Audit Committee meeting as required by the Local Government Measure (section 9).

### **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. Members will be aware that earlier closure of accounts was successfully implemented by this Council, ahead of the timetable defined within the 2018 Amendment to the Accounts and Audit 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 From 2019/20, 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.
- 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 Accs</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 the 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 the Annual Return for Llwydcoed Crematorium Joint Committee. 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.
- 3.11 The Council also 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. The audited accounts were approved at Joint Committee on 7<sup>th</sup> November 2023.

#### **4.0 STATEMENT OF ACCOUNTS**

- 4.1 The 2022/23 Statement of Accounts for Rhondda Cynon Taf CBC and the Rhondda Cynon Taf Pension Fund are attached at Appendices 1 and 3. These accounts are “final” and the external audit process has been completed. The approval of the 2022/23 Statements of Accounts provides Members with the continued assurance that the Council operates within the

statutory requirements and continues the robust financial management arrangements which the Council has in place.

## **5.0 LETTER OF REPRESENTATION**

- 5.1 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.
- 5.2 The Letters of Representation also incorporate responses to enquiries from Audit Wales within the Audit Enquiries Letters. Responses are provided by management and those charged with governance.
- 5.3 The draft Letters of Representation for this Council and the Pension Fund, which have been prepared after full consultation with the Council’s Senior Leadership Team, are provided at Appendices 2 and 4.

## **6.0 RHONDDA CYNON TAF CBC OUT-TURN UPDATE, GENERAL FUND BALANCES & EARMARKED RESERVES**

- 6.1 The unaudited outturn for 2022/23 was presented to the Cabinet on the 17<sup>th</sup> July 2023, within the Council Performance report. Within this report, the variance against the revenue budget was an overspend of £0.052M.
- 6.2 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 do not impact upon the General Fund balances.
- 6.3 In line with the 2022/23 Revenue Budget Strategy report presented to Council on 9<sup>th</sup> March 2022, 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. 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.
- 6.4 The level of balances maintained by the Council at the end of financial year 2022/23 are detailed below:

## **General Fund Balances**

	<b>£M</b>
General Fund Balances as at 1 <sup>st</sup> April 2022	(10.292)
2022/23 Net Overspend (as reported to Cabinet 17 <sup>th</sup> July 2023)	0.052
Audited General Fund Balances as at 31 <sup>st</sup> March 2023	(10.240)

## **Earmarked Reserves**

6.5 At the 31<sup>st</sup> March 2023, revenue stream funding earmarked reserves amounted to £199.474M. These are detailed within the Statement of Accounts (note 13.2 to the accounts).

6.6 For Members information, I provide some detail on a number of these below.

Revenue Grant Reserves IFRS (£3.6M) – 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 (£26.9M) – 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 (£26.0M) – 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 2023/24 (£9.1M) – this reflects the money released from earmarked reserves as funding for the 2023/24 budget, as approved by Council (8<sup>th</sup> March 2023).

Medium Term Financial Planning and Service Transformation (£4.9M) – this represents transitional funding to support medium term financial and service planning requirements.

Invest to Save (£6.9M) – this represents funding identified (pump priming) to support Invest to Save opportunities as and when they arise.

Insurance Reserve (£8.3M) – 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.

6.7 In addition to the above, there are specific reserves relating to Capital Funding, Investment and Infrastructure.

Capital Developments (£80.2M) – 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 2022/23 (aligned to Corporate Plan Investment Priorities).

Investment / Infrastructure (£25.0M) – this represents funding for the costs of maintaining and enhancing infrastructure across the County Borough.

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

- 7.1 The External Auditor is required, under ISA260, to report to "those charged with governance", relevant matters relating to the audit of the financial statements. This is to be provided to those charged with governance, as distinct from management, before an opinion is given on the financial statements.
- 7.2 The auditor, in his 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. The auditor also states that there are no significant issues required to be reported.
- 7.3 The auditor, in his ISA260 report on the Statement of Accounts of the Rhondda Cynon Taf Pension Fund, states "there were a few minor misstatements in the accounts of a presentational or typographical nature that have now been corrected by management". There are no misstatements identified in the accounts, which remain uncorrected and there are no significant issues which are required to be reported.
- 7.4 Audit Wales intend to issue an unqualified auditor's report on both the financial statements of Rhondda Cynon Taf CBC and the Pension Fund.

## **8.0 UNCORRECTED MISSTATEMENTS**

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

## **9.0 LOCAL GOVERNMENT MEASURE REQUIREMENTS**

- 9.1 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.*

9.2 The Council's Governance and Audit Committee considered the draft accounts on 4<sup>th</sup> September 2023. The Governance and Audit Committee did not highlight any issues that would prevent Council from approving the Rhondda Cynon Taf CBC Statement of Accounts and the Rhondda Cynon Taf Pension Fund Statement of Accounts.

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

10.1 The report provides the legal requirements for the approval of the Council's Statement of Accounts and Rhondda Cynon Taf Pension Fund Statement of Accounts. As a result, there are no equality and diversity or socio-economic duty implications to report.

## **11.0 WELSH LANGUAGE IMPLICATIONS**

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

## **12.0 CONSULTATION**

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

## **13.0 FINANCIAL IMPLICATION(S)**

13.1 The financial results / implications within this report have been reported to Cabinet on 17<sup>th</sup> July 2023. The Council's financial performance will continue to be monitored within quarterly Performance Reports during 2023/24. Such

reports are presented to Cabinet and are also subject to scrutiny by the Overview and Scrutiny Committee.

13.2 The draft financial statements and performance of the Rhondda Cynon Taf Pension Fund have been reported to the Pension Fund Committee, Pension Board and to the Investment and Administration Advisory Panel. Rhondda Cynon Taf Pension Fund's financial performance will continue to be monitored within quarterly Performance Reports during 2023/24 and reported through the Fund's governance structure.

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

#### **14.0 LEGAL IMPLICATIONS OR LEGISLATION CONSIDERED**

14.1 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.

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

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

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

15.2 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.

#### **16.0 CONCLUSION**

16.1 The certification of the draft Statements of Accounts on 31<sup>st</sup> July 2023 demonstrates the continued effective financial management arrangements at this Council including in respect of its role as administering authority for the Pension Fund.

16.2 The completion of the external audit and sign off of the 2022/23 final accounts represents further assurance as to the Council's general financial standing and that of the Pension Fund.

**Other information:**



# Governance and Audit Committee 4<sup>th</sup> September 2023

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