

Document Pack



Mark James LLM, DPA, DCA
Prif Weithredwr,
Chief Executive,
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County Hall, Carmarthen. SA31 1JP

FRIDAY, 6 JULY 2018

TO: ALL MEMBERS OF THE AUDIT COMMITTEE

I HEREBY SUMMON YOU TO ATTEND A MEETING OF THE **AUDIT COMMITTEE** WHICH WILL BE HELD IN THE **CHAMBER, COUNTY HALL, CARMARTHEN AT 10.30 AM ON FRIDAY, 13TH JULY, 2018**, FOR THE TRANSACTION OF THE BUSINESS OUTLINED ON THE ATTACHED AGENDA.

Mark James CBE

CHIEF EXECUTIVE



PLEASE RECYCLE

| | |
|---------------------------------|--|
| Democratic Officer: | Janine Owen |
| Telephone (Direct Line): | 01267 224030 |
| E-Mail: | JanineOwen@carmarthenshire.gov.uk |
| Ref: | AD016-001 |

AUDIT COMMITTEE

**MEMBERSHIP:
8 COUNCIL MEMBERS AND 1 EXTERNAL VOTING MEMBER**

PLAID CYMRU GROUP – 4 MEMBERS

1. Councillor Kim Broom
2. Councillor Gareth John
3. Councillor Emlyn Schiavone
4. Councillor Elwyn Williams

LABOUR GROUP – 2 MEMBERS

1. Councillor Tina Higgins [Chair]
2. Councillor Bill Thomas

INDEPENDENT GROUP – 2 MEMBERS

1. Councillor Giles Morgan [Vice-Chair]
2. Councillor Edward Thomas

EXTERNAL VOTING MEMBER (1)

Mrs. Julie James

AGENDA

1. APOLOGIES FOR ABSENCE.
2. DECLARATIONS OF PERSONAL INTERESTS.
3. APPOINTMENT OF CHAIR FOR THE 2018/19 MUNICIPAL YEAR
4. APPOINTMENT OF VICE CHAIR FOR THE 2018/19 MUNICIPAL YEAR
5. INTERNAL AUDIT PLAN UPDATE 2017/18 AND 2018/19 5 - 26
6. INTERNAL AUDIT ANNUAL REPORT 2017/18 27 - 42
7. AUDIT COMMITTEE FORWARD WORK PROGRAMME 43 - 52
8. EXTERNAL ASSESSMENT OF INTERNAL AUDIT 53 - 64
9. SUPPORTING PEOPLE PROGRAMME GRANT UPDATE 65 - 72
10. MUSEUMS ACTION PLAN UPDATE 73 - 84
11. CORPORATE RISK REGISTER 85 - 90
12. TO CONSIDER THE FOLLOWING DOCUMENTS PREPARED BY THE WALES AUDIT OFFICE:-
 - 12.1 WALES AUDIT OFFICE LOCAL REPORTS 91 - 104
 - 12.2 CARMARTHENSHIRE COUNTY COUNCIL AUDIT COMMITTEE UPDATE - JULY 2018 105 - 124
 - 12.3 WALES AUDIT OFFICE NATIONAL REPORTS 125 - 282
13. STATEMENT OF ACCOUNTS 2017-2018 283 - 430
14. DYFED PENSION FUND ACCOUNTS 2017-2018 431 - 468
15. BURRY PORT HARBOUR FINANCIAL STATEMENT 2017-18 469 - 480
16. MINUTES OF RELEVANT GROUPS TO THE AUDIT COMMITTEE 481 - 490
17. TO SIGN AS A CORRECT RECORD THE MINUTES OF THE MEETING OF THE COMMITTEE HELD ON 23RD MAY 2018 491 - 496

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AUDIT COMMITTEE

13TH JULY 2018

| INTERNAL AUDIT PLAN UPDATE 2017/18 & 2018/19 | | |
|---|--|---|
| Purpose: Internal Audit Plan 2017/18 & 2018/19 Update. | | |
| Recommendations / key decisions required: To receive the report. | | |
| Reasons: Regular progress report to be presented to each Audit Committee meeting. | | |
| Relevant scrutiny committee to be consulted: Not Applicable | | |
| Exec Board Decision Required | Not Applicable | |
| Council Decision Required | Not Applicable | |
| EXECUTIVE BOARD MEMBER PORTFOLIO HOLDER:- Cllr D Jenkins | | |
| Directorate: Corporate Services Name of Head of Service: Helen Pugh Report Author: Helen Pugh | Designations: Head of Revenues and Financial Compliance | Tel No. 01267 246223 E Mail Address: HLPugh@carmarthenshire.gov.uk |

EXECUTIVE SUMMARY

AUDIT COMMITTEE

13TH JULY 2018

INTERNAL AUDIT PLAN UPDATE 2017/18 & 2018/19

BRIEF SUMMARY OF PURPOSE OF REPORT.

To provide Members with progress of the Internal Audit Plan. The following Reports are attached:

REPORT A (i) Internal Audit Plan 2017/18 & 2018/19 – Progress Report

REPORT A(ii) Internal Audit Plan 2017/18 – Recommendations Scoring Matrix

REPORT B Summary of Completed Final Reports 2017/18 Relating to Key Financial Systems (April 2017 to date)

A Summary of Final Reports for the Key Systems completed during the last Quarter is attached.

| | |
|---|------------------------------------|
| 1 | Main Accounting |
| 2 | Budget Setting & Budget Monitoring |

REPORT C – Priority 1 Recommendations Relating to Reviews of Other Systems and Establishment Audits

This Section includes Reviews completed since April 2017 where Systems have one or more Fundamental Control Weaknesses or involve Reviews which the Chair of Audit Committee and the Audit & Risk Manager have agreed should be brought to the Committee

| | |
|---|---------------------|
| 1 | Property Management |
|---|---------------------|

DETAILED REPORT ATTACHED?

YES:-

- Appendix Ai – Internal Audit Plan 2017/18
- Appendix Aii – Internal Audit Plan 2018/19

IMPLICATIONS

I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report :

Signed: Helen Pugh Head of Revenues and Financial Compliance

| | | | | | | |
|---|---------------|----------------|-------------|--------------------------------|-------------------------------|-------------------------|
| Policy, Crime & Disorder and Equalities NONE | Legal NONE | Finance YES | ICT NONE | Risk Management Issues NONE | Staffing Implications NONE | Physical Assets NONE |
|---|---------------|----------------|-------------|--------------------------------|-------------------------------|-------------------------|

Finance

Reviews carried out to ensure systems in place comply with the Authority's Financial Procedure Rules.

CONSULTATIONS

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below

Signed: Helen Pugh Head of Revenues and Financial Compliance

1. **Scrutiny Committee** : Not Applicable
2. **Local Member(s)** : Not Applicable
3. **Community / Town Council** : Not Applicable
4. **Relevant Partners** : Not Applicable
5. **Staff Side Representatives and other Organisations** : Not Applicable

Section 100D Local Government Act, 1972 – Access to Information

List of Background Papers used in the preparation of this report:

THESE ARE DETAILED BELOW

| Title of Document | File Ref No. | Locations that the papers are available for public inspection |
|------------------------------|--------------|---|
| Strategic Audit Plan 2017-20 | AC 28-03-16 | Internal Audit Unit |

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| INTERNAL AUDIT PLAN 2017/18 | | | REPORTING | | | | | |
|-----------------------------|---|---------------------|-------------------|-------------------|-------------------|------------------|-------|-----------------|
| 2017/18 | | | Issues | | | | Score | Assurance Level |
| Job No | Departments | Status | No. of 3 * Issues | No. of 2 * Issues | No. of 1 * Issues | Total No. Issues | Score | Assurance Level |
| | Chief Executive | | | | | | | |
| 1117001 | Corporate Strategy/Policy Making | Complete | 0 | 0 | 0 | 0 | 0 | N/A |
| 1117002 | Partnership Arrangements | Complete | 0 | 0 | 0 | 0 | 0 | N/A |
| 1117003 | Annual Governance Statement | Complete | 0 | 3 | 0 | 3 | 9 | Acceptable |
| 1117004 | HR Function - Recruitment / Safer Recruitment DBS | Complete | 0 | 0 | 0 | 0 | 0 | N/A |
| 1117005 | Health & Safety | Complete | 0 | 2 | 1 | 3 | 7 | Acceptable |
| 1117006 | Staffing Policies | Complete | 0 | 0 | 0 | 0 | 0 | N/A |
| 1117007 | Declaration of Interest | Commenced | | | | 0 | 0 | |
| 1117008 | Community Safety | Complete | 0 | 0 | 0 | 0 | 0 | N/A |
| 1117009 | Electoral Services | Complete | 0 | 3 | 0 | 3 | 9 | Acceptable |
| 1117010 | Markets | Commenced | | | | 0 | 0 | |
| 1117011 | Sponsorship /Tourism/Marketing | Complete | 0 | 0 | 0 | 0 | 0 | N/A |
| 1117012 | Property Management | Complete | 2 | 3 | 0 | 5 | 19 | Low |
| 1117013 | Estate Management | Complete | 0 | 0 | 0 | 0 | 0 | N/A |
| 1117014 | European Programme | Draft Report Issued | | | | 0 | 0 | |
| 1117015 | Economic Development | Complete | 0 | 0 | 0 | 0 | 0 | N/A |
| 1117016 | City Deal - Governance Arrangements | Complete | 0 | 0 | 0 | 0 | 0 | N/A |
| 1117017 | Wellness Centre | Complete | 0 | 0 | 0 | 0 | 0 | N/A |
| 1117018 | Community Regeneration | Complete | 0 | 0 | 0 | 0 | 0 | N/A |
| 1117019 | RLP | Complete | 0 | 0 | 0 | 0 | 0 | N/A |
| 1117020 | Performance/Governance/Improvement Plans | Complete | 0 | 0 | 0 | 0 | 0 | N/A |
| 1117021 | Physical Regeneration | Draft Report Issued | | | | 0 | 0 | |
| 1117022 | Well Being of Future Generations Act | Complete | 0 | 0 | 0 | 0 | 0 | High |
| 1117023 | Welsh Language Standards | Complete | 0 | 1 | 0 | 1 | 3 | Acceptable |
| 1117024 | Information Governance / Retention of records / CFP | Draft Report Issued | | | | 0 | 0 | |
| 1117025 | Property & Major Projects | Complete | 0 | 0 | 0 | 0 | 0 | N/A |
| 1117026 | Financial Management Other | Complete | 0 | 0 | 0 | 0 | 0 | N/A |
| | Grants | | | | | | | |
| 1117027 | Business Development | Draft Report Issued | | | | 0 | 0 | |
| 1117028 | Third Party Grants Monitoring | Complete | 0 | 0 | 0 | 0 | 0 | N/A |
| 1117029 | Grants Data Base | Complete | 0 | 0 | 0 | 0 | 0 | N/A |
| | Computer Audits | | | | | | | |
| 2117001 | Computer Assisted Audit Testing(CAATs) | Complete | 0 | 0 | 0 | 0 | 0 | N/A |
| 2117002 | - Agresso Developments | Field Work Complete | | | | 0 | 0 | |
| 2117003 | - Resource Link | Complete | 0 | 0 | 0 | 0 | 0 | High |
| 2117004 | - Payment Cards | Field Work Complete | | | | 0 | 0 | |
| 2117005 | - Education & Children Services | Complete | 0 | 0 | 0 | 0 | 0 | N/A |
| 2117006 | National Fraud Initiative | Complete | 0 | 0 | 0 | 0 | 0 | N/A |
| 2117007 | Asset Management (Central/Other) | Commenced | | | | 0 | 0 | |
| 2117008 | Collaborative Working | | | | | 0 | 0 | |
| 2117009 | Networks inc WiFi | Complete | 0 | 3 | 1 | 4 | 10 | Acceptable |
| 2117010 | Business Continuity Planning | Field Work Complete | | | | 0 | 0 | |
| 2117011 | Installations | Complete | 0 | 2 | 1 | 3 | 7 | Acceptable |
| 2117012 | Active Directory | Complete | 0 | 1 | 4 | 5 | 7 | Acceptable |
| 2117013 | Schools | Commenced | | | | 0 | 0 | |
| 2117014 | Other Systems - (Not TASK) | Complete | 0 | 2 | 0 | 2 | 6 | Acceptable |
| 2117015 | Digital Transformation | Complete | 0 | 0 | 0 | 0 | 0 | N/A |
| 2117016 | Agile Working | Complete | 0 | 0 | 0 | 0 | 0 | N/A |
| | Education & Children | | | | | | | |
| | School Improvement | | | | | | | |
| 3117001 | School Effectiveness Support Services | Complete | 0 | 0 | 0 | 0 | 0 | N/A |
| | Education Services | | | | | | | |
| 3117002 | Special Educational Needs | Pre Audit Meeting | | | | 0 | 0 | |
| 3117003 | School Redundancy & EVR | Complete | 0 | 2 | 1 | 3 | 7 | Acceptable |
| | Strategic Development | | | | | | | |
| 3117004 | School Milk & Uniform Grants | Complete | 0 | 4 | 0 | 4 | 12 | Low |
| 3117005 | School Meals & Primary Free Breakfast Services | Complete | 0 | 2 | 2 | 4 | 8 | Acceptable |
| | Curriculum & Well being | | | | | | | |
| 3117006 | Youth Service | Complete | 0 | 0 | 0 | 0 | 0 | N/A |
| 3117007 | Youth Service short term grants | Complete | 0 | 0 | 0 | 0 | 0 | N/A |
| 3117008 | Adult & Community Learning | Draft Report Issued | | | | | | |
| | Children's Services | | | | | | | |
| 3117009 | Safeguarding | Commenced | | | | 0 | 0 | |
| 3117010 | Financial Management Other (Used for self assessment ques | Complete | 0 | 0 | 0 | 0 | 0 | N/A |

| INTERNAL AUDIT PLAN 2017/18 | | | REPORTING | | | | | |
|-----------------------------|--|---------------------|-------------------|-------------------|-------------------|------------------|-------|-----------------|
| 2017/18 | | | Issues | | | | | |
| Job No | Departments | Status | No. of 3 * Issues | No. of 2 * Issues | No. of 1 * Issues | Total No. Issues | Score | Assurance Level |
| Schools: | | | | | | | | |
| 3117011 | Cross Hands C.P. School. | Draft Report Issued | | | | 0 | 0 | |
| 3117012 | Drefach C.P. School. | Draft Report Issued | | | | 0 | 0 | |
| 3117013 | Llangain C.P. School. | Complete | 0 | 1 | 2 | 3 | 5 | Acceptable |
| 3117014 | Banccfosfelin C.P. School. | Complete | 0 | 0 | 1 | 1 | 1 | High |
| 3117015 | Pontyberem C.P. School. | Complete | 0 | 0 | 0 | 0 | 0 | High |
| 3117016 | Gwynfryn C.P. School. | Field Work Complete | | | | 0 | 0 | |
| 3117017 | Carway C.P. School. | Field Work Complete | | | | 0 | 0 | |
| 3117018 | Pontiets C.P. School | Field Work Complete | | | | 0 | 0 | |
| 3117019 | Five Roads C.P. School | Field Work Complete | | | | 0 | 0 | |
| 3117020 | Maesybont C.P. School. | Field Work Complete | | | | 0 | 0 | |
| 3117021 | Blaenau C.P. School | Complete | 0 | 0 | 6 | 6 | 6 | Acceptable |
| 3117022 | Ysgol G. Mynyddygarreg | Field Work Complete | | | | 0 | 0 | |
| 3117023 | Trimsaran C.P. School | Complete | 0 | 1 | 7 | 8 | 10 | Acceptable |
| 3117024 | Copperworks Infant & Nursery School | Complete | 0 | 0 | 0 | 0 | 0 | N/A |
| 3117025 | Pen Rhos C.P. School. | Complete | 0 | 3 | 6 | 9 | 15 | Low |
| 3117026 | Peniel C.P. School. | Complete | 0 | 1 | 0 | 1 | 3 | Acceptable |
| 3117027 | Bro Banw | Commenced | | | | 0 | 0 | |
| 3117028 | Saron C.P. School | Complete | 0 | 1 | 0 | 1 | 3 | Acceptable |
| 3117029 | Llangadog C.P. School | Field Work Complete | | | | 0 | 0 | |
| 3117030 | Ysgol Y Dderwen, Carmarthen | Complete | 0 | 0 | 1 | 1 | 1 | High |
| 3117031 | Llanmiloe C.P. School | Draft Report Issued | | | | 0 | 0 | |
| 3117032 | Bryn C.P. School | Draft Report Issued | | | | 0 | 0 | |
| 3117033 | Y Felin (Felinfoel) | Complete | 0 | 2 | 0 | 2 | 6 | Acceptable |
| 3117034 | Ysgol Brynsierfel, Llanelli. | Complete | 0 | 3 | 1 | 4 | 10 | Acceptable |
| 3117035 | Llangunnor C.P. School. | Complete | 0 | 3 | 0 | 3 | 9 | Acceptable |
| 3117036 | Ysgol Gymraeg Teilo Sant, Llandeilo. | Field Work Complete | | | | 0 | 0 | |
| 3117037 | Penygaer C.P. School. | Complete | 0 | 1 | 2 | 3 | 5 | Acceptable |
| 3117038 | Bigyn C.P. School. | Complete | 0 | 0 | 0 | 0 | 0 | N/A |
| 3117039 | Richmond Park C.P. School. | Complete | 0 | 1 | 4 | 5 | 7 | Acceptable |
| 3117040 | Ysgol Griffith Jones | Complete | 0 | 0 | 4 | 4 | 4 | Acceptable |
| 3117041 | St. Mary's R.C.P. School. Llanelli. | Complete | 0 | 3 | 1 | 4 | 10 | Acceptable |
| 3117042 | St. Mary's R.C.P. School, Carmarthen. | Complete | 0 | 1 | 7 | 8 | 10 | Acceptable |
| 3117043 | Model V.A.P. School. | Complete | 0 | 4 | 3 | 7 | 15 | Low |
| 3117044 | Ysgol Bro Dinefwr | Field Work Complete | | | | 0 | 0 | |
| 3117045 | St John Lloyd | Complete | 0 | 0 | 4 | 4 | 4 | Acceptable |
| 3117046 | Dyffryn Taf | Complete | 0 | 1 | 3 | 4 | 6 | Acceptable |
| 3117047 | Ysgol Gyfun Emlyn | Field Work Complete | | | | 0 | 0 | |
| 3117048 | Bro Myrddin | Complete | 0 | 3 | 2 | 5 | 11 | Low |
| Grants | | | | | | | | |
| 3117049 | School Uniform | Complete | 0 | 3 | 5 | 8 | 14 | Low |
| 3117050 | Post 16 | Complete | 0 | 0 | 0 | 0 | 0 | N/A |
| 3117051 | Education - EIG - Q1 Audit | Complete | 0 | 0 | 0 | 0 | 0 | N/A |
| 3117052 | Education - EIG - Q2 Audit | Complete | 0 | 0 | 0 | 0 | 0 | N/A |
| 3117053 | Education - EIG - Q3 Audit | Complete | 0 | 2 | 0 | 2 | 6 | Acceptable |
| 3117054 | Education - EIG - Q4 Audit | Complete | 0 | 0 | 0 | 0 | 0 | N/A |
| 3117055 | Education - EIG - Final Annual Audit | Complete | 0 | 0 | 0 | 0 | 0 | N/A |
| 3117056 | Education - PDG | Complete | 0 | 0 | 0 | 0 | 0 | N/A |
| 3117057 | Education & Children Grants - PDG Q4 | Complete | 0 | 0 | 0 | 0 | 0 | N/A |
| 3117058 | Youth Work Strategy Grant | Complete | 0 | 0 | 1 | 1 | 1 | N/A |
| Corporate Services | | | | | | | | |
| 4117001 | Main Accounting | Complete | 0 | 0 | 0 | 0 | 0 | High |
| 4117002 | Budget Setting | Complete | 0 | 1 | 2 | 3 | 5 | Acceptable |
| 4117003 | Budget Monitoring / Budget Manual Compliance | Complete | 0 | 0 | 0 | 0 | 0 | N/A |
| 4117004 | VAT | Draft Report Issued | | | | 0 | 0 | |
| 4117005 | Capital Accounting incl.Fixed Asset Register | Field Work Complete | | | | 0 | 0 | |
| 4117006 | Treasury Management - Loans | Complete | 0 | 1 | 0 | 1 | 3 | Acceptable |
| 4117007 | Investments - Carmarthenshire CC | Complete | 0 | 0 | 0 | 0 | 0 | N/A |
| 4117008 | Investments - Dyfed Pension Fund | Field Work Complete | | | | 0 | 0 | |
| 4117009 | Pensions Payroll System | Complete | 0 | 0 | 0 | 0 | 0 | High |
| 4117010 | Housing Benefits | Field Work Complete | | | | 0 | 0 | |
| 4117011 | Council Tax | Draft Report Issued | | | | 0 | 0 | |
| 4117012 | NNDR | Draft Report Issued | | | | 0 | 0 | |
| 4117013 | Payroll System | Complete | 0 | 2 | 3 | 5 | 9 | Acceptable |
| 4117014 | Creditor Payments | Field Work Complete | | | | 0 | 0 | |
| 4117015 | Debtors System | Complete | 0 | 0 | 0 | 0 | 0 | N/A |
| 4117016 | Cash Receipting | Draft Report Issued | | | | 0 | 0 | |
| 4117017 | Banking | Complete | 0 | 0 | 2 | 2 | 2 | High |
| 4117018 | Travel & Subsistence System | Draft Report Issued | | | | 0 | 0 | |
| 4117019 | Trust Funds | Complete | 0 | 2 | 1 | 3 | 7 | Acceptable |
| 4117020 | Burry Port Harbour - Accounts Return for WAO | Complete | 0 | 6 | 1 | 7 | 19 | Low |
| 4117021 | Teachers Salaries | Complete | 0 | 2 | 1 | 3 | 7 | Acceptable |
| 4117022 | Asset Disposal / Acquisition | Field Work Complete | | | | 0 | 0 | |
| 4117023 | Financial Management Other | Complete | 0 | 0 | 0 | 0 | 0 | N/A |

| INTERNAL AUDIT PLAN 2017/18 | | | REPORTING | | | | | | |
|-----------------------------|---|---------------------|-------------------|-------------------|-------------------|------------------|-------|-----------------|--|
| 2017/18 | | | Issues | | | | | | |
| Job No | Departments | Status | No. of 3 * Issues | No. of 2 * Issues | No. of 1 * Issues | Total No. Issues | Score | Assurance Level | |
| | Communities | | | | | | | | |
| 5117001 | Disability/Adaptations/Renewals/ARBED | Complete | 0 | 0 | 0 | 0 | 0 | N/A | |
| 5117002 | Houses for Homes | Complete | 0 | 0 | 0 | 0 | 0 | High | |
| 5117003 | Tenancy Management | Complete | 0 | 0 | 0 | 0 | 0 | N/A | |
| 5117004 | Homelessness | Complete | 0 | 0 | 0 | 0 | 0 | N/A | |
| 5117005 | Rents | Complete | 0 | 0 | 0 | 0 | 0 | High | |
| 5117006 | Contract Management/Partnerships | Complete | 0 | 0 | 0 | 0 | 0 | N/A | |
| 5117007 | Direct Payments | Complete | 0 | 0 | 2 | 2 | 2 | High | |
| 5117008 | Residential Care Authority & Private Homes | Draft Report Issued | | | | 0 | 0 | | |
| 5117009 | Day Care | Draft Report Issued | | | | 0 | 0 | | |
| 5117010 | Learning Disabilities | Complete | 0 | 0 | 0 | 0 | 0 | High | |
| 5117011 | Safeguarding | Complete | 0 | 0 | 0 | 0 | 0 | High | |
| 5117012 | Service User Assets | Complete | 0 | 1 | 0 | 1 | 3 | Acceptable | |
| 5117013 | Care Plans | Complete | 0 | 0 | 0 | 0 | 0 | N/A | |
| 5117014 | Independent Living Fund | Complete | 0 | 1 | 1 | 2 | 4 | Acceptable | |
| 5117015 | Joint Equipment Store | Complete | 0 | 2 | 2 | 4 | 8 | Acceptable | |
| 5117016 | Amman Valley Leisure Centre | Draft Report Issued | | | | 0 | 0 | | |
| 5117017 | Carmarthen Leisure Centre | Complete | 0 | 2 | 2 | 4 | 8 | Acceptable | |
| 5117018 | Llanelli Leisure Centre | Draft Report Issued | | | | 0 | 0 | | |
| 5117019 | Newcastle Emlyn Leisure Centre | Complete | 0 | 1 | 5 | 6 | 8 | Acceptable | |
| 5117020 | Pembrey Country Park / MCP / Country Parks | Complete | 0 | 1 | 7 | 8 | 10 | Acceptable | |
| 5117021 | Ski Centre | Draft Report Issued | | | | 0 | 0 | | |
| 5117022 | Countryside Access | Draft Report Issued | | | | 0 | 0 | | |
| 5117023 | St Clears Craft Centre | Complete | 0 | 1 | 2 | 3 | 5 | Acceptable | |
| 5117024 | West Area Leisure | Draft Report Issued | | | | 0 | 0 | | |
| 5117025 | Pendine Outdoor Education Centre | Complete | 0 | 10 | 1 | 11 | 31 | Low | |
| 5117026 | Financial Management Other | Complete | 0 | 0 | 0 | 0 | 0 | N/A | |
| | Grants | | | | | | | | |
| 5117027 | Supporting People - Outcomes | Complete | 0 | 0 | 0 | 0 | 0 | N/A | |
| 5117028 | Supporting People - Financials | Complete | 0 | 0 | 0 | 0 | 0 | N/A | |
| 5117029 | Communities (time used for Supp People) | Complete | 0 | 0 | 0 | 0 | 0 | N/A | |
| | Environment | | | | | | | | |
| | Property: | | | | | | | | |
| 6117001 | Property Maintenance | Complete | 0 | 1 | 2 | 3 | 5 | Acceptable | |
| 6117002 | Property Management | Complete | 0 | 0 | 0 | 0 | 0 | N/A | |
| 6117003 | Tenancy Management / Housing Voids | Draft Report Issued | | | | 0 | 0 | | |
| 6117004 | Provision / livestock markets | Field Wor Complete | | | | 0 | 0 | | |
| 6117005 | Grounds Maintenance | Complete | 0 | 4 | 0 | 4 | 12 | Low | |
| 6117006 | Waste Services | Draft Report Issued | | | | 0 | 0 | | |
| 6117007 | Environmnetal Enforcement | Complete | 0 | 0 | 0 | 0 | 0 | High | |
| | Highways and Transport: | | | | | | | | |
| 6117008 | Highway Maintenance (incl. Trunk Roads) | Complete | 0 | 3 | 0 | 3 | 9 | Acceptable | |
| 6117009 | Public transport | Complete | 0 | 0 | 0 | 0 | 0 | High | |
| 6117010 | Fleet/Plant Management | Complete | 0 | 0 | 0 | 0 | 0 | High | |
| | Planning Services: | | | | | | | | |
| 6117011 | Building Control | Complete | 0 | 0 | 0 | 0 | 0 | High | |
| 6117012 | 106 Agreements | Complete | 0 | 0 | 0 | 0 | 0 | High | |
| 6117013 | Heritage | Complete | 0 | 0 | 0 | 0 | 0 | High | |
| | Policy & Development Departmental: | | | | | | | | |
| 6117014 | Management Systems - Total | Complete | 0 | 0 | 0 | 0 | 0 | N/A | |
| 6117015 | Procurement | Complete | 0 | 0 | 0 | 0 | 0 | N/A | |
| 6117016 | Financial Management Other | Complete | 0 | 0 | 0 | 0 | 0 | N/A | |
| | Grants | | | | | | | | |
| 6117017 | Departmental Grants | Complete | 0 | 0 | 0 | 0 | 0 | N/A | |
| | Procurement / Contracts | | | | | | | | |
| 7117001 | Departmental Procurement Revenue Contracts | Draft Report Issued | | | | 0 | 0 | | |
| 7117002 | Corporate Procurement | Field Work Complete | | | | 0 | 0 | | |
| 7117003 | Framework contracts | Field Work Complete | | | | 0 | 0 | | |
| 7117004 | Regional Framework contracts | Field Work Complete | | | | 0 | 0 | | |
| 7117005 | Specific Projects | Complete | 0 | 0 | 0 | 0 | 0 | High | |
| 7117006 | Capital Maintenance | Complete | 0 | 0 | 0 | 0 | 0 | N/A | |
| 7117007 | 21st Century Schools | Complete | 0 | 0 | 0 | 0 | 0 | High | |
| 7117008 | Post Contract | Complete | 0 | 0 | 0 | 0 | 0 | N/A | |
| 7117009 | Contract Partnering Selection | Draft Report Issued | | | | 0 | 0 | | |
| 7117010 | Capital Grant Management | Complete | 0 | 0 | 0 | 0 | 0 | High | |
| 7117011 | Departmental Contract Management | Complete | 1 | 0 | 0 | 1 | 5 | Low | |
| 7117012 | Cost Management | Complete | 0 | 0 | 0 | 0 | 0 | N/A | |
| 7117013 | Financial Management Other | Complete | 0 | 0 | 0 | 0 | 0 | N/A | |
| | Additional Work | | | | | | | | |
| 5117030 | Pendine Investigation | Complete | 0 | 0 | 0 | 0 | 0 | N/A | |
| 4117024 | Self Assessment | Complete | 0 | 0 | 0 | 0 | 0 | Compliant | |
| 2117017 | Ceredigion Payroll | Complete | 0 | 0 | 0 | 0 | 0 | N/A | |
| 5117030 | Pendine Investigation Phase II | Complete | 0 | 0 | 0 | 0 | 0 | N/A | |
| 2217001 | FOIA | Complete | 0 | 0 | 0 | 0 | 0 | N/A | |
| | Swansea City Council Investigation | Complete | 0 | 0 | 0 | 0 | 0 | N/A | |
| | Neath Port Talbot Investigation | Complete | 0 | 0 | 0 | 0 | 0 | N/A | |
| 3117059 | PDG Q3 | Complete | 0 | 1 | 0 | 1 | 3 | Acceptable | |
| 3117059 | PDG Q1 | Complete | 0 | 0 | 0 | 0 | 0 | Acceptable | |
| 3117059 | PDG Q2 | Complete | 0 | 0 | 0 | 0 | 0 | Acceptable | |

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| INTERNAL AUDIT PLAN 2017/18 | | | | | | | | | | |
|-----------------------------|---|--------------|--------------------|---------------------------|-------------------|---------------------|---------------------|---------------------|--------------|---------------------|
| 2017/18 | % Plan Completion to Date | 90% | | | % Target Mar 2018 | | | | 90.0% | |
| Job No | Departments | Days Planned | Pre. Audit Meeting | Terms of Reference Issued | Commenced | Field Work Complete | Draft Report Issued | Final Report Issued | Days to Date | Status |
| | Chief Executive | | | | | | | | | |
| 1117001 | Corporate Strategy/Policy Making | 8 | * | * | * | * | N/A | N/A | 8.0 | Complete |
| 1117002 | Partnership Arrangements | 8 | * | * | * | * | N/A | N/A | 8.0 | Complete |
| 1117003 | Annual Governance Statement | 8 | * | * | * | * | * | * | 8.0 | Complete |
| 1117004 | HR Function - Recruitment / Safer Recruitment DBS | 8 | * | * | * | * | N/A | N/A | 8.0 | Complete |
| 1117005 | Health & Safety | 8 | * | * | * | * | * | * | 8.0 | Complete |
| 1117006 | Staffing Policies | 5 | * | * | * | * | N/A | N/A | 5.0 | Complete |
| 1117007 | Declaration of Interest | 8 | * | * | * | * | * | * | 0.0 | Commenced |
| 1117008 | Community Safety | 5 | * | * | * | * | * | * | 5.0 | Complete |
| 1117009 | Electoral Services | 5 | * | * | * | * | * | * | 5.0 | Complete |
| 1117010 | Markets | 5 | * | * | * | * | * | * | 0.0 | Commenced |
| 1117011 | Sponsorship /Tourism/Marketing | 5 | * | * | * | * | N/A | N/A | 5.0 | Complete |
| 1117012 | Property Management | 8 | * | * | * | * | * | * | 8.0 | Complete |
| 1117013 | Estate Management | 8 | * | * | * | * | * | * | 8.0 | Complete |
| 1117014 | European Programme | 8 | * | * | * | * | * | * | 7.2 | Draft Report Issued |
| 1117015 | Economic Development | 10 | * | * | * | * | N/A | N/A | 10.0 | Complete |
| 1117016 | City Deal - Governance Arrangements | 8 | * | * | * | * | * | * | 8.0 | Complete |
| 1117017 | Wellness Centre | 8 | N/A | N/A | N/A | N/A | N/A | N/A | 8.0 | Complete |
| 1117018 | Community Regeneration | 8 | * | N/A | N/A | N/A | N/A | N/A | 8.0 | Complete |
| 1117019 | RLP | 5 | * | N/A | N/A | N/A | N/A | N/A | 5.0 | Complete |
| 1117020 | Performance/Governance/Improvement Plans | 8 | * | * | * | * | N/A | N/A | 8.0 | Complete |
| 1117021 | Physical Regeneration | 8 | * | * | * | * | * | * | 7.2 | Draft Report Issued |
| 1117022 | Well Being of Future Generations Act | 5 | * | * | * | * | * | * | 5.0 | Complete |
| 1117023 | Welsh Language Standards | 5 | * | * | * | * | * | * | 5.0 | Complete |
| 1117024 | Information Governance / Retention of records / CFP | 8 | * | * | * | * | * | * | 7.2 | Draft Report Issued |
| 1117025 | Property & Major Projects | 10 | * | * | * | * | N/A | N/A | 10.0 | Complete |
| 1117026 | Financial Management Other | 5 | * | * | * | * | N/A | N/A | 5.0 | Complete |
| | Grants | | | | | | | | | |
| 1117027 | Business Development | 5 | * | * | * | * | * | * | 4.5 | Draft Report Issued |
| 1117028 | Third Party Grants Monitoring | 5 | * | N/A | N/A | N/A | N/A | N/A | 5.0 | Complete |
| 1117029 | Grants Data Base | 5 | * | N/A | N/A | N/A | N/A | N/A | 5.0 | Complete |
| | Total Audit Days for Department | 200 | | | | | | | 184.1 | |
| | Computer Audits | | | | | | | | | |
| 2117001 | Computer Assisted Audit Testing(CAATs) | 25 | * | * | * | * | * | * | 25.0 | Complete |
| 2117002 | - Agresso Developments | 5 | * | * | * | * | * | * | 3.8 | Field Work Complete |
| 2117003 | - Resource Link | 10 | * | * | * | * | * | * | 10.0 | Complete |
| 2117004 | - Payment Cards | 5 | * | * | * | * | * | * | 3.8 | Field Work Complete |
| 2117005 | - Education & Children Services | 5 | * | * | * | * | N/A | N/A | 5.0 | Complete |
| 2117006 | National Fraud Initiative | 35 | * | N/A | * | * | N/A | N/A | 35.0 | Complete |
| 2117007 | Asset Management (Central/Other) | 10 | * | * | * | * | * | * | 0.0 | Commenced |
| 2117008 | Collaborative Working | 10 | * | * | * | * | * | * | 0.0 | |
| 2117009 | Networks inc WiFi | 10 | * | * | * | * | * | * | 10.0 | Complete |
| 2117010 | Business Continuity Planning | 10 | * | * | * | * | * | * | 7.5 | Field Work Complete |
| 2117011 | Installations | 10 | * | * | * | * | * | * | 10.0 | Complete |
| 2117012 | Active Directory | 10 | * | * | * | * | * | * | 10.0 | Complete |
| 2117013 | Schools | 10 | * | * | * | * | * | * | 0.0 | Commenced |
| 2117014 | Other Systems - (Not TASK) | 10 | * | * | * | * | * | * | 10.0 | Complete |
| 2117015 | Digital Transformation | 10 | * | * | * | * | N/A | N/A | 10.0 | Complete |
| 2117016 | Agile Working | 10 | * | * | * | * | N/A | N/A | 10.0 | Complete |
| | Total Days Computer Audits | 185 | | | | | | | 150.0 | |

| INTERNAL AUDIT PLAN 2017/18 | | | | | | | | | | |
|-----------------------------|--|--------------|--------------------|---------------------------|-------------------|---------------------|---------------------|---------------------|--------------|---------------------|
| 2017/18 | % Plan Completion to Date | 90% | | | % Target Mar 2018 | | | | 90.0% | |
| Job No | Departments | Days Planned | Pre. Audit Meeting | Terms of Reference Issued | Commenced | Field Work Complete | Draft Report Issued | Final Report Issued | Days to Date | Status |
| | Education & Children | | | | | | | | | |
| | School Improvement | | | | | | | | | |
| 3117001 | School Effectiveness Support Services | 8 | * | * | * | * | N/A | N/A | 8.0 | Complete |
| | Education Services | | | | | | | | | |
| 3117002 | Special Educational Needs | 8 | * | * | * | * | * | * | 0.0 | Pre Audit Meeting |
| 3117003 | School Redundancy & EVR | 8 | * | * | * | * | * | * | 8.0 | Complete |
| | Strategic Development | | | | | | | | | |
| 3117004 | School Milk & Uniform Grants | 5 | * | * | * | * | * | * | 5.0 | Complete |
| 3117005 | School Meals & Primary Free Breakfast Services | 12 | * | * | * | * | * | * | 12.0 | Complete |
| | Curriculum & Well being | | | | | | | | | |
| 3117006 | Youth Service | 8 | * | * | * | * | N/A | N/A | 8.0 | Complete |
| 3117007 | Youth Service short term grants | 3 | * | * | * | * | N/A | N/A | 3.0 | Complete |
| 3117008 | Adult & Community Learning | 5 | * | * | * | * | * | * | 4.5 | Draft Report Issued |
| | Children's Services | | | | | | | | | |
| 3117009 | Safeguarding | 8 | * | * | * | * | * | * | 0.0 | Commenced |
| 3117010 | Financial Management Other (Used for self assessment que | 5 | * | * | * | * | N/A | N/A | 5.0 | Complete |
| | Schools: | | | | | | | | | |
| 3117011 | Cross Hands C.P. School. | 3 | * | * | * | * | * | * | 2.7 | Draft Report Issued |
| 3117012 | Drefach C.P. School. | 3 | * | * | * | * | * | * | 2.7 | Draft Report Issued |
| 3117013 | Llangain C.P. School. | 3 | * | * | * | * | * | * | 3.0 | Complete |
| 3117014 | Banccfosfelin C.P. School. | 3 | * | * | * | * | * | * | 3.0 | Complete |
| 3117015 | Pontyberem C.P. School. | 3 | * | * | * | * | * | * | 3.0 | Complete |
| 3117016 | Gwynfryn C.P. School. | 3 | N/A | N/A | * | * | * | * | 2.3 | Field Work Complete |
| 3117017 | Carway C.P. School. | 3 | N/A | N/A | * | * | * | * | 2.3 | Field Work Complete |
| 3117018 | Pontiets C.P. School | 3 | N/A | N/A | * | * | * | * | 2.3 | Field Work Complete |
| 3117019 | Five Roads C.P. School | 3 | N/A | N/A | * | * | * | * | 2.3 | Field Work Complete |
| 3117020 | Maesybont C.P. School. | 3 | N/A | N/A | * | * | * | * | 2.3 | Field Work Complete |
| 3117021 | Blaenau C.P. School | 3 | * | * | * | * | * | * | 3.0 | Complete |
| 3117022 | Ysgol G. Mynyddgarreg | 3 | N/A | N/A | * | * | * | * | 2.3 | Field Work Complete |
| 3117023 | Trimsaran C.P. School | 3 | * | * | * | * | * | * | 3.0 | Complete |
| 3117024 | Copperworks Infant & Nursery School | 3 | * | * | * | * | * | * | 3.0 | Complete |
| 3117025 | Pen Rhos C.P. School. | 3 | * | * | * | * | * | * | 3.0 | Complete |
| 3117026 | Peniel C.P. School. | 3 | * | * | * | * | * | * | 3.0 | Complete |
| 3117027 | Bro Banw | 3 | * | * | * | * | * | * | 0.0 | Commenced |
| 3117028 | Saron C.P. School | 3 | * | * | * | * | * | * | 3.0 | Complete |
| 3117029 | Llangadog C.P. School | 3 | N/A | N/A | * | * | * | * | 2.3 | Field Work Complete |
| 3117030 | Ysgol Y Dderwen, Carmarthen | 3 | * | * | * | * | * | * | 3.0 | Complete |
| 3117031 | Llanmiloe C.P. School | 3 | * | * | * | * | * | * | 2.7 | Draft Report Issued |
| 3117032 | Bryn C.P. School | 3 | * | * | * | * | * | * | 2.7 | Draft Report Issued |
| 3117033 | Y Felin (Felinfoel) | 3 | * | * | * | * | * | * | 3.0 | Complete |
| 3117034 | Ysgol Brynsierfel, Llanelli. | 3 | * | * | * | * | * | * | 3.0 | Complete |
| 3117035 | Llangunnor C.P. School. | 3 | * | * | * | * | * | * | 3.0 | Complete |
| 3117036 | Ysgol Gymraeg Teilo Sant, Llandeilo. | 3 | N/A | N/A | * | * | * | * | 2.3 | Field Work Complete |
| 3117037 | Penygaer C.P. School. | 3 | * | * | * | * | * | * | 3.0 | Complete |
| 3117038 | Bigyn C.P. School. | 3 | N/A | N/A | * | N/A | N/A | N/A | 3.0 | Complete |
| 3117039 | Richmond Park C.P. School. | 3 | * | * | * | * | * | * | 3.0 | Complete |
| 3117040 | Ysgol Griffith Jones | 3 | * | * | * | * | * | * | 3.0 | Complete |
| 3117041 | St. Mary's R.C.P. School. Llanelli. | 3 | * | * | * | * | * | * | 3.0 | Complete |
| 3117042 | St. Mary's R.C.P. School, Carmarthen. | 3 | * | * | * | * | * | * | 3.0 | Complete |
| 3117043 | Model V.A.P. School. | 3 | * | * | * | * | * | * | 3.0 | Complete |
| 3117044 | Ysgol Bro Dinefwr | 7 | N/A | N/A | * | * | * | * | 5.3 | Field Work Complete |
| 3117045 | St John Lloyd | 7 | * | * | * | * | * | * | 7.0 | Complete |
| 3117046 | Dyffryn Taf | 7 | * | * | * | * | * | * | 7.0 | Complete |
| 3117047 | Ysgol Gyfun Emlyn | 7 | N/A | N/A | * | * | * | * | 5.3 | Field Work Complete |
| 3117048 | Bro Myrddin | 7 | * | * | * | * | * | * | 7.0 | Complete |
| | Grants | | | | | | | | | |
| 3117049 | School Uniform | 5 | * | * | * | * | * | * | 5.0 | Complete |
| 3117050 | Post 16 | 5 | * | * | * | * | * | * | 5.0 | Complete |
| 3117051 | Education - EIG - Q1 Audit | 5 | * | * | * | * | * | * | 5.0 | Complete |
| 3117052 | Education - EIG - Q2 Audit | 5 | * | * | * | * | * | * | 5.0 | Complete |
| 3117053 | Education - EIG - Q3 Audit | 5 | * | * | * | * | * | * | 5.0 | Complete |
| 3117054 | Education - EIG - Q4 Audit | 5 | * | * | * | * | * | * | 5.0 | Complete |
| 3117055 | Education - EIG - Final Annual Audit | 5 | * | * | * | * | * | * | 5.0 | Complete |
| 3117056 | Education - PDG | 5 | * | * | * | * | * | * | 5.0 | Complete |
| 3117057 | Education & Children Grants - PDG Q4 | 5 | * | * | * | * | * | * | 5.0 | Complete |
| 3117058 | Youth Work Strategy Grant | 5 | * | * | * | * | * | * | 5.0 | Complete |
| | Total Audit Days for Department | 254 | | | | | | | 223.8 | |

| INTERNAL AUDIT PLAN 2017/18 | | | | | | | | | | |
|--|--|--------------|--------------------|---------------------------|-------------------|---------------------|---------------------|---------------------|---------------|---------------------|
| 2017/18 | % Plan Completion to Date | 90% | | | % Target Mar 2018 | | | | | 90.0% |
| Job No | Departments | Days Planned | Pre. Audit Meeting | Terms of Reference Issued | Commenced | Field Work Complete | Draft Report Issued | Final Report Issued | Days to Date | Status |
| Corporate Services | | | | | | | | | | |
| 4117001 | Main Accounting | 10 | * | * | * | * | * | * | 10.0 | Complete |
| 4117002 | Budget Setting | 5 | * | * | * | * | * | * | 5.0 | Complete |
| 4117003 | Budget Monitoring / Budget Manual Compliance | 5 | * | * | * | * | * | * | 5.0 | Complete |
| 4117004 | VAT | 8 | * | * | * | * | * | * | 7.2 | Draft Report Issued |
| 4117005 | Capital Accounting incl.Fixed Asset Register | 8 | * | * | * | * | * | * | 6.0 | Field Work Complete |
| 4117006 | Treasury Management - Loans | 5 | * | * | * | * | * | * | 5.0 | Complete |
| 4117007 | Investments - Carmarthenshire CC | 5 | * | * | * | * | * | * | 5.0 | Complete |
| 4117008 | Investments - Dyfed Pension Fund | 5 | * | * | * | * | * | * | 3.8 | Field Work Complete |
| 4117009 | Pensions Payroll System | 10 | * | * | * | * | * | * | 10.0 | Complete |
| 4117010 | Housing Benefits | 10 | * | * | * | * | * | * | 7.5 | Field Work Complete |
| 4117011 | Council Tax | 10 | * | * | * | * | * | * | 9.0 | Draft Report Issued |
| 4117012 | NNDR | 10 | * | * | * | * | * | * | 9.0 | Draft Report Issued |
| 4117013 | Payroll System | 20 | * | * | * | * | * | * | 20.0 | Complete |
| 4117014 | Creditor Payments | 20 | * | * | * | * | * | * | 15.0 | Field Work Complete |
| 4117015 | Debtors System | 20 | * | * | * | * | * | * | 20.0 | Complete |
| 4117016 | Cash Receipting | 5 | * | * | * | * | * | * | 4.5 | Draft Report Issued |
| 4117017 | Banking | 5 | * | * | * | * | * | * | 5.0 | Complete |
| 4117018 | Travel & Subsistence System | 10 | * | * | * | * | * | * | 9.0 | Draft Report Issued |
| 4117019 | Trust Funds | 8 | * | * | * | * | * | * | 8.0 | Complete |
| 4117020 | Burry Port Harbour - Accounts Return for WAO | 5 | * | * | * | * | * | * | 5.0 | Complete |
| 4117021 | Teachers Salaries | 8 | * | * | * | * | * | * | 8.0 | Complete |
| 4117022 | Asset Disposal / Acquisition | 8 | * | * | * | * | * | * | 6.0 | Field Work Complete |
| 4117023 | Financial Management Other | 5 | * | * | * | * | N/A | N/A | 5.0 | Complete |
| Total Audit Days for Department | | 205 | | | | | | | 177.95 | |
| Communities | | | | | | | | | | |
| 5117001 | Disability/Adaptations/Renewals/ARBED | 8 | * | * | * | * | * | * | 8.0 | Complete |
| 5117002 | Houses for Homes | 8 | * | * | * | * | * | * | 8.0 | Complete |
| 5117003 | Tenancy Management | 8 | N/A | N/A | N/A | N/A | N/A | N/A | 8.0 | Complete |
| 5117004 | Homelessness | 8 | * | * | * | * | N/A | N/A | 8.0 | Complete |
| 5117005 | Rents | 8 | * | * | * | * | * | * | 8.0 | Complete |
| 5117006 | Contract Management/Partnerships | 10 | N/A | N/A | N/A | N/A | N/A | N/A | 10.0 | Complete |
| 5117007 | Direct Payments | 10 | * | * | * | * | * | * | 10.0 | Complete |
| 5117008 | Residential Care Authority & Private Homes | 8 | * | N/A | * | * | * | * | 7.2 | Draft Report Issued |
| 5117009 | Day Care | 8 | * | N/A | * | * | * | * | 7.2 | Draft Report Issued |
| 5117010 | Learning Disabilities | 5 | * | * | * | * | * | * | 5.0 | Complete |
| 5117011 | Safeguarding | 10 | * | * | * | * | * | * | 10.0 | Complete |
| 5117012 | Service User Assets | 8 | * | * | * | * | * | * | 8.0 | Complete |
| 5117013 | Care Plans | 5 | * | * | * | * | N/A | N/A | 5.0 | Complete |
| 5117014 | Independent Living Fund | 5 | * | * | * | * | * | * | 5.0 | Complete |
| 5117015 | Joint Equipment Store | 5 | * | * | * | * | * | * | 5.0 | Complete |
| 5117016 | Amman Valley Leisure Centre | 4 | * | * | * | * | * | * | 3.6 | Draft Report Issued |
| 5117017 | Carmarthen Leisure Centre | 4 | * | * | * | * | * | * | 4.0 | Complete |
| 5117018 | Llanelli Leisure Centre | 4 | * | * | * | * | * | * | 3.6 | Draft Report Issued |
| 5117019 | Newcastle Emlyn Leisure Centre | 4 | * | * | * | * | * | * | 4.0 | Complete |
| 5117020 | Pembrey Country Park / MCP / Country Parks | 12 | * | * | * | * | * | * | 12.0 | Complete |
| 5117021 | Ski Centre | 5 | * | * | * | * | * | * | 4.5 | Draft Report Issued |
| 5117022 | Countryside Access | 5 | * | * | * | * | * | * | 4.5 | Draft Report Issued |
| 5117023 | St Clears Craft Centre | 3 | * | * | * | * | * | * | 3.0 | Complete |
| 5117024 | West Area Leisure | 5 | * | * | * | * | * | * | 4.5 | Draft Report Issued |
| 5117025 | Pendine Outdoor Education Centre | 8 | * | * | * | * | * | * | 8.0 | Complete |
| 5117026 | Financial Management Other | 5 | * | * | * | * | * | * | 5.0 | Complete |
| Grants | | | | | | | | | | |
| 5117027 | Supporting People - Outcomes | 5 | * | N/A | * | * | * | * | 5.0 | Complete |
| 5117028 | Supporting People - Financials | 10 | * | * | * | * | * | * | 10.0 | Complete |
| 5117029 | Communities (time used for Supp People) | 10 | * | * | * | * | N/A | N/A | 10.0 | Complete |
| Total Audit Days for Department | | 198 | | | | | | | 194.1 | |

| INTERNAL AUDIT PLAN 2017/18 | | | | | | | | | | |
|-----------------------------|---|--------------|--------------------|---------------------------|-------------------|---------------------|---------------------|---------------------|---------------|---------------------|
| 2017/18 | % Plan Completion to Date | 90% | | | % Target Mar 2018 | | | | 90.0% | |
| Job No | Departments | Days Planned | Pre. Audit Meeting | Terms of Reference Issued | Commenced | Field Work Complete | Draft Report Issued | Final Report Issued | Days to Date | Status |
| | Environment | | | | | | | | | |
| | Property: | | | | | | | | | |
| 6117001 | Property Maintenance | 8 | * | * | * | * | * | * | 8.0 | Complete |
| 6117002 | Property Management | 5 | * | * | * | * | N/A | N/A | 5.0 | Complete |
| 6117003 | Tenancy Management / Housing Voids | 8 | * | * | * | * | * | * | 7.2 | Draft Report Issued |
| 6117004 | Provision / livestock markets | 5 | * | * | * | * | * | * | 3.8 | Field Work Complete |
| 6117005 | Grounds Maintenance | 5 | * | * | * | * | * | * | 5.0 | Complete |
| 6117006 | Waste Services | 8 | * | * | * | * | * | * | 7.2 | Draft Report Issued |
| 6117007 | Environmental Enforcement | 5 | * | * | * | * | * | * | 5.0 | Complete |
| | Highways and Transport: | | | | | | | | | |
| 6117008 | Highway Maintenance (incl. Trunk Roads) | 8 | * | * | * | * | * | * | 8.0 | Complete |
| 6117009 | Public transport | 5 | * | * | * | * | * | * | 5.0 | Complete |
| 6117010 | Fleet/Plant Management | 5 | * | * | * | * | * | * | 5.0 | Complete |
| | Planning Services: | | | | | | | | | |
| 6117011 | Building Control | 5 | * | * | * | * | * | * | 5.0 | Complete |
| 6117012 | 106 Agreements | 5 | * | * | * | * | * | * | 5.0 | Complete |
| 6117013 | Heritage | 5 | * | * | * | * | * | * | 5.0 | Complete |
| | Policy & Development Departmental: | | | | | | | | | |
| 6117014 | Management Systems - Total | 5 | * | * | * | * | N/A | N/A | 5.0 | Complete |
| 6117015 | Procurement | 3 | * | * | * | * | * | * | 3.0 | Complete |
| 6117016 | Financial Management Other | 5 | * | * | * | * | * | N/A | 5.0 | Complete |
| | Grants | | | | | | | | | |
| 6117017 | Departmental Grants | 10 | * | * | * | * | * | N/A | 10.0 | Complete |
| | Total Audit Days for Department | 100 | | | | | | | 97.15 | |
| | Procurement / Contracts | | | | | | | | | |
| 7117001 | Departmental Procurement Revenue Contracts | 10 | * | * | * | * | * | * | 9.0 | Draft Report Issued |
| 7117002 | Corporate Procurement | 15 | * | * | * | * | * | * | 11.3 | Field Work Complete |
| 7117003 | Framework contracts | 15 | * | * | * | * | * | * | 11.3 | Field Work Complete |
| 7117004 | Regional Framework contracts | 10 | * | * | * | * | * | * | 7.5 | Field Work Complete |
| 7117005 | Specific Projects | 7 | * | * | * | * | * | * | 7.0 | Complete |
| 7117006 | Capital Maintenance | 5 | * | * | * | * | N/A | N/A | 5.0 | Complete |
| 7117007 | 21st Century Schools | 5 | * | * | * | * | * | * | 5.0 | Complete |
| 7117008 | Post Contract | 7 | * | * | * | * | N/A | N/A | 7.0 | Complete |
| 7117009 | Contract Partnering Selection | 5 | * | N/A | * | * | * | * | 4.5 | Draft Report Issued |
| 7117010 | Capital Grant Management | 5 | * | * | * | * | * | * | 5.0 | Complete |
| 7117011 | Departmental Contract Management | 8 | * | * | * | * | * | * | 8.0 | Complete |
| 7117012 | Cost Management | 8 | * | * | * | * | * | N/A | 8.0 | Complete |
| 7117013 | Financial Management Other | 10 | * | * | * | * | N/A | N/A | 10.0 | Complete |
| | Total Audit Days for Department | 110 | | | | | | | 98.5 | |
| | Total Approved Plan Days | 1252 | | | | | | | 1125.6 | |

| INTERNAL AUDIT PLAN 2017/18 | | | | | | | | | | |
|-----------------------------|--|--------------|--------------------|---------------------------|-------------------|---------------------|---------------------------|---------------------|---------------|---------------------|
| 2017/18 | % Plan Completion to Date | 90% | | | % Target Mar 2018 | | | | | 90.0% |
| Job No | Departments | Days Planned | Pre. Audit Meeting | Terms of Reference Issued | Commenced | Field Work Complete | Draft Report Issued | Final Report Issued | Days to Date | Status |
| | Fire | | | | | | | | | |
| 8117001 | Network Security | 5 | * | * | * | * | * | * | 5.0 | Complete |
| 8117002 | Internet Security | 5 | * | * | * | | | | 0.0 | Commenced |
| 8117003 | Agresso | 3 | * | * | * | | | | 0.0 | Commenced |
| 8117004 | Data Protection | 5 | * | * | * | | | | 0.0 | Commenced |
| 8117005 | NFI | 5 | * | * | * | * | * | * | 5.0 | Complete |
| 8217001 | Main Accounting | 5 | * | * | * | * | * | * | 5.0 | Complete |
| 8217002 | VAT | 5 | * | * | * | * | * | * | 5.0 | Complete |
| 8217003 | Capital Accounting incl.Fixed Asset Register | 5 | N/A | N/A | N/A | N/A | N/A | N/A | 5.0 | Complete |
| 8217004 | Treasury Management - Loans | 2 | * | * | * | * | * | * | 2.0 | Complete |
| 8217005 | Treasury Management - Investments | 4 | * | * | * | * | * | * | 4.0 | Complete |
| 8217006 | Pensions Payroll System | 5 | * | * | * | * | * | * | 5.0 | Complete |
| 8217007 | Payroll System | 5 | * | * | * | * | * | * | 5.0 | Complete |
| 8217008 | Creditor Payments | 5 | * | * | * | * | * | * | 5.0 | Complete |
| 8217009 | Debtors System | 5 | * | * | * | * | * | * | 5.0 | Complete |
| 8217010 | Banking | 4 | * | * | * | * | * | * | 4.0 | Complete |
| 8217011 | Travel & Subsistence System | 5 | * | * | * | * | * | * | 5.0 | Complete |
| 8217012 | Procurement | 5 | * | * | * | * | * | * | 5.0 | Complete |
| 8217013 | Asset Disposal / Acquisition / Asset Management | 5 | * | * | * | N/A | N/A | N/A | 5.0 | Complete |
| 8217014 | 3*grants | 10 | * | * | * | * | * | * | 9.0 | Draft Report Issued |
| | | | | | | | | | 0.0 | |
| | Total Audit Days for Department | 93 | | | | | | | 79.0 | |
| | | | | | | | | | | |
| | Additional Work Not Included in Original Plan | | | | | | | | | |
| 5117030 | Pendine Investigation | 25 | * | * | * | * | * | * | 25.0 | Complete |
| 4117024 | Self Assessment | 25 | * | * | * | * | N/A | N/A | 25.0 | Complete |
| 2117017 | Ceredigion Payroll | 14 | * | * | * | * | * | * | 14.0 | Complete |
| 5117030 | Pendine Investigation Phase II | 5 | * | * | * | * | N/A | N/A | 5.0 | Complete |
| 2217001 | FOIA | 4 | * | * | * | * | N/A | N/A | 4.0 | Complete |
| | Swansea City Council Investigation | 2 | * | * | * | * | N/A | N/A | 2.0 | Complete |
| | Neath Port Talbot Investigation | 2 | * | * | * | * | N/A | N/A | 2.0 | Complete |
| 3117059 | PDG Q3 | 5 | * | N/A | * | * | * | * | 5.0 | Complete |
| 3117059 | PDG Q1 | 5 | * | * | * | * | * | * | 5.0 | Complete |
| 3117059 | PDG Q2 | 5 | * | * | * | * | * | * | 5.0 | Complete |
| | | | | | | | | | 0.0 | |
| | Total Additional Work | 185 | | | | | | | 171.0 | |
| | | | | | | | | | | |
| | Total Audit Plan Time | 1437 | | | | | % Complete to Date | 90.2% | 1296.6 | |
| | | | | | | | | | | |
| | Productivity of Total Audit Plan Days as a Percentage of Approved Plan Days | | | | | | | 103.6% | | |

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| INTERNAL AUDIT PLAN 2018/19 | | | | | | | | | | | |
|-----------------------------|--|--------------|-------------------|---------------------------|-------------------|---------------------|---------------------|---------------------|--------------|---------------------------|--|
| 2018/19 | % Plan Completion to Date | 4.8% | | | % Target Jun 2018 | | | | | 5.0% | |
| Job No | Departments | Days Planned | Pre-Audit Meeting | Terms of Reference Issued | Commenced | Field Work Complete | Draft Report Issued | Final Report Issued | Days to Date | Status | |
| | Chief Executive | | | | | | | | | | |
| 1118001 | Annual Governance Statement | 11 | | | | | | | 0.0 | | |
| 1118002 | PMP Function - Recruitment / Safer Recruitment DBS | 8 | | | | | | | 0.0 | | |
| 1118003 | Ethics | 15 | | | | | | | 0.0 | | |
| 1118004 | Performance Management | 8 | | | | | | | 0.0 | | |
| 1118005 | Whistleblowing | 5 | | | | | | | 0.0 | | |
| 1118006 | Financial Management Other | 5 | | | | | | | 0.0 | | |
| | Total Audit Days for Department | 52 | | | | | | | 0 | | |
| | Information & Communications Audit | | | | | | | | | | |
| 2118001 | Computer Assisted Audit Testing(CAATs) | 25 | | | | | | | 0.0 | | |
| 2118002 | Resource Link | 10 | | | | | | | 0.0 | | |
| 2118003 | Agresso | 5 | | | | | | | 0.0 | | |
| 2118004 | Pensions | 6 | | | | | | | 0.0 | | |
| 2118005 | Revenues/ Benefits / DIPS | 8 | | | | | | | 0.0 | | |
| 2118006 | Education & Children Services Systems | 10 | | | | | | | 0.0 | | |
| 2118007 | Communities Systems | 15 | | | | | | | 0.0 | | |
| 2118008 | Environment Systems | 15 | | | | | | | 0.0 | | |
| 2118009 | IT Procurement | 10 | * | | | | | | 0.0 | Pre Audit Meeting | |
| 2118010 | Cloud Computing | 10 | | | | | | | 0.0 | | |
| 2118011 | Data Protection | 10 | | | | | | | 0.0 | | |
| 2118012 | Digital Transformation / Agile Working / Information | 20 | | | | | | | 0.0 | | |
| 2118013 | Financial Management Other | 6 | | | | | | | 0.0 | | |
| | Total Days Computer Audits | 150 | | | | | | | 0.0 | | |
| | Regeneration & Policy | | | | | | | | | | |
| 3118001 | Customer Services | 10 | | | | | | | 0.0 | | |
| 3118002 | Press Office / Communication | 10 | | | | | | | 0.0 | | |
| 3118003 | Modern Records | 10 | | | | | | | 0.0 | | |
| 3118004 | Property & Estate Management | 15 | | | | | | | 0.0 | | |
| 3118005 | New Funding Programmes (eg ESI) | 10 | | | | | | | 0.0 | | |
| 3118006 | City Deal | 10 | | | | | | | 0.0 | | |
| 3118007 | Wellness Centre | 10 | | | | | | | 0.0 | | |
| 3118008 | Corporate Plan / Business Plans | 10 | | | | | | | 0.0 | | |
| 3118009 | Regeneration Strand 1 | 10 | | | | | | | 0.0 | | |
| 3118010 | Regeneration Strand 2 | 8 | | | | | | | 0.0 | | |
| 3118011 | Regeneration Strand 3 | 8 | | | | | | | 0.0 | | |
| 3118012 | Regeneration Strand 4 | 10 | | | | | | | 0.0 | | |
| 3118013 | Complaints | 10 | * | * | | | | | 0.0 | Terms of Reference Issued | |
| 3118014 | Data Protection | 10 | | | | | | | 0.0 | | |
| 3118015 | Financial Management Other | 5 | | | | | | | 0.0 | | |
| | Grants | | | | | | | | | | |
| 3118016 | R&P Third Party Grants | 10 | | | | | | | 0.0 | | |
| | Total Audit Days for Department | 156 | | | | | | | 0.0 | | |
| | Education & Children | | | | | | | | | | |
| | School Improvement | | | | | | | | | | |
| 4118001 | ERW inc arrangements for EIG & PDG | 10 | | | | | | | 0.0 | | |
| | Education Services | | | | | | | | | | |
| 4118002 | Challenge Advisors | 10 | | | | | | | 0.0 | | |
| 4118003 | School Improvement | 10 | | | | | | | 0.0 | | |
| | Strategic Development | | | | | | | | | | |
| 4118004 | Information & Improvement | 10 | | | | | | | 0.0 | | |
| 4118005 | Business Support | 10 | | | | | | | 0.0 | | |
| | Curriculum & Well being | | | | | | | | | | |
| 4118006 | Education Other Than At School (EOTAS) | 5 | | | | | | | 0.0 | | |
| 4118007 | Families First Grant (Youth) | 5 | * | * | * | * | N/A | N/A | 5.0 | Complete | |
| 4118008 | School Consultants | 10 | | | | | | | 0.0 | | |
| 4118009 | Learning Transformation - eg Cynnydd, Cam Nesa | 10 | | | | | | | 0.0 | | |
| | Children's Services | | | | | | | | | | |
| 4118010 | Corporate Parenting | 10 | | | | | | | 0.0 | | |
| 4118011 | Family Support | 5 | | | | | | | 0.0 | | |
| 4118012 | Safeguarding | 10 | | | | | | | 0.0 | | |
| 4118013 | Financial Management Other | 5 | | | | | | | 0.0 | | |

| INTERNAL AUDIT PLAN 2018/19 | | | | | | | | | | | |
|--|--|--------------|-------------------|---------------------------|-----------|---------------------|---------------------|---------------------|--------------|---------------------|------|
| 2018/19 | % Plan Completion to Date | | 4.8% | | | | | % Target Jun 2018 | | | 5.0% |
| Job No | Departments | Days Planned | Pre-Audit Meeting | Terms of Reference Issued | Commenced | Field Work Complete | Draft Report Issued | Final Report Issued | Days to Date | Status | |
| Schools: | | | | | | | | | | | |
| 4118014 | Schools DBS | 5 | | | | | | | 0.0 | | |
| 4118015 | Schools Recruitment & Teachers salaries | 10 | | | | | | | 0.0 | | |
| 4118016 | Schools - Monitoring deficits & surpluses | 10 | | | | | | | 0.0 | | |
| 4118017 | School Meals, Free Meals & Primary Free Breakfast Services | 10 | | | | | | | 0.0 | | |
| 4118018 | Schools Questionnaires Q1 | 8 | * | * | * | | | | 0.0 | Commenced | |
| 4118033 | Schools Questionnaires Q2 | 6 | | | | | | | 0.0 | | |
| 4118034 | Schools Questionnaires Q3 | 8 | | | | | | | 0.0 | | |
| 4118035 | Schools Questionnaires Q4 | 8 | | | | | | | 0.0 | | |
| 4118019 | School visits Q1 | 8 | | | | | | | 0.0 | | |
| 4118036 | School visits Q2 | 6 | | | | | | | 0.0 | | |
| 4118037 | School visits Q3 | 8 | | | | | | | 0.0 | | |
| 4118038 | School visits Q4 | 8 | | | | | | | 0.0 | | |
| Grants | | | | | | | | | | | |
| 4118020 | Post 16 | 8 | | | | | | | 0.0 | | |
| 4118021 | Education - EIG - Final Annual Audit | 5 | | | | | | | 0.0 | | |
| 4118022 | Education - EIG - Q1 Audit | 10 | * | * | * | * | N/A | N/A | 10.0 | Complete | |
| 4118023 | Education - EIG - Q2 Audit | 5 | | | | | | | 0.0 | | |
| 4118024 | Education - EIG - Q3 Audit | 5 | | | | | | | 0.0 | | |
| 4118025 | Education - EIG - Q4 Audit | 5 | | | | | | | 0.0 | | |
| 4118026 | Education - PDG - Final Annual Audit | 5 | | | | | | | 0.0 | | |
| 4118027 | Education - PDG - Q1 | 8 | | | | | | | 0.0 | | |
| 4118028 | Education - PDG - Q2 | 5 | | | | | | | 0.0 | | |
| 4118029 | Education - PDG - Q3 | 5 | | | | | | | 0.0 | | |
| 4118030 | Education - PDG - Q4 | 5 | | | | | | | 0.0 | | |
| 4118031 | 14 to 19 Learning Pathways | 10 | * | * | * | * | N/A | N/A | 10.0 | Complete | |
| 4118032 | Youth Work Strategy Grant | 10 | | | | | | | 0.0 | | |
| Total Audit Days for Department | | 291 | | | | | | | 25 | | |
| Corporate Services | | | | | | | | | | | |
| 5118001 | Budget Setting / Delivery of Efficiencies | 10 | | | | | | | 0.0 | | |
| 5118002 | VAT | 8 | | | | | | | 0.0 | | |
| 5118003 | Treasury Management - Loans | 5 | | | | | | | 0.0 | | |
| 5118004 | Housing Benefits | 10 | | | | | | | 0.0 | | |
| 5118005 | Payroll System | 15 | | | | | | | 0.0 | | |
| 5118006 | Creditor Payments | 15 | | | | | | | 0.0 | | |
| 5118007 | Debtors System | 15 | * | * | * | | | | 0.0 | Commenced | |
| 5118008 | Cash & Bank | 10 | | | | | | | 0.0 | | |
| 5118009 | Travel & Subsistence System | 10 | | | | | | | 0.0 | | |
| 5118010 | Deputyships | 15 | | | | | | | 0.0 | | |
| 5118011 | Trust Funds | 15 | | | | | | | 0.0 | | |
| 5118012 | Burry Port Harbour - Accounts Return for WAO | 8 | | | | | | | 0.0 | | |
| 5118013 | Financial Management Other | 5 | | | | | | | 0.0 | | |
| Total Audit Days for Department | | 141 | | | | | | | 0.0 | | |
| Communities | | | | | | | | | | | |
| 6118001 | Home Care | 10 | | | | | | | 0.0 | | |
| 6118002 | Residential Care Authority & Private Homes Q1 | 3 | N/A | N/A | * | * | | | 2.3 | Field Work Complete | |
| 6118023 | Residential Care Authority & Private Homes Q2 | 3 | | | | | | | 0.0 | | |
| 6118024 | Residential Care Authority & Private Homes Q3 | 2 | | | | | | | 0.0 | | |
| 6118025 | Residential Care Authority & Private Homes Q4 | 2 | | | | | | | 0.0 | | |
| 6118003 | Supported Living | 10 | | | | | | | 0.0 | | |
| 6118004 | Learning Disabilities | 5 | N/A | N/A | * | | | | 0.0 | Commenced | |
| 6118005 | Safeguarding | 10 | | | | | | | 0.0 | | |
| 6118006 | Affordable Homes | 10 | | | | | | | 0.0 | | |
| 6118007 | Licensing and other fees | 10 | * | | | | | | 0.0 | Pre Audit Meeting | |
| 6118008 | Museums | 10 | * | * | * | | | | 0.0 | Commenced | |
| 6118009 | Libraries | 10 | * | * | * | * | | | 7.5 | Field Work Complete | |
| 6118010 | Amman Valley Leisure Centre | 8 | | | | | | | 0.0 | | |
| 6118011 | Carmarthen Leisure Centre | 10 | | | | | | | 0.0 | | |
| 6118012 | Llanelli Leisure Centre | 10 | | | | | | | 0.0 | | |
| 6118013 | Pembrey Country Park / MCP / Country Parks | 10 | | | | | | | 0.0 | | |
| 6118014 | Ski Centre | 10 | | | | | | | 0.0 | | |
| 6118015 | Theatres | 8 | | | | | | | 0.0 | | |
| 6118016 | South Area Leisure / Education & Workforce | 8 | | | | | | | 0.0 | | |
| 6118017 | Pendine Outdoor Education Centre | 8 | | | | | | | 0.0 | | |
| 6118018 | Llesiant Delta Wellbeing Ltd - LATC | 20 | | | | | | | 0.0 | | |
| 6118019 | Housing Company | 20 | | | | | | | 0.0 | | |
| 6118020 | Financial Management Other | 5 | | | | | | | 0.0 | | |
| Grants | | | | | | | | | | | |
| 6118021 | Supporting People | 15 | * | * | * | * | * | * | 15.0 | Complete | |
| 6118022 | Communities | 10 | * | * | * | * | * | * | 10.0 | Complete | |
| Total Audit Days for Department | | 227 | | | | | | | 34.75 | | |

| INTERNAL AUDIT PLAN 2018/19 | | | | | | | | | | | |
|-----------------------------|--|--------------|-------------------|---------------------------|-----------|---------------------------|---------------------|---------------------|--------------|--------|--|
| 2018/19 | % Plan Completion to Date | | | % Target Jun 2018 | | | | | 5.0% | | |
| Job No | Departments | Days Planned | Pre-Audit Meeting | Terms of Reference Issued | Commenced | Field Work Complete | Draft Report Issued | Final Report Issued | Days to Date | Status | |
| | Environment | | | | | | | | | | |
| | Property: | | | | | | | | | | |
| 7118001 | Property Maintenance | 15 | | | | | | | 0.0 | | |
| 7118002 | Property & Estate Management (sale of assets) | 15 | | | | | | | 0.0 | | |
| 7118003 | Energy Strategy | 10 | | | | | | | 0.0 | | |
| | Waste and Environment: | | | | | | | | | | |
| 7118004 | Grounds Maintenance | 10 | | | | | | | 0.0 | | |
| 7118005 | Cleansing Services | 10 | | | | | | | 0.0 | | |
| | Highways and Transport: | | | | | | | | | | |
| 7118006 | Highway Maintenance (incl. Trunk Roads) | 10 | | | | | | | 0.0 | | |
| 7118007 | Other Streetwork | 10 | | | | | | | 0.0 | | |
| 7118008 | Street lighting | 10 | | | | | | | 0.0 | | |
| 7118009 | Parking Inc. Enforcement | 8 | | | | | | | 0.0 | | |
| | Planning Services: | | | | | | | | | | |
| 7118010 | Local Development Plan | 10 | | | | | | | 0.0 | | |
| | Policy & Development Departmental: | | | | | | | | | | |
| 7118011 | Management Systems - Total | 10 | | | | | | | 0.0 | | |
| 7118012 | Financial Management Other | 5 | | | | | | | 0.0 | | |
| | Grants | | | | | | | | | | |
| 7118013 | Environment Departmental Grants | 20 | | | | | | | 0.0 | | |
| | Total Audit Days for Department | 143 | | | | | | | 0.0 | | |
| | Procurement / Contracts | | | | | | | | | | |
| 8118001 | Framework contracts | 15 | | | | | | | 0.0 | | |
| 8118002 | Specific Projects (new and post contact review) | 20 | | | | | | | 0.0 | | |
| 8118003 | Departmental Contract Management | 20 | | | | | | | 0.0 | | |
| 8118004 | Community Benefits | 10 | | | | | | | 0.0 | | |
| 8118005 | Category Management | 10 | | | | | | | 0.0 | | |
| 8118006 | Financial Management Other | 5 | | | | | | | 0.0 | | |
| | Total Audit Days for Department | 80 | | | | | | | 0 | | |
| | Total Approved Plan Days | 1240 | | | | % Complete to Date | 4.8% | | 59.8 | | |
| | Additional Work | | | | | | | | | | |
| | Mid and West Wales Fire Authority | 95 | | | | | | | 0.0 | | |
| 2118014 | Ceredigion IT | 15 | | | | | | | 0.0 | | |
| 1118007 | Ceredigion Ethics | 15 | | | | | | | 0.0 | | |
| | Total Additional Work | 125 | | | | | | | 0.0 | | |
| | Total Audit Plan Time | 1365 | | | | % Complete to Date | 4.4% | | 59.8 | | |
| | Productivity of Total Audit Plan Days as a Percentage of Approved Plan Days | | | | | | 4.8% | | | | |

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| | | |
|---|--|-------------------------------------|
| DEPARTMENT Corporate Services | AUDIT REVIEW Main Accounting | AUDIT REF 4117001 |
| PLANNED DAYS 10 | ACTUAL DAYS 10 | Frequency of Audit ANNUAL |

BACKGROUND

One of the main objectives of the Main Accounting function is the maximisation of the Authority's financial resources, and the establishment and monitoring of sound and efficient financial control within the Authority.

The systems within the function are fundamental to the Authority and, as such, are subject to an annual review.

SCOPE

The Main Accounting System was reviewed to ensure that:

- Recommendations in the previous Internal Audit report had been actioned;
- Virements and journals are appropriate and authorised as expected;
- System balances are brought forward correctly;
- Financial Management System access levels are appropriate; and
- The coding structure is applied in accordance with recognised procedures.

SUMMARY OF RESULTS

The review of Main Accounting was classified as medium risk to the Authority but following completion of this review, the risk classification will be reduced to low risk.

Review of the Main Accounting System identified that current procedures are robust with all expected key controls established and operating to a good standard. As a result, it can be reported that the Main Accounting Section demonstrates very good control over its functions.

| NUMBER OF RECOMMENDATIONS | | OVERALL ASSURANCE |
|---|-------------|-------------------|
| Priority 1- Fundamental Weaknesses | None | High |
| Priority 2 – Strengthen Existing Controls | None | |
| Priority 3 – Minor Issues | None | |

| | | |
|---|--|-------------------------------------|
| DEPARTMENT Corporate Services | AUDIT REVIEW Budget Setting & Monitoring | AUDIT REF 4117002 |
| PLANNED DAYS 5 | ACTUAL DAYS 5 | Frequency of Audit ANNUAL |

BACKGROUND

One of the main objectives of the Budget Setting & Monitoring function is the maximisation of the Authority's financial resources, and the establishment and monitoring of sound and efficient financial control within the Authority.

The systems within the function are fundamental to the Authority and, as such, are subject to an annual review. The systems include budget setting, budget monitoring and final account preparation.

SCOPE

The Budget Setting & Monitoring function was reviewed to ensure that:

- Recommendations in the previous Internal Audit report had been actioned;
- Budgets are approved, recorded and controlled appropriately; and
- Budgets are monitored in accordance with the budget manual and budget managers are appropriately trained and experienced to undertake their duties.

SUMMARY OF RESULTS

Budget setting and monitoring has previously been included within the Authority's Main Accounting review. This audit included elements of the previous reviews along with more focus on the budget monitoring process. Prior to the commencement of this review the risk rating was classified as medium risk to the Authority. This is due to the results of previous Main Accounting audits. Following completion of the testing and the issues identified, the risk classification will remain as medium.

Testing highlighted that current arrangements operate to an acceptable standard, with only a few issues being identified; the implementation of the recommendations detailed in the action plan will ensure improvements on the existing level of control.

| NUMBER OF RECOMMENDATIONS | | OVERALL ASSURANCE |
|---|-------------|-------------------|
| Priority 1- Fundamental Weaknesses | None | Acceptable |
| Priority 2 – Strengthen Existing Controls | 1 | |
| Priority 3 – Minor Issues | 2 | |

| | | |
|---|--|-----------------------------|
| DEPARTMENT Environment / Regeneration & Policy | AUDIT REVIEW Property Management | AUDIT REF 1117012 |
| PLANNED DAYS 8 | ACTUAL DAYS 8 | Frequency of Audit |

BACKGROUND

Carmarthenshire County Council has a number of properties for which the Authority has arranged with a number of organisations for the provision and development of a range of services within the County, or are let to tenants to generate income to supplement the Council's budgets.

Arrangements are put in place by the Property Division / Regeneration & Policy Department to let and manage these properties. Where services are provided on behalf of the Authority, these arrangements also ensure such third parties are appointed appropriately and subsequently monitored by either themselves or the relevant Department to ensure the terms of such agreements are being fully complied with.

SCOPE

The review covered the controls and procedures in operation to assess the extent to which:

- There is a robust system in place for the recording and monitoring of information held on properties with agreements / leases; and
- The Authority's policies and procedures for the allocation of agreements / leases are fully complied with.

SUMMARY OF RESULTS

The review of the systems and procedures associated with Property Management had previously been assessed as being of high risk to the Authority during the Audit planning process. Due to the issues that have been identified during the current Internal Audit review, the review of Property Management will remain as being of high risk to the Authority.

The Property Management role was restructured on 1st April, 2016, with properties now being managed by both the Property Division in the Environment Department and the Regeneration & Policy Department.

The specific issues classified as fundamental weaknesses identified are as follows:

- Testing on a sample of leased properties identified concerns in the management and administration of the Authority's assets, in areas such as:
 - agreements were not always up to date,
 - reviews and renewals of agreements were not always up to date,
 - evidence was not always available to demonstrate that best value had been obtained or the authority

As a result there can be limited assurance that the controls in place are sufficiently robust in order to demonstrate adequate clarity and accountability over the lease of the Authority's properties. Formal procedures should be established for the monitoring of properties with leases / agreements to ensure the terms and conditions are being fully complied with, and rent reviews and renewals are undertaken promptly.

- Adequate monitoring of properties with agreements / leases is not always undertaken. In particular, the finance element of leased properties is not being managed appropriately. Procedures should be established to ensure the financial elements of contracts are actioned appropriately and all income due is collected promptly. Adequate records to support such actions should be maintained and these should be reviewed by an appropriate senior member of staff

The implementation of the recommendations, relating to the specific issues identified, will ensure improvements on the existing level of control.

| NUMBER OF RECOMMENDATIONS | | OVERALL ASSURANCE |
|---|-------------|-------------------|
| Priority 1- Fundamental Weaknesses | 2 | Low |
| Priority 2 – Strengthen Existing Controls | 3 | |
| Priority 3 – Minor Issues | None | |

AUDIT COMMITTEE

13TH JULY 2018

| INTERNAL AUDIT ANNUAL REPORT 2017/18 | | |
|---|---|---|
| Purpose: Internal Audit Annual Report 2017/18 to Members of the Audit Committee. | | |
| Recommendations / key decisions required: To receive the report. | | |
| Reasons: Annual report required to meet the requirements of Internal Audit Standards. | | |
| Relevant scrutiny committee to be consulted: Not Applicable | | |
| Exec Board Decision Required | Not Applicable | |
| Council Decision Required | Not Applicable | |
| EXECUTIVE BOARD MEMBER PORTFOLIO HOLDER:- Cllr D Jenkins - Resources | | |
| Directorate: Corporate Services Name of Head of Service: Helen Pugh Report Author: Helen Pugh | Designations: Interim Head of Audit, Risk & Procurement | Tel No. 01267 246223 E Mail Address: HLPugh@carmarthenshire.gov.uk |

EXECUTIVE SUMMARY

AUDIT COMMITTEE

13TH JULY 2018

INTERNAL AUDIT ANNUAL REPORT 2017/18

This report provides an opinion of the adequacy and effectiveness of the Council's control environment for the year April 2017 to March 2018, based on the work undertaken in the 2017/18 Internal Audit Plan, agreed by Audit Committee

The following Report is attached:

1. Internal Audit Annual Report 2017/18.

| | |
|---------------------------|-----|
| DETAILED REPORT ATTACHED? | YES |
|---------------------------|-----|

IMPLICATIONS

I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report :

Signed: Helen Pugh Head of Revenues and Financial Compliance

| | | | | | | |
|---|---------------|-----------------|-------------|--------------------------------|-------------------------------|-------------------------|
| Policy, Crime & Disorder and Equalities NONE | Legal NONE | Finance NONE | ICT NONE | Risk Management Issues NONE | Staffing Implications NONE | Physical Assets NONE |
|---|---------------|-----------------|-------------|--------------------------------|-------------------------------|-------------------------|

CONSULTATIONS

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below

Signed: Helen Pugh Head of Revenues and Financial Compliance

1. **Scrutiny Committee** : Not Applicable
2. **Local Member(s)** : Not Applicable
3. **Community / Town Council** : Not Applicable
4. **Relevant Partners** : Not Applicable
5. **Staff Side Representatives and other Organisations** : Not Applicable

Section 100D Local Government Act, 1972 – Access to Information

List of Background Papers used in the preparation of this report:

THESE ARE DETAILED BELOW

| Title of Document | File Ref No. | Locations that the papers are available for public inspection |
|------------------------------|--------------|---|
| Strategic Audit Plan 2017-20 | AC 28-03-16 | Internal Audit Unit |

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Internal Audit Annual Report 2017/18

1. INTRODUCTION

The Public Sector Internal Audit Standards (PSIAS) established in 2013 are the agreed professional standards for Internal Audit in Local Government.

PSIAS sets out the requirement for the Head of Internal Audit to report to Officers and the Audit Committee to help inform their opinion on the effectiveness of the Authority's Framework of Governance, Risk Management and control.

This report provides an opinion by the Head of Internal Audit of the adequacy and effectiveness of the Council's control environment for the year April 2017 to March 2018, based on the work undertaken in the 2017/18 Internal Audit Plan, agreed by Audit Committee.

The annual opinion by the Head of Internal Audit contributes to the completion of the Annual Governance Statement (AGS), which forms part of the Annual Statement of Accounts

2. OVERALL OPINION

No system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance. This statement is intended to provide reasonable assurance that there are no major weaknesses in risk management, governance and control processes.

In arriving at the overall opinion, the Head of Audit has taken into account:

- the results of all work undertaken as part of the 2017/18 Internal Audit Programme
- the results of follow-up action of Internal Audit Reviews from current and previous years; and
- the acceptance of actions by Management (especially those deemed significant).

It is my opinion that the Authority has an 'Adequate' control environment in operation. There are clear Governance arrangements with defined Management responsibilities and Committee Structures in place, Risk Management and the control framework is generally sound and operated reasonably consistently. The Authority has an established Constitution, has developed Policies and approved Financial Procedure Rules that provide advice and guidance to all staff and members. I am

satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of the Authority's internal control environment.

Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement.

3. INTERNAL AUDIT

The Head of Revenues and Financial Compliance is responsible for ensuring the effective delivery of the Internal Audit function in accordance with the principles agreed with the Authority's Chief Financial Officer (section 151 Officer) and in accordance with the Internal Audit Strategy 2014-2017.

The Authority maintains an effective Internal Audit function. The **Strategic and Annual Audit Plans** are approved by Audit Committee annually and regular reports are made to the Audit Committee throughout the year on progress and any significant weaknesses identified.

4. STAFFING

There were 9.8 FTE staff on the establishment during 2017/18 and the Section currently has only recently filled the vacant posts.

Overall sickness accounted for a loss of 9 productive days, equating to approximately 0.5% of available productive days, compared to 2.7% for the previous year. In addition to the sickness there was a maternity leave accounting for a further loss of 222 days. During the year vacant posts accounted for the loss of 290 days. Taking sickness, maternity leave and vacant posts 28% productive days were lost during the year, compared to 7.5% last year.

The Unit was led by the Head of Revenues and Financial Compliance and has 5 Teams covering IT Systems, Contracting / Procurement, and three Service Based Teams. The audit of the main financial systems (fundamental systems) is shared between the three Service Based Teams.

No Agency Staff were hired during the year.

6. ANNUAL AUDIT PLAN 2017/18

The 2017/18 Annual Plan agreed at the Audit Committee on 24th March 2017 continues to provide a broad coverage of the Authority services and systems.

The Annual Audit Plan for 2017/18 included 185 reviews and was compiled on a "risk basis" i.e. taking account of the nature of the service, value and previous findings.

75% of those reviews originally programmed were completed by 31st March 2018 thereby falling short of the 92% target, and on the 80% delivery the previous year.

Recommendations arising from internal audit work are graded according to the risk levels of the weaknesses identified, with recommended actions as follows:

- **Priority 1 - Fundamental Weaknesses**
Control issues to be addressed as a high priority. These relate to issues that are fundamental and material to the system of internal control at a service level.
- **Priority 2 - Strengthen Existing Controls**
Action required to avoid exposure to significant risks. These relate to issues that procedures do exist but require strengthening.
- **Priority 3 - Minor Issues**
Action required which should result in enhanced control or better value for money. These are issues arising that would, if corrected, improve the internal control environment in general but are not vital to the overall system of internal control.

At the completion of each audit review an overall opinion as to the level of assurance that can be provided is given. Following each audit, report recipients are asked to complete an action plan showing whether they agree with the recommendations made and how they plan to implement them.

During the period April 2017 to March 2018 a total of 262 recommendations have been made, these include recommendations made in draft reports at the time of this report. All recommendations are discussed and agreed with the relevant service departments.

The Reports outcomes are summarised in Table 1 below.

Table 1 – Analysis of Recommendations

| Ratings | Number of Recommendations |
|---|--|
| Priority 1 *** Fundamental Control Issues to be addressed as a High Priority | 3 (See Table 2 for a summary of the issues and an update on the status) |
| Priority 2 ** Control Issues required to strengthen existing procedures | 143 |
| Priority 3 * Minor issues | 116 |

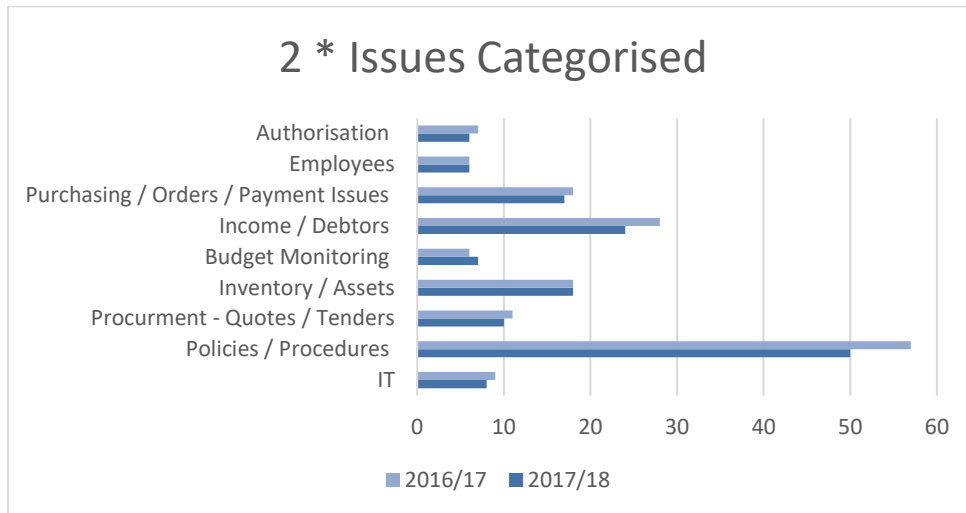
The Audit Committee are kept informed of the progress of Internal Audit reviews and significant issues brought to their attention as necessary. Table 2 below summarises the Priority 1 Fundamental Issues brought to the Audit Committee attention during the 2017/18 audit year to date.

Table 2 – Priority 1 - Fundamental Issues

| Review | 3* Issues Reported to Date for Audit Year 2017/18 | Update |
|--------------------|--|---|
| Coastal Facilities | Three areas of concern were noted in the initial review. In summary there was a general non-compliance with a range of the Authority's established procedures such as non-compliance with financial procedure rules, (including contract and quotation procedure rules and Transport & Engineering Unit Policy): | First reported to Audit Committee in March 2016. Audit Committee requested quarterly updates from the service as to the progress made in implementing the changes required to address the issues raised. These continue to do so now on a 6 monthly basis. |
| Supporting People | This review identified the weaknesses in the management and administration of the Supporting People Grant. This was in the main due to the issues previously identified and reported during 2015/16 and 2016/17. | First reported to Audit Committee in December 2015. Since then the Supporting People Manager has been reporting quarterly to the Audit Committee on the progress made in implementing the required changes to address the issues identified in the audit report. Following the Audit Committee in January 2017 Members agreed to change the reporting requirement to 6 monthly, |

| Review | 3* Issues Reported to Date for Audit Year 2017/18 | Update |
|----------------------------------|--|--|
| | | this continues to be the reporting requirement. |
| Museums | <p>Audit review identified concerns in the way that assets were being managed and administered. The main areas of concern were:</p> <ul style="list-style-type: none"> • a lack of a comprehensive up to date inventory of assets; • delay in the full implementation of the computerised system CALM; • a lack of adequate documentation available to support loan items; • a lack of adequate insurance arrangements. <p>A follow-up review was undertaken and whilst it was identified that many of the issues remained outstanding it was noted that a significant amount of work had been undertaken to put actions in place.</p> | An Action Plan was presented to Audit Committee in March 2017 along with the Audit Report. The Action plan provided a timetable of actions to be taken over the next year to address the issues identified. The Audit Committee request an update in the September 2017 meeting and then on a 6 monthly basis. |
| Departmental Contract Management | The Transport Division, in conjunction with the Procurement Section, should establish interim arrangements for the collection and banking of monies from car-parks, to ensure that the Authority's Contract Procedure Rules are being complied. | A procurement exercise was undertaken and a new contract awarded on 29th May 2018 |
| Property Management | <p>Procedures for the management and administration of the Authority's leased properties must be reviewed and improved in order to ensure good control over the Authority's assets is achieved.</p> <p>In addition, formal procedures should be established for the monitoring of properties with leases / agreements to ensure the terms and conditions are being fully complied with, and rent reviews and renewals are undertaken promptly.</p> | Reported to Audit Committee July 2018 |
| Property Management | <p>Procedures should be established to ensure the financial elements of contracts are actioned appropriately and all income due is collected promptly.</p> <p>Adequate records to support such actions should be maintained and these should be reviewed by an appropriate senior member of staff</p> | Reported to Audit Committee July 2018 |

The graph below shows the categorisation of the 2* issues raised in 2017/18 and compared to 2016/17



As can be seen the majority of issues relate to Policies and Procedures. The concerns raised were mainly in relation to:

- non-compliance with current policies and procedures
- policies not being applied consistently
- policies were unclear

Further to the analysis above each report notes what assurance we conclude for each review. The definitions are as follows:

Table 3 – Description for Assurance Levels

| Assurance Level | Description for Assurance Level | Scores |
|-----------------|---|--|
| High | Good controls consistently applied Low risk of not meeting objectives Low risk of fraud, negligence, loss, damage to reputation | 0 to 2 |
| Acceptable | Moderate Controls, some areas of non-compliance with agreed controls Medium / low risk of not meeting objectives Medium / low risk of fraud, negligence, loss, damage to reputation | 3 to 10 with no 3* recommendations |
| Low | Inadequate controls High Risk of not meeting objectives High risk of fraud, negligence, loss, damage to reputation | > 10 or including one or more 3* recommendations |

Taking into account final and draft reports to date the assurance levels gained are summarised in Table 4. It can be seen that of all the reviews to date 15% are considered to provide Low Assurance, as compared to 10% of the reports in 2016/17.

Table 4 – Assurance

| Level of Assurance | Number of 2017/18 Reports | Number of 2016/17 Reports | Number of 2015/16 Reports |
|---------------------------|----------------------------------|----------------------------------|----------------------------------|
| High | 23 | 34 | 61 |
| Acceptable | 57 | 79 | 53 |
| Low | 14 | 12 | 25 |

The Final Internal Audit Reports once agreed with Heads of Service / Managers / Head Teachers are given to the appropriate Directors, Executive Board Members, Chair and Vice Chair of Audit Committee and Chair of School Governing Bodies for them to fully understand the key findings of each review and to be made aware of all recommendations. In addition to this arrangement the recommendations, agreed actions and responsible officers for 2017/18 audit year onwards are being placed on the Carmarthenshire's PIMS electronic database system. This will provide a place where all responsible officers and their Senior Managers can access and review their recommendations, as well as providing Internal Audit with a tool to monitor and review actions.

7. ANNUAL GOVERNANCE STATEMENT (AGS)

The Governance Statement for the year ended 31st March 2018 forms part of the Statement of Accounts. The Annual Governance Statement explains how the Authority has complied with the various elements of the Governance Framework.

The Annual Governance Statement 2017/18 has been signed by both the Leader and Chief Executive and is presented within the Statement of Accounts for 2017/18.

A Corporate Governance Group comprising two Executive Board Members and key officers has been established to inform and monitor progress on issues affecting Governance. The Chair of Audit Committee also attends as an Observer.

The Group have met throughout the year and the Minutes have been referred to Audit Committee.

8. QUALITY ASSURANCE

The Public Sector Internal Audit Standard (PSIAS) became effective from 1st April 2013 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.

The two possible approaches to external assessments outlined in the Standards included either a full external assessment or an internal self-assessment which is validated by an external reviewer. Carmarthenshire County Council elected to adopt the self-assessment approach with an external validation undertaken by a suitable qualified and experienced external assessor with the required level of knowledge of the application of the PSIAS, as agreed with the Welsh Chief Auditors' Group. 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. The self-assessment and the external assessment concluded that the Internal Audit Service is generally conforming.

Internal Audit continues to undertake quality assurance reviews as required by the Public Sector Internal Audit Standards (PSIAS) 2013.

Peer Review covers both Fundamental and Non Fundamental (Departmental / Establishment) Audits.

The Peer Reviews follow a prescribed process and appraises:

- Quality of audit work
- Quality of supervision
- Compliance with standards
- Compliance with the Audit Manual
- How Internal Audit function benefits the organisation
- Achievement of performance standards / indicators

8 Fundamental Reviews and 15 Non Fundamental Reviews were subject to Peer Review, which equates to approximately 24% of the reviews undertaken.

Results of the Peer Reviews completed indicate that the Audits reviewed complied with the requirements of the Public Sector Internal Audit Standards (PSIAS) 2013.

Staff complete an “**Ethical Standards Declaration**” for each review they undertake. This ensures that there are not issues that may affect their independence, objectivity and delivery of the review and that they have not conflicted with the principles detailed within the corporate “**Employee Declaration**” document.

9. FRAUD

Internal Audit's direct responsibility for providing an ongoing fraud detection and prevention service is restricted to “Non Benefit Fraud”. There is a Specialist Unit in the Revenues Unit of the Financial Services Division, which deals with all Benefit Fraud.

The Anti-Fraud and Anti-Corruption Strategy was approved by Audit Committee on 20th September 2012 and is available on the Authority's Intranet. This Strategy is in the process of being updated.

Internal Audit aims to provide a pro-active approach to fraud and staff are mindful of the potential for fraud in relation to all systems under review. All Internal Audit staff have received Fraud awareness training.

The Authority participates in the “**National Fraud Initiative**”, where data on Payroll, Creditors, Housing Benefit, Pensions, Insurance Claims, Blue Badges and VAT issues are matched nationally every 2 years to identify potential individual frauds. The exercise reviewing data nationally across Local Authorities and other Public Sector Organisations was undertaken during 2017/18.

Internal Audit undertake a pro-active analysis of financial transactions linked to Payroll and Creditors to identify any potential anomalies for further investigation. The results of the analysis are reviewed and used to identify possible system weaknesses. Results are shared with the appropriate manager. There were no significant issues identified during the 2017/18 review, which is a significant improvement on previous years.

Undoubtedly one of the most effective methods of preventing or minimising fraud is through ensuring robust systems are in operation, which reduce the opportunity for individuals to defraud the Authority.

Internal Audit continues to provide training to a range of staff. Fraud awareness is a key area covered as part of the training.

10. SERVICE RISK AREAS

The following Service Risk Areas are considered areas for attention during 2018/19:

10.1 Grants / Project Management

The Authority continues to receive significant funding through grants. With fewer grants being audited by External Audit, Internal Audit are called upon to provide certificates to Welsh Government on certain claims but also departments requiring assurances that their arrangements are robust.

The Officers' Grants Panel, which included the Audit representations continues to monitor performance.

Internal Audit allocates specific time in the Annual Internal Audit Plan to review Grants, given the financial and reputational risks to the Authority.

Regular Reports are taken to the Grants Panel to ensure that adequate control is maintained.

10.2 Partnering / Collaboration

The Council works closely with partners on the Public Service Board which is spearheading greater partnering and collaboration locally.

Close working with Health and Local Authority Regional Groups is continuing, which is bringing together services in imaginative ways leading to greater alignment and co-ordination of budgets.

Internal Audit continues to provide advice on risk, controls and systems to ensure the Authority is properly safeguarded.

10.3 Procurement

Welsh Government initiatives continue to have an impact on the Authority. There is increased pressure to greater collaborative procurement.

There will inevitably be significant changes to procedures as a result of a move to greater use of technology linked to e-Procurement.

The change to Category Management along with Joint Working arrangements with Pembrokeshire will also be an area that will need to be considered, as this is a significant change to the working arrangements within the Procurement team,

Internal Audit have a positive working relationship with the Corporate Procurement Unit and are actively involved in the Procurement Working Groups.

Reviews of Departmental Procurement have identified issues with regard to compliance and these have been discussed with the relevant Heads of Service and the Corporate Procurement Unit.

10.4 Efficiency Agenda

The Efficiency Agenda places pressure on the Authority in terms of delivering services, achieving efficiencies and re-prioritising to meet demands. There are also pressures to reconfigure back-office support services whilst maintaining control and addressing risks from fraud. Internal Audit have a positive working relationship with the Transformation, Innovation and Change (TIC) Unit and are actively involved in TIC Working Groups.

10.5 City Deal

The City Deal will be governed by a Joint Committee arrangement composed of the Leaders of the local authorities of Carmarthenshire, Swansea (Chair), Neath Port Talbot and Pembrokeshire. The City Deal met in shadow form during the 2017/18 year pending formalisation of the Joint Committee Agreement. Carmarthenshire CC's Chief Executive is the lead Accountable Officer for the City Deal and the authority hosts the Regional Office function on behalf of the Joint Committee. As the hosts of the City Deal Carmarthenshire need to ensure that there are monitoring arrangements in place and assess the impact of the Deal. Internal Audit has a role to play in reviewing these arrangements, and provide assurance on our internal arrangements.

Helen L Pugh
Head of Revenues and Financial Compliance
June 2018

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AUDIT COMMITTEE

13TH JULY 2018

AUDIT COMMITTEE FORWARD WORK PROGRAMME

Purpose:

Identify 2018/19 Audit Committee Agenda Items.

Recommendations / key decisions required:

To receive the report.

Reasons:

Annual Forward Work Programme to inform Members of the expected Agenda Items for the 2018/19 Audit Committee Cycle.

Relevant scrutiny committee to be consulted: Not Applicable

Exec Board Decision Required Not Applicable

Council Decision Required Not Applicable

EXECUTIVE BOARD MEMBER PORTFOLIO HOLDER:- Cllr D Jenkins - Resources

Directorate:

Corporate Services

Name of Head of Service:

Helen Pugh

Report Author:

Helen Pugh

Designations:

Head of Revenues and
Financial Compliance

Tel No. 01267 246223

E Mail Address:

HLPugh@carmarthenshire.gov.uk

EXECUTIVE SUMMARY

AUDIT COMMITTEE

13TH JULY 2018

AUDIT COMMITTEE FORWARD WORK PROGRAMME

To provide Members with a Forward Work Programme for the 2018/19 Audit Committee cycle to ensure that all appropriate committees have a published up to date programme owned by the Committee Members

The following Report is attached:

1. Forward Work Programme

DETAILED REPORT ATTACHED?

YES

IMPLICATIONS

I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report :

Signed: Helen Pugh Head of Revenues and Financial Compliance

| | | | | | | |
|---|---------------|-----------------|-------------|--------------------------------|-------------------------------|-------------------------|
| Policy, Crime & Disorder and Equalities NONE | Legal NONE | Finance NONE | ICT NONE | Risk Management Issues NONE | Staffing Implications NONE | Physical Assets NONE |
|---|---------------|-----------------|-------------|--------------------------------|-------------------------------|-------------------------|

CONSULTATIONS

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below

Signed: Helen Pugh Head of Revenues and Financial Compliance

1. **Scrutiny Committee** : Not Applicable
2. **Local Member(s)** : Not Applicable
3. **Community / Town Council** : Not Applicable
4. **Relevant Partners** : Not Applicable
5. **Staff Side Representatives and other Organisations** : Not Applicable

Section 100D Local Government Act, 1972 – Access to Information

List of Background Papers used in the preparation of this report:

THESE ARE DETAILED BELOW

| Title of Document | File Ref No. | Locations that the papers are available for public inspection |
|------------------------------|--------------|---|
| Strategic Audit Plan 2018-21 | AC 28-03-16 | Internal Audit Unit |

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FORWARD WORK PROGRAMME - Audit Committee

Audit Committee 2018/19

| Subject area and brief description of nature of report | Lead Department | Responsible Officer | Jul-18 | Sep-18 | Dec-18 | Mar-19 |
|---|-----------------------|--|----------------------|--------|--------|--------|
| Appointment of Audit Committee: · Chair · Vice Chair | Corporate Services | Audit Committee | ✓ | | | |
| Annual Audit Report | Corporate Services | Head of Revenues and Financial Compliance | ✓ | | | |
| Forward Work Programme | Corporate Services | Head of Revenues and Financial Compliance | ✓ | ✓ | ✓ | ✓ |
| Internal Audit Plan Update · To receive the progress report · To receive the Scoring Matrix for finalised reviews | Corporate Services | Head of Revenues and Financial Compliance | ✓ | ✓ | ✓ | ✓ |
| Internal Audit indicative three year plan | Corporate Services | Head of Revenues and Financial Compliance | | | | ✓ |
| Assurance Reviews: - Fundamental financial systems - 3* reports | Corporate Services | Head of Revenues and Financial Compliance | As required | | | |
| Progress Report - Delivery of External Audit Recommendations | Regeneration & Policy | Performance Planning Section | | ✓ | | |
| Progress Report - Delivery of Internal Audit Recommendations | Corporate Services | Head of Revenues and Financial Compliance | | | | ✓ |
| Progress reports as requested by Audit Committee · Supporting People · Museums · Coastal facilities | Communities | Safeguarding & Commissioning Manager Head of Leisure Head of Leisure | ✓ ✓ | ✓ | | |
| Approval of Audit Charter | Corporate Services | Head of Revenues and Financial Compliance | | ✓ | | |
| Approval of Strategies / Rules & Regulations | Corporate Services | Head of Revenues and Financial Compliance | As and when required | | | |
| Approval of Risk and Business Continuity Strategy | Corporate Services | Head of Revenues and Financial Compliance | | | | ✓ |

FORWARD WORK PROGRAMME - Audit Committee

Audit Committee 2018/19

| Subject area and brief description of nature of report | Lead Department | Responsible Officer | Jul-18 | Sep-18 | Dec-18 | Mar-19 |
|--|--------------------|---|--------|--------|--------|--------|
| Approval of Anti-Fraud and Corruption Strategy | Corporate Services | Head of Revenues and Financial Compliance | | | | ✓ |
| Receive the Corporate Risk Register | Corporate Services | Head of Revenues and Financial Compliance | | ✓ | | ✓ |
| Opportunity for Members to discuss Risks | | Risk owners | | ✓ | ✓ | |
| Statement of Accounts including Annual Governance Statement for Carmarthenshire CC & Dyfed Pension Fund <ul style="list-style-type: none"> · To be received · To be approved | Corporate Services | Head of Financial Services | ✓ | ✓ | | |
| Burry Port Harbour Accounting Statement 2015-16 <ul style="list-style-type: none"> · To be received · To be approved | Corporate Services | Head of Financial Services | ✓ | ✓ | | |
| Audit enquiries to those charged with governance and management for: <ul style="list-style-type: none"> · Carmarthenshire CC · Dyfed Pension Fund | Corporate Services | Head of Financial Services | | ✓ | | |
| Single Tender Action | Corporate Services | Director of Corporate Services | | | | |
| Minutes for noting: <ul style="list-style-type: none"> · Grants Panel · Corporate Governance Group · Risk Management Steering Group | Corporate Services | Head of Revenues and Financial Compliance Head of Financial Services | ✓ | ✓ | ✓ | ✓ |

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FORWARD WORK PROGRAMME - Audit Committee

Audit Committee 2018/19

| Subject area and brief description of nature of report | Lead Department | Responsible Officer | Jul-18 | Sep-18 | Dec-18 | Mar-19 |
|---|---------------------------|---------------------------|--------|--------|--------|--------|
| Wales Audit Office: | Corporate Services | Wales Audit Office | | | | |
| · Audit Plan Update | | | ✓ | ✓ | ✓ | ✓ |
| · Annual Improvement Report | | | | ✓ | | |
| · Financial Statements – ISA260 Report presented to those charged with Governance)in relation to the Statement of Accounts for o Carmarthenshire CC o Dyfed Pension Fund | | | | ✓ | | |
| · Letter of Representation o Carmarthenshire CC o Dyfed Pension Fund | | | | ✓ | | |
| · Annual Audit Letter: o Carmarthenshire CC o Dyfed Pension Fund | | | | | ✓ | |
| · Thematic Study: Well-being of Future Generations - Baseline assessment | | | ✓ | | | |
| · Thematic Study: Well-being of Future Generations -Scrutiny Review | | | ✓ | | | |
| · Thematic Study: Service User Review | | | | | | |
| · LG Improvement Study - Intermediate Care Fund | | | | | | |
| · LG Improvement Study - Using Data Effectively | | | | | ✓ | |
| · LG Improvement Study - How well do public bodies provide services to rural communities | | | | | ✓ | |
| · Local Project work | | | ✓ | ✓ | | |
| · Auditor General’s fees o Financial Audits: § Carmarthenshire CC § Dyfed Pension Fund o Performance Audit | | | | | | ✓ |

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Audit Committee Training / Informal Sessions

| Subject area and brief description of session | Lead Department | Responsible Officer | Dates | | | | | | | | | | |
|---|--------------------|--|--------|--------|------------|--------|--------|--------|-----------|--------|--------|--------|---|
| | | | Feb-16 | Jul-17 | Autumn '17 | Dec-17 | Feb-17 | Jul-18 | Autumn 18 | Dec-18 | Feb-19 | Jun-19 | |
| Audit Committee Self-Assessment | Corporate Services | Director Corporate Services Head of Revenues and Financial Compliance | ✓ | | ✓ | | | | | ✓ | | | |
| Meeting with Auditors | Corporate Services | | | | ✓ | ✓ | | | ✓ | | ✓ | | |
| Risk Register | Corporate Services | Director Corporate Services Head of Revenues and Financial Compliance | ✓ | | | | | ✓ | | | | ✓ | |
| Statement of Accounts & Annual Governance Statement | Corporate Services | Director Corporate Services Head of Revenues and Financial Compliance | | ✓ | | | | | ✓ | | | | ✓ |
| Audit Committee Development Session | Corporate Services | Director Corporate Services Head of Revenues and Financial Compliance | | ✓ | | | | | | | | | |
| Category Management | Corporate Services | Director Corporate Services Head of Revenues and Financial Compliance | | | ✓ | | | | | | | | |

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AUDIT COMMITTEE

13TH JULY 2018

| EXTERNAL ASSESSMENT OF INTERNAL AUDIT | | |
|---|--|---|
| Purpose: Quality Assurance | | |
| Recommendations / key decisions required: To receive the report. | | |
| Reasons: Compliance with Public Sector Internal Audit Standards. | | |
| Relevant scrutiny committee to be consulted: Not Applicable | | |
| Exec Board Decision Required | Not Applicable | |
| Council Decision Required | Not Applicable | |
| EXECUTIVE BOARD MEMBER PORTFOLIO HOLDER:- Cllr D Jenkins - Resources | | |
| Directorate: Corporate Services Name of Head of Service: Helen Pugh Report Author: Helen Pugh | Designations: Head of Revenues and Financial Compliance | Tel No. 01267 246223 E Mail Address: HLPugh@carmarthenshire.gov.uk |

EXECUTIVE SUMMARY

AUDIT COMMITTEE

13TH JULY 2018

EXTERNAL ASSESSMENT OF INTERNAL AUDIT

The Public Sector Internal Audit Standard (PSIAS) became effective from 1st April 2013 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.

The two possible approaches to external assessments outlined in the Standards included either a full external assessment or an internal self-assessment which is validated by an external reviewer.

Carmarthenshire County Council elected to adopt the self-assessment approach with an external validation undertaken by a suitable qualified and experienced external assessor with the required level of knowledge of the application of the PSIAS, as agreed with the Welsh Chief Auditors' Group.

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.

DETAILED REPORT ATTACHED?

YES

IMPLICATIONS

I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report :

Signed: Helen Pugh Head of Revenues and Financial Compliance

| | | | | | | |
|---|-------|---------|------|------------------------|-----------------------|-----------------|
| Policy, Crime & Disorder and Equalities | Legal | Finance | ICT | Risk Management Issues | Staffing Implications | Physical Assets |
| NONE | NONE | NONE | NONE | NONE | NONE | NONE |

CONSULTATIONS

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below

Signed: Helen Pugh Head of Revenues and Financial Compliance

1. **Scrutiny Committee** : Not Applicable
2. **Local Member(s)** : Not Applicable
3. **Community / Town Council** : Not Applicable
4. **Relevant Partners** : Not Applicable
5. **Staff Side Representatives and other Organisations** : Not Applicable

Section 100D Local Government Act, 1972 – Access to Information

List of Background Papers used in the preparation of this report:

THESE ARE DETAILED BELOW

| Title of Document | File Ref No. | Locations that the papers are available for public inspection |
|------------------------------|--------------|---|
| Strategic Audit Plan 2017-20 | AC 28-03-16 | Internal Audit Unit |

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Public Sector Internal Audit Standards (PSIAS)
External Assessment of Carmarthenshire County Council
Internal Audit Service
March 2018

| | |
|------------------------------|---|
| Date of Assessment Fieldwork | March 2018 |
| Date of Report Issue | 27/03/2018 |
| Report Status | Final |
| Report Author | Andrew Wathan Chief Internal Auditor for Newport City Council & Monmouthshire County Council |
| Issued to | Helen Pugh Head of Revenues and Compliance |

1. Introduction

- 1.1 The Public Sector Internal Audit Standard (PSIAS) became effective from 1st April 2013 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 Standards included either a full external assessment or an internal self-assessment which is validated by an external reviewer.
- 1.3 Carmarthenshire County Council elected to adopt the self-assessment approach with an external validation undertaken by a suitable qualified and experienced external assessor with the required level of knowledge of the application of the PSIAS, as agreed with the Welsh Chief Auditors' Group.

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 Carmarthenshire County Council used the Chartered Institute of Internal Auditors (IIA) self assessment compliance checklist. In summary there are 45 best practice lines within this checklist to ensure compliance with the PSIAS. A self-assessment review of conformance against the PSIAS was undertaken during 2017/18 by Helen Pugh, Head of Revenues and Compliance, who at the time was in effect the Head of Audit.
- 3.2 Following the validation, the Internal Audit Service of Carmarthenshire County Council is currently generally conforming to 34 (76%) of the requirements of the Standards, with partial conformance with 10 (22%) requirements and 1 (2%) standard was not applicable.
- 3.3 The following table summarises the outcome of the external assessment:

| Standard | Conformance | | | | Total |
|---|-------------|-----------|----|----------|-----------|
| | GC | PC | NC | N/A | |
| 1. Definition of Audit Risk | Y | | | | |
| 2. Code of Ethics | Y | | | | |
| 3. Attribute Standards | | | | | |
| 1000. Purpose, Authority and Responsibility | | 2 | | | 2 |
| 1100. Objectivity and Independence | 3 | 2 | | | 5 |
| 1200. Proficiency and Due Professional Care | 3 | | | | 3 |
| 1300. Quality Assurance and Improvement Programme | 1 | 5 | | | 6 |
| | | | | | |
| 4. Performance Standards | | | | | |
| 2000. Managing the Internal Audit Activity | 7 | | | 1 | 8 |
| 2100. Nature of Work | 2 | 1 | | | 3 |
| 2200. Engagement Planning | 5 | | | | 5 |
| 2300. Performing the Engagement | 4 | | | | 4 |
| 2400. Communicating Results | 7 | | | | 7 |
| 2500. Monitoring Progress | 1 | | | | 1 |
| 2600. Communicating the Acceptance of Risks | 1 | | | | 1 |
| Total | 34 | 10 | | 1 | 45 |

3.4 The main areas of partial compliance are in respect of the following areas.

Standard 1000: Purpose, Authority and Responsibility

3.5 Internal Audit has an Audit Charter which defines its purpose, authority and responsibility and meets most of the requirements of the Standards. The Audit Charter should be updated to incorporate the Mission and Definition of Internal Audit, recognise the mandatory nature of the Standards and acknowledge the 'board' as the Audit Committee.

3.6 The Charter was last updated during 2016/17 and was approved by the Audit Committee in September 2016. The Standards require that the Charter is reviewed and updated periodically by the Head of Audit; for example this could be specified within the Charter as being updated every 3 years.

Standard 1100: Independence and Objectivity

- 3.7 The Standards highlight a number of ways of identifying the organisational independence of Internal Audit including the Audit Committee being responsible for approving the risk-based Audit Plan. As the current Head of Audit has other responsibilities within her remit the Internal Audit team should clearly demonstrate independence and objectivity when auditing areas within her responsibility.

Standard 1200: Proficiency and due Professional Care

- 3.8 In order to demonstrate that the work of Internal Audit is undertaken professionally and consistently, the Standards state that auditors must possess the knowledge, skill and other competencies to perform their individual responsibilities. One way of evidencing this would be for auditors to confirm that they have undertaken their work in accordance with the Standards; job controls sheets could be updated to include a statement to be signed off by the auditor to verify that they have recognised this.

Standard 1300: Quality Assurance and Improvement Programme

- 3.9 The Standards require that a Quality Assurance and Improvement Programme (QAIP) is developed which covers all aspects of the internal audit activity and enables conformance with all aspects of the Standards to be evaluated. The processes which form the contents of the QAIP are largely in place with the completion of the self-assessment checklist being an important element of the QAIP as are the various performance targets and measures that are currently in place to monitor Internal Audit's activities. However, as yet, these haven't been formally set out in a QAIP document.
- 3.10 The Standards require an external assessment, at least once every five years and the self-assessment checklist asks various questions regarding the performance and reporting of that assessment. Consideration should be given to using the CIPFA checklist for consistency with the Welsh Chief Auditors' Group.
- 3.11 The need for an external assessment within this timeframe has been recognised and has been discussed with the Chair of the Audit Committee. However, no report has been taken to the Audit Committee setting out the options for the external assessment and highlighting the qualifications and independence of the external assessor or assessment team as required by the Standards. The Head of Revenues and Compliance intends to take a comprehensive report to the Audit Committee once this external assessment report has been received and finalised.

Standard 2100: Nature of Work

- 3.12 Where possible, the Standards say that Internal Audit should seek to rely on other sources of assurances to assist the effective delivery of the annual assurance opinion. The Head of Audit has said that other sources of assurance are considered as part of the annual audit planning process but is not formally recorded or reported to the Audit Committee in the Internal Audit Plan report. The Standards identifies an Assurance Mapping exercise as best practice in terms of identifying other sources of assurance although it is felt that the requirements of the Standards can be met without the need for a full Assurance Mapping exercise.
- 3.13 The Standards suggest that the Internal Audit Plan should include a review of the Council's ethics related objectives, programmes and activities as well as how the information technology governance supports the Council's strategies and objectives. However, the Standards also says that the Head of Audit should consider the proportionality of work in these areas against other areas of assurance work.
- 3.14 Internal Audit plays a significant role in the investigation of frauds with time being included in the Audit Plan for special investigations however there has been no evaluation of the fraud risk across the Council or how the fraud risk is managed as required by the Standards.
- 3.15 Some other areas of partial conformance with the Standards were identified during the external review but they are not felt to be significant due to the particular circumstances of internal audit in local government and therefore are not included in this report.

4. Impact of non-compliance and steps to be taken to ensure compliance.

- 4.1 Any non-conformance with the Standards and the impact must be disclosed to senior management and the Audit Committee.
- 4.2 In terms of the review that has been undertaken, it is considered that Carmarthenshire County Council's Internal Audit service generally conforms with the PSIAS and the impact of the partial-conformance is not considered to be significant. Overall, it is felt that Internal Audit complies with the Standards in all significant areas and operates independently and objectively.
- 4.3 The attached Action Plan shows the recommendations arising from the external assessment to address the issues identified in this report and to ensure increased compliance with the Standards.

Carmarthenshire County Council – Public Sector Internal Audit Standards

External Assessment – March 2018

Action Plan

| Standard | Action to address non / partial compliance | Responsible for implementation | Timescale |
|----------|--|--|----------------|
| 1000 | <p>Charter needs updating in line with PSIAS</p> <p>IA Charter needs to incorporate the Mission and Definition of IA and the Core Principles as per PSIAS.</p> <p>Needs to recognise the mandatory nature of PSIAS.</p> <p>Needs to recognise the Audit Committee as “the board”</p> <p>IA Charter needs to be reviewed periodically</p> | <p>The Internal Audit Charter will be reviewed and updated, as appropriate. The revised Charter will be presented to Audit Committee.</p> <p>Head of Revenues and Financial Compliance / Principal Auditor</p> | September 2018 |
| 1100 | <p>Clearly demonstrate auditor independence and objectivity when auditing areas Head of Revenues and Compliance has responsibility for</p> | <p>An Internal Audit Escalation Protocol has been drawn up to clearly demonstrate appropriate reporting lines to ensure auditor independence and objectivity is maintained.</p> <p>Head of Revenues and Financial Compliance / Principal Auditor</p> | Completed |
| 1210 | <p>Consider updating all job control sheets to include requirement to comply with PSIAS</p> | <p>Consideration will be given to updating job control sheets to include the requirement to comply with PSIAS.</p> | September 2018 |

| | | | |
|------|---|---|---------------|
| | | Head of Revenues and Financial Compliance / Principal Auditor | |
| 1300 | A quality assurance and improvement program that covers all aspects of the internal audit activity needs to be developed and maintained | Quality Assurance in respect of peer review and external assessment are reported to Audit Committee in the Annual Report. Consideration will be given to developing a formal Quality Assurance and Improvement Program (QAIP). Head of Revenues and Financial Compliance / Principal Auditor | June 2019 |
| 1311 | Consider using CIPFA checklist for self-assessment | Consideration will be given to utilising the CIPFA checklist for self-assessment in future to be in line with other authorities. The IIA self-assessment was used and considered to be comprehensive. Head of Revenues and Financial Compliance / Principal Auditor | June 2023 |
| 2120 | Evaluate the potential for the occurrence of fraud and how the organisation manages fraud risk. | An assessment of the potential fraud risk to the organisation will be considered. An anti-fraud and anti-corruption culture will continue to be promoted within the organisation. Anti-fraud and Corruption Strategy to be updated. Head of Revenues and Financial Compliance / Principal Auditor | December 2018 |

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EXECUTIVE SUMMARY

AUDIT COMMITTEE

13TH JULY 2018

SUPPORTING PEOPLE PROGRAMME GRANT UPDATE

1. BRIEF SUMMARY OF PURPOSE OF REPORT.

The attached update summarises the work done to date by the Supporting People Team to continue to improve its grant and contract management processes as identified in the Internal Audit of the Supporting People Programme Grant 2016/17.

It is submitted that good progress is being made and will be monitored by the Supporting People Planning Group.

DETAILED REPORT ATTACHED?

YES

IMPLICATIONS

I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report :

Signed: **C Harrison** Head of Strategic Joint Commissioning

| | | | | | | |
|--|----------------------|------------------------|--------------------|---------------------------------------|--------------------------------------|--------------------------------|
| Policy, Crime & Disorder and Equalities NONE | Legal NONE | Finance NONE | ICT NONE | Risk Management Issues NONE | Staffing Implications NONE | Physical Assets NONE |
|--|----------------------|------------------------|--------------------|---------------------------------------|--------------------------------------|--------------------------------|

CONSULTATIONS

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below

Signed: **C Harrison** Head of Strategic Joint Commissioning

1. Scrutiny Committee

NA

2. Local Member(s)

NA

3. Community / Town Council

NA

4. Relevant Partners

NA

5. Staff Side Representatives and other Organisations

NA

Section 100D Local Government Act, 1972 – Access to Information

List of Background Papers used in the preparation of this report:

THERE ARE NONE

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Audit Committee – 13th July 2018

Supporting People Programme Grant Update

Introduction

A six monthly update has been requested by the Audit Committee detailing the progress of improvements to the administration of the Supporting People Programme Grant (SPPG) as identified by Internal Audit in their annual reviews.

General Issues affecting SPPG

Since the last update report there have been a number of developments in the proposals for the future of SPPG and other grants that are managed by the local authority that focus on tackling poverty.

In 2018/19 seven local authorities have been designated as pathfinder authorities and have 100% funding flexibility between 10 grants. These are Newport, Cardiff, Torfaen, Rhondda Cynon Taf, Merthyr, Conwy and Bridgend. The remaining 15 local authorities will have enhanced flexibility of 15% movement across a smaller number of grants in 2018/19. These process will be evaluated and a report presented to Welsh Government by the Autumn 2018. This is intended to pave the way for the implementation of a new Early Intervention and Prevention Support (EIPS) grant as from April 2019.

In the last update, it was reported that the Welsh Audit Office had reviewed the administration of the SPPG by Welsh Government and that improvements had been identified and recommended. The report was referred to the Welsh Assembly's Public Accounts Committee. A report of the Committee's report was published in May 2018 which also makes a number of recommendations for the improved administration of the grant. A response from Welsh Government officials has yet to be published and this will be anticipated with interest.

The above hopefully gives some context to the environment that the Supporting People Team is working in at present and how this seems to be constantly changing.

Updates on issues raised in Internal Audit reports

Outcomes

Issue: Accurate collection and verification of outcomes

It was reported in the update that was presented on 15th December 2017 that the Welsh Government were due to publish revised guidance for the administration of the Programme that included a revised outcomes framework. During the last 6 months, the Welsh Government has stated that due to the possible implementation of the EIPS, the revised outcomes framework will not be introduced.

The SPPG award letter including the terms and conditions for 2018/19 included provision for audit certification of the SPPG outcomes reported for the collection periods 1st January 2017 – 30th June 2017 and 1st July 2017 – 31st December 2017. The audit certificate to be returned to Welsh Government by 31st March 2018.

It was noted in the feedback from Internal Audit that the process for collecting and analysing the resulting data had improved resulting in the possibility of errors being input at source being reduced.

Due to the work of the Supporting People Team, there is now a greater understanding of the importance of submitting correct outcomes by service providers. This has ensured that the dataset has improved.

It is also acknowledged that the outcomes process can be improved further. The new SNAP collection survey has been in place since 1st January 2018 and this will be tested in the verification of outcomes that will take place during July and August 2018.

Management Charges

Issue: Management charges should be no more than 10%

As was reported in the last update, work is on-going on this issue. As new services are being developed and procured, there is a requirement for the bidding agency to evidence that their management charges are 10% or under.

A recent tendering exercise for a supported lodgings service for young people had this stipulation built into the tender paperwork. The successful bidder submitted their costs with this evidenced.

This approach will also be used in future tender exercises starting with the domestic abuse tender that will be opened in the autumn of 2018.

Budget Monitoring

Issue: a requirement for regular and systematic investigation of the budget to reduce any underspend and to take early steps, as far as practicable, to reallocate funds.

The SPPG budget was monitored in line with the new budget process that has been implemented. The process has helped identify potential underspends earlier and a number of new pilot projects have been funded from this. I am pleased to report that 97.5% of the budget was spent. A proposal has been lodged with Welsh government for this to be used to fund three projects in 2018/19. If successful, the percentage of the SPPG budget that will have been spent will be 99.1%.

The 2018/19 SPPG grant offer letter confirmed that the level of SPPG received would be the same as the previous year at £6,495,309 and therefore the spend plan that was submitted to Welsh Government is deliverable. The introduction of the 15% virement to other tackling poverty programmes will help ensure that grant monies will stay in Carmarthenshire rather than being sent back to Welsh Government.

The budget setting and spend plan exercises that were carried out in early January 2018 has enabled the Supporting People Team to put plans in place to fully commit the 2018/19 SPPG budget with a number of exciting new SPPG eligible projects being commissioned during the year that will meet the strategic needs identified by the work of the Team.

The budget monitoring process is being continued into the new grant year though more development work is needed to streamline it as far as is practicable to ensure that a balance is struck between the required control of the budget and making resources available to undertake the remaining areas of administration of the grant and to undertake the commissioning workplan to ensure that services remain efficient, effective and strategically relevant to the needs of citizens of Carmarthenshire.

Conclusion

The Internal Audit review of SPPG for the financial year 2017/18 is soon to get underway and the Supporting People Team is looking forward to be able to evidence that the administration of the SPPG in Carmarthenshire is improving.

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AUDIT COMMITTEE

13TH JULY 2018

| MUSEUMS ACTION PLAN UPDATE | | |
|---|---|---|
| Purpose: To note the progress in implementing the Action Plan. | | |
| Recommendations / key decisions required: To approve progress and the continued work objectives. | | |
| Reasons: A quarterly progress report was requested in the Audit Committee meeting on 24 th March 2017, which was then reduced to every 6 months. | | |
| Relevant scrutiny committee to be consulted N/A | | |
| Exec Board Decision Required | N/A | |
| Council Decision Required | N/A | |
| EXECUTIVE BOARD MEMBER PORTFOLIO HOLDER:- Cllr. Peter Hughes-Griffiths – Culture, Sport and Tourism | | |
| Directorate: Communities | | |
| Name of Head of Service: Ian Jones | Designations: Head of Leisure | Tel Nos. 01267 228309 E Mail Addresses: IJones@carmarthenshire.gov.uk |
| Report Author: Ian Jones | | |

**EXECUTIVE SUMMARY
AUDIT COMMITTEE**

13TH JULY 2018

MUSEUMS ACTION PLAN UPDATE

1. BRIEF SUMMARY OF PURPOSE OF REPORT.

The attached action plan summarises the agreed work and progress to date by the Museums Team to improve its processes following the Internal Audit Summary presented to the Audit Committee meeting on 24th March 2017.

DETAILED REPORT ATTACHED ?

YES

IMPLICATIONS

I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report :

Signed: Ian Jones

Head of Leisure

| Policy, Crime & Disorder and Equalities | Legal | Finance | ICT | Risk Management Issues | Staffing Implications | Physical Assets |
|---|------------|------------|------------|------------------------|-----------------------|-----------------|
| NONE | YES | YES | YES | YES | YES | YES |

1. Legal

Appropriate advice is now being sought from Legal, Property Management, Finance, Health & Safety, Internal Audit and Risk to ensure revised procedures are legally compliant.

2. Finance

Significant focus of review to ensure that Financial Procedure Rules are fully complied with.

3. ICT

New technology to be introduced where this improves control.

4. Risk Management

Increased focus on evaluating exposure to risk and addressing weaknesses identified.

5. Staffing Implications

Action Plan addresses concerns identified re recruitment and safety of staff.

6. Physical Assets

Leisure to work closer with Environment Department to ensure proper arrangements for maintenance and control of physical assets.

CONSULTATIONS

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below

Signed: Ian Jones

Head of Leisure

1. Scrutiny Committee

N/A

2. Local Member(s)

N/A

3. Community / Town Council

N/A

4. Relevant Partners

N/A

5. Staff Side Representatives and other Organisations

N/A

Section 100D Local Government Act, 1972 – Access to Information

List of Background Papers used in the preparation of this report:

N/A

| Title of Document | File Ref No. | Locations that the papers are available for public inspection |
|--|--------------|---|
| Internal Audit Summary Report re Museums Action Plan | | Audit Committee Meeting Agenda and Minutes - March 2017 |

Carmarthenshire Museums: Action Plan in response to Internal Audit (2016/17)

Prepared by Morrigan Mason, Museums Development Manager (March 2017); Reviewed December 2017; Reviewed June 2018.

| Proposed Action | Milestone Tasks | Responsible Person | Partners to consult / engage | Target Date | Success Indicator | Progress |
|---|---|---|---|-------------|--------------------------------------|---|
| <p>R1.</p> <p>All documented procedures need to be completed to ensure all key functions undertaken on a day to day basis are included and that they are fully compliant with the requirements of Financial Procedure Rules;</p> <p>Subsequently training of all staff should be undertaken to ensure they are conversant with the procedures.</p> | Leisure BSU Officer to support the review of documentation relating to financial procedures, which are published in operational manuals for each staffed museum site. | Marion Male (Business Retail Officer) | Lindsey Roberts (BSU) | June 2017 | | <p>COMPLETED.</p> <ul style="list-style-type: none"> Lindsey Roberts reviewed documentation with Marion Male, June 2017. New cash handling procedures introduced at museum sites March 2018 to comply with revised financial procedures. Financial matters will be reviewed during the next scheduled Internal Audit. |
| | Documentation Procedural Manual due for revision by June 2017 for Museum Accreditation. | Morrigan Mason (Museums Development Manager) Gavin Evans (Curator) | Museums Archives Libraries Division of Welsh Government | June 2017 | Museum Accreditation. | <p>COMPLETED.</p> <ul style="list-style-type: none"> All museum policies and procedures relating to collections management reviewed and updated by October 2017. Full Accreditation status awarded to Carmarthenshire County Museum and Parc Howard Museum. The Accreditation Scheme sets nationally agreed standards for UK museums. To qualify, museums must meet standards on how they are managed, for the services they offer and on how they care for collections. |
| | Acquisition and Disposal Policy for revision for Museum Accreditation. | Morrigan Mason (Museums Development Manager); Gavin Evans (Curator) | MALD Welsh Government | June 2017 | Museum Accreditation. | <p>COMPLETED.</p> <p>As above.</p> |
| | Communicate procedures through staff training (particularly relating to items donated to the museum service). | Morrigan Mason Gavin Evans | | March 2017 | Numbers of staff attending training. | <p>Procedures established – ONGOING.</p> <ul style="list-style-type: none"> Training delivered 27/03/17 to 7 staff. New procedures published in Museum Service <i>Collections Care and Conservation Plan (2017)</i> used routinely in staff induction and staff refresher training. Museum Attendant team induction and refresher training 17/1/18 for 9 staff. |

Carmarthenshire Museums: Action Plan in response to Internal Audit (2016/17)

Prepared by Morigan Mason, Museums Development Manager (March 2017); Reviewed December 2017; Reviewed June 2018.

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|---|--|----------------------------------|---|------------|--|---|
| | | | | | | <ul style="list-style-type: none"> Further training required associated with financial procedures, date t.b.c. |
| | Collections rationalisation. | Morigan Mason | External consultant. Other museums and stakeholders. | June 2017 | Rationalisation policy and plan completed. | <p>Procedures established – ONGOING.</p> <ul style="list-style-type: none"> Revised Collections Development Policy 2017-2022 (dealing with acquisition and disposal) formally approved 24/10/2017 by EBM. Submitted as part of Museum Accreditation return October 2017. Updated Leisure Services Asset Disposal Guidelines. <p>See also 'Collections Rationalisation' under item 3 below.</p> |
| <p>2. Collection documentation</p> <p>A comprehensive, up to date register should be maintained of all assets held at the Authority's Museums. (Also see R3)</p> <p>This should incorporate a list of all assets valued at over £10k in order to facilitate the Annual Asset Verification Exercise undertaken by the Corporate Property Section,</p> | Undertake a collections risk assessment to include 'disassociation' (the separation of object from museum record or provenance). | Morigan Mason Gavin Evans | Sarah Paul ACR (MALD Welsh Government advisor) | March 2017 | Risk assessment submitted as Appendix to Carmarthenshire Museums Strategic Plan 2017-2022. | <p>COMPLETED.</p> <ul style="list-style-type: none"> Risk assessment of collections in store completed January 2017. This informed the Carmarthenshire Museums Strategic Plan 2017-2022 approved by Executive Board 31 July 2017. Subsequent work undertaken as part of the <i>Development of Carmarthenshire Museum Service Collections Centre</i> study by John Marjoram and Halahan Associates indicates that some collections were acquired historically with poor provenance (e.g., Parc Howard transfer from Llanelli Borough Council and the Carmarthenshire Antiquarian Society collection which founded the County Museum collection). Records indicate that available leads were pursued at the time of acquisition. |
| | Any documentation backlog will be identified through the Accreditation return process and an action plan drawn up to address it. | Gavin Evans | | | June 2017 | |

Carmarthenshire Museums: Action Plan in response to Internal Audit (2016/17)

Prepared by Morigan Mason, Museums Development Manager (March 2017); Reviewed December 2017; Reviewed June 2018.

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| <p>The list of assets should be subject to physical check by an independent person at least on an annual basis.</p> <p>A record of such checks should be maintained.</p> <p>It is important that the accession register is maintained up to date and that the location of all volumes of the accession register are known.</p> | All assets known to be over £10k are identified on the Collections Management System | Gavin Evans | | | | <p>COMPLETED. 54 items with a known value above £10K identified on Corporate Asset list, cross-referenced on to CALM.</p> |
| | The list of assets will undergo a physical check as part of a condition survey and thereafter annually. | Joanna Cook, monitored by an independent person. | | May 2019 | Full collection audit completed, movement control procedures established and adhered to, and annual 'spot check' programme in place. | <p>Procedures established - ONGOING</p> <ul style="list-style-type: none"> • Conservation Officer appointed Nov. 2017. • Store audits are underway. Each object is individually checked, photographed and the location updated. • 1600+ objects audited between Jan-Apr 2018. • Additional 1145 objects checked and relocated to a temporary store between Jan-Apr 2018. • There are over 38,000 objects remaining to be verified, including data clean-up, photography, verifying and recording the physical location of each object. At current capacity the process will take up to 8 years. |
| | Digitise all museum object records on to CALM collections management database. Subject to funding for 9 month fixed term post. | Morigan Mason Gavin Evans | | Funding May 2017. Digitisation complete by March 2018. | Documentation Assistant post appointed. Backlog of paper records digitised. | <p>Procedures established - ONGOING</p> <ul style="list-style-type: none"> • Risk Management grant of £7326 awarded April 2017 to support a temporary Documentation Assistant post. Appointment commenced Feb.18. • 800 records completed and locations verified by 8/6/18. • An assessment of current records identifies over 5100 paper records remain to be digitised. It is estimated that this will take 256 days to complete, which is greater than the current contract allows for (135 contract days remaining). |
| | Photograph all objects and attach images to | Gavin Evans | Axiell (CALM) | 2020 | Numbers of objects photographed. | <p>Procedures established - ONGOING</p> <ul style="list-style-type: none"> • Firearms collection of 79 pieces photographed by external consultant and |

Carmarthenshire Museums: Action Plan in response to Internal Audit (2016/17)

Prepared by Morigan Mason, Museums Development Manager (March 2017); Reviewed December 2017; Reviewed June 2018.

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| | CALM database for identification. | | | | Number of photographs attached CALM database. | <p>records updated as part of Museum Firearms Licence renewal process Oct. 2017 (MM).</p> <ul style="list-style-type: none"> 400 display items of Llanelly Pottery at Parc Howard photographed as part of external conservation assessment (MM). 1600+ ceramics and artworks photographed and attached to computer catalogue records. 35,921 objects remain to be photographed. |
| | Identify secure electronic back-up system to replace requirement for traditional Accession Register. | Gavin Evans | IT CCC Archives | Jan 2018 | New documentation / digitisation procedures in place. | <p>ONGOING</p> <ul style="list-style-type: none"> Hard copy Accession Register retained to ensure continuity of established practice and 'back up' in the event of IT systems becoming outdated and key data lost during migration (See <i>Documentation Policy Statement 2017-2022</i> approved by EBM 24/10/2017). The Collections Management Database and Accession Register backlog will be updated in line with the Documentation Plan 2017 (GE). Long term data storage capacity for museum collections management database to be confirmed. |
| | Ensure all objects are appropriately labelled. | Conservation Officer | | 2022 | Numbers of object labelled. | <p>IN PROGRESS</p> <ul style="list-style-type: none"> Most objects are labelled; this action relates to the audit process and ensuring any missing numbers are corrected. Conservation Officer appointment made and commenced duties 6/11/2017. Object labelling is part of the Care of Collections & Conservation Plan in preparation for relocating items to a dedicated Collections Centre. |

Carmarthenshire Museums: Action Plan in response to Internal Audit (2016/17)

Prepared by Morrigan Mason, Museums Development Manager (March 2017); Reviewed December 2017; Reviewed June 2018.

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|---|---|---|--------------------------------------|--------------------------------------|--|---|
| | Identify a solution to the county's museum collections storage crisis so that locations can be accurately recorded. | Jane Davies Morrigan Mason | Heritage Lottery Fund EBM MALD | 2022 | Museum Accreditation. Risk assessment. Internal audit. | IN PROGRESS <ul style="list-style-type: none"> Collection Centre Design Criteria published May 2018. Search for suitable location underway. Report on 'Development of Carmarthenshire Museum Service Collections Centre' published Nov. '17. Risk assessment of collections in store completed Jan. 2017. This informed the Carmarthenshire Museum Service Strategic Plan 2017-2022 approved by Executive Board 31 July 2017. |
| 3. Valuation and insurance. As previously recommended 'Appropriate insurance cover should be put in place for all artefacts held at the Authority's museums. This should be undertaken in liaison with the Authority's Risk Management Section.' Museum collections fall under property cover only, which extends to replacing the | Comprehensive risk assessment to identify the particular risks presented by each collection group. | Joanna Cook, Conservation Officer | | Subject to post appointment. | | COMPLETED <ul style="list-style-type: none"> Risks and needs of various collections groups identified in 'Development of Carmarthenshire Museum Service Collections Centre' study by John Marjoram and Halahan Associates. Draft complete report received 29/11/17. Museum Service Conservation Officer appointment made and commenced duties 6/11/2017. |
| | Put in place measures to manage risk (emergency planning). | Morrigan Mason Gavin Evans Joanna Cook | MALD CCC Archives Harwell | June 2017 Revised to Dec.2018 | Museum Accreditation | ONGOING Carmarthenshire MuseumS Service Emergency Plan (Oct 2017) ready for testing and staff familiarisation. |
| | Commission security survey of all museum sites and other sites where collections are held, focusing on where there is a concentration of high value items and other identified risks. | Morrigan Mason / Consultant. Audit, Risk & Procurement | Dyfed Powys Police | April 2018 | Report submitted to DMT. | COMPLETED Security reviews completed for Carmarthenshire County Museum and Parc Howard Museum (June 2017) by PC Rob Chapman, Designing Out Crime Officer, Dyfed Powys Police. New temporary museum store had security review Jan.2018. |
| | Collections rationalisation programme. | Morrigan Mason | MALD | 2020 | Rationalisation Policy and Plan implemented. | ONGOING <ul style="list-style-type: none"> Revised Collections Development Policy 2017-2022 (dealing with acquisition and |

2018

Carmarthenshire Museums: Action Plan in response to Internal Audit (2016/17)

Prepared by Morigan Mason, Museums Development Manager (March 2017); Reviewed December 2017; Reviewed June 2018.

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| Component materials of an item. | | | | | <p>Collections better managed.</p> <p>Numbers of items identified for disposal.</p> | <p>disposal) formally approved 24/10/2017 by EBM. Submitted as part of Museum Accreditation return October 2017.</p> <ul style="list-style-type: none"> Leisure Services Asset Disposal Guidelines updated. 'Development of Carmarthenshire Museum Service Collections Centre' report includes a section on opportunities for collections rationalisation. <p>Rationalisation should follow procedures identified in the MA Code of Ethics involving extensive consultation with stakeholders. Capacity issues are under consideration.</p> |
| | With the information from the above steps draw on internal and external expertise to provide valuations of items of high commercial value. Some historical expertise is required because value is linked to provenance. In some cases conservation value is preferable. | Gavin Evans Joanna Cook | Auctioneers. Conservators. | April 2019 | <p>Numbers of items valued.</p> <p>All risks insurance in place or a commitment to self-insure based on the value of the object, not its component materials.</p> | <p>ONGOING</p> <ul style="list-style-type: none"> This process will follow on from the completion of the digitisation and audit, during which time high priority collections or individual items will be identified for independent valuation or, in the case of historic value, items may be attributed a conservation value. 400 items of Llanelly Pottery valued independently July 2017. |
| | Agree on an approach to valuing the remainder of the collection. | Morigan Mason / Julie Standeven | | April 2019 | A value attributed to the remainder of the collection. | NOT STARTED |
| 4. Loans inward and outward | Formal procedures for loans to be reviewed. | Gavin Evans | | June 2017 | Museum Accreditation | <p>COMPLETED</p> <p>Documentation Procedural Manual revision completed September 2017 (GE).</p> |
| A record of all items put out on loan / received on loan should be maintained, | Identify all active loans inward and outward dating back to the 1970s and review paperwork and ensure collections management database is current. | Gavin Evans | | June 2017 | All loan documentation accurate and current. | <p>COMPLETED</p> <p>All loans paperwork has been reviewed to identify active and expired loans.</p> |

Carmarthenshire Museums: Action Plan in response to Internal Audit (2016/17)

Prepared by Morigan Mason, Museums Development Manager (March 2017); Reviewed December 2017; Reviewed June 2018.

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| <p>This should be subject to review at least on an annual basis,</p> <p>In addition, a loan agreement should be completed for each loan item which should be signed by both parties.</p> | <p>Loan agreements that have expired or are due to expire in 12 months will be reviewed and renewed. And reviewed thereafter annually.</p> | Gavin Evans | | <p>January 2018. Revised to Nov. 2018</p> | | <p>ONGOING A process of contacting lenders to renew expired loans is underway.</p> |
| | <p>Confirm values of loans inward and outward.</p> | Gavin Evans | Auctioneers | <p>Oct. 2017</p> | <p>All inward/outward loans valued and insurance cover confirmed.</p> | <p>IN PROGRESS and ONGOING</p> |
| | <p>Contact institutions to confirm loan status, insurance cover and update paperwork.</p> | Gavin Evans | Borrowing institutions. | <p>Oct. 2017</p> | <p>All paperwork complete and current.</p> | <p>ONGOING A process of contacting lenders to renew expired loans is underway.</p> |
| | <p>Loans inward/outward condition checked annually.</p> | Joanna Cook | | <p>February 2018 Revised to Oct 2019</p> | <p>Record of all checks.</p> | <p>IN PROGRESS and ONGOING This action relates primarily to a small number of items on display, which undergo weekly visual checks. Full condition checks by the museum Conservation Officer will be completed once the loans register is updated.</p> |

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AUDIT COMMITTEE

13TH JULY 2018

| CORPORATE RISK REGISTER | | |
|---|--|---|
| Purpose: Update on Risks. | | |
| Recommendations / key decisions required: To receive an update on risks identified in the March 2018 Audit Committee. | | |
| Reasons: Update requested on two specific risks by Audit Committee Members | | |
| Relevant scrutiny committee to be consulted: Not Applicable | | |
| Exec Board Decision Required | | Not Applicable |
| Council Decision Required | | Not Applicable |
| EXECUTIVE BOARD MEMBER PORTFOLIO HOLDER:- Cllr. D Jenkins - Resources | | |
| Directorate: Corporate Services Name of Head of Service: Helen Pugh Report Author: Helen Pugh | Designations: Head of Revenues and Financial Compliance | Tel No. 01267 246223 E Mail Address: HLPugh@carmarthenshire.gov.uk |

EXECUTIVE SUMMARY

AUDIT COMMITTEE

13TH JULY 2018

CORPORATE RISK REGISTER

The Audit Committee received for consideration the Corporate Risk Register at its March 2018 meeting. Reference was made to two risks within the report which had missing information. The Committee agreed that it would be beneficial to have an update on the risks in question and to receive an update from Officers on the risks relating to 'Delivering Effective Safeguarding arrangements' and 'Effective Management of Demand for Social Care' at the next Audit Committee.

DETAILED REPORT ATTACHED ?

YES

IMPLICATIONS

I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report :

Signed: **Helen Pugh** **Head of Revenues and Financial Compliance**

| | | | | | | |
|---|---------------|-----------------|-------------|-------------------------------|-------------------------------|-------------------------|
| Policy, Crime & Disorder and Equalities NONE | Legal NONE | Finance NONE | ICT NONE | Risk Management Issues YES | Staffing Implications NONE | Physical Assets NONE |
|---|---------------|-----------------|-------------|-------------------------------|-------------------------------|-------------------------|

Risk Management: Audit Committee requires assurance that the Risks identified are being managed

CONSULTATIONS

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below

Signed: **Helen Pugh** **Head of Revenues and Financial Compliance**

1. **Scrutiny Committee** : Not Applicable
2. **Local Member(s)** : Not Applicable
3. **Community / Town Council** : Not Applicable
4. **Relevant Partners** : Not Applicable
5. **Staff Side Representatives and other Organisations** : Not Applicable

Section 100D Local Government Act, 1972 – Access to Information

List of Background Papers used in the preparation of this report:

THESE ARE DETAILED BELOW

| Title of Document | File Ref No. | Locations that the papers are available for public inspection |
|------------------------------|--------------|---|
| Strategic Audit Plan 2017-20 | AC 28-03-16 | Internal Audit Unit |

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**Carmarthenshire County Council - Extract from:
Corporate Risk Register**

Corporate Risk Register

Corporate Risk Register

Corporate Management Team

Date: , 1 July, 2018

| Risk (Threat to achievement of business objective) | Assessment of Uncontrolled Risk (Assume NO controls in place) | | | Risk Control Measures | Assigned To | March 2017 Register | | | Updated Risk - February 2018 | | | Summary of change |
|---|--|---------------|-------------------|---|--|----------------------|----------------------|-------------|------------------------------|-------------|-------------|-------------------|
| | Impact | Probability | Risk Rating | | | Impact | Probability | Risk Rating | Impact | Probability | Risk Rating | |
| CR20170010 - Deliver Effective Safeguarding Arrangements for both Children and Vulnerable Adults (Detail in separate Safeguarding Risk Register) | Catastrophic 5 | Probable 5 | Significant 25 | <ul style="list-style-type: none"> Continue to improve the quality of Care Plans ensuring a multi-agency assessment Ensure Sexual Exploitation Risk Assessments (SERAFs) and Missing Persons Risk Assessments are completed as required Review our assessments in light of the implementation of the Social Services and Well-being Act (2014) Implement the "Signs of Safety" model within Carmarthenshire and incorporate into practice Continue to work with partners to improve appropriate accommodation options and housing support for all vulnerable young people (aged 16-25). Implement new arrangements for our leaving care services in accordance with the Social Services and Well-being Act 2014 Ensure that all councillors are equipped to act as corporate parents to looked after children Ensure the Independent Reviewing Service (IRO) becomes more outcome focused Carmarthenshire's Multi Agency Adult Safeguarding Board Duty Safeguarding Service operating within normal working hours Trained Standby Officers for out of hours emergencies during evenings and weekends Clear point of access has been provided to the public and professionals for accepting Adult Protection referrals | Stefan Smith Stefan Smith Stefan Smith Stefan Smith Stefan Smith Stefan Smith Stefan Smith Jake Morgan Jake Morgan Jake Morgan Jake Morgan | 5 2 10 | 5 2 10 | ↔ | | | | |
| CR20170017 - Effective Management of demand for Social Care (Adult & Children) | Significant 3 | Likely 4 | High 12 | <ul style="list-style-type: none"> Establish effective systems to ensure thresholds for access and eligibility criteria are understood and consistently applied by staff and partners Deliver implementation plan for Social Services and Wellbeing Act Collaborate with partners to deliver information, advice, assistance and preventive services Recommission Families First and Flying Start programmes to deliver early intervention with children and families Work with partners, local community action groups and local people to build resilient communities and community models of support Promote and develop social enterprises and cooperatives to provide preventative services, care and support | Stefan Smith/ Avril Bracey Stefan Smith/ Avril Bracey Stefan Smith Avril Bracey Avril Bracey | 3 3 9 | 3 3 9 | ↔ | | | | |

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AUDIT COMMITTEE

13TH JULY 2018

| WALES AUDIT OFFICE LOCAL REPORT | | |
|--|----|--|
| Recommendations / key decisions required: To receive and note the Wales Audit Office report. | | |
| Reasons: To receive the Wales Audit Office report. | | |
| Relevant scrutiny committee to be consulted: n/a | | |
| Exec Board Decision Required | No | |
| Council Decision Required | No | |
| EXECUTIVE BOARD MEMBER PORTFOLIO HOLDER:- Cllr David Jenkins - Resources | | |
| Directorate: Corporate Services | | |
| Report Author: Wales Audit Office | | |

EXECUTIVE SUMMARY
AUDIT COMMITTEE

13TH JULY 2018

WALES AUDIT OFFICE LOCAL REPORT

BRIEF SUMMARY OF PURPOSE OF REPORT.

To receive the Wales Audit Office National report related to:

- Evaluation of the Council's Review of People Performance Management 2017.

DETAILED REPORT ATTACHED ?

YES:-

- Evaluation of the Council's Review of People Performance Management 2017 – Carmarthenshire County Council

The report is a Wales Audit Office Report and any implications are detailed within the report.

I confirm that other than those implications listed below there are no implications for the Authority arising from this report. If necessary, the Authority will need to respond to implications arising from the report where applicable.

Signed: **Randal Hemingway** **Head of Financial Services**

| | | | | | | |
|---|-------|---------|------|------------------------|-----------------------|-----------------|
| Policy, Crime & Disorder and Equalities | Legal | Finance | ICT | Risk Management Issues | Staffing Implications | Physical Assets |
| NONE | NONE | NONE | NONE | NONE | NONE | NONE |

CONSULTATIONS

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below:

Signed: **Randal Hemingway** **Head of Financial Services**

1. **Scrutiny Committee – N/A**
2. **Local Member(s) – N/A**
3. **Community / Town Council – N/A**
4. **Relevant Partners – N/A**
5. **Staff Side Representatives and other Organisations – N/A**

Section 100D Local Government Act, 1972 – Access to Information

List of Background Papers used in the preparation of this report:

THERE ARE NONE

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WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Evaluation of the Council's Review of People Performance Management 2017 – Carmarthenshire County Council

Audit year: 2017-18

Date issued: April 2018

Document reference: 510A2018-19

This document has been prepared for the internal use of Carmarthenshire County Council as part of work performed/to be performed in accordance with statutory functions.

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

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000.

The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales, the Wales Audit Office and, where applicable, the appointed auditor are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at info.officer@audit.wales.

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

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

The team who delivered the work comprised Gareth W. Lewis, Alison Lewis and Jeremy Evans directed by Huw Rees.

Contents

The Council has completed an effective review of people performance management and reported its findings but it has taken too long to act on the recommendations.

Summary report 4

The Council has carried out a thorough and comprehensive review of its people performance management processes and developed clear and targeted recommendations 6

Over seven months has elapsed since the review concluded, but no action has yet been taken to address the report's recommendations 7

Summary report

Summary

- 1 Internal Audit findings in 2016 highlighted concerns to Carmarthenshire County Council (the Council) about the performance and operational management arrangements for its staff in two service areas. The Council, reacting to these concerns, identified the need to review its processes to ensure correct and effective procedures were in place for managing people's performance.
- 2 The Council created an internal review group called the Corporate People Performance Management Review Working Group (the review group). This group of officers, drawn from several services, were asked to examine two detailed cases; put forward clear actions for improvements; and put suitable monitoring arrangements in place. The two cases were examples where failings in people management had led to employee dismissals; losses in revenue or assets; and negative publicity for the Council.
- 3 We assessed the effectiveness of the Council's arrangements by asking the following question: Has the Council been effective in its review of people management processes?
- 4 Our review examined the Council's evaluation of the two cases to see if the Council had:
 - carried out an effective review of the relevant people management processes;
 - looked at the case studies in detail and identified flaws and proposed learning points;
 - reported openly and honestly on its findings;
 - put forward clear actions for improvement with identified accountabilities; and
 - put in place suitable review arrangements to check progress against the actions for improvement.
- 5 Between February 2017 and July 2017, we attended the meetings of the Council's internal review group and received their final report on 10 July 2017. The group presented the final report to the Council's Corporate Management Team on 10 October 2017. On 6 February 2018, we attended the meeting of the Council's People Strategy Group where the review group formally handed over the final report. The Strategy Group is responsible for the creation of a plan to act on the recommendations and for reviewing progress and assessing if the recommendations made by the review group have been addressed.
- 6 In this review, we concluded that the Council has completed an effective review of people performance management and reported its findings but it has taken too long to act on the recommendations. We came to this conclusion because:

- the Council has carried out a thorough and comprehensive review of its people performance management processes and developed clear and targeted recommendations; and
- over seven months has elapsed since the review concluded, but no action has yet been taken to address the report's recommendations.

Detailed report

The Council has completed an effective review of people performance management and reported its findings but it has taken too long to act on the recommendations

The Council has carried out a thorough and comprehensive review of its people management processes and developed clear and targeted recommendations

- 9 The Corporate People Performance Management Review Working Group established clear terms of reference in its first meeting. The terms set out what the group would do, who would be included and what the possible outcomes could look like. The Council encouraged the review group to be inquisitive, open and honest in its discussions. A strong, positive direction was given, enabling the review group to decide for itself the focus of the review work, how long it would take and how many meetings it needed. The Corporate People Management Review Working Group met for the first time on 7 February 2017.
- 10 The members of the group were a mix of senior managers from a wide range of front-line and support services. Throughout the review, group members were forthcoming and provided robust, practical challenge. They were comfortable proposing suggestions for improvement and recommendations.
- 11 The group invited extra people to attend meetings to add relevant and useful material. For example, in the first meeting, the group quickly identified the need for the Head of Internal Audit and the Lead HR Business Partner to present their detailed knowledge of the two cases being studied. This was useful as it allowed all group members to gain a full understanding of what had happened in the two cases quickly. The group then invited the Head of Internal Audit and the Lead HR Business Partner to the following meetings to provide detailed insight, add value to the discussion and propose recommendations. More documentation and information was made available to the group. For example, a report produced by an external contractor on one of the case studies provided valuable, additional insight for group members.
- 12 Chairing of the regular meetings of the group was good. The meetings had focused agendas, and specific records of action. Comprehensive, accurate meeting notes were circulated quickly after each meeting to all relevant parties.
- 13 Each meeting began with a review of the actions from the last meeting to assess progress. Meetings ended by summarising the actions identified during that meeting. Timescales and owners were assigned for each action. These steps provided clarity and accountability for all actions the group identified.

- 14 The group's meetings contained thorough, open and robust discussions and the environment felt safe and productive. The emphasis in the meetings was on producing a comprehensive review that identified flaws and reflected on the lessons learned and putting forward actions for improvement. The design of the actions for improvement was to lessen the chance of similar events happening again in the future.
- 15 The group identified a set of emerging themes from the two cases early on. They documented the identified theme, explained how that theme had come about across the two cases, and ideas for potential recommendations. This document provided structure for the group's discussions and developed as the meetings progressed and the themes became clearer.
- 16 The group identified that existing work was underway on some of the emerging themes as part of 'normal' Council business. So, the group added a column to the emerging themes document which listed the 'work to date' under each theme to identify what the Council was already doing. This work allowed the group to avoid suggesting action that duplicated existing work.

Over seven months has elapsed since the review concluded, but no action has yet been taken to address the report's recommendations

- 17 The group finished its report on 10 July 2017. However, because of meeting postponements and staff absences, the Council's Corporate Management Team did not receive the report until 10 October 2017.
- 18 The report put forward ten clear recommendations that had been robustly challenged and shaped by the debate during the meetings of the review group. The recommendations are shown in **Exhibit 1**.

Exhibit 1: summary of recommendations

The table shows the ten recommendations put forward by the Council's Corporate People Performance Management Review Working Group (the text is taken from the Council's report).

| Summary of recommendations |
|--|
| <p>Recommendation 1</p> <p>Directors/Heads of Service undertake a desk top review of service structures, particularly within high risk customer facing areas, to identify any potential risk areas to reduce the likelihood of similar failings occurring as a result of flat structures.</p> |
| <p>Recommendation 2</p> |

Summary of recommendations

Directors/Heads of Service to undertake a desk top risk assessment of dispersed service delivery teams including agile working and remotely located teams as well as teams with a distinct identity or external/individual brand (ie Families First) to identify potential risks of disconnection from the corporate organisation.

Recommendation 3

Building on the existing review of the induction process it is recommended that 'new manager's guide' be developed to complement the new 'employee guide' currently under development. The 'new manager's guide' is to be used during induction to identify areas of training and development and is to include a checklist for managers signposting them to the relevant technical and people management information, tools and support. This checklist should include but is not exclusive to:

- Technical management:
 - Financial regulations
 - Procurement rules
 - Corporate priorities
 - Code of conduct
 - Budget management
 - Performance management
 - Relevant checks and balances
 - Legal/statutory requirements
- People management:
 - Workforce planning
 - People management
 - Emotional intelligence
 - Recruitment and selection (including job profile development)
 - Appraisals and reviews
 - Induction and probation
 - Agile working
 - Declarations of interest
 - Managing change

Recommendation 3a

Ensure that managerial training needs identified at induction stage are streamlined into, and reviewed during, the appraisal process.

Recommendation 4

Introduce workforce and succession planning as a key element of the Executive Board and Heads of Service Business Plan sessions to reinforce work currently being undertaken by HR business partners and strengthen accountability.

Recommendation 5

Review the process for creating job profiles in order to increase the focus on behavioural standards/core competencies and reduce task orientated criteria. Develop clear guidelines/support for managers for creating job profiles of this nature.

Recommendation 6

Summary of recommendations

Review the appraisal process to focus on behaviours and core competencies and develop a suite of tools to support managers to flexibly implement appraisal principles within different structures and service profiles.

Recommendation 7

In line with recommendations of the Internal Audit Review of Declaration of Interests, Gifts and Hospitality 2017, the guidance on declarations of interest should be reviewed and, if appropriate, updated. The use of meta compliance and/or Resource Link should be explored as a means of ensuring the necessary awareness of the requirements with managers and staff.

Recommendation 8

All internal audit recommendations to be monitored via PIMS, subject to successful system testing.

Recommendation 9

A risk register to be developed by the People Strategy Group based upon the recommendations made in the report.

- 19 Not all the recommendations contained owners or time frames but the group intended to pass the report to the Council's People Strategy Group to produce a detailed action plan. The final report states the recommendations will be submitted to the People Strategy Group to:
- develop an action plan to achieve each of the recommendations;
 - upload the actions within the action plan to the Council's Performance Information Management System to monitor progress;
 - report on the progress of these actions on a quarterly basis; and
 - develop a risk register for the recommendations.
- 20 We agreed with the Council that the report's recommendations needed urgent action. But it has taken seven months to progress the report to the action planning stage. Despite finishing the report on 10 July 2017 and presenting it to Corporate Management Team on 10 October 2017, the report was not handed over to the Council's People Strategy Group until 6 February 2018.
- 21 The Council's action plan is still outstanding. A delay in taking action against the recommendations may mean that those failings identified in the two review cases could be repeated. However, the Council has added the action 'to monitor and evaluate recommendations made by the People Performance Review Working Group' to its Governance Issues Action Plan. This is part of the Council's Annual Governance Statement and shows the importance the Council is placing on this work.

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AUDIT COMMITTEE

13TH JULY 2018

| |
|--|
| CARMARTHENSHIRE COUNTY COUNCIL AUDIT COMMITTEE UPDATE – JULY 2018 |
|--|

| |
|--|
| Recommendations / key decisions required: |
|--|

| |
|---|
| To receive the Wales Audit Office report noted above. |
|---|

| |
|-----------------|
| Reasons: |
|-----------------|

| |
|---|
| The Wales Audit Office carries out both financial audit and performance audit work at the Council. This report summarises the progress on their audit work as at July 2018. |
|---|

| |
|--|
| Relevant scrutiny committee to be consulted: n/a |
|--|

| | |
|------------------------------|----|
| Exec Board Decision Required | No |
|------------------------------|----|

| | |
|---------------------------|----|
| Council Decision Required | No |
|---------------------------|----|

| |
|---|
| EXECUTIVE BOARD MEMBER PORTFOLIO HOLDER:- Cllr David Jenkins - Resources |
|---|

| | | |
|--|--|--|
| Directorate: Corporate Services | | |
|--|--|--|

| | | |
|--|--|--|
| Report Author: Wales Audit Office | | |
|--|--|--|

EXECUTIVE SUMMARY
AUDIT COMMITTEE

13TH JULY 2018

CARMARTHENSHIRE COUNTY COUNCIL
AUDIT COMMITTEE UPDATE – JULY 2018

BRIEF SUMMARY OF PURPOSE OF REPORT.

The Wales Audit Office carries out both financial audit and performance audit work at the Council. This report summarises the progress on their audit work as at July 2018.

DETAILED REPORT ATTACHED?

YES :

- **Wales Audit Office Work Programme - Update to the Audit Committee – Carmarthenshire County Council**

IMPLICATIONS

The report is a Wales Audit Office Report and any implications are detailed within the report.

I confirm that other than those implications listed below there are no implications for the Authority arising from this report. If necessary, the Authority will need to respond to implications arising from the report where applicable.

Signed: **Randal Hemingway** **Head of Financial Services**

| | | | | | | |
|---|-------------|-------------|-------------|------------------------|-----------------------|-----------------|
| Policy, Crime & Disorder and Equalities | Legal | Finance | ICT | Risk Management Issues | Staffing Implications | Physical Assets |
| NONE | NONE | NONE | NONE | NONE | NONE | NONE |

CONSULTATIONS

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below:

Signed: **Randal Hemingway** **Head of Financial Services**

1. **Scrutiny Committee – N/A**
2. **Local Member(s) – N/A**
3. **Community / Town Council – N/A**
4. **Relevant Partners – N/A**
5. **Staff Side Representatives and other Organisations – N/A**

Section 100D Local Government Act, 1972 – Access to Information

List of Background Papers used in the preparation of this report:

THERE ARE NONE

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WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Wales Audit Office Work Programme - Update to the Audit Committee – Carmarthenshire County Council

Audit year: 2018

Date issued: June 2018

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

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

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

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Wales Audit Office Work Programme – Update to the Audit Committee

About this document

- 1 This document provides the Audit Committee of Carmarthenshire County Council (the Council) with an update on current and planned Wales Audit Office work. It covers financial and performance audit work together with information on the Auditor General's programme of local government related studies.

Audit plan

- 2 The dates we presented our audit plans for 2017 and 2018 are set out in Exhibit 1.

Exhibit 1: audit plan.

| Area of work | Current status |
|-----------------|--|
| Audit Plan 2017 | Presented to Audit Committee 24 March 2017 |
| Audit Plan 2018 | Presented to Audit Committee 23 March 2018 |

Financial audit update

- 3 The financial audit work included in our 2017 audit plan is now complete. In our 2017-18 audit plan we reported that there was one Welsh Government grant claim that we had not been able to certify by the 31st December 2017 deadline. The Flying Start revenue claim was signed off on an unqualified basis on 17th May 2018.
- 4 For 2017-18 Welsh Government has extended the pilot Grant claims financial audit to all Local Authorities where a single Summary Statement of Certified WG Grants will need to be prepared and audited. The Flying Start revenue claim will be one of the claims included in this Summary Statement. We understand management are putting improvements in place to ensure that the delays completing this

audit in 2016-17 are not repeated in 2017-18. If delays are encountered in relation to the Flying Start revenue scheme it could potentially delay the certification of the entire Summary statement. We are currently working with management on these new requirements and will provide further updates to the Audit Committee once the work has been completed for 2017-18.

- 5 There will still be a small number of Welsh Government grant schemes and other grant claims that will be subject to specific audit requirements, for example Housing Benefits, Teachers Pensions return, National non domestic rates return and 21st Century Schools.
- 6 Exhibit 2 provides members of the Audit Committee with a brief overview of progress against the planned financial audit key outputs and milestones set out in our 2018 audit plan.

Exhibit 2: financial audit update

| Planned output | Scope | Current status |
|---|--|---|
| Financial Statements 2017-18 | Audit of the Council's 2017-18 financial statements. | Opinion to be issued September 2018. |
| Whole of Government Accounts 2017-18 | Audit of the Councils 2017-18 whole of government accounts | Opinion to be issued September 2018. |
| Certification of Grants 2017-18 | Certification of grants and returns 2017-18 | Audit work to be completed between September and December 2018. |
| Annual Audit Letter | Report summarising our 2017-18 financial audit work. | Planned for December 2018. |

Performance audit update

Exhibit 3 summarises the progress of the performance audit work set out in the 2017 audit plan and provides a brief overview of progress against the planned performance outputs and milestones set out in our 2018 audit plan.

Exhibit 3: performance audit update

| Topic | Scope | Status | Timescale |
|--|--|---|---------------------------------------|
| Performance audit work - 2017 audit plan | | | |
| Evaluation of the Council's Review of People Performance Management | <p>Following work by Internal Audit function, the Council recognised the need to complete a review of its processes for managing people's performance. The Council established an internal working group with cross-service representation to review two detailed cases. The WAO review assessed the effectiveness of the Council's arrangements for reviewing its people management processes by observing the work of the Council's internal working group.</p> <p>We concluded that the Council has completed an effective review of people performance management and reported its findings but it has taken too long to act on the recommendations.</p> | Final report issued to the Council. | Report issued - April 2018. |
| Wellbeing and Future Generations Baseline Assessment | <p>The Year One Commentary: We will gather evidence on how the 44 bodies are beginning to respond to the requirements of the WFG Act and identify examples of notable, emerging practice. The work will be designed to support improvement and inform future audit work under the Act.</p> | <p>National Report produced – Reflecting on year One: How Have Public Bodies Responded to the Well-being of Future Generations (Wales) Act 2015?</p> <p>http://www.audit.wales/publication/reflecting-year-one</p> | National report published - May 2018. |

| Topic | Scope | Status | Timescale |
|--|--|--|--------------------------------|
| Overview and Scrutiny – Fit for the Future? | This review examined the impact of the WFG Act on the work of scrutiny committees including PSB scrutiny, facilitating improvement and sharing of good practice. We concluded that while supportive of overview and scrutiny the Council's arrangements for the scrutiny function need strengthening to help meet current and future challenges. | Final report issued | Report issued - June 2018 |
| Audit Committee Review | The review will evaluate whether the Council's audit committee is effectively discharging its remit against the requirements laid down in relevant legislation, guidance and its own constitution. It will also review whether the actions agreed at the audit committee's remit review session in July 2016 have been progressed. | Draft report issued to Council June 2018 | Report due June/July 2018. |
| Service User Perspective Review | This project has been taken forward into the Audit Plan 2018 and scope extended (see performance audit work – 2018 Audit Plan below). | See below - 2018 audit plan. | See below - 2018 a Audit Plan. |
| Annual Improvement Report (AIR) | Annual report summarising the audit work undertaken in the last year which also includes a summary of the key findings from reports issued by 'relevant regulators'. | Report being drafted. | July 2018. |
| Performance audit work - 2018 audit plan | | | |

| Topic | Scope | Status | Timescale |
|---|---|--|--|
| Improvement audit and assessment work including improvement planning and reporting audit | Audit of discharge of duty to publish an improvement plan, and to publish an assessment of performance. | Work to be undertaken after the Council publish their report in June 2018. | Certificates to be issued July 2018. |
| Assurance and Risk Assessment | Project to identify the level of audit assurance and/or where further audit work may be required in future years in relation to risks to the Council putting in place proper arrangements to secure value for money in the use of resources. | Work planned to be undertaken throughout the audit year to inform the 2019-2020 audit programme. | No written output. |
| Well-being of Future Generations Act (Wales) 2015 (WFG Act) examinations | Examination of the extent to which the Council has acted in accordance with the sustainable development principle when taking steps to meet one or more of its wellbeing objectives, which we will discuss and agree with the Council during early 2018-19. | Work planned to be undertaken September 2018 – February 2019. | By March 2019. |
| Thematic Review - Environmental Health | Review of the arrangements the Council has put in place to deliver environmental health services, building on the study previously undertaken by the Auditor General as part of the 'delivering with less' themed studies. | Timing of the work to be agreed with the Council. | By March 2019. |
| Thematic Review - Corporate Safeguarding Arrangements | Review of the effectiveness of corporate safeguarding arrangements, building on the study previously undertaken by the Auditor General in this area. | Timing of the work to be agreed with the Council. | By March 2019. |
| Service User Perspective Review | This project will test the service-user interface at all authorities. The review will evaluate what it feels like (as a member of the public) to deal | Draft project brief issued to the Council June 2018 | Work to be undertaken July – September 2018 (the |

| Topic | Scope | Status | Timescale |
|---|---|--|---|
| | with council services, involving a selection of services and scenarios. Carmarthenshire County Council has a Transformation, Innovation and Change (TIC) Programme. One element of this programme is the Digital Transformation Project. Part of this project is focused on 'channel shift'. Our work will review the effectiveness of the Council's approach to the channel shift project. It will also seek to gain a service user perspective on the elements of the channel shift project that are focused on service users. | | timing of the service user element to be agreed with the Council). Output by March 2019. |
| Review of Risk Management Arrangements | A review of the Council's arrangements to identify, manage and monitor risks. | Draft project brief issued to the Council June 2018. | March 2019. |
| Annual improvement Report | Annual report summarising the audit work undertaken in the last year, which also includes a summary of the key findings from reports issued by 'relevant regulators'. | Work planned to be undertaken April 2018 – May 2019. | By July 2019. |

WAO Local Government Improvement Studies

- 8 The Wales Audit Office also undertakes a programme of local government studies funded from the Welsh Consolidated Fund, which lead to national reports rather than local reports. Exhibit 4 summarises the present position on the programme of studies currently underway.

| Topic | Scope | Status | Timescale |
|---|---|---|--|
| 2016-17 Local Government Improvement Studies – 2016 audit plan | | | |
| Strategic commissioning of learning disability services by local authorities | <p>This review focussed on assessing if local authorities have effective approaches to commissioning accommodation for adults with learning disabilities (those aged over 16).</p> <p>We concluded that local authorities are generally meeting the accommodation needs of adults with learning disabilities, but existing commissioning arrangements are unlikely to be fit for purpose in the future.</p> | <p>Published: May 2018 http://www.audit.wales/strategic-commissioning-learning-disabilities</p> <p>Carmarthenshire CC was not a fieldwork site in this study.</p> | National report published May 2018. |
| Housing Adaptations | <p>We looked at whether public bodies, with responsibilities for delivering housing adaptations, have an effective strategic approach that delivers value for money.</p> <p>We concluded that user satisfaction with housing adaptations masks a hugely complicated, reactive and inequitable system that is not delivering for all those who may need it.</p> | <p>Published: February 2018 http://www.audit.wales/publication/housing-adaptations</p> <p>Carmarthenshire CC was not a fieldwork site in this study.</p> | National report published February 2018. |
| How local government manages demand - homelessness | We looked at well local government manages demand for homelessness | Published: January 2018 | National report published January 2018. |

| Topic | Scope | Status | Timescale |
|--|--|---|--|
| | <p>services, considering the wider principle of prevention.</p> <p>We concluded that local authorities are reacting to the problems caused by homelessness with varying degrees of success, but there is limited focus on preventing the fundamental causes of homelessness.</p> | <p>http://www.audit.wales/publication/how-local-government-manages-demand-homelessness</p> <p>Carmarthenshire CC was one of five fieldwork sites in this study.</p> | |
| 2017-18 Local Government Improvement Studies – 2017 audit plan | | | |
| Services to rural communities | This review will assess how well public bodies are working together to assess needs, identify priorities, deliver and maintain the provision of key operational services to meet the needs of people in rural communities. | <p>Currently drafting the report.</p> <p>Carmarthenshire CC was one of 11 fieldwork sites in this study.</p> | National report due to be published in 3 rd /4 th quarter of 2018. |
| How local government uses data | This review will identify how well local authorities are currently performing in collecting, analysing and using data to support decision making and the use of resources. | Data tool questionnaires were distributed to all councils in October 2017. Currently drawing conclusions. | National report due to be published in the 3 rd /4 th quarter of 2018. |
| 2018-19 Local Government Improvement Studies – 2018 audit plan | | | |
| First point of contact Assessments under the Social Services and Well-being Act | The study will review the first point of contact and assessments for adult social care. | <p>Scoping and project set up.</p> <p>Carmarthenshire CC will be one of five fieldwork sites in this study.</p> | National report due to be published in the 3 rd /4 th quarter of 2018. |

| Topic | Scope | Status | Timescale |
|--|--|---|--|
| Tackling Violence Against Women, Domestic Abuse and Sexual Violence | Our review will focus on determining whether local authorities and their partners are effectively working together to prevent gender-based violence and domestic abuse, and protecting all of the people involved. | Scoping and project set up. Carmarthenshire CC will not be a fieldwork site in this study. | National report due to be published in 3 rd /4 th quarter of 2018. |
| Planning Service: Improving the Wellbeing of Wales | Our review will provide independent assurance that planning authorities are supporting sustainable development and delivering for the future long-term wellbeing of their communities and for Wales. | Scoping and project set up. Carmarthenshire CC will not be a fieldwork site in this study. | National report due to be published in the 3 rd /4 th quarter of 2018. |

WAO National Studies

- 9 The Audit Committee may also be interested in the WAO national studies programme that are related to local government. Exhibit 5 provides information on our national studies that have relevance to local authority organisations.

Exhibit 5: local authority-related national studies

| Topic | Findings | Status |
|--|--|---|
| Interpretation and translation services | The study looked at the steps that councils and health are using interpretation and translation to support people who do not speak English or Welsh (including deaf people who use BSL). | Report published April 2018. http://www.audit.wales/publication/speak-my-language-overcoming-language-and-communication-barriers-public-services |

| Topic | Findings | Status |
|--|--|--|
| | We concluded that organisations varied in the degree to which they understood the needs of their communities and ensured their services were accessible to people needing interpretation and translation services. | |
| Youth services | This project is part of a joint programme of work with Estyn, HIW and CSSIW. The WAO work will involve a factual description of the well-being of young people based on the available data. Our report will also highlight key lessons for the Welsh Government to learn in taking an integrated approach to improving the well-being of young people. | Report due Winter 2018-19 (currently in fieldwork). |
| EU Structural Funds 2014-2020 | This project looks at WEFO's management of the 2014-20 programme in light of previous reviews and the consequences of Brexit. | Report due Summer 2018 (currently being drafted). |
| EU Rural Development Programme 2014-2020 | This project looks at WG's management of the 2014-20 programme in light of the consequences of Brexit. | Report due Summer 2018 (currently being drafted). |
| Waste Management - Module 1: Waste Prevention | This project looks at the generation of all waste, including the waste collected by councils. It looks at the effectiveness of waste prevention targets within the national strategy towards zero waste. | Report due Summer 2018 (currently being drafted). |
| Waste Management – Module 2: Waste Recycling | This project looks at municipal recycling (the waste the council collects from residents and traders), focussing on performance against the recycling targets. A future look at how the targets may change. | Report due Summer 2018 (currently going through external clearance). |
| Waste Management – Module 3: Waste Infrastructure | This project looks at the procurement of waste infrastructure to treat waste in response to the diminishing tonnages allowed per council in the landfill allowance. | Report due Summer 2018 (currently being drafted). |

| Topic | Findings | Status |
|-----------------------------|--|--|
| Integrated care fund | The review will examine if the Integrated Care Fund is being used effectively to deliver sustainable services that achieve better outcomes for service users. Interviews will be undertaken with a selection of officers on each of the Regional Partnership Boards and Welsh Government officials. | Terms of reference issued March 2018. National report due to be published January 2019. |

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

AUDIT COMMITTEE

13TH JULY 2018

| WALES AUDIT OFFICE NATIONAL REPORTS | | |
|--|----|--|
| Recommendations / key decisions required: To receive and note the Wales Audit Office report noted above. | | |
| Reasons: To receive the Wales Audit Office report | | |
| Relevant scrutiny committee to be consulted: n/a | | |
| Exec Board Decision Required | No | |
| Council Decision Required | No | |
| EXECUTIVE BOARD MEMBER PORTFOLIO HOLDER:- Cllr David Jenkins - Resources | | |
| Directorate: Corporate Services | | |
| Report Author: Wales Audit Office | | |

EXECUTIVE SUMMARY

AUDIT COMMITTEE

13TH JULY 2018

WALES AUDIT OFFICE NATIONAL REPORT

BRIEF SUMMARY OF PURPOSE OF REPORT.

To receive the Wales Audit Office National report related to:

- Strategic Commissioning of Accommodation Services for Adults with Learning Disabilities
- Well Being of Future Generation (Wales) Act 2015: Reflecting on year one
- Speak my language: Overcoming language and communication barriers in public services.

DETAILED REPORT ATTACHED?

YES:

- **Strategic Commissioning of Accommodation Services for Adults with Learning Disabilities**
- **Reflecting on Year One: How Have Public Bodies Responded to the Well-being of Future Generations (Wales) Act 2015?**
- **Speak my language: Overcoming language and communication barriers in public services**

IMPLICATIONS

The report is a Wales Audit Office Report and any implications are detailed within the report.

I confirm that other than those implications listed below there are no implications for the Authority arising from this report. If necessary, the Authority will need to respond to implications arising from the report where applicable.

Signed: **Randal Hemingway** Head of Financial Services

| | | | | | | |
|---|-------|---------|------|------------------------|-----------------------|-----------------|
| Policy, Crime & Disorder and Equalities | Legal | Finance | ICT | Risk Management Issues | Staffing Implications | Physical Assets |
| NONE | NONE | NONE | NONE | NONE | NONE | NONE |

CONSULTATIONS

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below:

Signed: **Randal Hemingway** Head of Financial Services

1. Scrutiny Committee – N/A
2. Local Member(s) – N/A
3. Community / Town Council – N/A
4. Relevant Partners – N/A
5. Staff Side Representatives and other Organisations – N/A

Section 100D Local Government Act, 1972 – Access to Information

List of Background Papers used in the preparation of this report:

THERE ARE NONE

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Archwilydd Cyffredinol Cymru
Auditor General for Wales

Strategic Commissioning of Accommodation Services for Adults with Learning Disabilities



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

I have prepared and published this report in accordance with the
Public Audit Act (Wales) 2004.

The Wales Audit Office study team was managed by Nick Selwyn and comprised Steve Frank, Gareth Jones, Euros Lake, Duncan Mackenzie, Sara Leahy and Sara Woollatt under the direction of Jane Holownia

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

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

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

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Mae'r ddogfen hon hefyd ar gael yn Gymraeg.

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Summary Report

Local authorities are generally meeting the accommodation needs of adults with learning disabilities, but existing commissioning arrangements are unlikely to be fit for purpose in the future

- 1 Social care services can be crucial in helping people with a learning disability to live their life in the way they choose, and the level of support offered will depend on an assessment of an individual and their condition. Some people require very little help or support, and have little or no need to access services, whereas others require full-time care and support in every aspect of their lives. Support can be many things, including helping somebody to get up and get dressed, to develop friendships and relationships, or to do meaningful activities and be part of the local community.

What we mean by people with learning disabilities¹:

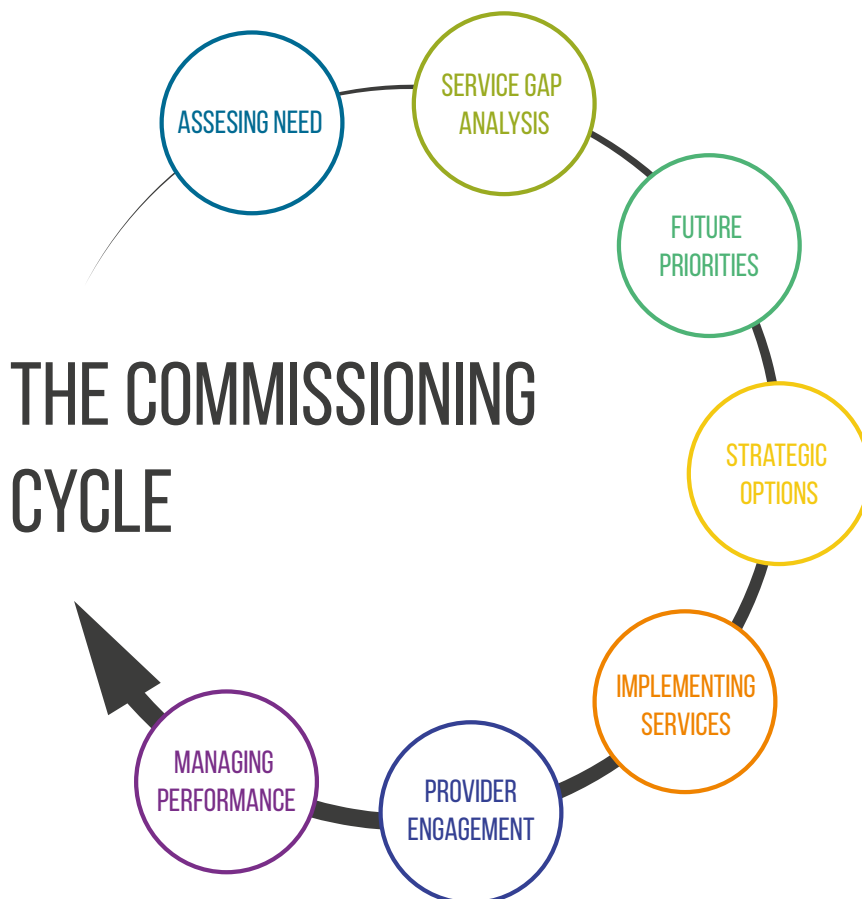
A learning disability is a reduced intellectual ability and difficulty with everyday activities – for example household tasks, socialising or managing money – which affects someone for their whole life. People with a learning disability tend to take longer to learn and may need support to develop new skills, understand complicated information and interact with other people. The level of support someone needs depends on the individual. For example, someone with a mild learning disability may only need support with things like getting a job. However, someone with a severe or profound learning disability may need full-time care and support with every aspect of their life – they may also have physical disabilities.

- 2 Most people with learning disabilities can lead independent lives with the right support, but as resources reduce, effective planning and provision of care and support services is becoming increasingly important and challenging. The pressure to find greater efficiencies whilst improving wellbeing is driving local authorities to look for different ways to deliver better outcomes for people. Person-centred planning, regular reviews by skilled care managers, and external input by partners, staff, advocates and families can all be used to create services that provide better outcomes in a more cost-effective way.

¹ www.mencap.org.uk/about-us

- 3 Most people with learning disabilities can lead independent lives with the right support and, therefore, as resources reduce, effective planning and provision of care and support services is becoming an increasingly important aspect of public policy in Wales. Commissioning is the process by which social care services are planned, purchased and monitored. Effective commissioning of learning disabilities involves putting the individual at the centre of the process of identifying needs, and helping them make choices about how they are supported to live their lives.
- 4 Whilst commissioning models vary, most definitions of commissioning identify some core inter-connected stages, as set out in **Exhibit 1** below. These include assessing people’s needs; setting priorities and developing commissioning strategies to meet those needs; buying goods and securing services from providers to address need; consulting and involving a range of stakeholders, including people with learning disabilities and communities at key stages in the process; monitoring and evaluating outcomes; and revising plans, needs assessments and services in light of evaluation.

Exhibit 1 – Key stages of the commissioning cycle



Source: Wales Audit Office.

- 5 The overall spend on learning disabilities in Wales has risen in real terms (considering inflation) by 6.8% since 2008-09. In 2015-16, the 22 local authorities' gross expenditure for people with learning disabilities (adults under 65) was £398.5 million. Recognising the importance of investing resources properly, authorities are increasingly focussing on how to maximise the benefit of the services they commission.
- 6 This review has focussed on assessing if local authorities have effective approaches to commissioning accommodation for adults with learning disabilities (those aged over 16)². Our review methods are set out in [Appendix 1](#). These include audit fieldwork at five local authorities; a detailed analysis of current performance and expenditure; modelling future growth and costs; website and document reviews; and interviews with a range of national organisations. Based on the findings of this audit, the Auditor General has concluded that local authorities are generally meeting the accommodation needs of adults with learning disabilities, but existing commissioning arrangements are unlikely to be fit for purpose in the future.

Summary of our findings

- 7 Local authorities are underestimating the complexity and level of challenge in meeting the long-term accommodation needs of people with learning disabilities and their carers. Despite progress in many areas, local authorities and their partners must do more to integrate services and resolve a number of complex challenges if they are to achieve the ambition of sustainable accommodation-based services.
- 8 Current investment by local authorities is keeping step with demand and authorities are continuing to meet the needs of people with learning disabilities. However, we estimate that authorities will need to increase investment by £365 million in accommodation in the next twenty years to address both a growth in the number of people with learning disabilities who will need housing, and the increase in the number with moderate or severe needs. Given that a third of authorities have reduced expenditure and services in recent years, this challenge will be particularly onerous.

2 This report considers adult social care and support for people aged 16 and over. Where the data included in this report refers to people aged 18 we highlight this. People can define things in different ways so where there is a difference in meaning we have taken expert advice on the most appropriate definition. Our report does not prescribe particular solutions, staffing levels or cost models.

CURRENT NUMBERS ASSISTED BY LOCAL AUTHORITIES:



3.15 MILLIONS

Estimated population
of Wales in 2015

Estimated number adults of Wales
in 2015 with a learning disability

58,308



12,014 adults with a
learning disability
in Wales provided with services by
local authorities in 2015-16



Three in every 100
people in Wales have
a learning disability

In 2015-16 there were 239.5
employed by local authorities to plan
and commission social care services



This ranged from 0 staff
in one authority to 33 in another.

- 9 Local authorities need better quality financial and population data to ensure they make the most informed decisions. Too many local authorities do not have a shared understanding of the scale of the task in maintaining people's wellbeing, and are not involving people with learning disabilities, partners and service providers in finding a sustainable and cost effective way forward.
- 10 **Part 1** of this report examines whether local authorities take a well-considered and planned approach to commissioning accommodation services for people with learning disabilities. We consider how good local authorities are at planning based on patterns of demand, and considering how much is currently spent on different types of service. We also estimate the levels of investment needed to keep pace with demographic change.
- 11 **Part 2** examines whether local authorities have the right systems in place to commission and deliver accommodation-based services. This part considers workforce planning, joint commissioning and how effectively local authorities engage with people with learning disabilities and service providers in considering options and agreeing future priorities.
- 12 Finally, **Part 3** considers how well local authorities monitor and review the impact of the commissioning of accommodation services for learning disabilities. This includes how effectively local authorities monitor and scrutinise what they do, and therefore how well they understand what works well and why.

Recommendations

- 13 Our work has identified a series of recommendations for improvement and these are set out below. In [Appendix 11](#), we have also proposed a checklist to help local authority scrutiny members undertake a self-assessment and identify options to improve commissioning of learning disability services.

Recommendations

- R1 People with a learning disability have a right to live independently. The last 50 years have seen significant changes in the provision of accommodation and support. Service provision has moved to a model that enables people to live in the community in ordinary houses throughout Wales ([paragraphs 1.3 to 1.10](#)). **We recommend that local authorities continue to focus on preventing people becoming dependent on more expensive placements in care homes by providing effective support at home and a range of step up accommodation by:**
- improving the evaluation of prevention activity so local authorities understand what works well and why;
 - utilising the mapping of prevention services under the Social Services and Well-being (Wales) Act 2014 that covers other agencies and service providers;
 - improving the signposting of additional help so carers and support networks can be more resilient and self-reliant. This should include encouraging carers to make long-term plans for care to maintain and protect their dependant's wellbeing; and
 - sharing risk analysis and long term planning data with other local authorities, service providers, and partners to agree a shared understanding of the range of options.
- R2 Population projections show that the number of people with a learning disability will increase in the future, and those aged over 65 and those with a moderate or severe learning disability will rise significantly ([paragraphs 1.3 to 1.10](#)). **We recommend that local authorities improve their approach to planning services for people with learning disabilities by building on the Regional Partnership Boards population assessments for people with learning disabilities and agreeing future priorities.**

Recommendations

R3 Welsh Government produced guidance to local authorities, entitled 'developing a commissioning strategy for people with a learning disability' to support authorities in producing strategic plans for the commissioning of learning disability services. In conjunction with codes of practice developed following the Social Services and Well-being (Wales) Act 2014, Welsh Government requires local authorities to develop integrated commissioning options with Local Health Board services. The aim is to provide a joined-up and cost-effective approach to the commissioning of services but our review-highlighted weaknesses in current arrangements ([paragraph 2.4 to 2.12](#)). **We recommend that local authorities do more to integrate commissioning arrangements with partners and providers and take account of the work of the National Commissioning Board by:**

- **understanding the barriers that exist in stopping or hindering further integration;**
- **improving the quality of joint strategic plans for learning disability services ([see also paragraphs 3.11-3.14](#));**
- **establishing investment models and sustainable financial structures, joint workforce planning and multi-year budgeting; and**
- **developing appropriate governance and data sharing frameworks with key local partners that include a clear process for managing risk and failure.**

Recommendations

R4 Local authorities' engagement with people with learning disabilities and their carers is variable. Whilst many authority services have positive relationships with advocacy groups, some are less successful in involving these groups and carers in evaluating the quality of services (paragraph 2.18 to 2.20). **We recommend that local authorities do more to involve people with learning disabilities and their carers in care planning and agreeing pathways to further independence by:**

- consistently including people with learning disabilities and their carers in the writing, monitoring and development of care plans;
- systematically involving carers and advocacy groups in evaluating the quality of services;
- involving people with learning disabilities in procurement processes; and
- ensuring communications are written in accessible and appropriate language to improve the understanding and impact of guidance and information.

R5 Local Authorities could do more to involve service providers in commissioning and make the tendering process more effective by making it easier to navigate and more outcome focused. However, providers are not as effectively engaged as they should be (paragraph 2.28 to 2.38). **We recommend that local authorities collaborate with providers, the third sector and suppliers in understanding challenges, sharing data, and pooling expertise by:**

- improving the quality range, and accessibility of tendering information; and
- working with providers to shape local markets by coming to a common understanding of the opportunities, risks, and future priorities in providing learning disabilities services.

Recommendations

- R6 Most local authorities do not have effective arrangements to monitor and evaluate their commissioning of learning disability services (paragraphs 3.3 to 3.15). **We recommend that local authorities develop a more appropriate set of performance indicators and measures of success that make it easier to monitor and demonstrate the impact of service activity by:**
- **co-designing measures, service and contract performance indicators with service providers, people with learning disabilities and their carers;**
 - **ensure commissioners have sufficient cost and qualitative information on the full range of placement and care options available;**
 - **equipping commissioners with data to demonstrate the long term financial benefits of commissioning choices, this includes having the right systems and technology;**
 - **integrating the outcomes and learning from reviews of care plans into performance measures;**
 - **evaluating and then learning from different types of interventions and placements; and**
 - **including learning disability services in local authority scrutiny reviews to challenge performance and identify improvements.**

Part 1

The approach to commissioning accommodation for people with learning disabilities is potentially unsustainable

1.1 With increased financial pressures at a time of austerity, it is even more important that authorities balance providing people with learning disabilities with safe and good quality accommodation with making the best use of resources and delivering value for money. To do this well, commissioning staff and planners need to use population and demographic projections to gauge future demand for accommodation services which best meet the aspirations of people with learning disabilities. In this part of the report, we consider current demand for accommodation services for people with learning disabilities. We also consider current expenditure and analyse costs to both determine the economy of current provision, and to understand regional and socio-economic variations. Finally, we model future accommodation demand, highlighting some challenges for some authorities, and project the potential additional costs authorities will need to address going forward.

The number of people with learning disabilities provided with accommodation by local authorities is growing and current authority provision is keeping step with demand. The changing profile of demand raises some challenges for authorities in the future

1.2 The Welsh Government does not collect comprehensive information on the number of people with learning disabilities in the population and neither are learning disabilities recorded in the census. It is, however, possible to estimate the number of people with learning disabilities in Wales drawing on information from Daffodil³. In 2015 It was estimated that there were 58,300 adults with learning disabilities in Wales. Currently around 20% of the estimated total adult population of people with learning disabilities are provided with local authority social care services. The number of adults with learning disabilities in receipt of social care services has increased by just over 900 people since 2008-09⁴. Proportionally, provision for younger people is falling and the number of people with learning disabilities aged 65 and over in receipt of social care services is increasing. [Appendix 2](#) provides a detailed analysis of the data.

3 The web-based system developed by the Institute of Public Care for the Welsh Government. Daffodil supports public sector organisations to plan services providing population projections to identify potential need for care.

4 We have used 2008-09 as the starting point for our analysis as it is the last year before the UK coalition government 2010-2015 introduced austerity measures.

1.3 People with a learning disability have a right to live independently. Backed up by commitments in Welsh Government⁵ and local authority policies, the last 50 years have seen significant changes in the way accommodation and support is provided. Service provision has moved away from an institutional model to one which promotes people living in the community in ordinary houses. In 2015-16, local authorities funded over 12,000 placements to accommodation based services for adults with learning disabilities. **Exhibit 2** below shows that the bulk of these placements – 10,006 – were for community based accommodation services. The remaining placements were to residential care homes and other forms of accommodation.

Exhibit 2 – Learning disability placements for all local authorities in 2015-16 and percentage change in provision since 2008-09

Local authorities are providing more people with learning disabilities with social care services, particularly placements in community based services.

| Type of accommodation | Aged 16-64 | Change | Aged 65+ | Change | Total (all aged 16+) | Change since 2008-09 |
|---------------------------------------|---------------|--------------|--------------|--------------|----------------------|----------------------|
| Own home | 1,399 | -12% | 276 | 42% | 1,675 | -5.9% |
| Living with parents or family | 5,456 | 2% | 156 | 73% | 5,612 | 3.2% |
| Foster home | 84 | -33% | 8 | -20% | 92 | -32.3% |
| Lodgings / supported living | 2,217 | 27% | 410 | 63% | 2,627 | 31.8% |
| Accommodation in the community | 9,156 | 4.1% | 850 | 31.4% | 10,006 | 10.4% |
| Health service accommodation | 115 | 7% | 17 | 42% | 132 | 10% |
| Local authority care homes | 40 | -57% | 20 | -47% | 60 | -54% |
| Private or voluntary care homes | 1,109 | 4% | 244 | -2% | 1,353 | 2.5% |
| Residential accommodation | 1,264 | -0.7% | 281 | -5.7% | 1,591 | 1.3% |
| Other accommodation | 426 | 270% | 37 | 118% | 463 | 250.1% |
| All accommodation | 10,846 | 7% | 1,168 | 35% | 12,014 | 8.7% |

Source: Wales Audit Office analysis of Welsh Government data taken from StatsWales.

⁵ Learning Disability Strategy - Section 7 Guidance on Service Principles and Service Responses, Welsh Government, August 2004.

- 1.4 Welsh Government projections from Daffodil predicts that the number of people in Wales aged 18 and over who will have a learning disability will increase from 58,300 in 2015, to 63,114 in 2035, an increase of 8.2%. In terms of the distribution of the population with learning disabilities, [Appendix 3 and 4](#) summarises Daffodil projections by local authority area. In summary, Daffodil projections suggest that more people will require help and support from local authorities to live independently by 2035 because:
- a twenty authorities will see a rise in the number of people with learning disabilities and five local authority areas will have significant increases;
 - b the number of people aged over 65 with learning disabilities will rise from 12,986 to 17,996, a 38.5% increase⁶ and are likely to place greater demands on local authorities for assistance; and
 - c the number of people in Wales aged 18 and over diagnosed with a 'moderate or severe' learning disability will increase in 12 of the 22 local authorities. In particular, a greater proportion of people with severe or moderate learning disabilities will require assistance, especially where parents and families become less able to provide care.

Expenditure on learning disabilities accommodation services have grown in recent years and authority investment has kept pace with demand. However, it is difficult to determine why there is a wide variation in authority spending

- 1.5 Local authorities spend large amounts of public money on learning disability services. At a Wales level, gross expenditure for people with learning disabilities (adults under 65) has risen by 16.5% from £336.3 million in 2008-09 to £398.5 million in 2015-16. In real terms, considering inflation, this equates to an all Wales increase of 6.8% over the period. [Appendix 3](#) provides a detailed analysis of the change in local authority expenditure.
- 1.6 The Welsh Government collects a range of data on accommodation services for people with learning disabilities. This includes overall expenditure on social care, and the number of placements made on annual basis to the different types of accommodation. However, Welsh Government does not collate and report on the cost by authority of the different types of social care accommodation and it is therefore not possible to compare expenditure for the different forms of accommodation to help determine economy in service provision.

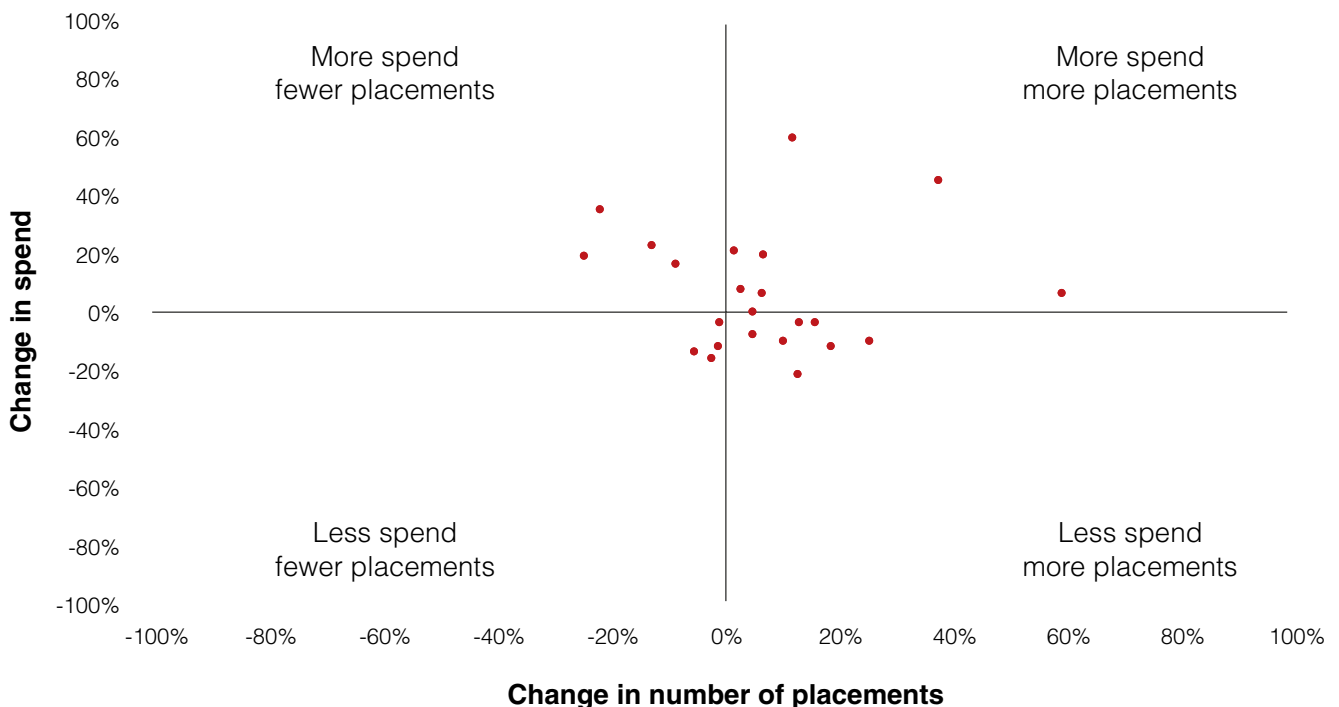
6 The increase in the number of people aged over 65 with moderate or severe learning disabilities is primarily a result of increased life expectancy, especially among people with Down's syndrome, and the growing numbers of people with complex and multiple disabilities who now survive into older adulthood.

1.7 To understand how authorities are managing their funding of learning disabilities provision, we have analysed expenditure as follows:

- a Firstly, we plotted the change in expenditure and placements from 2008-09 to 2015-16 to determine if there is a link between high cost and high numbers and/or frequency of placements. Exhibit 3 below maps the real terms change in expenditure against the number of placements by local authority between 2008-09 and 2015-16. Our analysis shows that there is no clear pattern between expenditure and placements. Spending more does not always result in more placements. Similarly, spending less does not always result in fewer placements.

Exhibit 3 – Change in number of learning disabilities accommodation placements for adults under 65 (x axis) against change in gross expenditure (real terms) between 2008-09 and 2015-16 (y axis)

The chart shows the change in spend and number of placements for each of the 22 local authorities in Wales between 2008-09 and 2015-16. Each quadrant of the chart represents a different pattern of change over time (as labelled). The Exhibit shows that there is no obvious correlation between expenditure and number of placements.



Source: Source: Wales Audit Office analysis of Welsh Government data taken from StatsWales.

- b Secondly, we have mapped overall average⁷ authority expenditure on health board footprints to determine if there are regional commissioning markets in operation. **Appendix 6** shows that the average cost per placement ranges from roughly £22,000 to just under £71,000. Overall, we conclude that based on averages, there are no clear and discernible 'regional markets'.
- c Thirdly, we have grouped authorities by geographical and socio-economic type, classifying authorities as either: valleys; mixed urban and rural; city; or mostly rural. **Appendix 7** summarises this analysis and highlights that overall, the range of cost is too wide to suggest geographical or socio-economic factors significantly influence cost.
- d Finally, we analysed variations in expenditure and changes in provision to determine which, if any, service model – community or residential based services – are cheaper or more expensive. **Appendix 8** compares average cost per placement and the prevalence of different types of provision for the authorities with lowest and highest average cost per placement. From our analysis, we conclude that there is no clear relationship between average placement cost and type of social care accommodation.

1.8 Drawing on the above evidence we estimate that there is no discernible pattern or rationale such as market conditions, regional issues or service model type that helps explain or justify variations in expenditure. Consequently, we consider that the cost of learning disability placements are more likely driven by other factors, which are explored in detail in Parts 2 and 3 of this report. In particular:

- a the effectiveness and approach of each authority's commissioning team, their skills and abilities to negotiate, challenge and set appropriate costs;
- b the number and range of staff employed and their engagement with and management of external care providers;
- c the availability of providers within the market and how effective local authority commissioning teams are at increasing provider capacity;
- d the systems and approaches used to commission services, especially the link between corporate approaches to procurement and social care commissioning;

⁷ Because data is not collected that identifies how much is spent on the different types of learning disability accommodation we are only able to compare performance between authorities using the overall average spend per placement for all learning disabilities social care accommodation. We recognise that averages can have some weaknesses, especially where data is skewed by wide variations in expenditure within an authority. Nonetheless, using average spend per placement allows us to explore whether there are underlying issues that may influence cost of services.

- e the robustness of needs assessments and strategic planning which underpin the choices made by authorities; and
- f the strength of scrutiny and oversight of the commissioning system to determine what is working and what needs to improve.

1.9 Others also echo our conclusions. For example, the Wales Mental Health and Learning Disabilities Collaborative Commissioning Group National Collaborative Commissioning Unit (the 'Unit') in the NHS in Wales has reviewed the costs of residential placements for mental health and learning disabilities and found a range of costs for similar care placements. This analysis is set out in **Exhibit 4** below and highlights that providers charge local authorities different amounts for broadly the same type of service. The Unit concluded that the 'prices charged for existing residential placements on a care setting by care setting basis lack transparency, are inconsistent and have limited relationships to any service specifications.' This suggests that current weaknesses in commissioning arrangements allow providers to maximise charges for services rather than operate to a defined cost model.

Exhibit 4 – The cost of weekly care packages for people with learning disabilities

The Exhibit summarises the range of weekly costs for three different models of provision in care homes and highlights that the charges made by providers for broadly the same type of service range widely.

| Placement type | Range of costs per weekly placement | |
|--|-------------------------------------|--------------|
| | Minimum cost | Maximum cost |
| Care home, learning disabilities, without continuous staffing | £1,216 | £1,628 |
| Care home, learning disabilities, with continuous staffing | £681 | £3,250 |
| Care home, learning disabilities, with continuous nursing staffing | £1,330 | £2,766 |

Source: Director of National Collaborative Commissioning Unit, presentation to CIPFA Annual Conference 2017.

Our modelling suggests that at an all Wales level provision is keeping step with projected growth but a third of authorities face major choices in how they address future accommodation demand

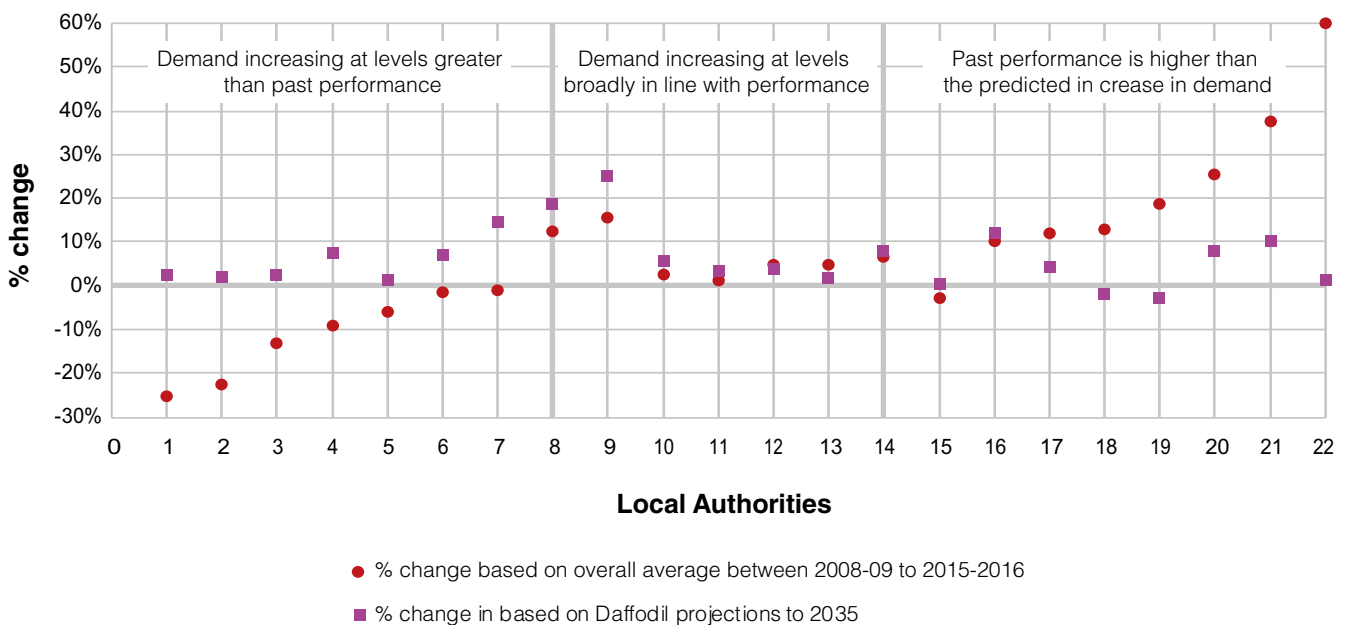
- 1.10 Framing future service delivery on current standards and approaches can sometimes result in demand being over or under estimated. Predicting future demand can be influenced by the assumptions that underpin any analysis, and projected demand does not always turn into actual demand. However, by assuming that services operate with little or no change to eligibility criteria, and broadly continue as currently provided, allows us to consider how well placed local authorities are to respond to potential future demand.
- 1.11 Assuming no change to eligibility criteria we have modelled in [Exhibit 5](#) the likely change in demand for social care accommodation provision for people with learning disabilities at an all Wales and local authority level⁸. We use a scatter graph to represent and compare current performance in provision of social care accommodation services, with the predicted change in numbers requiring those services by 2035. Where the two markers coincide, past performance is well aligned with projected demand and authorities are in a good position to manage projected population increases for social care accommodation. Conversely, where the two markers diverge, then authorities either need to increase capacity to address the projected growth in accommodation demand or need to taper future growth.

8 Our analysis draws on two separate sets of data. Firstly, we looked at the average percentage increase in provision of services to people with learning disabilities between 2008-09 and 2015-16. Using this data, we estimate that demand for accommodation will rise by 8.7% over the 20-year period. Secondly, the projected increase in demand based on the anticipated growth in the number of people with learning disabilities, as determined by the Daffodil data, projects that accommodation demand will increase by 8.2%.

1.12 In summary, our analysis highlights that nine local authorities (numbers 1 to 9) may need to increase the provision of social care accommodation services to address a predicted growth in demand by 2035. These are authorities where either accommodation services have reduced between 2008-09 and 2015-16 or the change in accommodation provision in this period is below the projected level of demand they need to address in the future. Seven authorities (numbers 10 to 16) past performance broadly matches predicted growth in accommodation. This suggests that current approaches to managing demand are well suited, or should require minimal change in accommodation provision to meet the projected change in the number of people with learning disabilities. Finally, six authorities (numbers 17 to 22) have increased learning disability accommodation placements in the recent past but their projected population of people with learning disabilities in the next 20 years may require them to rethink and taper services.

Exhibit 5 – Modelling of current performance (2015-16 base data) in provision of social care accommodation services for adults with learning disabilities against the predicted change in numbers potentially requiring accommodation services by 2035 (derived from Daffodil)

A third of authorities need to increase their investment in learning disability services to meet the projected population growth by 2035.



Source: Wales Audit Office analysis of Welsh Government published data available on StatsWales and Daffodil.

LOOKING FORWARD WE PROJECT THAT BY 2035:

The number of people with learning disabilities that local authorities will need to help will rise by



Local authorities will need to invest an additional

£365 MILLIONS

Our research shows that local authorities are at different places in how they commission services for people with learning disabilities and face different challenges in the next 20 years

9

authorities need to increase the amount of accommodation they make available to meet the needs of people with learning disabilities

7

authorities are well placed with little change required to services in the future

6

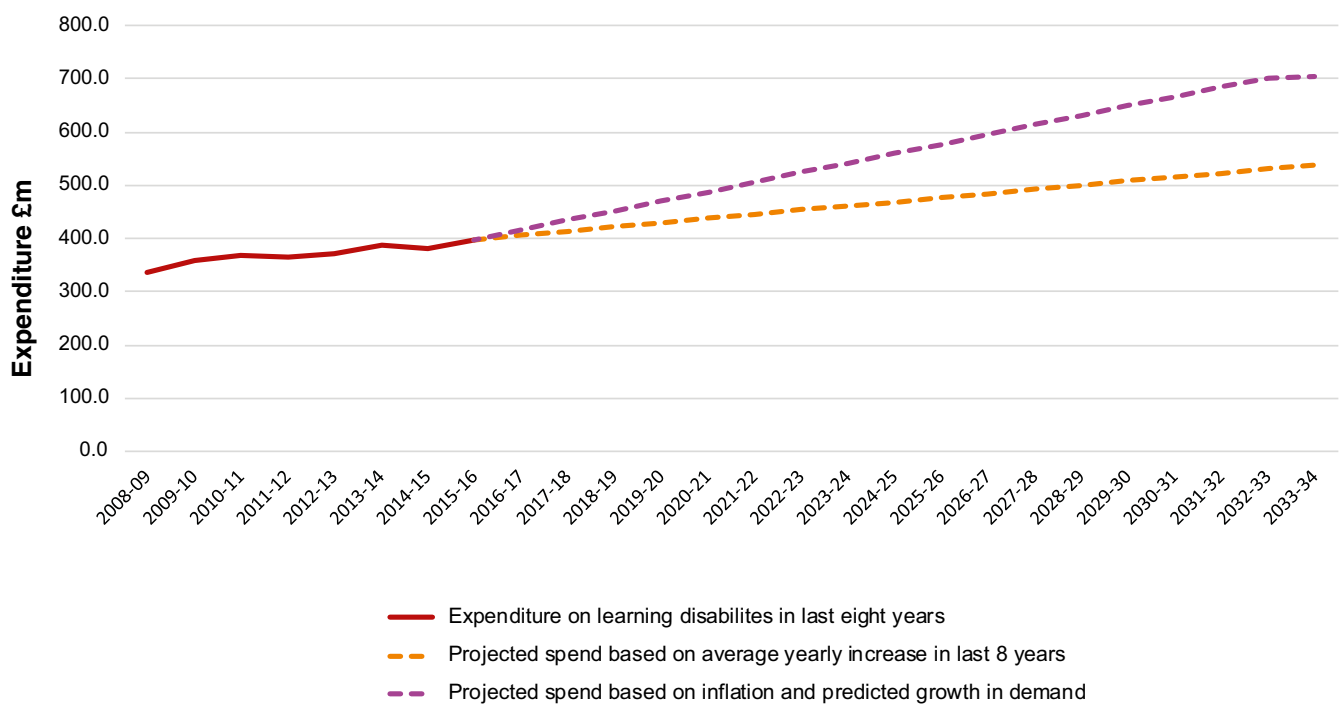
authorities are projected to have an oversupply of accommodation and need to rethink and taper services

Current levels of expenditure on learning disabilities accommodation services is insufficient to keep pace with inflation and growing demand

- 1.13 Comparing current patterns of expenditure against predicted increases in demand enables us to determine how well placed local authorities are to meet the financial demand of future accommodation needs. [Exhibit 6](#) overleaf compares current levels of expenditure on accommodation services against potential future costs on two measures: the predicted level of expenditure based on the average yearly budget increase between 2008-09 and 2015-16; and the projected increase in expenditure needed to keep pace with inflation and the growth in demand.
- 1.14 Our modelling in [Exhibit 6](#) highlights that local authorities will need to increase expenditure on learning disability accommodation services in the region of £365 million by 2035 ([Appendix 9](#) summarises our calculations showing how we have derived this figure). To keep pace with growing demand, and to make best use of current resources, authorities will need to both improve their commissioning systems and processes to offset our estimated increase in cost, but also invest greater sums of money to meet rising demand. This will prove challenging in the current financial climate for public services. Below, in Parts 2 and 3 of our report, we provide an overview of current commissioning arrangements, commenting on the effectiveness of current practices and how well placed authorities are to commission sustainably in the future.

Exhibit 6 – Modelling of projected increase in expenditure of social care accommodation services for adults with learning disabilities by 2035

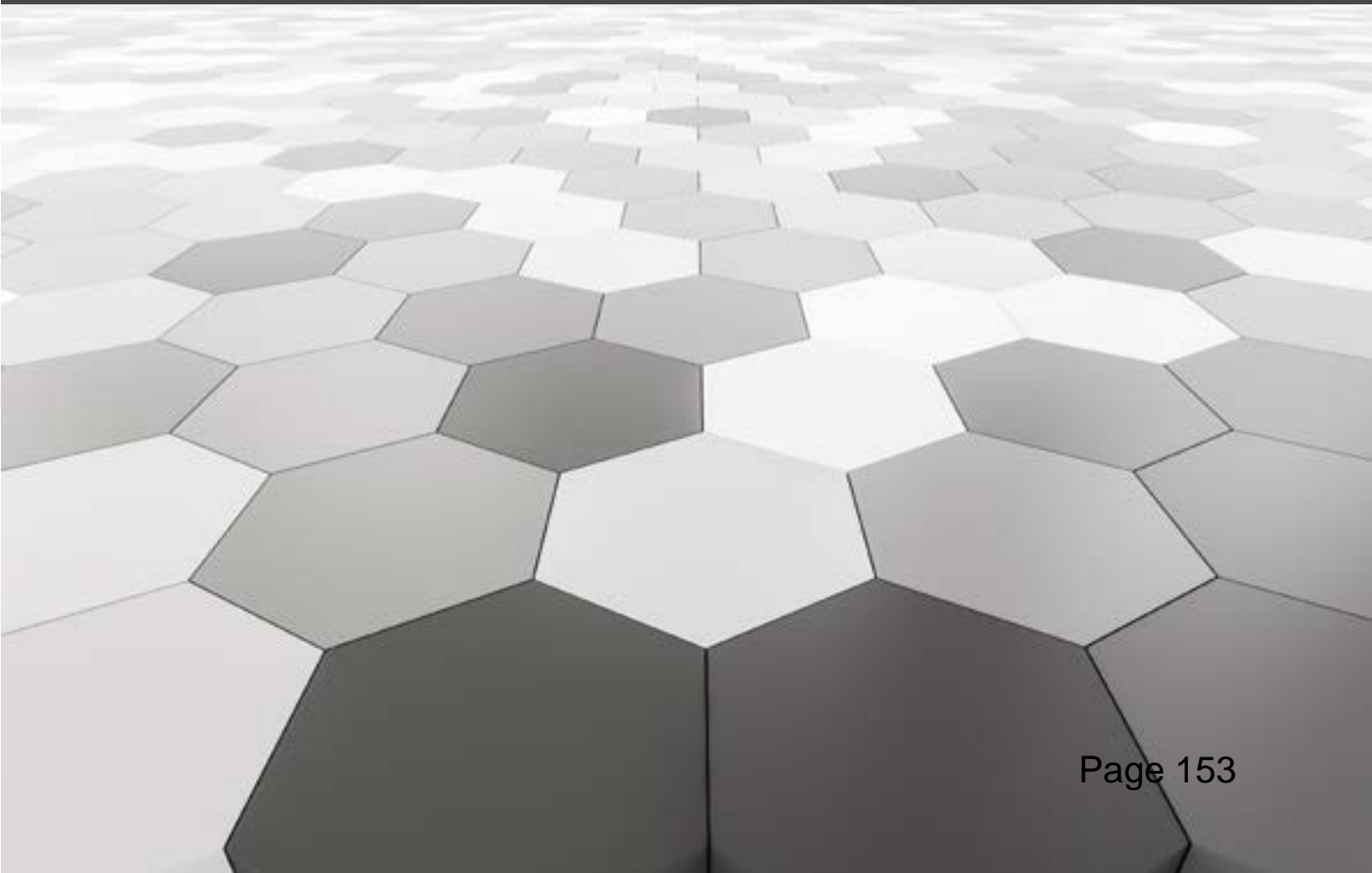
Our modelling concludes that comparing recent local authority expenditure patterns against projected inflation and increasing demand shows that current local authority investment on accommodation services will need to be significantly increased to keep pace with inflation and meet projected demand in 2035.



Source: Wales Audit Office.

Part 2

Local authorities generally do not have effective arrangements to commission accommodation services for people with learning disabilities



- 2.1 The best commissioners have the confidence to challenge the status quo, take on radical change, collaborate effectively with external stakeholders, gain a deep understanding of needs, and target resources effectively to meet those needs.
- 2.2 In January 2011, Welsh Government produced guidance to local authorities⁹, to support the production of strategic plans for the commissioning of learning disability services. This guidance is used by local authorities, in conjunction with codes of practice developed following the Social Services and Well-being (Wales) Act 2014, to develop commissioning options that are integrated with wider social care strategies. The aim of the guidance is to ensure partners provide a joined-up and cost-effective approach to the commissioning of accommodation services. Local authorities' commissioning strategies should communicate how they will achieve this and therefore we have considered how well they have developed their plans together with the views of the people tasked with delivering the strategies.
- 2.3 In this Part of the report we consider how effectively local authorities are organising themselves to meet current demand for accommodation of adults with learning disabilities.

Not all local authorities have developed strategic commissioning options in line with Welsh Government guidance and the introduction of the Social Services and Well-being (Wales) Act 2014

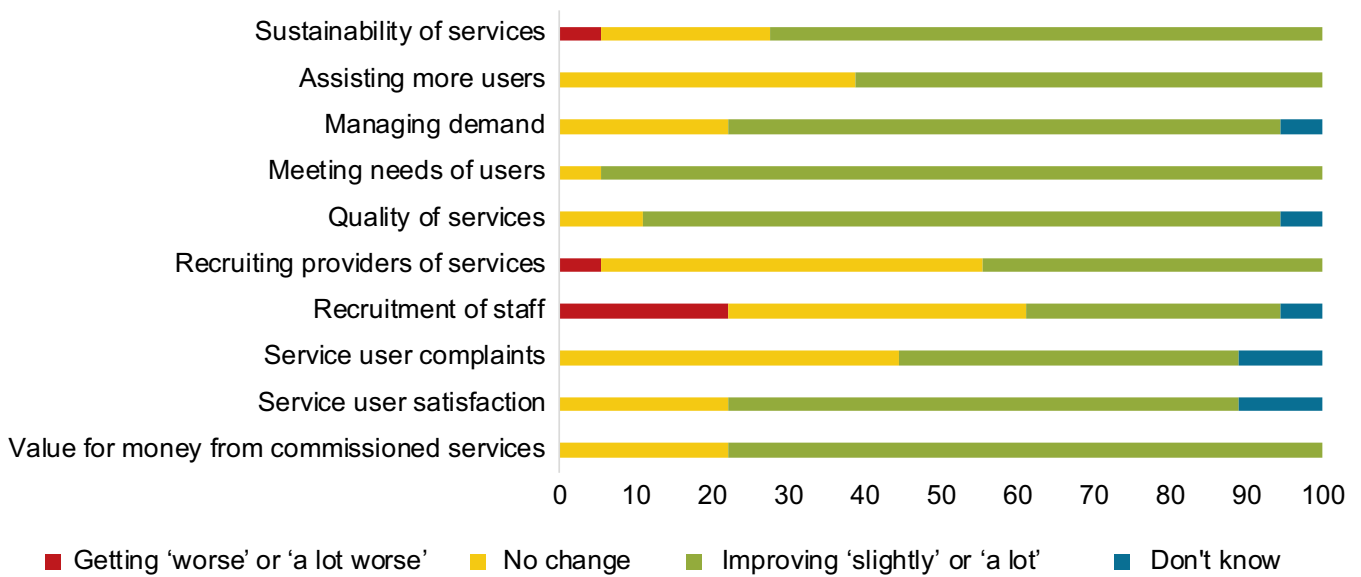
- 2.4 Authorities are striving to develop their approach to commissioning and there is clear evidence of improvements in strategic planning. Nineteen of the 22 local authorities have developed a specific commissioning strategy for learning disability services, and most authorities believe that their commissioning strategy has resulted in services improving. **Exhibit 7** overleaf highlights the benefits authorities recognise they have achieved as a result of commissioning strategies. Despite positive conclusions, some local authorities noted some local and regional commissioning challenges, commenting specifically on:
 - a difficulties recruiting staff, particularly across North Wales;
 - b a shortage of accommodation to meet more complex needs;
 - c existing providers being unable to meet increasing demand for more complex solutions;

⁹ <http://gov.wales/docs/dhss/publications/110301LearningDisCommStraten.pdf>

- d difficulties balancing the need for finding savings and more cost-effective service provision against the increasing demand for more complex packages of care; and
- e problems in implementing a cultural shift away from existing day-care provision that many older people with learning disabilities are accustomed to, and feel comfortable with, to community based services.

Exhibit 7 – The views of service managers with responsibility for learning disability services on the impact of their commissioning strategy

In most service areas, the majority of local authorities feel that their Commissioning Strategies have improved the quality of the social care services they provide to people with learning disabilities and better meet the needs of people with learning disabilities.



Source: Wales Audit Office Survey of local authority service managers with responsibility for social care learning disability services, May 2017.

- 2.5 The combination of pressure on budgets and new legislation from Welsh Government is encouraging authorities to modernise commissioning approaches. The Social Services and Well-being (Wales) Act 2014 (the Act) provides a legal framework for people with a learning disability who require care and support, and for transforming social services in Wales. Of particular relevance to people with a learning disability, the Act provides those receiving services with greater freedom to decide which services they need.
- 2.6 The suitability and availability of appropriate accommodation is critical in meeting the needs and future demands of people with learning disabilities and their carers. The findings of our survey of local authority service managers show that overall there is continuing policy support for community-based services that support independent living compared to more residential based services. For example, 21 of the 22 local authorities are prioritising supported housing services in the future, and 16 authorities favour increasing the number of people with learning disabilities who live in their own homes or reside with parents and family members.



- 2.7 However, whilst the Act promotes people's independence to give them a stronger voice and control, responses have mostly focussed on improving strategies and written documentation. In addition, whilst local authorities want to move away from services focussed on day care and residential services towards more bespoke and flexible community based accommodation services that best meet the needs of individual users, these aspirations are not always being delivered.
- 2.8 For example, a number of national organisations we spoke to who work with people with a learning disability and their families and carers, told us that authorities have long discussed changing service models, but they have seen little evidence of positive change on the ground or in the services commissioned by authorities. Interviewees also told us that authorities do not always take account of the contribution that other services, such as leisure and education, can play in delivering better outcomes for people with learning disabilities. One senior manager in a learning disabilities support organisation we spoke to told us the intention to improve service delivery models has been around 'for all of my 30 years in the sector'. Others stated that opportunities such as supported employment are far more satisfying than 'filling time' activities such as day care, which often do not produce effective outcomes for people with learning disabilities. The need to give staff wider and more specialised skills in locating and developing job opportunities for people with learning disabilities is recognised in a growing number of local authority plans and strategies.
- 2.9 Despite these shortcomings, authorities are improving their strategic focus on commissioning. For instance, Rhondda Cynon Taf County Borough Council has a Commissioning Strategy and Statement of Intent for Learning Disabilities, which is supported by a Commissioning, Procurement and Management Strategy. The aim of these two strategies is to provide a unified strategic framework for commissioning, procurement and contract management within the local authority. The Commissioning Strategy has been developed jointly with Cwm Taf Local Health Board. Staff we spoke to acknowledged that the Social Services and Well-being (Wales) Act 2014 has driven the change in thinking about service provision.

2.10 Likewise, the City and County of Cardiff have a number of operational plans that support the delivery of their Learning Disability Commissioning Strategy¹⁰. These include an overarching Statement of Strategic Commissioning that sets out the values, principles and purposes of all commissioning undertaken by the Council, and more specific documents covering Older People's services, an Autistic Spectrum Disorder strategy and a joint Day Opportunities strategy. As a result, the up to date information and intelligence places the local authority in a better position to commission services.

Commissioning strategies are not always resulting in cost effective service options that meet the needs of people with learning disabilities

2.11 The World Health Organization states that the health inequalities experienced by people with a learning disability are partly caused by poor quality social care and on average people with learning disabilities have poorer health and die younger than other people¹¹. Therefore local authorities should do all they can to secure the most effective and appropriate accommodation service to meet the wellbeing of individuals and a local authorities' formal arrangements with carers and providers of learning disability services form an important part of an effective strategic approach that assures good value for money.

2.12 From the documentation we examined, together with our interviews with commissioning staff and national organisations, we found inconsistencies with how authorities balance cost and quality of accommodation services. We also found a lack of common understanding between commissioners, corporate procurement teams and providers in what they are trying to achieve.

¹⁰ www.cardiff.moderngov.co.uk/learningDisabilityCommissioningStrategy

¹¹ See www.who.int/mediacentre/factsheets/fs352/en/

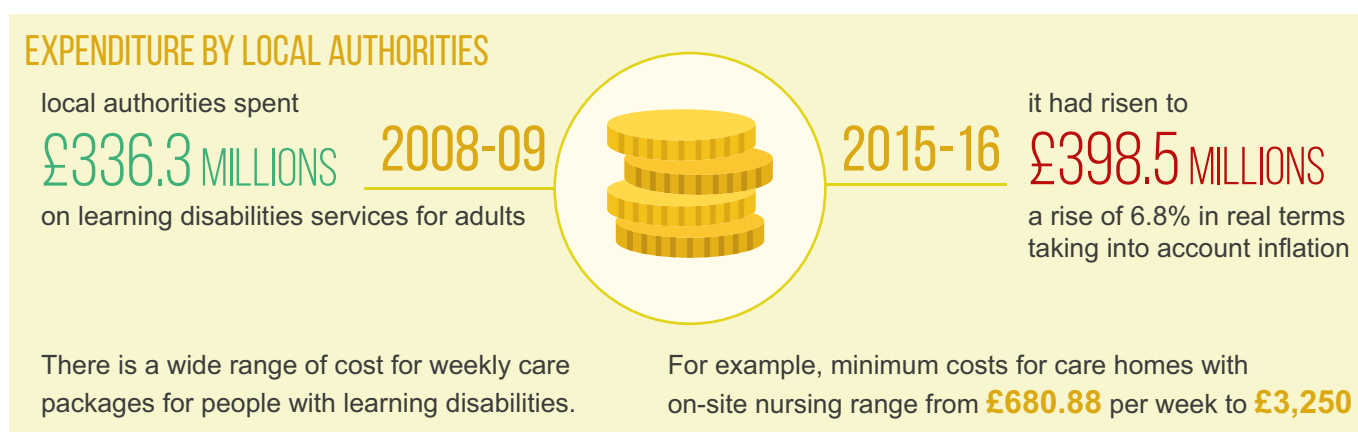
- 2.13 Our examination of national research and documentation shows authorities' commissioning arrangements do not give sufficient reassurances that they have the right systems in place to deliver their strategic commissioning intentions. Too many commissioning strategies give a poor indication of current and longer term user and carer needs, insufficient market analysis, limited provider input, and a weak analysis of current levels of spending and policy choices. As a result, baseline positions remain incomplete. Therefore, action plans may not be pointed at the right things and often focus on a list of intentions rather than strategic actions that drive and improve commissioning activity.
- 2.14 The Wellbeing of Future Generations principles¹² (the 'five ways of working') are increasingly being integrated in commissioning and procurement strategies, but progress in involving providers is still developing. Cardiff City and County Council has produced a procurement strategy, which explicitly aims to maximise economic, social, environmental and cultural wellbeing. Ensuring that small and medium sized enterprises are able to access tendering opportunities is currently under review by commissioning staff. The Western Bay Learning Disability Commissioning Strategy provides a more integrated strategic approach to reduce inconsistencies and health. This strategy defines the problems it is trying to solve, how it will improve current service delivery, and advocates the use of pooled budgets.
- 2.15 Local authorities increasingly recognise that they need to improve the efficiency and cost stability of commissioning. Nonetheless, some positive examples exist. Rhondda Cynon Taf County Borough Council's 2016 Learning Disability Joint Statement of Strategic Intent includes a strong focus on market shaping. This includes differentiating between universal, early intervention, and intensive intervention services so commissioners are clear about what services are available to allow for comparisons between packages of care. As a result, providers can more quickly fill any gaps in provision.

12 See <http://gov.wales/docs/dsjlg/publications/150623-guide-to-the-fg-act-en.pdf>

2.16 Local authorities are also developing their commissioning strategies to look for ways to collaborate and get greater value for money. The Social Services Improvement Agency’s 2014 report entitled Transforming Learning Disability Services in Wales¹³ finds ‘there is potential to develop the functions of commissioning to deliver better outcomes for people with a learning disability and reduce avoidable costs.’ Report recommendations include more outcome-based reviews and an integrated approach across the NHS and Local Government to the planning, commissioning and delivery of learning disability services in Wales. However, we found that the need to lower costs is still perceived to be the greatest influence. This creates barriers to innovation and effective commissioning.

Regional joint working between local authorities is steadily developing, but engagement with Health Boards is variable

2.17 Welsh Government guidance on developing commissioning strategies for learning disability services and the Social Services and Well-being (Wales) Act 2014 state that local authorities should work with their local health boards when producing their commissioning strategies and developing and delivering learning disability services, including accommodation. From our survey of local authority service managers we found that roughly two thirds of respondents jointly commission services with their Local Health Board and stated that these arrangements are ‘effective’ or ‘very effective’.



¹³ See Transforming Learning Disability Services in Wales.

Exhibit 8 – Whole time equivalent social care planning and commissioning staff for all Welsh local authorities and social care services in 2015-16

The exhibit summarises the range of staff employed by local authorities to undertake all social care planning and commissioning. The average across Wales is 10.9 Full Time Equivalents (FTEs) to undertake social care planning and commissioning activity and ranges from no specialist staff to 33.2 (FTEs).

| Range | Commissioning Manager | Operational staff | Support officer | Other Staff |
|--------------------|-----------------------|-------------------|-----------------|--------------|
| Minimum | 0 in six LAs | 0 in five LAs | 0 in five LAs | 0 in ten LAs |
| Maximum | Four in one LA | 13 in one LA | 15 in one LA | 16 in One LA |
| Wales total | 33 | 89 | 74 | 44 |

Source: <http://gov.wales/statistics-and-research/local-authority-social-services-staff-numbers>

2.18 However, even those who commented positively on joint working with health colleagues flagged some challenges. For example, joint working focussing too much on operational matters relating to individual packages of care rather than considering how best to deliver longer-term sustainable accommodation services; and poor engagement between partners resulting in poor ownership and support of decisions for people with learning disabilities.

2.19 In addition, many commissioning managers we spoke to see regionalisation of the commissioning of learning disability services as one way of delivering financial and improvements in the quality of services. Progress in this area has however been slow to date and some senior authority managers remain unconvinced about regionalisation due to the additional demands on their time, concern over responsibilities and risk, lingering doubts about the support to smaller suppliers and reluctance to pool budgets.

- 2.20 Hywel Dda Health Board has strong links with the three local authorities in its area (Pembrokeshire, Carmarthenshire and Ceredigion) and has developed a strategic intent document and a market position statement for learning disability services. As an example of this improving relationship, Ceredigion County Council has continued to develop its strategy, working regionally with the Mid and West Wales Health and Social Care Regional Collaborative, supported by an independent review of service planning and mapping¹⁴. The review started in 2014 and has evolved significantly since the Social Services and Well-being (Wales) Act 2014 came into force, focussing on an assessment of partners' capabilities and includes a number of service options for the future.
- 2.21 Likewise, in North Wales, Betsi Cadwaladr is looking to develop a learning disabilities strategy with all six local authorities in its footprint, which will sit alongside a regional mental health strategy. Similarly, the three local authorities in the Western Bay consortium – Bridgend, Neath Port Talbot and Swansea – all work closely with Abertawe Bro Morgannwg University Health Board (ABMU) and local authority and regional strategies have benefitted from health board input.

Resources to support planning and commissioning of services vary widely

- 2.22 The number of staff employed by local authorities to undertake all social care planning and commissioning vary widely. Whilst the number of staff engaged in activities has increased from 230.35 in 2014-15 to 239.56 in 2015-16, the number of managers has fallen. **Exhibit 8** summarises the range of staff in local authorities with responsibility for planning and commissioning social care services (there is no published information specifically on learning disabilities).

¹⁴ [Mid and West Wales Health & Social Care Regional Collaborative Learning Disabilities Partnership/2014](#)

- 2.23 The number of specialist commissioning staff employed by local authorities bears little relation to an authority's level of expenditure, the number of people with learning disabilities assisted or the range of services provided. For example, the average number of people with learning disabilities per member of social care planning and commissioning staff ranges from 14 in Pembrokeshire to 600 in Conwy. The average across Wales is 56.6 people with learning disabilities per FTE member of social care planning and commissioning staff. Likewise, the spend per learning disabilities client per member of social care planning and commissioning staff ranges from £0.585 million to £17.5 million. The average for Wales is £1.663 million.
- 2.24 There is some correlation between the number of commissioning managers employed by a local authority and their views on their capacity to commission. Comparing the results of our survey of local authority learning disability managers with the above data published by [StatsWales](#) on staff numbers, shows that those authorities with more than two commissioning managers think they have better capacity, and those with no planning or commissioning manager consider themselves less well placed to commission in the future. The recent report of the Care and Social Services Inspectorate Wales 2016 on care and support for people with learning disabilities¹⁵ noted, 'the quality of care and support for many people with learning disabilities in Wales is largely dependent on the effectiveness of the front line social services and health staff who support them'.

¹⁵ <http://cssiw.org.uk/our-reports/national-thematic-report/2016/national-inspection-care-and-support-for-people-with-learning-disabilities/?lang=en>

Local authority engagement is not always responding to the needs of people with learning disabilities and their carers

- 2.25 Engagement and consultation with people with learning disabilities and their families or carers, and with service providers can go a long way towards developing and maintaining high quality, appropriate accommodation services. If done well, it can inform local authority decision-making with detailed information from people with learning disabilities on their requirements and aspirations, and from service providers on their capacity, expertise and input for designing and delivering new accommodation services. Our interviews with commissioners, providers and national representatives suggest that where better value for money is being delivered, it is in part due to increasing user input into commissioning processes.
- 2.26 Our survey found that local authorities are using a number of techniques to engage and consult with people with learning disabilities and service providers, mostly through workshops, focus groups and other meetings. Our fieldwork also identified some good examples of how local authorities are involving people with learning disabilities who receive authority services in their procurement process, including as members of interview panels when selecting providers.
- 2.27 However, only twelve local authorities formally engage with service user representative groups to help shape and improve planning and to inform their decision-making. Opportunities exist to widen out engagement activity to include other less formal and more immediate ways of engagement, such as social media.
- 2.28 Importantly, local authorities recognise that engaging directly with people with learning disabilities who use social care services and responding to their needs is important. Most authorities highlighted that engagement has allowed them to identify options to improve how they commission learning disability services. For example, through their engagement work, both Torfaen and Rhondda Cynon Taf County Borough Councils have been able to quantify the needs and expectations of different age groups and are using this information to re-design services.

- 2.29 Providers we spoke to think that local authorities still have an emphasis on procurement rather than wider commissioning. Some local authorities have a clear focus on developing the provider market, looking to add social value¹⁶ from their investment, and improving wellbeing through commissioning. Whilst budgetary pressures have also influenced decisions, part of this change has also been driven by a change in expectation from some people with learning disabilities and their families and carers. There is, therefore, an increasing recognition by local authorities of the need to widen and improve the choice of suppliers and quality of services commissioned from providers. However, only half of authorities provide training and mentoring to providers to support and enable them to understand the expectations and requirements of the authority when they apply for contracts. Despite tender documentation giving a higher weighting towards the quality of services, there is often a lack of common understanding about what 'quality' means for people with learning disabilities.
- 2.30 A positive dialogue with service providers and the third sector is a key component of the Practice Guide for Leading Integrated and Collaborative Commissioning produced by the National Commissioning Board Wales¹⁷ in August 2017. From our review we found that considerable work remains to make this vision a reality. For example, Commissioning activity could be improved by developing a common and collective understanding of capacity and long term needs working jointly with providers.
- 2.31 However, the findings of our survey shows there are opportunities to improve current working practices. For instance, whilst 17 authorities keep tendering processes as short as possible and a 17 clearly set out how tenders will be reviewed, only 11 use standard nationally available good practice forms and information to mainstream their activity. Some providers see the amount of documentation required by local authorities as overly bureaucratic. As a result, the range of providers that respond to tenders can often be limited. We found potential for local authorities to make the tendering process fairer and easier for potential new suppliers.

16 Social value is a way of thinking about how scarce resources are allocated and used. It involves looking beyond the price of each individual contract and looking at what the collective benefit to a community is when a public body chooses to award a contract. Social value asks the question: 'If £1 is spent on the delivery of services, can that same £1 be used to also produce a wider benefit to the community?'

17 The National Commissioning Board has been established with the broad purpose of improving the quality of commissioning in Wales and developing effective practice in relation to integrated commissioning between local authorities and local health boards. The Board's membership is made up of representatives from: Local Authority, NHS, the National Provider Forum, Third Sector (WCVA), Wales Procurement Officers, Social Care Wales, CSSIW, WLGA, Improvement Agencies and Welsh Government.

- 2.32 Local authorities could therefore do more to redefine their relationships with providers to commission, rather than procure services. Local authorities' procurement processes may lead to unintended consequences with unplanned preference given to those organisations who are able to write high quality bids. Whilst commissioning managers may prefer to favour local companies, they told us that current national procurement conditions, as well as the Social Services and Well-being (Wales) Act 2014, require local authorities to consider national companies regardless of the potential support to economic wellbeing of the local area and job creation.
- 2.33 Despite some local authorities considering they have a sufficient number of appropriate suppliers, others think more needs to be done to encourage local companies. For example, one authority service manager noted that the 'Impression is that lots of new providers are looking to work... It's an issue around capacity for smaller, local companies to apply.' Likewise, another commented that the 'number of providers has been relatively static... We need to be innovative in how we commission with more of a dialogue in terms of third sector provision now.' However, one acknowledged that commissioning can often be undermined by a 'Clash between social care commissioners, corporate procurement and legal officers'.
- 2.34 Local authorities' management of the provider market is slowly evolving away from the traditional 'client contractor' model towards a more collaborative approach. The National Commissioning Board (NCB) for Wales¹⁸ thinks that greater efficiency and innovation could be encouraged by authorities collaborating more effectively with providers. Partnering¹⁹ is rarely used, and incentives for improving performance are not apparent in the contract documentation we examined. Few local authorities use preferred provider frameworks. Some tender documentation ask providers for examples of how they will innovate and do things differently, but many do not. Contract lengths vary and tendering for shorter contracts can be prohibitively expensive for smaller providers. Rollover contracts and annual arrangements are common. In some areas, the choice of providers is constrained resulting in limited choice and competition. As a result, some local authorities are missing opportunities to strengthen and enhance provision to improve service quality and maximise value for money.

18 See [Commissioning for People with Learning Disability.pdf2017](#)

19 The Institute of Chartered Accountants of England and Wales define partnering as establishing a long term relationship based on mutual trust and collaboration, and on sharing of both risks and rewards. Partnering arrangement between suppliers and customers will focus on what each party does best, by integrating financial and other resources, and establishing specific roles for each participant. Please see their 2014 report [Finance Business Partnering: A Guide](#).

- 2.35 Local authorities' understanding of the capabilities and capacity of the provider market varies. A good understanding of quality and capacity is important in supporting local authorities to shape and improve the quality and cost of social care provision. Traditionally, local authorities have focused on ensuring that there is a sufficient supply of different types of learning disability services. However, with people wanting more control over their own care budgets, greater choice and better access to services, authorities now need to shift their focus towards market shaping and market facilitation. Service providers we spoke to told us about the potentially high costs of developing new services and the need to fill gaps in provision. Market shaping of learning disability services is slowly emerging but there are gaps in understanding local market capacity. The Public Policy Institute for Wales' 2015 report *The Care Home Market in Wales: Mapping the Sector*²⁰, identifies gaps in information about services, ownership, financial stability, staffing and quality of care. Poor information management can hinder the design, planning, and ongoing monitoring of social care provision.
- 2.36 There are nevertheless examples of improvement. The Joint Commissioning strategy for adults with learning disabilities in Powys 2015-2020 sets a number of intentions including greater support for social enterprise to develop the provider market, an analysis of longer-term needs, and outcomes aimed for from collaboration. The strategy also includes actions to create wider opportunities for people with learning disabilities and their carers to access complimentary support and information.
- 2.37 Likewise, the City and County of Cardiff have completed a supplier and gap analysis and identified the need to develop more supported living services. Several authorities also work with people with learning disabilities to identify any gaps in services. Wrexham County Borough Council's Social Care Market Statement sets out how it can use commissioning to improve the local care market. Some local authorities have a clear focus on developing the provider market, adding social value and improving wellbeing through commissioning. These include Devon's joint NHS Devon/Devon County Council Strategy for Commissioning Social Value²¹.

²⁰ <https://sites.cardiff.ac.uk/ppiw/files/2015/11/The-Care-Home-Market-in-Wales-mapping-the-sector.pdf>.

²¹ [Democracy.Devon.CIG Details and Devonhealthandwellbeing](#).

- 2.38 Market shaping is a challenge for local authorities across the UK. The Local Government Association's 2016 report Market shaping and commissioning²² sets out a baseline position in England for learning disability commissioners and notes that 'many councils identified understanding and development of the market as a key priority'. This mirrors the findings from our interviews with providers and local authority staff who highlighted the need to reach a common understanding and for local authorities to develop commissioning frameworks in collaboration.
- 2.39 Providers also note that more effective commissioning often happens when staff are given the opportunity to take well-managed risks and have more autonomy to make changes. We found that local authorities consider they have better skills than capacity with ten local authorities reporting that they do not have the capacity to commission. This suggests the skills and expertise that local authorities can draw on is more of a factor than the numbers of commissioning staff they employ.

22 www.local.gov.uk/our-support/our-improvement-offer/care-and-health-improvement/care-and-support-reform/implementation/general-duties/market-shaping

Part 3

Ineffective evaluation of outcomes for learning disability services means local authorities are not always able to demonstrate the positive impact of their accommodation commissioning choices

- 3.1 Local authorities attach importance to the data about the care needs of people with learning disabilities and the extent to which good outcomes are being achieved through the accommodation they provide. However, too often local authorities measure what is easy rather than what is appropriate. What really matters is to focus on the outcomes that services achieve for people, and having the right outcomes is key to successful commissioning. Clear conclusions about the impact of particular accommodation choices, interventions or support on wellbeing is proving elusive for local authorities because of their lack of systematic monitoring and evaluation of commissioning arrangements and review of individuals' care plans. In this Part of the report, we consider the effectiveness of monitoring and evaluation arrangements to oversee the performance of authorities in commissioning learning disability accommodation services.

Many local authorities have not set clear outcome measures to judge the impact of their commissioning activity

- 3.2 We found limited evidence of outcome based commissioning, despite local authorities often noting that they are commissioning to improve outcomes. Local authorities current approaches continue to focus too much on input and output and transactional indicators such as counting the number of accommodation based care packages, the cost of these services or the satisfaction of people with learning disabilities. Whilst these are relatively easy to track and report against, and provide a useful starting point to judge services, they do not measure what really matters for people with learning disabilities and provide little insight into the quality of services or the beneficial impact of commissioning choices on an individual or their carer's wellbeing.
- 3.3 This is partly a reflection of the difficulties local authorities experience in both understanding and defining what outcomes look like for people with learning disabilities. For example, only half of the local authorities who responded to our survey stated that they had set outcomes for learning disabilities in both corporate and service specific plans and strategies. Our review of strategic documents for learning disabilities echoed our survey findings, with many local authorities yet to set an appropriate and balanced range of outcome measures, which means that they are unable to evaluate the impact of their work.

- 3.4 Working with people with learning disabilities and their carers to find out what is working and why it is an important aspect of the commissioning. Local authorities have a duty to ensure that people with learning disabilities' care and support arrangements will meet their needs effectively and that accommodation is appropriate to meet their needs. Responsibilities and requirements for reviewing an individual's care plan are clear. Part 4 of the Social Services and Wellbeing (Wales) Act 2014 Code of Practice relating to the review of care plans²³ states that 'a local authority must prepare and maintain a care and support plan or a support plan...the plans must be kept under review'. The lack of regular reviews means a client's needs may or may not be met by current interventions, and the impact on their wellbeing may be unsubstantiated. The lack of review may also lead to people with learning disabilities not being provided with the most appropriate placements to meet their needs.
- 3.5 The Care and Social Service Inspectorate of Wales (CSSIW) in their National Inspection of Care and Support for People with Learning Disabilities report from June 2016 noted 'delays with reviews of care plans... missing detail about the substance of care plans' and 'reviews of care plans were less rigorous and ambitious where people were in relatively stable placements'. These conclusions were echoed in our fieldwork where local authority staff and provider representatives told us that the review of care plans is often not systematic or consistent. Local authorities' evaluation of care plans do not make the link between provider activity and improvements in wellbeing. Overall, we concluded that local authorities do not always systematically review care plans to evidence improvements in people's wellbeing, nor do authorities evaluate common themes and regular findings across all their care plans.
- 3.6 Strengthening engagement with people with learning disabilities and their carers about the accommodation services that they receive is acknowledged as an area for improvement by all local authorities we undertook fieldwork with. We found that only two-thirds of local authorities use service user satisfaction to review the performance of providers. One local authority service manager noted, 'the system is output-driven, and cannot quantify the importance of service user's views. How can you balance value for money with the impact of a change in provider? Also, they have lots of evaluative data from users, contract monitoring, etc. but are not very good at aggregating this to measure overall quality and impact, or drive improvements in services'.

- 3.7 Providers we spoke to identify a wide range of inconsistent approaches from local authorities in monitoring contracts. They noted the lack of systematic involvement and engagement of those using services in the scrutiny of service delivery. Local authorities that do involve users in contract negotiations, including the final provider selection process, such as the City and County of Cardiff, can point to improvements in client satisfaction and the availability of a wider range of services. However, local authorities are not always making full use of satisfaction and complaints information from people with learning disabilities. Advocacy groups we spoke to noted that from their experience local authorities could generally do more to gather feedback in a strategic way rather than conduct consultation as a 'set piece, one off conversation'.

Variable oversight and scrutiny of performance hinders evaluation

- 3.8 The benefits of effective scrutiny are well understood by local authorities and national bodies and most authorities regularly report performance of their learning disabilities services. Our survey of local authority service managers with responsibility for learning disabilities found that all authorities regularly reported performance to elected Members and that in 18 authorities' officers felt that elected members effectively scrutinised learning disability services. This is echoed by our fieldwork where we found that elected Members are taking an increasing interest in learning disabilities recognising that increasing the role and impact of scrutiny can improve the focus on outcomes for people.
- 3.9 However, we also found that scrutiny engagement continues to focus too much on current service provision rather than long term planning and evaluating the outcomes delivered for people with learning disabilities and their carers. For instance, our examination of a wide range of council Scrutiny and Committee reports about learning disabilities show very limited discussion and challenge from Members and too much focus on service inputs and outputs rather than an evaluation of impact and outcomes. One local authority service manager concluded that scrutiny of learning disabilities within their authority was 'hit and miss – in the last 18 months we have been to scrutiny twice around people with Learning Disabilities. There is more interest but if that is effective, I would not like to say... It comes down to people's own experiences and interest in some areas as to whether they can scrutinise effectively'.

Our research shows that there is no discernible pattern or rationale such as market conditions, regional issues or service model type that helps explain or justify variations in expenditure. Consequently, we consider that the cost of learning disability placements are more likely driven by other factors, in particular:



the effectiveness and approach of each authority's commissioning team, their skills and abilities to negotiate, challenge and set appropriate costs



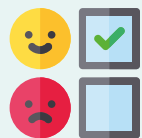
the number and range of staff employed and their engagement with and management of external care providers



the systems and approaches used to commission services, especially the link between corporate approaches to procurement and social care commissioning



the robustness of needs assessments and strategic planning which underpin the choices made by authorities



the strength of scrutiny and oversight of the commissioning system to determine what is working and what needs to improve

3.10 Better performing local authorities encourage active and regular scrutiny, and have effective systems and processes that enable oversight. Whilst some scrutiny reports such as Gwynedd Council's 2015 Scrutiny Committee report and discussion on the Changes in the Learning Disability Services show that Members are asking probing questions and seeking reassurances about the longer term sustainability of services, a number of scrutiny reports we reviewed do not cover this level of strategic consideration. For example, a number of scrutiny reviews of learning disabilities do not consider the impact of austerity, the introduction of the Wellbeing of Future Generations legislation, nor the recent changes to benefits and carers' allowance on people with learning disabilities and their carers. As a result, oversight of performance can be limited and commissioners of learning disability services are not always presented with effective challenge or up to date evidence based research.

- 3.11 Our survey found that the effectiveness of authorities in monitoring the work of providers was variable. Whilst 19 local authorities regularly review provider performance, only nine authorities widened their evidence base to draw on the findings of reviews conducted by other local authorities in Wales. Whilst monitoring financial performance and contract spending is acknowledged as important by all local authorities, only 12 benchmark the cost of commissioning learning disability services from providers with other Welsh local authorities.
- 3.12 Fourteen authorities state that they have set and regularly evaluate provider performance against agreed strategic priority targets and outcomes. We found from our review of scrutiny papers and strategy documents that evaluating wellbeing outcomes tends to be based on numbers and/or anecdotal feedback and too often reported performance does not adequately consider quality of life or changes in behaviour such as better personal resilience. The lack of clear measures of success means that authorities cannot clearly evidence financial benefits and improving quality of services resulting from their commissioning activity and choices. The Centre for Public Scrutiny's 2017 report on using scrutiny to drive outcomes and improve the quality of life for people with learning disabilities²⁴ concluded that 'people's experience of external scrutiny in relation to learning disability was very mixed... and 'Access to good data and insight is essential to be able to understand the health and social needs of people with learning disabilities'.
- 3.13 Although many local authority services have positive relationships with advocacy groups, some authorities are less successful in involving carers and support groups in scrutinising and commenting on the quality of services. Advocacy groups we spoke to want to see more regular involvement in performance monitoring and communication that is written in appropriate and accessible language and expressed concerns that current systems to oversee performance are not effective.

²⁴ www.sclid.org.uk/wp-content/uploads/2017/03/Scrutiny-Report-1.3.17.pdf

Appendices



Appendix 1: Study Methodology

Review of literature

We have reviewed a wide range of documents, including:

- Welsh Government policy and guidance documents;
- local authority procurement and commissioning guidance, as well as plans and strategies for learning disability services; and
- other relevant research and guidance produced by the National Commissioning Board, the ADSS, Welsh Local Government Association (WLGA) and research bodies.

National Interviews

We interviewed representatives of the National Commissioning Board, the Care Council for Wales (now Social Care Wales), Learning Disability Wales, All Wales People First, Mencap Wales, the all Wales forum for carers and parents and other third sector providers.

Data and statistical analysis

We have collated and analysed a wide range of performance indicator returns and budget data available online at the Office for National Statistics and StatsWales and population projections produced by the Institute of Public Care for the Welsh Government.

Local authority and housing association fieldwork

We visited five local authorities in 2016-17. The local authorities selected represented a mix of city, urban, rural and valleys authorities, which are geographically spread across Wales.. The fieldwork sites were:

- City of Cardiff County Council;
- Ceredigion County Council;
- Wrexham County Borough Council;
- Rhondda Cynon Taf County Borough Council;` and
- Anglesey County Council

During the visits, we interviewed a range of staff and elected members.

Surveys

We undertook a survey with senior managers with responsibilities within local authorities for learning disability services.

Appendix 2: Number of people aged 16 and over with learning disabilities assisted by local authority social services 2008-09 and 2015-16

The Exhibit shows that whilst the number of people with learning disabilities who are provided with social care services has increased by 8.4% in the last eight years, assistance is beginning to reduce and fell by 1.2% between 2014-15 and 2015-16. Proportionally the number of people aged 65 and over require greater levels of support.

Exhibit 9 – number of people aged 16 and over with learning disabilities assisted by local authority social services 2008-09 and 2015-16

| Year | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
|---|---------|---------|---------|---------|---------|---------|---------|---------|
| Number of people aged 16 and over assisted | 11,046 | 11,578 | 11,355 | 11,803 | 12,260 | 12,272 | 12,168 | 12,014 |
| % change over time against 2008-09 base year for those aged 16 and over | N/A | 4.8% | 2.8% | 6.8% | 11% | 11.1% | 10.1% | 8.7% |
| % change comparing performance year by year for those aged 16 and over | N/A | 4.8% | -1.9% | 4% | 3.9% | 0.1% | 0.8% | -1.2% |
| Number of people aged 65 and over assisted | 862 | 931 | 934 | 1,001 | 1,046 | 1,107 | 1,129 | 1,168 |
| % change over time against 2008-09 base year for those aged over 65 | N/A | 8% | 8.4% | 16.1% | 21.4% | 28.4% | 31% | 35.6% |
| % change comparing performance year by year for those aged over 65 | N/A | 8% | 0.3% | 7.2% | 4.5% | 5.8% | 2% | 3.5% |

Source: Wales Audit Office analysis of Welsh Government data taken from StatsWales.

Appendix 3: Real terms change in expenditure on learning disability accommodation services by local authority for people aged 16 and above between 2009-10 and 2015-16

Exhibit 10 – Real terms change in expenditure on learning disability accommodation services by local authority for people aged 16 and above between 2009-10 and 2015-16

| Local Authority | 2008-09 £'000 | 2009-10 £'000 | 2010-11 £'000 | 2011-12 £'000 | 2012-13 £'000 |
|-------------------|------------------|------------------|------------------|------------------|------------------|
| Anglesey | 8,892 | 11,421 | 10,967 | 10,733 | 10,124 |
| Blaenau Gwent | 9,687 | 8,429 | 9,206 | 8,880 | 9,893 |
| Bridgend | 13,746 | 14,646 | 14,232 | 14,511 | 15,305 |
| Caerphilly | 20,209 | 20,619 | 20,624 | 19,991 | 20,021 |
| Cardiff | 35,114 | 36,840 | 38,328 | 38,180 | 39,158 |
| Carmarthenshire | 20,106 | 22,587 | 23,790 | 24,691 | 27,280 |
| Ceredigion | 9,426 | 9,655 | 9,974 | 10,122 | 11,486 |
| Conwy | 14,663 | 16,263 | 17,536 | 17,306 | 16,463 |
| Denbighshire | 12,068 | 11,822 | 12,828 | 12,679 | 14,272 |
| Flintshire | 16,156 | 19,949 | 20,458 | 20,718 | 19,374 |
| Gwynedd | 12,900 | 13,934 | 14,191 | 14,135 | 14,033 |
| Merthyr Tydfil | 4,874 | 5,415 | 4,624 | 4,812 | 5,363 |
| Monmouthshire | 10,814 | 10,846 | 11,276 | 11,103 | 10,268 |
| Neath Port Talbot | 15,894 | 19,806 | 19,386 | 19,914 | 20,904 |
| Newport | 17,049 | 19,779 | 22,216 | 19,838 | 19,126 |
| Pembrokeshire | 10,895 | 12,355 | 13,584 | 14,579 | 15,786 |
| Powys | 17,481 | 16,370 | 17,488 | 18,443 | 19,461 |
| Rhondda Cynon Taf | 26,273 | 27,553 | 27,694 | 27,214 | 25,420 |
| Swansea | 19,466 | 18,928 | 17,214 | 17,052 | 17,694 |
| Torfaen | 9,268 | 9,308 | 9,600 | 8,038 | 7,651 |
| Vale of Glamorgan | 11,772 | 12,867 | 12,830 | 13,064 | 12,880 |
| Wrexham | 19,588 | 20,663 | 20,280 | 19,522 | 18,907 |
| Wales | 336,341 | 360,056 | 368,326 | 365,527 | 370,869 |

Source: Wales Audit Office analysis of Welsh Government data taken from StatsWales.

| 2013-14 £'000 | 2014-15 £'000 | 2015-16 £'000 | Change £'000 | Change in real terms % |
|------------------|------------------|------------------|-----------------|---------------------------|
| 8,168 | 8,753 | 9,568 | 676 | -3 |
| 9,652 | 9,183 | 9,510 | -177 | -11.5 |
| 16,049 | 16,062 | 17,853 | 4,107 | 17 |
| 20,191 | 19,866 | 20,714 | 505 | -7.6 |
| 41,269 | 39,863 | 37,729 | 2,615 | -3.2 |
| 27,646 | 28,967 | 32,544 | 12,438 | 45.9 |
| 12,178 | 12,603 | 12,720 | 3,294 | 21.6 |
| 17,066 | 17,013 | 17,429 | 2,766 | 7.1 |
| 14,723 | 14,368 | 12,111 | 43 | -9.6 |
| 19,411 | 20,136 | 22,135 | 5,979 | 23.5 |
| 15,315 | 15,462 | 17,190 | 4,290 | 20.1 |
| 5,868 | 5,733 | 4,800 | -73 | -11.3 |
| 10,126 | 9,850 | 10,135 | -679 | -15.5 |
| 21,178 | 19,145 | 21,124 | 5,230 | 19.8 |
| 18,140 | 20,017 | 18,293 | 1,244 | -3.3 |
| 17,347 | 17,842 | 19,433 | 8,538 | 60.7 |
| 20,824 | 21,046 | 26,346 | 8,865 | 35.8 |
| 27,756 | 27,735 | 29,327 | 3,054 | 0.6 |
| 19,795 | 17,759 | 19,457 | -9 | -9.9 |
| 9,305 | 9,228 | 8,927 | -341 | -13.2 |
| 13,522 | 13,356 | 14,118 | 2,346 | 8.1 |
| 20,716 | 18,091 | 17,090 | -2,498 | -21.4 |
| 386,247 | 382,078 | 398,553 | 62,212 | 6.8 |

Appendix 4: Population projections for the number of people with a learning disability in by local authority in Wales by 2035

Exhibit 11 – The number of people with a learning disability aged 18+ years will rise in 20 of the 22 local authority areas

| Local Authority | Population aged 18yrs + with a learning disability | | Predicted change 2015 to 2035 | |
|-----------------------|---|---------------|----------------------------------|------------|
| | 2015 | 2035 | number | % |
| Blaenau Gwent | 1,305 | 1,266 | -39 | -3.0 |
| Isle of Anglesey | 1,306 | 1,282 | -24 | -1.8 |
| Monmouthshire | 1,718 | 1,721 | 3 | 0.2 |
| Conwy | 2,169 | 2,196 | 27 | 1.2 |
| Torfaen | 1,696 | 1,720 | 24 | 1.4 |
| Rhondda Cynon Taf | 4,358 | 4,422 | 64 | 1.5 |
| Powys | 2,518 | 2,575 | 57 | 2.3 |
| Neath Port Talbot | 2,633 | 2,696 | 63 | 2.4 |
| Flintshire | 2,853 | 2,925 | 72 | 2.5 |
| Ceredigion | 1,489 | 1,538 | 49 | 3.3 |
| Caerphilly | 3,327 | 3,454 | 127 | 3.8 |
| Pembrokeshire | 2,297 | 2,393 | 96 | 4.2 |
| The Vale of Glamorgan | 2,377 | 2,517 | 140 | 5.9 |
| Merthyr Tydfil | 1,116 | 1,195 | 79 | 7.1 |
| Bridgend | 2,650 | 2,855 | 205 | 7.7 |
| Denbighshire | 1,766 | 1,903 | 137 | 7.8 |
| Gwynedd | 2,340 | 2,530 | 190 | 8.1 |
| Carmarthenshire | 3,493 | 3,850 | 357 | 10.2 |
| Swansea | 4,653 | 5,208 | 555 | 11.9 |
| Newport | 2,736 | 3,134 | 398 | 14.5 |
| Wrexham | 2,587 | 3,076 | 489 | 18.9 |
| Cardiff | 6,920 | 8,657 | 1,737 | 25.1 |
| Wales | 58,308 | 63,114 | 4,806 | 8.2 |

Source: www.daffodilcymru.org.uk/index.php?pageNo=354

Appendix 5: Population projections for the number of people with a learning disability and those with moderate or severe learning disabilities in Wales between 2015 and 2035 by age group

Whilst there is a predicted decrease in the number of people aged under 65 with a learning disability or a 'moderate or severe' learning disability, there is a predicted increase in the numbers of people aged 65yrs + who have a learning disability.

Exhibit 12 – Population projections for the number of people with a learning disability and those with moderate or severe learning disabilities in Wales between 2015 and 2035 by age group

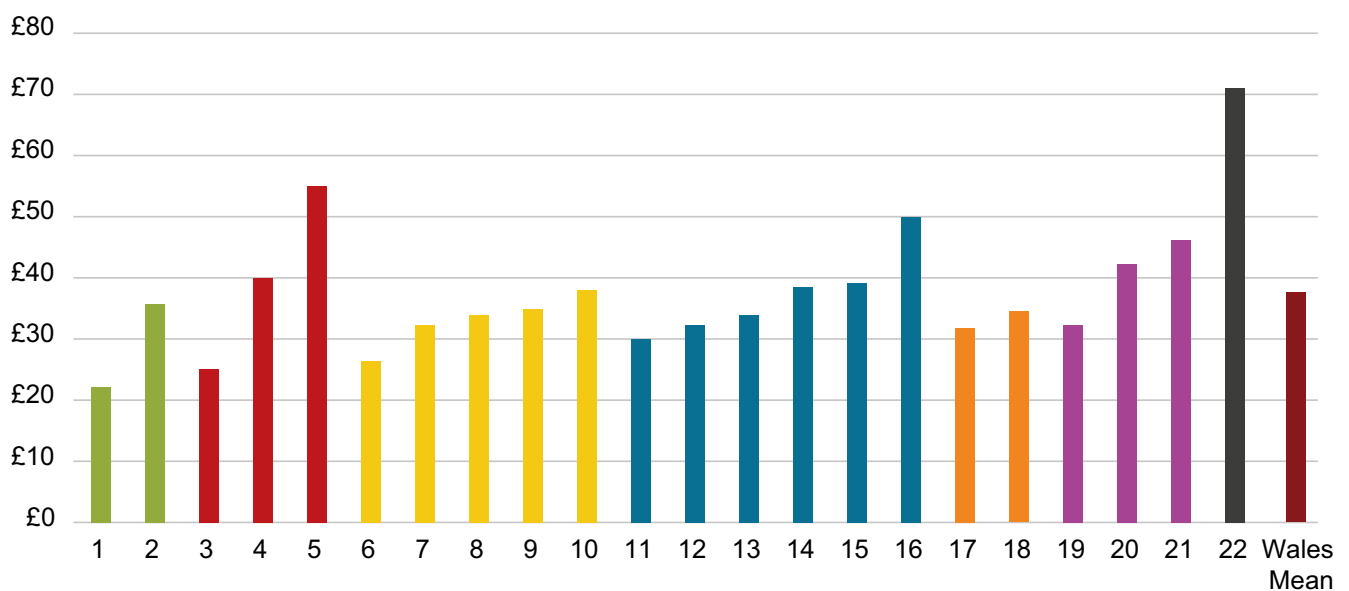
| Age range | All learning disabilities | | | | 'Moderate or severe' learning disability | | | |
|-----------|---------------------------|--------|------------------|------|--|-------|------------------|------|
| | 2015 | 2035 | Change over time | | 2015 | 2035 | Change over time | |
| | | | Number | % | | | Number | % |
| 18-24 yrs | 8,032 | 7,702 | -330 | -4% | 1,852 | 1,837 | -15 | -1% |
| 25-34 yrs | 9,632 | 9,441 | -191 | -2% | 2,069 | 2,028 | -41 | -2% |
| 35-44 yrs | 8,913 | 10,370 | 1,457 | +16% | 2,240 | 2,618 | 378 | +17% |
| 45-54 yrs | 10,104 | 9,351 | -753 | -7% | 2,265 | 2,141 | -124 | -5% |
| 55-64 yrs | 8,641 | 8,255 | -386 | -4% | 1,873 | 1,769 | -104 | -6% |
| 65-74 yrs | 7,420 | 8,653 | 1,233 | +17% | 1,210 | 1,395 | +185 | +15% |
| 75 yrs+ | 5,566 | 9,343 | 3,777 | +68% | 565 | 910 | +345 | +61% |

Source: www.daffodilcymru.org.uk/index.php?pageNo=354

Appendix 6: Average spend per learning disabilities accommodation placement for adults aged 16-65 in 2015-16 by local authority grouped on Health Board footprint

The data highlights that expenditure in some health board areas is broadly similar but in others there are wide variations in average expenditure. Overall, we conclude that there is no clear link between cost and health board area.

Exhibit 13 – Average spend per learning disabilities accommodation placement for adults aged 16 – 65 in 2015-16 by local authority grouped on Health Board footprint

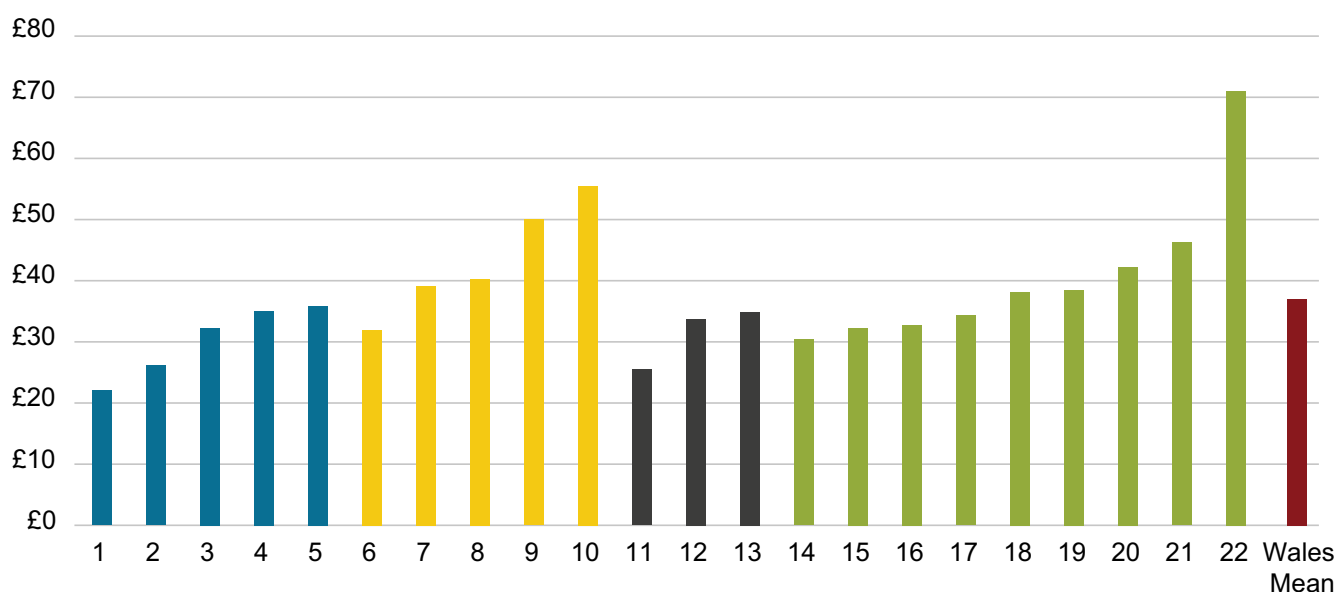


Source: Wales Audit Office analysis of Welsh Government data taken from StatsWales.

Appendix 7: Average spend per learning disabilities accommodation placement for adults aged 16 – 65 in 2015-16 grouped by local authority geographical and socio-economic characteristics

The three city authorities and five valley authorities' expenditure cover a relatively small cost range. However, for the other groupings there are wider variations in average expenditure. Overall, we conclude that cost is not necessarily influenced by local authorities' socio economic characteristics.

Exhibit 14 – Average spend per learning disabilities accommodation placement for adults aged 16 – 65 in 2015-16 grouped by local authority geographical and socio-economic characteristics



Source: Wales Audit Office analysis of Welsh Government data taken from StatsWales.

Appendix 8: Comparison of the three authorities with lowest and highest average cost per accommodation placement with their ranking for the use of different types of social care provision for people with learning disabilities in 2015-16

The Exhibit shows the potential link between the average cost of placements and the ranking of different types of social care placement. The ranking is based on '1' denoting the authority proportionally has the largest percentage of people with learning disabilities in this placement type and those ranked '22' the lowest percentage of usage. The Exhibit shows that there is no clear relationship between average placement cost and type of social care accommodation provided.

Exhibit 15 – Comparison of the three authorities with lowest and highest average cost per accommodation placement with their ranking for the use of different types of social care provision for people with learning disabilities in 2015-16

| Type of placement | Ranking of the three authorities with the lowest average level of expenditure per client | | | Ranking of the three authorities with the highest average level of expenditure per client | | |
|---------------------------------|--|--|--|---|--|--|
| | Authority A – average spend of £22,120 per placement | Authority B – average spend of £25,367 per placement | Authority C – average spend of £26,343 per placement | Authority D – average spend of £49,966 per placement | Authority E – average spend of £55,298 per placement | Authority F – average spend of £70,822 per placement |
| Own home | 1 | 11 | 4 | 22 | 21 | 7 |
| Living with parents or family | 17 | 8 | 5 | 3 | 11 | 21 |
| Foster home | 3 | 13 | =21 | =21 | 4 | 10 |
| Lodgings/ supported living | 21 | 5 | 18 | 7 | 16 | 1 |
| Health service accommodation | 20 | 8 | 5 | 21 | 19 | 18 |
| Local authority care homes | 2 | 3 | =21 | =21 | 7 | 20 |
| Private or voluntary care homes | 19 | 7 | 16 | 6 | 10 | 8 |
| Other accommodation | =16 | 14 | 17 | 21 | 2 | =16 |

Source: Wales Audit Office analysis of Welsh Government data taken from StatsWales.

Appendix 9: Projected expenditure on social care accommodation services for people with learning disabilities by 2035

Exhibit 16 – Projected expenditure on social care accommodation services for people with learning disabilities by 2035

| Category | Our calculation | Number |
|--|--|-------------------------|
| Population changes | We have assumed that the projected 8.2% increase in people with learning disabilities produced by Daffodil by 2035 will result in a similar proportion who will require local authority social care services in 2035 (in addition to the existing 12,014 currently receiving services). This equates 985 new people with learning disabilities requiring assistance by 2035. | 985 |
| Forecasting the value of £1 in 2015-16 at 2035 prices (real terms value) | In 2015-16 the mean (the average of the averages) learning disabilities, placement cost across all 22 local authorities' was £37,592. Using the GDP deflators at market prices to determine the value of £1 in 2035, we have compared the value of £1 in 2015 and 1995 (20 years gap) which assumes that the value of £1 will equate to roughly £0.64 in 2035. The predicted 2035 real terms cash equivalent for an average placement cost is calculated as follows: $£37,592 \times 0.64 = £58,737$ per placement. | £58,737 |
| Cost of projected population change | $£58,737 \times 985$ new people with learning disabilities. | £57.856 million |
| Existing expenditure keeping track and taking into account inflation | $£58,737 \times 12,014$ people with learning disabilities = £705.666 million. Minus 2015-16 spend of £398.500 million = £307.160 million. | £307.160 million |
| Total | £57.856 million + £307.160 million = £65.016 million | £365.016 million |

Source: Wales Audit Office.

Appendix 10: Checklist for Elected members to oversee the Strategic Commissioning of learning disability accommodation services

Exhibit 17 – Checklist for Elected members to oversee the Strategic Commissioning of learning disability accommodation services

| Key aspects of Strategic Commissioning | Characteristics of effective strategic commissioning | We are good at this | We need to improve this | We do not do this |
|---|---|--------------------------|--------------------------|--------------------------|
| Strategic Planning <ul style="list-style-type: none"> • Assessing needs • Reviewing service provision • Deciding priorities | We undertake an appropriate needs assessment. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | We review our own current provision as well as the provision in the wider marketplace. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | We understand the needs of people with learning disabilities and carers. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | We consult with people with learning disabilities and other stakeholders about current provision. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | We involve people with learning disabilities and other stakeholders to gather ideas for future provision and agree expected outcomes. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | We involve service providers and suppliers in gathering ideas for future provision and agreeing expected outcomes. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | We have a strategy and/or framework in place, which clearly sets out our vision for current and future service provision. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | We engage with other relevant sectors and providers when developing our commissioning strategies. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | We collect and analyse the right data to enable us to identify where we need to invest our resources. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

| Key aspects of Strategic Commissioning | Characteristics of effective strategic commissioning | We are good at this | We need to improve this | We do not do this |
|--|---|---------------------|-------------------------|-------------------|
| Commissioning services <ul style="list-style-type: none"> • Designing services • Shaping structure of supply • Planning capacity and managing demand | 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. | | | |
| | We consider service level and specialist input in our commissioning process at key stages. | | | |
| | We give staff the opportunity to take well-managed risks and explore innovative practices. | | | |
| | We have appropriate governance arrangements and contracts in place with providers. | | | |
| | Our planned solutions take a long-term view. | | | |
| | We actively shape the supply and provider market. | | | |
| | We use all of the information on potential demand to understand need and to drive change in service design. | | | |
| | We hold accurate and comprehensive data on people with learning disabilities to allow us to design future services. | | | |
| We commission for services that are designed to improve outcomes, not just reduce cost. | | | | |

| Key aspects of Strategic Commissioning | Characteristics of effective strategic commissioning | We are good at this | We need to improve this | We do not do this |
|---|---|---------------------|-------------------------|-------------------|
| Monitoring and evaluation | We can clearly evidence financial benefits of our commissioning process. | | | |
| • Managing performance | We have the metrics in place to evidence the improvements gained through the commissioning process. | | | |
| • Supporting choice | We analyse data to evidence improvements in people’s wellbeing and social outcomes. | | | |
| • Seeking public and users views | We prioritise outcome based commissioning over output based commissioning. | | | |
| | We involve people with learning disabilities in agreeing what and where we need to improve. | | | |
| | Our strategic commissioning strategy clearly articulates our outcome measures. | | | |
| | Performance is effectively monitored and scrutinised internally and externally. | | | |

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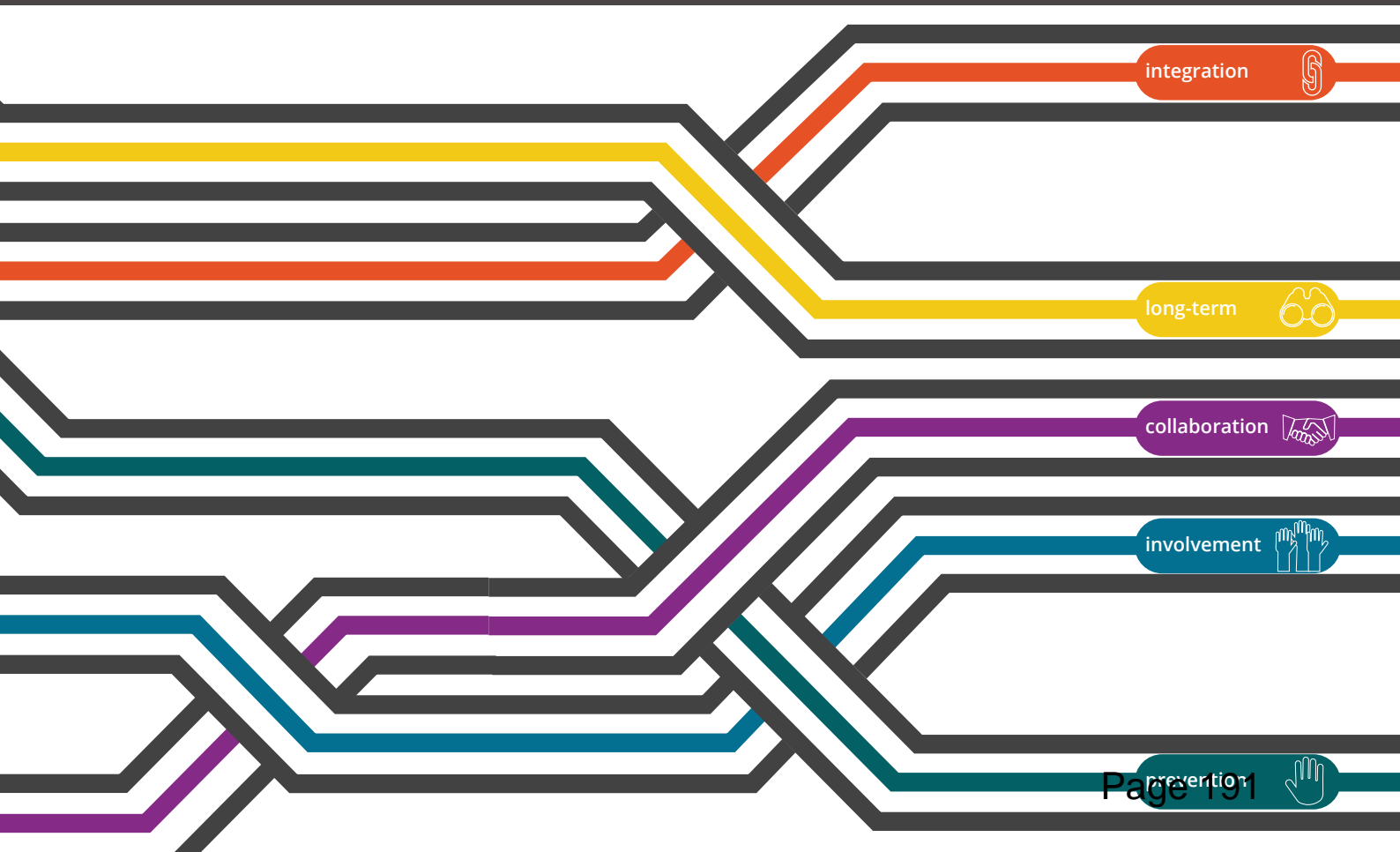
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Reflecting on Year One: How Have Public Bodies Responded to the Well-being of Future Generations (Wales) Act 2015?



Archwilydd Cyffredinol Cymru
Auditor General for Wales

Swyddfa Archwilio Cymru
Wales Audit Office



I have prepared and published this report in accordance with the Government of Wales Act 1998 and the Public Audit (Wales) Act 2004.

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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.

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Mae'r ddogfen hon hefyd ar gael yn Gymraeg.



'I am pleased to hear public bodies talking about the Well-being of Future Generations Act with enthusiasm and optimism. I have been encouraged to hear them describe how they intend to change culture, as well as policies and processes. The examples they have shared with my office give a sense that they are starting to make the changes needed for them to effectively apply the sustainable development principle.'

I do recognise and appreciate the range of internal and external challenges that make implementing

new legislation difficult. However, there is a risk that for some, the Well-being of Future Generations Act is perceived as 'another thing to do'. Unless those bodies and individuals adopt a mind-set where they see sustainable development as an approach that can help them address major budget and service challenges, rather than an additional burden, they will be unable to make the most of the opportunity the Act affords.'

Huw Vaughan Thomas
Auditor General for Wales

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Public bodies support the principles of the Well-being of Future Generations (Wales) Act 2015 and are taking steps to change how they work.

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Background and purpose

The Well-being of Future Generations Act and the Auditor General for Wales

- 1 The Well-being of Future Generations (Wales) Act 2015 (the Act) aims to create a Wales that we all want to live in, now and in the future. It requires 44 public bodies to carry out sustainable development, which is defined as:

‘...the process of improving the economic, social, environmental and cultural well-being of Wales by taking action, in accordance with the sustainable development principle, aimed at achieving the well-being goals.’¹

In carrying out sustainable development, public bodies must set well-being objectives and take all reasonable steps to meet them.

- 2 The Act defines the sustainable development principle as acting in a manner:

‘...which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs.’²

- 3 To act in this manner, public bodies must take account of the ‘five ways of working’. These are:

- looking to the long term so that they do not compromise the ability of future generations to meet their own needs;
- taking an integrated approach so that they look at all the well-being goals in deciding on their well-being objectives;
- involving a diversity of the population in the decisions that affect them;
- working with others in a collaborative way to find shared, sustainable solutions; and
- understanding the root causes of issues to prevent them from occurring or getting worse.³

In this way, the Act aims to improve what public bodies do and the way they do it so that they can collectively improve the well-being of Wales.

1 Part 2 2 **Well-being of Future Generations (Wales) Act 2015**

2 Part 2 5 (1) **Well-being of Future Generations (Wales) Act 2015**

3 Welsh Government, **Shared Purpose: Shared Future Statutory Guidance on the Well-being of Future Generations (Wales) Act 2015, 2016**

- 4 The Auditor General for Wales (the Auditor General) is statutorily required to examine public bodies to assess the extent to which they have acted in accordance with the sustainable development principle when:
 - a setting their well-being objectives; and
 - b taking steps to meet them.

The Auditor General must provide a report on his examinations to the National Assembly for Wales at least a year before each Assembly election. The first such report must be published by 2020, before the 2021 Assembly election.

- 5 The Future Generations Commissioner for Wales (the Commissioner) also has a part to play in ensuring public bodies are accountable for implementing the Act. The Commissioner is responsible for monitoring and assessing the extent to which public bodies are meeting their well-being objectives. The Auditor General and Commissioner have committed to work together to deliver their responsibilities.⁴

Why we have undertaken this review

- 6 The Act sets out a bold ambition for public bodies in Wales. It aims to drive a long term change in their culture and the outcomes they achieve. As the main provisions of the Act came into force in 2016, it is inevitable that public bodies will need time to effect that change. Therefore, while the Auditor General is required to examine all public bodies and report on them by 2020 he has emphasised that this is a transition period and recognises that all public bodies are on a learning path.
- 7 For this reason, the Auditor General decided to undertake a preliminary piece of work, in advance of commencing his formal examinations. This review aims to:
 - provide an overview of how the 44 public bodies are responding to the Act;
 - identify and disseminate emerging practice to help public bodies learn and improve; and
 - help inform the focus of future audit work under the Act.

⁴ The Auditor General and Commissioner signed a [Memorandum of Understanding](#) in December 2017

- 8 Given the nature of the Auditor General’s duty (see [paragraph 4](#)), this review has placed a particular emphasis on how public bodies are beginning to apply the sustainable development principle. The Wales Audit Office was also particularly keen to explore how public bodies had applied the sustainable development principle when setting their well-being objectives, given they were required to set them for the first time by April 2017.
- 9 This report, therefore, provides the Auditor General’s commentary on how public bodies have responded to the Act in the first year. It gives some early feedback, without prescribing expectations for how public bodies should be undertaking their new responsibilities.
- 10 Overall, the Auditor General has concluded that:

Public bodies support the principles of the Well-being of Future Generations (Wales) Act 2015 and are taking steps to change how they work
- 11 The Commissioner has published a report in parallel to this report: Well-being in Wales: The journey so far looks at the well-being objectives that public bodies have set and provides advice on how they can best demonstrate they are taking effective steps to meet them.⁵
- 12 In addition to this review, the Wales Audit Office has played an active role in helping public bodies learn about the Act through the shared learning seminars that are run by the Good Practice Exchange.⁶

5 Well-being of Future Generations Commissioner, **Well-being in Wales: The journey so far**, 2018.

6 Wales Audit Office, Good Practice Exchange, [Shared Learning Seminars: past events](#)

What we did

13 The Wales Audit Office has sought to understand public bodies' views on the Act, how they are beginning to respond and how they plan to continue improving. The main question we sought to answer was:

What is the public body doing to respond to the Well-being of Future Generations (Wales) Act 2015 to ensure it can deliver its well-being duty and act in accordance with the sustainable development principle?

Specifically, we considered the following questions:

- how does the public body view the requirements of the legislation and the implications for how it works?
- what key actions has it taken to deliver its well-being duty and embed the sustainable development principle in how it works?
- what is it doing to identify further opportunities to deliver its well-being duty and embed the sustainable development principle?

14 To enable us answer these questions, we:

- asked public bodies to respond to a 'call for evidence' ([Appendix 1](#)) in summer 2017. This provided an opportunity for them to tell us about the work they are doing in their own words. It gave them the flexibility to tell us about the things they felt were important, recognising that each public body will respond to the Act in a different way.
- spoke to leaders, board chairpersons (or equivalents) and chief executives (or equivalents) of the public bodies.
- reviewed key documents, such as well-being statements.

15 We also asked public bodies to share examples of how they are applying the Act. Some of these examples are referenced later in this report. They are not intended to promote the right or best way of applying the Act, but rather to share the variety of ways that public bodies are beginning to respond. Many of the examples given are at relatively early stages of implementation and those bodies are continuing to learn and refine the approaches.

Main report

The Act sets out a bold ambition for public services in Wales and many public bodies see it as an opportunity to change their culture and improve how they work

The Well-being of Future Generations Act sets out a bold ambition for public services in Wales

- 16 The Act has been described by many as a ground-breaking piece of legislation, which is far-reaching and pioneering in both its nature and intent. The Act is new for Wales, but it is also unique internationally.
- 17 The Act's broad scope shows there is a clear intention for it to provide a framework for the way public services operate and deliver. It has been designed to promote sustainable development and enable government and other public bodies to meet the significant challenges facing them and the communities they serve.

'No other nation is taking these bold steps to legislate for long term well-being goals...

... It will serve as the central theme of all our policies and legislation.'

Jeff Cuthbert

Minister for Communities and Tackling Poverty, 2014⁷

'The Bill is perhaps the most ambitious piece of legislation that the Welsh Government has ever attempted. It will require a fundamental shift in how we seek to tackle our biggest challenges as a nation.'

Carl Sargeant

Natural Resources Minister, 2014⁸

7 Statement by the Welsh Government, Jeff Cuthbert, Minister for Communities and Tackling Poverty, 2014

8 Carl Sargeant, Natural Resources Minister, [Wales in 2050: What kind of Wales do we want to live in?](#), Wales Online 2014

'The Well-being of Future Generations Act gives us the encouragement, the permission and the obligation to make the changes needed to deliver the Wales we want'

The Office of the Future Generations Commissioner⁹

- 18 However, the Act is not a complete departure from the policy and practice that preceded it. For example, the public services boards, well-being plans and well-being assessments set out by the Act are a progression from Local Service Boards, single integrated plans and needs assessments. The Act accords with well-established principles of good governance and policy making. Furthermore, pre-existing legislation required public bodies to consider sustainable development. For example, local authorities were required to consider how they contributed towards the achievement of sustainable development as part of their improvement responsibilities. The national park authorities have a longstanding duty to 'foster the social and economic well-being of local communities'.¹⁰ Natural Resources Wales must pursue the sustainable management of natural resources and apply the principles of sustainable management of natural resources in the exercise of its functions.¹¹ Given this context, it is perhaps unsurprising that there are differing views on the scale and pace of change the Act necessitates.
- 19 The Auditor General has also been clear that the essence of the Act is about changing behaviours and mind-sets. He has recognised that, while the Act is ground-breaking, it is also daunting because effecting that kind of change is not easy. Importantly, the Auditor General has emphasised that public bodies and wider stakeholders are on a journey together.

9 Office of the Future Generations Commissioner website <https://futuregenerations.wales/making-it-happen/>

10 Section 11A (1) The National Park and Access to the Countryside Act 1949

11 There are nine principles; adaptive management, scale, collaboration and engagement, public participation, evidence, multiple benefits, long term, preventative action and building resilience. Natural Resources Wales, **Managing today's natural resources for tomorrow's generations: Well-being Statement 2017-18**

Are we going to rely too much on the past and not think through what we need to do to radically change, to develop new ways of approaching the aims and goals of the legislation?

... Don't expect from the auditor, or from Sophie, a clear 'this is how to do it' - so you can go away and tick the boxes. It's not like that. It is, however, a journey in which I'm engaged, you're engaged and Sophie is engaged.

Huw Vaughan Thomas
Auditor General for Wales, 2016¹²

- 20 The Commissioner has emphasised that change needs to go beyond the duties and to focus on behaviours. She sees her role as being a supportive one in the early stages of the Act coming into force but has said she will challenge 'business as usual' and does not accept the notion that 'we are "doing this already"'.¹³

This Act is just what was needed to unsettle the status quo, ruffle a few feathers, and bring public services back to the purpose they were set up for in the first place – to improve the lives and well-being of people here in Wales, today, and for every tomorrow to come...

...we're open and realistic about the fact that this culture change is not going to happen overnight. As we move through turbulent and ever-changing times, the road towards the well-being goals is never going to be straightforward and easy.

Sophie Howe
Future Generations Commissioner for Wales, 2016¹⁴

¹² Auditor General for Wales, Shaping Accountability for Future Generations conference speech, 2016

¹³ Future Generations Commissioner for Wales, **Well-being in Wales: The journey so far**, 2018

¹⁴ Future Generations Commissioner for Wales, Shaping Accountability for Future Generations conference speech, 2016

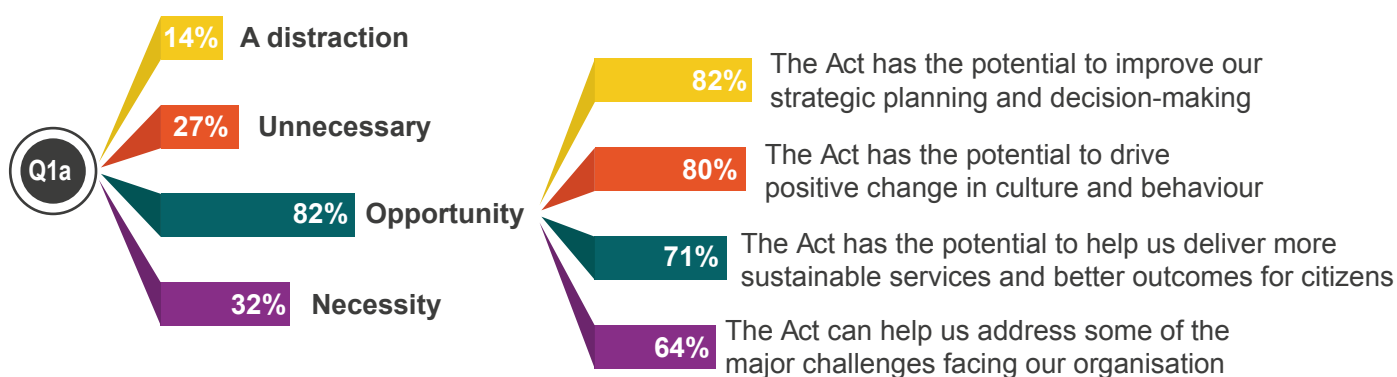
- 21 It will be important for public bodies and stakeholders to continue to discuss the scale of change they think is required and the rate of progress that can reasonably be expected. This discussion will foster a greater collective understanding and help shape challenge and accountability for delivering the Act.

Public bodies see the Act as an opportunity to change their culture and improve how they work

- 22 We have sought to understand how public bodies' perceive the Act. This is because perceptions of the Act will, to a large extent, determine how public bodies respond. We asked public bodies 'how would describe the Act and what it means for your organisation?' We asked whether they saw it as a distraction, unnecessary, an opportunity or a necessity. We explored this as part of our call for evidence and during our interviews.
- 23 Overall, public bodies described the Act in positive terms. The majority, across all sectors, said that they saw it as an 'opportunity'. This was most commonly because they saw the Act as having the potential to improve 'strategic planning and decision-making' and to 'drive positive change in culture and behaviour'.
- 24 Many health bodies also described how the Act can add value by encouraging a broader view of how to improve the health of the population, including by tackling health inequalities and increasing the focus on preventative work. They saw the Act as being important in driving a collective response to these challenges. Similarly, fire and rescue authorities highlighted how the Act provides an opportunity to strengthen collaboration and increase preventative work.
- 25 Some public bodies went further and said that they saw the Act as a 'necessity'. Health bodies, central government and sponsored bodies and fire and rescue authorities were, proportionally, more likely to describe it in this way. This tended to be because they felt the Act could help deliver more sustainable services and better outcomes for citizens.
- 26 However, while most bodies said they saw the Act as an opportunity, a few also saw it as 'unnecessary', predominantly because they felt the Act legislates for things they were already doing or seeking to do. They saw it as a reinforcement of or progression from previous policy, legislation or recognised good practice. Nevertheless, bodies were often positive about the opportunity to review what they do and how they do it in light of the Act.

- 27 Many local authority responses show they feel the Act has affirmed progress they were already making, such as developments in strategic planning and collaboration. Some of these local authorities had been part of the WLGA's 'Early Adopters' programme.¹⁵ While most local authorities were keen to recognise the value of the Act, some also questioned the timing of its introduction. They stated that it would be particularly difficult to implement, given reductions in capacity and resources.
- 28 Very few bodies said they saw the Act as a 'distraction'. Those that did indicated that it was because they will need to devote time and resources to implementation, rather than because they saw the principles as unhelpful.

Exhibit 1 – Call for evidence. Q1a: How would you describe the Act and what it means for your organisation?¹⁶



- 29 While some public bodies may have been applying or working towards the principles of the Act prior to its introduction, their challenge is to reflect on where the Act is pushing them to go further. They will need to reflect on strengths and weaknesses and opportunities to improve how they apply the five ways of working. They will need to consider whether they need to apply the five ways of working more consistently or more systematically.
- 30 Furthermore, it is important to remember that the five ways of working are not an end in themselves. The ways of working are a means of helping public bodies maximise their contribution to the well-being goals. For example, the fact that public bodies are collaborating is not sufficient; they should also seek to improve the social, economic, environmental and cultural well-being through that collaboration.

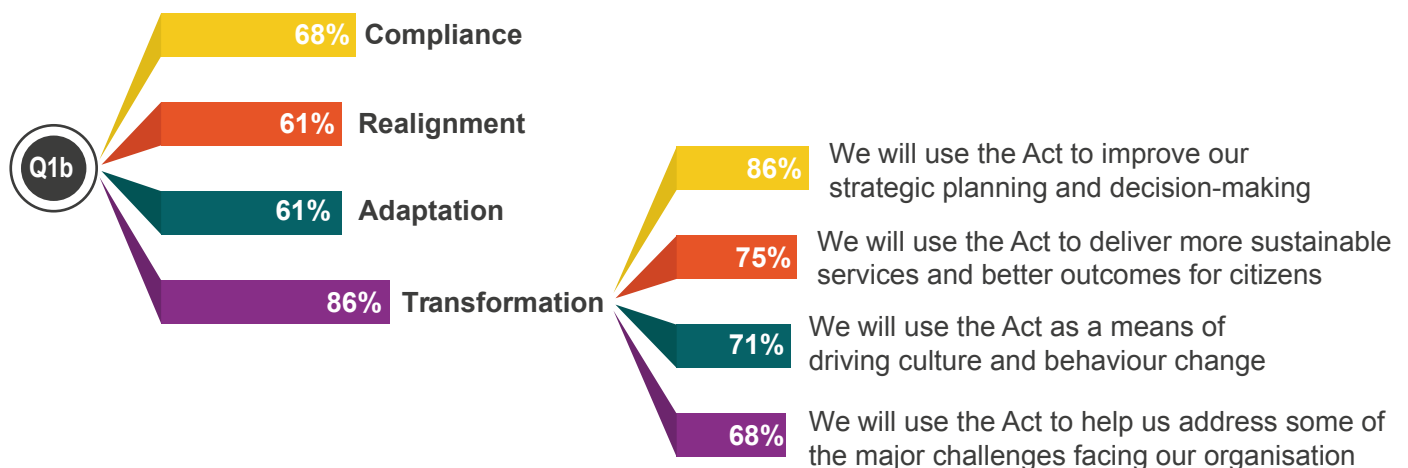
¹⁵ [The WLGA worked with 11 councils and all of Wales' national park authorities as early adopters.](#)

¹⁶ [Public bodies were able to tick as many boxes as they considered relevant.](#)

In future work, the Wales Audit Office will distinguish between those bodies that have been making progress in applying the principles of the Act for some time and those that describe themselves as having done so, but have failed to recognise the change it is seeking to bring about.

- 31 We also asked public bodies ‘How would you describe the change you intend to make to deliver the Act?’. We asked whether they intend to focus on compliance, realigning or adapting existing activities or transforming what they do. As with the previous question, we asked this as part of our call for evidence and during interviews.
- 32 Almost all public bodies appear to have been keen to emphasise that they will ensure compliance in addition to realigning, adapting or transforming what they do. Their responses show that they do not see these categories as being in conflict.
- 33 While there was a more even spread of responses than for the previous question, public bodies most commonly stated that they would use the Act to help them transform how they work, specifically by improving strategic planning and decision making. They also intend to use the Act to help them address the major challenges they face, deliver more sustainable services and better outcomes and to drive culture and behaviour change.

Exhibit 2 – Call for evidence. Q1b: How would you describe the change you intend to make to deliver the Act?¹⁷



¹⁷ Public bodies were able to tick as many boxes as they considered relevant.

- 34 Public bodies' responses show that they generally see the Act as an opportunity and recognise it has broad-ranging application. They see it as having the potential for improving what they do and the way they do it.

Public bodies are able to provide examples of how they are using the Act to change how they work, but they are not yet able to describe how they are systematically applying the sustainable development principle

Most public bodies set their first well-being objectives in 2017 and were able to provide some examples of how they applied the five ways of working as part of that process

- 35 Public bodies were required to set their first well-being objectives by April 2017. The Act prescribed a challenging planning timetable for setting well-being objectives and it is important to remember that none of the 44 bodies were starting with a blank sheet. Some bodies were required to publish their first well-being objectives mid-way through an existing planning cycle. Local authorities, fire and rescue authorities and national park authorities had to meet the requirements of the Local Government (Wales) Measure 2009. They were required to publish their well-being objectives shortly before the local government elections.
- 36 The timetable has been particularly challenging for public services boards. They were required to publish a well-being assessment by May 2017; to seek the Commissioner's views on their draft objectives; and to consult on and then publish the final well-being plan by May 2018. The fact that individual bodies were required to publish their objectives before public services boards has also been highlighted as barrier to integration by some (see [paragraph 50](#)).
- 37 As a result of these challenges, public bodies took different approaches to aligning or integrating their well-being objectives with existing strategies and corporate objectives. They have tended either to replace their previous corporate objectives with their well-being objectives or set well-being objectives in addition to their corporate objectives.
- 38 A few bodies chose not to set well-being objectives by the statutory deadline. They have instead stated their intention to publish well-being objectives in the near future rather than create an additional tier of corporate objectives or 'retrofit' the requirements of the Act to existing plans and strategies. Other bodies reviewed their existing corporate objectives against the requirements of the Act and considered them to be fit for purpose or in need of small amendments.

- 39 A few public bodies said that they intended to revise their well-being objectives soon after setting them. Reasons include:
- new membership in local authorities, following the 2017 local government elections;
 - opportunities to align planning processes as other plans and strategies come to an end, such as the Integrated Medium Term Plans in health;
 - opportunities to ensure the well-being objectives reflect public services boards' well-being objectives post May 2018; and
 - a desire to improve on the process of setting well-being objectives.
- 40 This will be a continuing area of focus for the Wales Audit Office, given the Auditor General will need to assess how well-being objectives have been set as part of future examination work.
- 41 We asked public bodies 'How different was the process compared to the process for setting corporate objectives in the past?'. We asked them whether the process was the same, whether they did some or several things differently or whether they made significant changes.
- 42 No public bodies said the process was the same as for previous years. Most said that they had done some or several things differently. Few said that they felt the process was much improved compared to previous years.

Exhibit 3 – Call for evidence. Q2a: Your organisation has set, or is in the process of setting, well-being objectives. How different was the process compared to the process for setting corporate objectives in the past?



- 43 While bodies most commonly indicated that they did some or several things differently, they often failed to give a detailed explanation of 'how' or provide specific examples of how all of the five ways of working have been applied. References to how the five ways of working have been applied tended to relate to collaboration, involvement or integration.
- 44 Most local authorities said that they had drawn on work they had done through the public services boards to help them develop their well-being objectives. They described how they had used the Public Services Board's well-being assessment as part of their evidence base, as did some health bodies.
- 45 Most local authorities made reference to how they had engaged the public in developing their well-being objectives. It was not always clear how this differed from engagement and consultation they had undertaken in the past. However, some described how they had drawn on the engagement undertaken by the Public Services Board as part of the development of the well-being assessment.
- 46 Most health bodies said they had engaged internal and external stakeholders as part of the process of developing their well-being objectives, though few made reference to engaging the public (beyond drawing on the results of any engagement included in the well-being assessment). A few said they intended to undertake greater involvement when they revise their well-being objectives.
- 47 Similarly, central government and sponsored bodies tended to involve staff and stakeholders in the development of their well-being objectives and some stated that they had involved a wider circle than they had in previous years. However, only a few of these bodies directly involved the public in developing their well-being objectives, though others have since launched large scale public engagement processes.
- 48 Some bodies said that they had taken a more 'integrated' approach by involving different internal and external stakeholders to help them identify how they could make a broader contribution across the well-being goals. However, the Commissioner's analysis of well-being objectives found that:
- 'Overwhelmingly, objectives have a tone of improving the economic and social well-being of localities, with little emphasis on the environment or culture – despite the need to demonstrate how well-being objectives contribute to each of the seven goals.'
- 49 Therefore, while public bodies may feel that they have improved the process, this has not necessarily resulted in well-being objectives that reflect all of the aspects of well-being.

- 50 Some bodies, notably health bodies, made reference to the statutory timetable and the fact that it poses a challenge to collaboration and integration, given that it requires individual bodies to publish their well-being objectives before public services boards publish theirs. A few said they intend to review their own well-being objectives following the publication of the Public Services Board's objectives.
- 51 There was limited information on how public bodies had used the 'long term' way of working to help them set their well-being objectives and less on 'prevention' (notwithstanding this may be implicit, given the references to drawing on Public Services Board's well-being assessments¹⁸). However, there are references to preventative activities within plans. They include references to delivering the Social Services and Well-being Act (Wales) 2014 and aligning the two piece of legislation at a local level. Fire and rescue authorities, in particular, emphasised that prevention is a well-established and successful way of working for them and gave examples, such as work with health and police partners on falls prevention and home fire safety. However, while public bodies may be undertaking preventative work, it is generally unclear how they have taken prevention into account as part of the process of developing their well-being objectives.
- 52 While public bodies may feel they have applied the five ways of working to a greater extent, it is not always clear how the process was different or what has changed as a result. The Commissioner's analysis highlights that:
- 'At the moment, public bodies are committing to well-being objectives that largely resemble the corporate objectives they would have set prior to 2017.'
- 53 The Commissioner has also concluded that well-being statements 'are not yet transparent and that makes it difficult to build up trust with others and enable them to meaningfully get involved in the business of the organisation'. The Commissioner expects public bodies to involve people in writing these reports so that they are more accessible in future.¹⁹

18 The Future Generations Commissioner for Wales has previously highlighted weaknesses in how well-being assessments have taken account of future trends. The report 'Well-being in Wales: Planning today for a better tomorrow' states that 'The majority of assessments did not meaningfully consider the long-term, future trends or multigenerational policy challenges' and 'implicit messages from the data needed further exploration to better understand the causes and effects of key issues and trends'. Future Generations Commissioner for Wales, **Well-being in Wales: Planning today for a better tomorrow**, 2017

19 Future Generations Commissioner for Wales, **Well-being in Wales: The journey so far**, 2018

In future, the Wales Audit Office will expect to clearly see how the sustainable development principle and five ways of working have been used to determine a public bodies' well-being objectives.

The Wales Audit Office will assess the extent to which all of the five ways of working are being considered and applied systematically through the process of setting well-being objectives. The ways of working should not be seen as a hierarchy or as unrelated to each other.

RESOURCE

Making a Difference: Investing in Sustainable Health and Well-being for the People of Wales

Public Health Wales produced the report 'Making a Difference: Investing in Sustainable Health and Well-being for the People of Wales', which offers research evidence and expert opinion in support of preventing ill health and reducing inequalities to achieve a sustainable economy, thriving society and optimum health and well-being for the present and future generations in Wales.

View the report [here](#).

Public bodies are beginning to take steps to apply the sustainable development principle across their work

- 54 As already described, public bodies, Public Services Board members and local authorities in particular, have, in general, devoted time and capacity to ensuring they meet the statutory timetable for publishing well-being objectives, well-being assessments and developing well-being plans.²⁰
- 55 However, in order to deliver on the spirit and ambition of the Act, public bodies need to consider how they carry out sustainable development in everything they do. We asked public bodies to tell us what they were doing to embed the sustainable development principle in other areas of work.

²⁰ Local authorities, fire and rescue authorities, health boards and Natural Resources Wales are the statutory members of public services boards. [Further details on public services board membership.](#)

- 56 The activity they described broadly falls into the following categories:
- culture and behaviour change
 - governance
 - strategic planning, performance and risk management
 - project/ service delivery
- 57 Most bodies gave examples of how they had sought to improve awareness and understanding of the Act. This was generally through training, such as:
- inclusion in corporate induction for staff, board members or elected members;
 - inclusion in leadership and management programmes; or
 - specific training for staff, board, cabinet or committee members.
- 58 Beyond this, there were limited examples of how public bodies have sought to begin to change culture and behaviour. Some bodies made reference to:
- using mentors or critical friends to provide advice and help promote the five ways of working;
 - encouraging individuals to assess or reflect on how they are applying the five ways of working;
 - gathering and sharing case studies to make the Act 'real' for people in different parts of the organisation and help them apply it in their day-to-day roles;
 - developing ways of recognising and rewarding the application of the five ways of working; or
 - making managers accountable for delivering outcomes so that they see their responsibilities as cross-cutting.

Public bodies will need to consider how they can best 'drive positive change in culture and behaviour', given they see this as one of the main opportunities afforded by the Act (see [paragraph 23](#) and example of how Welsh Government is seeking to develop people, leadership and culture).

CASE STUDY

Developing people, leadership and culture at Welsh Government

The Welsh Government refreshed its learning and development programme last year to ensure the Act is represented in induction, leadership and more specialist training. The Permanent Secretary has since initiated a wider review of the performance management, progression arrangements, leadership training and other development programmes. The ‘future-proofing initiative’ will take a fresh look at how Welsh Government manage, recognise, develop and reward people, putting the Cabinet’s delivery priorities and the five ways of working at the heart of what is expected of teams and individuals. All recruitment exercises to the senior Civil Service now require candidates to have a knowledge and understanding of the Act as the context for our work. The initiative is focused on developing a capable, confident and resilient civil service that can work in new ways, collaborate across traditional portfolio boundaries and involve stakeholders and citizens to achieve better outcomes for Wales.

- 59 Some bodies, in particular, local authorities, gave examples relating to governance. This perhaps reflects public bodies’ view that the Act provides an opportunity to improve decision making (see [paragraph 23 and 33](#)). It might also reflect the fact that making changes to governance arrangements may help affect change across large organisations.
- 60 Some local authorities, central government and sponsored bodies and a few others made reference to impact assessment tools. These are often referred to as ‘Integrated Impact Assessments’ or ‘Well-being Impact Assessments’ and they seek to integrate sustainable development into the planning and decision-making process. They build on processes that have been developed to assess the impact that changes in policy or practice might have on areas such as equality, children’s rights or environmental sustainability. As with all impact assessments, it is important for those public bodies who use them to ensure that:
- they are undertaken from the start, rather than towards the end of the process;
 - there is a good quality evidence base, which includes quantitative and qualitative information (underpinned by effective involvement);
 - they draw on the skills and knowledge of a range of individuals;
 - they are designed to support genuine reflection and they are seen as a means of generating ideas for improvement, as well as mitigating negative impacts;

- there is challenge or quality assurance;
- they are genuinely taken into account as part of decision making and scrutiny; and
- the results and mitigations are monitored.²¹

CASE STUDY

Developing a Well-being Impact Assessment at Denbighshire County Council

Denbighshire Council has developed an online and interactive Well-being Impact Assessment that links research to evidence. The approach consists of a series of questions that challenge people to reflect on their approach and find ways to embed the sustainable development principle. Next, people are asked to consider what the impact is likely to be across a range of themes and issues. People are encouraged to complete it as a group, involving staff at different levels from different services and even partners.

What have you learned?

As a result of the new approach, we are seeing a more thorough approach to impact assessments. Members have better quality and more balanced information and residents have transparent and detailed information to challenge us on our decisions. This has led to proposals changing course; with a renewed focus on community involvement. The new approach is leading to culture change in our organisation: we are growing in awareness of the impact of what we do.

How do you intend to continue developing the Well-being Impact Assessment?

We are continuing to take an action-learning approach as our Well-being Impact Assessment matures. We are planning to share the website by making it freely available for communities to use.

²¹ Further information and transferrable learning points can be found on the [NHS Equality Impact Assessment Practice Hub](#)

- 61 Other governance changes included updating decision or committee report templates and business plan templates or updating documents such as the Constitution, Code of Corporate Governance or Code of Conduct.
- 62 Very few bodies made explicit reference to the seven areas ‘where the change needs to happen’ that are set out in statutory guidance.²² However, there were references to changes to planning, performance or risk management, as well as workforce planning (see relevant paragraphs on culture and behaviour change).
- 63 Some bodies have sought to incorporate the requirements of the Act into their service and business planning by, for example, changing templates or guidance and updating self-evaluation processes. A few bodies also referred to updating risk management strategies and risk registers to reflect the well-being goals.
- 64 In addition, there were a small number of references to reflecting the well-being goals and five ways of working in:
- grants, procurement and commissioning arrangements
 - transformation/ change programmes
 - capital bidding and business cases for investment.
- 65 Most bodies gave practical examples of how they were applying the five ways of working in project or service delivery. In general, these examples predated the Act, but the bodies felt they were nonetheless a good representation of how the Act could be put into practice. There were a few examples where bodies had explicitly considered the goals and five ways of working.

CASE STUDY

National Parks Wales: Together for health and well-being

The three national parks in Wales describe themselves as ‘health assets’ in recognition of how they can help individuals and communities maintain or improve their health and well-being. They are working together and with other partners to raise awareness of the health and well-being benefits of the parks, develop evidence-based policy and practice and maximise opportunities for people to access the natural environment. Further information and details on projects can be found on the national parks’ [website](#)

22 The seven areas are corporate planning, financial planning, workforce planning, procurement, assets, risk management and performance management. Welsh Government, **Shared Purpose: Shared Future Statutory Guidance on the Well-being of Future Generations (Wales) Act 2015**, 2016

CASE STUDY

Arts Council of Wales, Ideas: People: Places

The Arts Council has set up the 'Ideas: People: Places' programme, which comprises seven place-based projects across, funding a local consortium of organisations (including organisations they have not worked with before such as Housing Associations and commercial developers) to work with local communities to re-imagine their local area over a three-year period. They have sought to challenge their usual methodologies and have seen outcomes change as a result.

How has applying the five ways of working helped you?

The programme was about working in localities to build on communities' assets. The five ways of working provided the perfect legislative framework for this. It encouraged us to be bold and test out a pioneering approach and made it possible for us to approach other public bodies to become partners.

What have you learned?

We want to go beyond working 'with' communities to supporting work 'by' communities. This is a key theme for us – opening up from the top down, patriarchal, bureaucratic approach to be more inclusive and representative.

We learned we need to resist the urge to achieve outcomes quickly by defining them ourselves and then throwing money at them. Making funding available over a three-year period without defining outcomes and processes helped achieve unanticipated outcomes and cost a lot less than something planned in the usual way.

Working with new partners highlighted that we have built institutional processes and procedures that do not make partnership working easy. However these kinds of issues are ultimately helpful when they surface as they can be addressed and designed out in the future.

Creativity is very important in regeneration work. So often we are missing opportunities to design out our current issues and problems for future generations and involve residents in creating the spaces that they want to [live, work and play in.](#)

- 66 A few bodies told us that they have put arrangements in place to develop, oversee and implement their approach to the Act. This includes measures such as identifying a senior level champion, establishing a board or steering group, assessing their 'preparedness' and developing action plans.
- 67 Some bodies were open about the fact that they still had work to do to continue developing and improving their approach to implementing the Act. Others went further, explaining that the work they had done to date had been about putting the building blocks in place and their next steps would focus on culture change and service delivery.
- 68 A few bodies referred to the lack of time and space to reflect, given pressures on capacity and the Act's planning timetable. Some view the planning and reporting requirements as traditional and as being at odds with the policy intention. Some think the legislation could drive a compliance focus, rather than stimulating the innovative and outcome-focused response that is hoped for. There is also some concern that external review, whether undertaken by the Wales Audit Office, the Commissioner or other inspection and regulation bodies could drive a compliance focus (see also [paragraph 89](#)).
- 69 The Auditor General recognises and appreciates the range of internal and external challenges which make implementing new legislation difficult. However, there is a risk that for some, the Act is perceived as 'another thing to do'. Unless those bodies and individuals adopt a mindset where they see sustainable development as an approach that can help them address major budget and service challenges, rather than an additional burden, they will be unable to make the most of the opportunity the Act affords.

The Auditor General has been clear that it will take time for public bodies to fully apply the principles of the Act. The Wales Audit Office welcomes honest self-reflection on progress and will take account of the fact that it will take time for bodies to thoroughly consider how to apply the Act and deliver real and meaningful change. Over the medium and long term, the Wales Audit Office will expect public bodies to be able to demonstrate how the Act is shaping what they do.

The Auditor General's future examination work will assess the extent to which public bodies are applying the sustainable development principle. It will focus on how public are applying the ways of working and will not focus on the application of specific processes or on compliance with the planning and reporting timetable.

CASE STUDY

Cardiff and Vale University Health Board's 'Wellbeing Project'

Cardiff and Vale UHB are establishing a Bee Garden in the Orchard at University Hospital Llandough (UHL) with multiple benefits. The project will be developed in collaboration with staff, patients, carers, school children, and academics in health to support the UHB's approach to developing sustainable futures.

The landscape, design, and planting of specific flowers will enable local researchers to test for the link with antibacterial strength honey, building on the work of Professor Les Bailleand and his colleagues from the School of Pharmacy, College of Biomedical and Life Sciences, Cardiff University. They have identified a number of novel plant-derived antibacterial compounds in honey that killed antibiotic resistant hospital super bugs, such as MRSA. With the largest NHS Research & Development team in Wales, there may also be opportunities for trials of the potential therapeutics across Cardiff and the Vale of Glamorgan.

The project will enhance the biodiversity of the Orchard and support the pollination of the trees. Bees are an essential aspect of a healthy orchard, ensuring everyone on the UHL site and the local community have access to space that will enhance the benefits of health and well-being, while supporting patients on their journey of recovery and rehabilitation.

CASE STUDY

Natural Resources Wales: Coordinating collaboration and engagement on the Gavenny River

The Gavenny River is a short river in South East Wales flowing from its source through Abergavenny and into the Usk Special Area of Conservation. Evidence suggests the river is failing to achieve its required GOOD status as set out by the Water Framework Directive. Natural Resources Wales collaborated and engaged with the local community who showed a significant interest and willingness to be involved in finding solutions to environmental pressures. The opportunities that emerged were not limited to water quality improvements alone, with people showing an interest in developing and managing adjoining habitats for conservation and amenity value.

Bringing a wide range of stakeholders together broadened the outputs and added significant value. Stakeholder-led sustainable land management options were incorporated into Natural Resources Wales' Flood Risk Management maintenance schedules. The project delivered multiple benefits, such as the sustainable management of an area of urban greenspace, donation of felled timber to the local woodland group and local forest school for woodland craft and resale as well as improving the resilience of the ecosystem.

CASE STUDY

Social Prescribing in Torfaen

Social prescribing provides an intervention that seeks to address patients' requirements for non-medical support in the community. Torfaen's model of social prescribing was developed in response to a need to better connect primary care with a range of services that exist across the community and public sector to tackle the underlying causes of ill health and promote self-help. It is a partnership between the Aneurin Bevan University Health Board and Torfaen County Borough Council.

The service is based in GP surgeries so it is positioned as a viable alternative to medical intervention. There are 'social prescribers' based within each participating practice for half a day a week. They receive referrals from anyone based in primary care or from patients themselves. The referral criteria covers anyone experiencing a social issue that is impacting on their physical and / or mental health. Referrals are then made to community services and broadly fall into the following categories:

- healthy lifestyle
- family and early years
- health protection and personal safety
- welfare
- self-care and independent living
- work, learning and skills
- community development and leisure

Many of the individuals accessing the service are vulnerable with complex circumstances. Underlying needs are identified through a reciprocal conversation, the outcomes they want are co-produced and they are helped to understand how they, with support, can take action to achieve them.

Public bodies need to set out how they will continue developing their approach to the Act so that they can deliver on the ambition and maximise the opportunities it affords

Public bodies have identified some actions to continue embedding the Act but they are unclear about how they will measure changes in culture and ways of working

- 70 While recognising it will take time to effect meaningful change, we were keen to understand what public bodies plan to do to continue embedding the sustainable development principle.
- 71 We asked them to describe what success would look like. This question was interpreted in a variety of ways and elicited a range of responses. Some bodies referred to formal performance monitoring. They tended to suggest that fully embedding the sustainable development principle would result in improvements in outcomes, which would be the main measure of success. They referenced the measures they have put in place for their well-being objectives or existing measures, such as the national indicators or Public Health Outcomes Framework.^{23 24 25}
- 72 Others chose to describe what the organisation would look and feel like and how they would work differently. Their examples included:
- different types of questions and challenge at board, cabinet, scrutiny and committee meetings;
 - improved understanding of sustainable development and the sustainable development principle across the organisation, demonstrated by widespread application as part of people's day-to-day roles;
 - better relationships with communities and improved community resilience;
 - more sustainable services, workforce and finances;
 - changing to service models that are more person-centred and preventative; and
 - increased integration with partners, including through shared assets, pooled resources and joint initiatives.

23 See also the Future Generations Commissioner for Wales, **Well-being in Wales: The journey so far 2018** and the Commissioner's expectations of how public bodies will measure and report on progress towards well-being objectives and the effectiveness of steps to meet them.

24 [Information on the national indicators.](#)

25 [More information on the Public Health Outcomes Framework.](#)

73 In general, public bodies did not provide a specific description of how they would assess their progress in applying the sustainable development principle. Public bodies did not, by and large, describe how they intended to measure change in behaviours and working. However, there were a few examples and references to plans to capture narratives and case studies. Measuring behaviour change is difficult, but it will be important for bodies to obtain some insight into how much progress they are making in applying the sustainable development principle. An example of how Aneurin Bevan University Health Board is seeking to understand how staff are applying the sustainable development principle is given below.

CASE STUDY

Aneurin Bevan UHB's Well-being of Future Generations Act Self Assessment Tool

As part of its overarching Well-being of Future Generations Act Embedding Programme, ABUHB has developed a self-assessment process to help it embed the Act across its work. It has set out 'ambition statements' that describe how each division and function should apply the five ways of working over the long term. Divisions and functions then use the self-assessment to help them understand where they are in relation to these statements so that can identify what they can do, individually and collectively, to make progress.

The self-assessment process is underpinned by a number of important design principles including:

- the ambition statements will be co-created and owned by NHS professionals;
- the process is not intended to be an assessment of performance or compliance;
- the self-assessment will be a mechanism for teams and individuals to explore best practice, opportunities and barriers;
- the whole process should add value and become embedded into routine planning;
- the process will be an important mechanism to raise awareness and understanding of the Act; and
- it should not be a one-off exercise but used as a way to encourage continuous improvement.

ABUHB focused the self-assessment on its enabling divisions, such as Finance, Workforce and Organisational Development and Facilities, for the first phase. Patient-facing divisions and other functions are part of phases 2 and 3, scheduled for 2018-19 and 2019-20.

- 74 When asked how they were going to deliver the change needed, most public bodies' answers related to the categories previously identified; culture and behaviour change, governance, strategic planning, performance and risk management or project/ service delivery.
- 75 Some bodies stated that they intended to continue progressing work in these areas. For example, they plan to continue:
- improving their impact assessments and updating report templates;
 - embedding the Act into service planning and performance management frameworks and guidance;
 - training and awareness raising, including extending training to new groups of elected members, board members or staff; or
 - developing key strategic documents; a few bodies referenced their intention to develop shared objectives.

Similarly, other bodies stated that they would commence work in these areas.

- 76 A few bodies gave examples of projects or initiatives they planned to take forward, which they felt reflected the Act.
- 77 There were also some specific references to the five ways of working. A few bodies described how they intended to change their relationships with communities and improve community resilience. Smaller sponsored bodies tended to provide actions relating to improving or developing mechanisms that support collaboration or involvement. This included finding an effective means of engaging with public services boards. While they recognise the opportunity, there are significant constraints on their capacity to engage with all 19 (see [paragraph 83](#)).
- 78 A few bodies provided more detail on future plans or emphasised priority areas and activities.
- 79 Given the challenges that have already been outlined, the general lack of clarity and detail on how public bodies will drive this work forward and assess their progress might be expected. However, they will need to give more consideration to these questions if they are to use the Act to 'transform how they work' (see [paragraph 33](#)).

There are challenges to implementing the Act and stakeholders have a role in helping to address them

- 80 Public bodies identified a number of external barriers, which other stakeholders should take account of or look to address. Short term funding was, emphatically, the most common barrier they identified. Public bodies were clear that it hampers their ability to plan effectively over the long term. Some sponsored bodies stated that the annual remit letter poses the same challenge. Linked to this, they cited a lack of flexibility over how grant funding can be spent and disproportionate monitoring requirements as inhibiting long term planning and a focus on outcomes.
- 81 Some bodies also described the challenge of legislative complexity and the difficulty of joining-up statutory requirements in practice. Specifically, they referred to the need to find a practical means of meeting the requirements of the Act whilst also meeting the requirements of the Social Services and Well-being (Wales) Act 2015, the Environment (Wales) Act 2016 or planning legislation. A few suggested that legislative complexity and the 'burden' of meeting multiple requirements could result in a compliance-based response.
- 82 There were some concerns about existing national reporting requirements and a focus on indicators, which were considered to detract from a focus on long term outcomes and preventative benefits. In addition, a few bodies expressed concerns that audit and regulatory requirements could drive a focus on compliance with a process, rather than promoting the spirit of the Act (see [paragraphs 68, 88 and 89](#)).
- 83 Public bodies were mostly positive about the opportunity afforded by public services boards. However, they also highlighted some challenges that need to be overcome if they are to be as effective as intended. These included:
- the complexity of the partnership governance environment. This has resource implications for bodies that need to support multiple partnerships, including multiple public services boards and Regional Partnership Boards. Being represented at or influencing each Public Services Board is resource intensive or, for some, not possible.²⁶
 - some potentially influential partners are not yet engaged in public services boards.

²⁶ In April 2016, seven statutory regional partnerships came into being under the Social Services and Well-being (Wales) Act 2014. Their purpose is to drive the strategic regional delivery of social services in close collaboration with health.

- the different levels of commitment from different members of public services boards.
 - public services boards have different ways of working, which can be difficult for bodies that are members of multiple public services boards.
- 84 Furthermore, a number of bodies stressed that these challenges are amplified by diminished and diminishing resources, pressure on leadership capacity and reductions in capacity across organisations.
- 85 Public bodies said that they would value the following external support to help them further embed the Act:
- practice sharing, including on how the five ways of working are being applied, sharing of examples with demonstrable benefits or return on investment and more sharing at a national level and across sectors;
 - training, including on behaviour change techniques and applying the five ways of working;
 - guidance on ‘the areas where change needs to happen’; corporate planning, financial planning, workforce planning, procurement, assets, risk management and performance management (as set out in statutory guidance);
 - more focused support and advice to public bodies on their well-being objectives, similar to that which public services boards receive; and
 - facilitation of wider engagement and more joint learning across Public Services Board members.
- 86 The Act gives public bodies in Wales a common purpose and requires a collective effort. Public bodies will need to develop a long term approach if they are to effect the level of change the Act requires and they say they recognise. Furthermore, external stakeholders, Wales Audit Office included, will need to consider how they can play their part in removing barriers and providing the necessary support.
- 87 One way that external stakeholders can do this is by creating space for innovation, allowing for ‘failure’ and recognising learning. The Auditor General has continued to emphasise the importance of well-managed risk taking.

‘So long as they [public bodies] go into developing services and trying new things understanding the risks; having identified them and taken steps to manage them as well as they can, then I as Auditor General will not be seeking to cast blame. Rather, I will be seeking to find ways that we can learn from both failure and success.’

Auditor General for Wales
Risk taking in the public sector, 2017²⁷

- 88 The Commissioner has already provided challenge and support to Welsh Government on a number of national policy areas in order to help give public bodies ‘more freedom to apply the Act’.²⁸ Examples of this are included in **Well-being in Wales: The journey so far**.
- 89 The Auditor General has worked collaboratively with public bodies to develop a proportionate and meaningful approach to his examinations which adds value and promotes learning. He has continued to reinforce that his examinations will not be about complying with a checklist. They will instead seek to understand ways of working, reflecting his duty and the spirit of the Act.
- 90 The Auditor General will undertake examinations across the 44 bodies in 2018-19 and 2019-20. This work will focus on the steps that public bodies are taking to meet their well-being objectives. It will explore how bodies are applying sustainable development principle in this context. The examinations will inform the Auditor General’s first statutory report under the Act, which will be laid before the National Assembly for Wales in 2020.

²⁷ Auditor General for Wales, Risk taking in public sector, 2017 www.youtube.com/watch?v=NRhT_ppMenbM

²⁸ Future Generations Commissioner for Wales, **Well-being in Wales: The journey so far**, 2018

It is a journey in which I'm engaged, you're engaged and Sophie is engaged...

... We're needing to find our way as auditors as well, to develop an approach that makes sense and which helps the whole of the public sector. So, I am with you, I am not working outside and looking in.

Huw Vaughan Thomas
Auditor General for Wales, 2016²⁹

So it is trust; trust that we are working together on that journey and, from us, a verification that that journey is taking place and that we are sharing with you.

Huw Vaughan Thomas
Auditor General for Wales, 2016³⁰

²⁹ Auditor General for Wales, Shaping Accountability for Future Generations conference speech, 2016.

³⁰ Auditor General for Wales, Shaping Accountability for Future Generations conference speech, 2016.

Appendix 1: Year one commentary: call for evidence questions

Question 1: The Well-being of Future Generations Act became law in 2015 and the main provisions, including the well-being duty, came into force from April 2016.

| 1a How would you describe the Act and what it means for your organisation? Please tick as many boxes as you consider relevant. | | |
|---|-------------------|--|
| A | A distraction | The Act will not help us address the major challenges facing the organisation. |
| | | We will need to devote time and resources meaning there is a cost and an opportunity cost to the organisation. |
| B | Unnecessary | The Act doesn't offer a new or useful way of viewing what we do or how we work. |
| | | Much of the Act is sensible and valuable but it legislates for things we were already seeking to do. |
| | | Much of the Act is sensible and valuable but it legislates for things we were already doing. |
| C | Opportunity | The Act can help us address some of the major challenges facing our organisation. |
| | | The Act has the potential to improve our strategic planning and decision-making. |
| | | The Act has the potential to help us deliver more sustainable services and better outcomes for citizens. |
| | | The Act has the potential to drive positive change in culture and behaviour. |
| D | Necessity | We need the Act to help us address some of the major challenges facing our organisation. |
| | | We need the Act to improve our strategic planning and decision-making. |
| | | We need the Act to help us deliver more sustainable services and better outcomes for citizens. |
| | | We need the Act to enable us to deliver the right culture and behaviours. |
| E | None of the above | |

1a Please provide any explanatory comments on the above.

| Answer 1a | |
|-----------|--|
| | |

| 1b How would you describe the change you intend to make to deliver the Act? Please tick as many boxes as you consider relevant. | | |
|--|-------------------|---|
| A | Compliance | We will ensure we meet key statutory requirements and that we can demonstrate we have done so. |
| B | Realignment | We will ensure the changes we were/are planning to make are aligned to the Act. |
| C | Adaptation | We will use the Act to help us reconsider how we work and what we are seeking to achieve. |
| | | We will use the Act as a means of helping us make progress in areas where we need to make improvements. |
| D | Transformation | We will use the Act to help us address some of the major challenges facing our organisation. |
| | | We will use the Act to improve our strategic planning and decision-making. |
| | | We will use the Act to deliver more sustainable services and better outcomes for citizens. |
| | | We will use the Act as a means of driving culture and behaviour change. |
| E | None of the above | |

1b Please provide any explanatory comments on the above.

| Answer 1b | |
|------------------|--|
| | |

| Question 2a: Your organisation has set, or is in the process of setting, well-being objectives. How different was the process compared to the process for setting corporate objectives in the past? | | |
|---|------------------------------------|---|
| A | The process was the same. | The process was the same as the process for setting corporate objectives in previous years in your organisation. |
| B | We did some things differently. | We will ensure the changes we were/are planning to make are aligned to the Act. |
| | | We made some changes to better reflect the five ways of working. |
| C | We did several things differently. | We made some notable improvements as a result of the Act, applying the five ways of working. |
| D | We made significant changes. | We applied the five ways of working to a far greater degree as a result of the Act. |
| | | Having made significant changes, we feel the process for setting well-being objectives was much improved on the process for setting corporate objectives in previous years. |
| E | None of the above | |

Question 2b:

If you answered A or E, please explain why.

If you answered B-D, please describe what was/is different about this process compared to the process for setting corporate objectives in the past and what impact it had. Please make reference to how you applied the five ways of working.

Answer 2b

Question 3: Other than applying the sustainable development principle when setting your well-being objectives, what other key actions have you taken to embed the sustainable development principle in how you work and what impact are they having? Please focus on the key actions you would like to bring to our attention.

Answer 3

Question 4a: What are the key actions you intend to take to continue embedding the sustainable development principle in how you work? Please focus on the key actions you would like to bring to our attention.

Answer 4a

Question 4b: How will you know that you have embedded the sustainable development principle in how you work? Please describe this in terms of the impact you would expect to see.

Answer 4b

Question 5: Are there any internal barriers to implementing the Act and embedding the sustainable development principle, and if so, what are they? Please make reference to the main internal barriers.

Answer 5

Question 6: Are there any external barriers to implementing the Act and embedding the sustainable development principle, and if so, what are they? Please make reference to the main external barriers.

Answer 6

Question 7: What external support would help you further embed the sustainable development principle?

Answer 7

Question 8: Are there any examples of practice you would like to share with us that have not already been referenced? These could relate to service or project delivery or to governance and corporate processes. They could relate to your own organisation or to a collaborative project.

Please feel free to attach any relevant documents or case studies.

Answer 8

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Speak my language: Overcoming language and communication barriers in public services



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU



This report has been prepared for presentation to the National Assembly under the Government of Wales Act 1998 and Public Audit (Wales) Act 2004.

The Wales Audit Office study team comprised Philippa Fido, Claire Flood-page, Rachel Harries, James Ralph, Nigel Blewitt, with additional input from our good practice and communications teams. Matthew Mortlock directed the team's work reporting to Anthony Barrett, Assistant Auditor.

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Mae'r ddogfen hon hefyd ar gael yn Gymraeg.

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Summary report

KEY FACTS



84,500

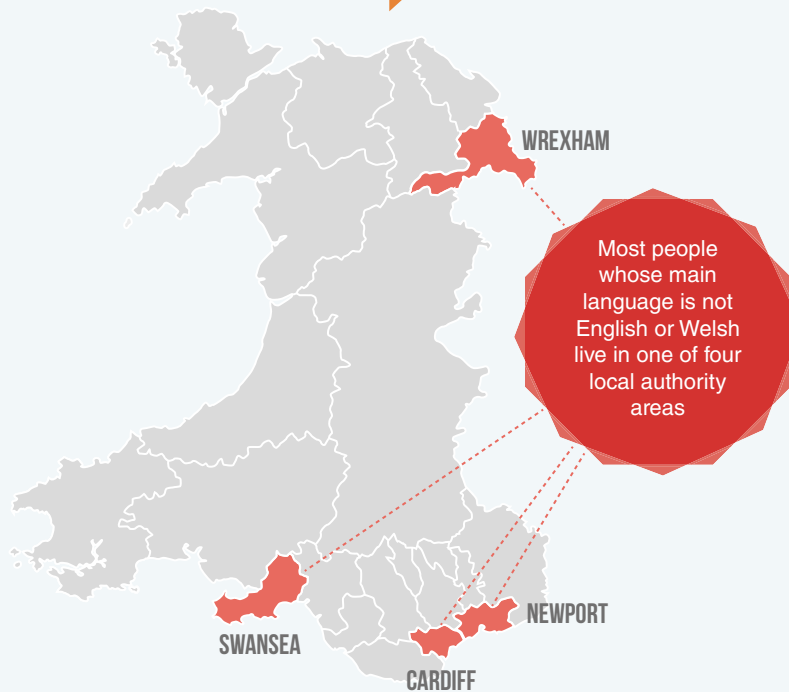
people in Wales have a main language that is not English or Welsh

19,500

do not speak English or Welsh well

3,500

do not speak English or Welsh at all



CHINESE
8,000

POLISH
17,000

MORE THAN 80
other main languages are spoken in Wales

ARABIC
7,000

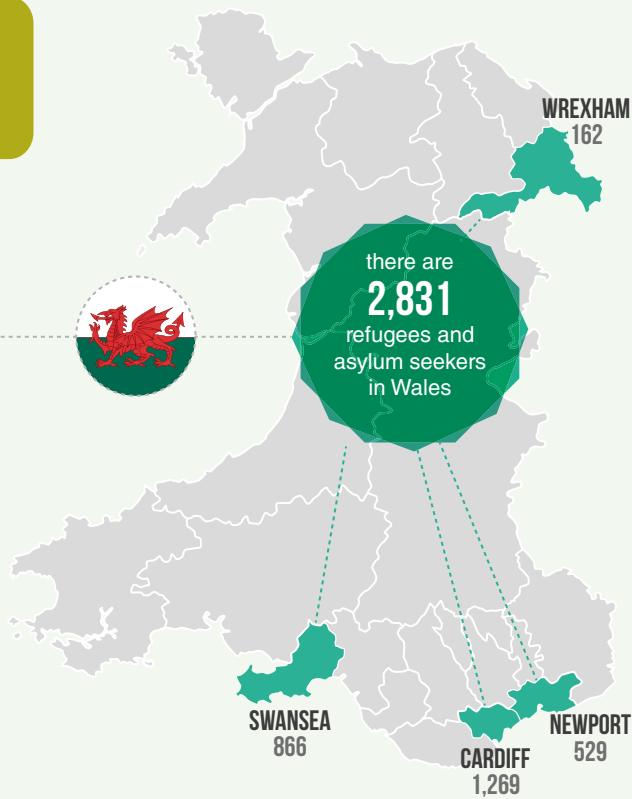
BENGALI
5,000

Source: 2011 Census, figures rounded to nearest 500.

REFUGEES AND ASYLUM SEEKERS



there are
2,831
refugees and
asylum seekers
in Wales



Most research suggests that asylum seekers do not have good English/Welsh skills on arrival

96 PEOPLE
settled in Wales under the Syrian Vulnerable Persons Resettlement Programme.

The number of refugees and asylum seekers has doubled in Wales since 2011

1,398
Q1 2011

2,831
Q1 2017

The terms 'asylum-seeker' and 'refugee' refer to people with a different legal status.

Asylum-seekers are people who have lodged a claim for asylum in the UK under the 1951 Convention relating to the Status of Refugees.



Refugees are people whose claim for asylum has been approved.

Source: Home Office Immigration statistics, last quarter 2017

SENSORY LOSS



The term 'people with sensory loss' refers to:

- People who are Deaf; deafened or hard of hearing;
- People who are Blind or partially sighted;
- People who are Deafblind: those whose combined sight and hearing impairment cause difficulties with communication, access to information and mobility.

7,200 BSL USERS

in Wales, of whom,
4,000 are deaf.

(source - British Deaf
Association, 2017)



1,118 PEOPLE

said sign
language was their
main language

(source - 2011
Census)



100,000 PEOPLE

are blind or
partially sighted

(source - RNIB
Cymru)



575,000

people experience
deafness or hearing
impairment

(source - Action
on Hearing Loss
Cymru, 2017)

British Sign Language is a visual language unrelated to English. The Deaf community in the UK who use sign language are a distinct cultural and linguistic group with several regional dialects. During our work, we found that many people including service deliverers had little understanding of Deaf culture or sign language.

Sign language interpreters help Deaf people to communicate. Other support includes lip speakers, palantypist who convert speech to text and note takers.

Summary

Background

- 1 Around 20,000 people living in Wales do not speak English or Welsh as a first language. Of these, around 3,500 have little or no knowledge of English or Welsh. This figure, taken from the 2011 Census, includes 1,138 people whose main or only language is British Sign Language. However, charities working with D/deaf¹ people suggest that there are around 4,000 people using British Sign Language.
- 2 Public bodies must ensure that everyone, regardless of their language and communication needs, can access services. Relevant duties are set out in the Equality Act 2010, the Social Services and Well-being Act (Wales) 2014 and the Well-being of Future Generations (Wales) Act 2015. If public bodies do not meet these duties, they risk complaints and legal action. Moreover, people will have poorer outcomes and experiences.
- 3 Providing effective interpretation and translation services for people who do not speak English or Welsh as their first language or are Deaf and use sign language is one way that public bodies can look to meet their equality-related duties. **Box 1** provides information about interpretation and translation.

Box 1 – About interpretation and translation

The terms ‘**interpretation**’ and ‘**translation**’ are often used interchangeably but are different activities:

- **Interpretation** is to translate orally or into sign language the words of a person speaking one language to another. It can be face to face; by telephone if the interpreter joins a conference call; or Video Remote Interpreting where the interpreter can be seen on a PC, tablet or smartphone.
- **Translation** is changing written text from one language to another. Increasingly, translation software is used to provide translation, for example to translate web pages from one language to another.

As well as interpreters, D/deaf people can also benefit from other communication support including lip speakers, note-takers and palantypists who convert speech to text.

Source: Wales Audit Office

¹ The term D/deaf includes Deaf people who use sign language and deaf people who are hard of hearing but who have English as their first language and may lip-read and/or use hearing aids.

- 4 Public bodies can employ staff as interpreters or buy services from third sector and commercial providers. They may ask staff with language skills to help with communication but good practice suggests that this should only happen in an emergency until a professional interpreter is available.
- 5 There has been concern about the availability of interpreters in Wales for some time: in 2009, the Welsh Government provided a grant of £120,000 to set up the Wales Interpretation and Translation Service (WITS). WITS is a central service available to any public body in Wales. Currently, 30 organisations are WITS 'partners' which gives them a say in the overall management of the service.
- 6 Initially, Gwent Police hosted WITS and was responsible for its day-to-day management. An audit commissioned by Gwent Police in 2014 identified concerns about the management and governance of WITS, some of which stemmed from the rapid growth of the service. As part of its response to the audit, Gwent Police approached Cardiff Council to take on responsibility for hosting. WITS formally transferred to Cardiff Council in July 2017.

Our work

- 7 In 2015, we responded to issues that had been raised with the Auditor General about the procurement of BSL (British Sign Language) interpretation by a Health Board. Based on the work we did at that time, we did not identify any specific concerns about the approach taken by the Health Board. However, we later decided to look more broadly at how public bodies, particularly local government and NHS bodies providing front-line services, provide interpretation and translation services for BSL and other languages to enable people facing these communication barriers to access services. We have not considered as part of our work wider integration and community cohesion policy responses that could support people to learn a different language. Our focus has been on the provision of interpretation and translation services to those who need them.
- 8 In this work, we carried out research and interviewed people from representative groups, policymakers in Wales and providers of interpretation and translation services. We also drew on information from two shared learning events that we facilitated in early 2017. We reviewed policy documents provided by councils and health boards as well as other relevant strategic documents; strategic equality plans which all public bodies are required to produce; Population Needs Assessments produced by councils and health boards for the first time in 2017; and the well-being assessments produced by Public Services Boards ([Appendix 1](#)).

- 9 We did not review English/Welsh interpretation and translation. The Welsh language has official status in Wales, and particular standards and legislation apply². The Welsh Language Commissioner oversees compliance with the Welsh Language Standards.
- 10 We recognise that many people experience communication barriers in accessing public services for reasons other than language. This includes people who are hard of hearing, people with sight loss, people with dual sensory loss (a combination of sight and hearing loss) and people with learning disabilities, learning difficulties or autism³. While not included in the scope of this report, initiatives to improve communication – such as simplifying language, raising awareness of communication needs and developing accessible websites – will benefit this much wider group of service users.

Our findings and conclusions

- 11 Although we did not look in depth at the services offered in councils or NHS bodies, it was clear that organisations varied in the degree to which they understood the needs of their communities and ensured their services were accessible to people needing interpretation and translation services. Of the 15 councils and seven NHS bodies that responded to our request for information, only half had a formal policy on the use of interpretation and translation services. However, all respondents said they had provided training for some or all of their staff on language needs and/or sensory loss. We did not assess the uptake or effectiveness of this training.
- 12 We do not know the full cost of interpretation and translation services for languages other than Welsh. However, public bodies spent £2.2 million through WITS in 2016-17. They also spent £55,000 with other companies through UK Government framework contracts. These figures do not include contracts with commercial companies or third sector organisations not procured through the frameworks or the costs of employing staff as interpreters or translators.

2 The Welsh Language Measure (2011) builds on previous Welsh language legislation. Organisations should not treat the Welsh language less favourably than English and they have a duty to promote and facilitate the use of Welsh. The Welsh Language Commissioner has responsibility for monitoring and enforcing the Welsh Language Standards in Wales.

3 For example, it has previously been estimated that there are about 100,000 blind and partially sighted people in Wales (NHS Wales, All Wales Standards for Accessible Communication and Information for People with Sensory Loss, July 2013). There are around 31,000 autistic people in Wales (Welsh Government, Refreshed Autism Spectrum Disorder Strategic Action Plan, December 2016). The British Dyslexia Association (2018) estimates that 10% of the population (310,000 people in Wales) have dyslexia, the commonest learning difficulty, 4% (124,000 people) severely so.

- 13 Public bodies need to make sure that people who do not speak English or Welsh as a first language can access interpreters and translation to enable them to use public services. Organisations should also ensure that they are taking steps to inform people of their right to request interpreters and information in an accessible format. We have developed a checklist to help public bodies review their provision of interpretation and translation services (Box 4). We also identified a number of challenges for interpretation and translation services that public bodies need to take account of when they plan and procure such services.

Recommendations

Ensuring that people who face language and communication barriers can access public services

- R1 Public bodies are required to ensure that people can access the services they need. **To take account of the requirements of the 2010 Equality Act and other legislation, we recommend that public bodies regularly review the accessibility of their services to people who do not speak English or Welsh as a main language including Deaf people who use sign language. This assessment can include using our checklist.**

Developing interpretation and translation services in Wales

- R2 Our work with public bodies, interpretation and translation service providers and service users has identified some challenges for interpretation and translation services. **We recommend that the Welsh Government work with public bodies, representative groups and other interested parties to make sure that:**
- **the supply of interpreters is sufficient especially for languages in high demand such as BSL and Arabic;**
 - **interpreters with specialist training are available to work in mental health services and with people who have experienced trauma or violence; and**
 - **quality assurance and safeguarding procedures are in place.**

Recommendations

Accessible Information Standard

R3 The NHS Wales Accessible Communication and Information Standards for People with Sensory Loss published in 2013 apply only to the health service. Similarly, the new Accessible Information Standard requires GP surgeries to ask about, collect and flag the communication needs of patients with sensory loss. From March 2018, information can be shared in an e-referral within NHS Wales. **We recommend that the Welsh Government consider:**

- **widening the scope of both the 2013 All Wales Accessible Communication and Information Standards for People with Sensory Loss and the new Accessible Information Standard to:**
 - a **patients whose main language is not English or Welsh;**
 - b **patients who have language and communication barriers due to disability, learning difficulties or autism; and**
 - c **parents and carers who have language or communication barriers.**
- **if the 2013 All Wales Accessible Communication and Information Standards could be adapted to cover other public services.**

Part 1

Making services accessible to people who face language and communication barriers



- 1.1 In this part of the report, we look at the legislative requirements facing public bodies to make their services accessible to people who do not speak English or Welsh as their first language. We also report our findings about the ways in which public bodies are ensuring that their services are accessible to these language communities.

Legislation and policy

The Equality Act 2010 and the Public Sector Equality Duty

- 1.2 Public bodies are at risk of complaints and legal action if they fail to communicate effectively with people who do not speak English or Welsh. The Public Services Ombudsman for Wales has dealt with some such complaints in the NHS. Cases include one where the Ombudsman found that the lack of an interpreter during a birth contributed to errors and several where people have received an incomplete explanation of their care. In another case, the Ombudsman found that a Deaf patient received less good care at the end of their life because a Health Board failed to make reasonable adjustments to meet their communication needs.
- 1.3 The Equality Act 2010 placed a statutory responsibility on public service providers to promote equality of opportunity and eliminate discrimination. This responsibility is known as the Public Sector Equality Duty (**Box 2**).

Box 2 – The Equality Act 2010 and the Public Sector Equality Duty

The Equality Act 2010 brought together all previous anti-discrimination legislation and introduced the Public Sector Equality Duty. The Duty requires public bodies and those providing services on their behalf in England, Scotland and Wales to have regard to:

- eliminating unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act;
- advancing equality of opportunity between people from different groups; and
- fostering good relations between people from different groups – this involves tackling prejudice and promoting understanding between people from different groups.

Research for the Equality and Human Rights Commission Wales in 2016⁴ concluded that the Public Sector Equality Duty works effectively in Wales and that the Wales-specific duties support progress on equalities work.

Source: Wales Audit Office

4 Martin Mitchell, Kelsey Beninger, Nilufer Rahim and Gareth Morrell, **Review of the Public Sector Equality Duty in Wales**, July 2016.

1.4 The Equality Act requires public bodies to publish a Strategic Equality Plan setting out their equality objectives and the actions to meet them. More than half (24 of 41) of the Strategic Equality Plans we reviewed discussed actions for people who are D/deaf or use British Sign Language and 20 of 41 mentioned issues connected with sensory loss. More than half (26 of 41) included references to providing services in languages other than Welsh or English. Ten out of 41 Strategic Equality Plans referred to refugees or asylum seekers specifically. These included the areas covering the four councils where most asylum seekers reside. For example, in their joint Strategic Equality Plan, the Gwent Police and the Gwent Police and Crime Commissioner commit to working with new migrants and asylum seekers to improve confidence and trust in policing within the community. Others – including the dispersal areas of Swansea, Cardiff and Wrexham – referred to the language needs of Black and Minority Ethnic Communities more generally.

Other relevant Wales-specific legislation

1.5 Other legislation introduced by the Welsh Government should influence the way in which public bodies engage with and respond to the specific needs of people facing language barriers.

Well-being of Future Generations (Wales) Act 2015

1.6 The Well-being of Future Generations (Wales) Act 2015 places a duty on public bodies to work together to meet the needs of their communities to meet seven well-being goals including building a more equal Wales and inclusive cohesive communities. One of the Act's requirements is that Public Service Boards must publish a well-being assessment of their communities' needs. Each Public Services Board decides what issues to include in its needs assessment. In reviewing the contents of the first assessments published in May 2017, we found that nine of 19 Public Services Boards⁵ referred to the needs of D/deaf people, those with sensory loss more generally or to BSL. Twelve Public Services Boards' assessments referred to language needs (other than Welsh) of some communities and seven to the needs of migrants, asylum seekers or refugees. These included the assessments covering the four areas with the most asylum seekers and refugees.

5 Generally, PSBs cover single local authority areas. Anglesey and Gwynedd councils and Denbighshire and Conwy councils chose to form joint PSBs.

Social Services and Well-being (Wales) Act 2014

- 1.7 The Social Services and Well-being (Wales) Act 2014 aims to improve the way in which individuals' care needs are assessed and met. Local authorities are required to provide information, advice and assistance to a person in a way that is accessible to them to enable them be actively involved in their assistance and support plan. They are also required to have a register of those who live locally and are sight impaired, severely sight impaired, hearing impaired, severely hearing impaired or have both sight and hearing impairments that, in combination, have a significant effect on their lives. We did not assess the extent to which local authorities are meeting these requirements in this work. The Welsh Government had identified sensory loss as a core theme in its guidance for the assessment. All seven Population Needs Assessments published in April and May 2017⁶ included references to the needs of and services for people with sensory loss.
- 1.8 Two of seven Population Needs Assessments referred to the language needs of refugees, migrants, or asylum seekers when accessing public services. For example, the Cardiff and Vale of Glamorgan Integrated Health and Social Care Partnership outlined key issues facing asylum seekers and refugees when accessing public services in its Population Needs Assessment. Issues included lack of accessible information and limited use of interpreters in mental health settings. The Assessment also includes areas that need further action, such as improved access to specialist mental health services for people who do not speak English or Welsh. The Greater Gwent Health, Social Care and Well-being partnership also included an assessment of the needs of refugees and asylum seekers in its Population Needs Assessment.

NHS Wales, All Wales Standards for Accessible Communication and Information for People with Sensory Loss 2013

- 1.9 In 2012, a working group set up by the Welsh Government reported on the communication barriers experienced by people who experience sensory loss in healthcare. Its recommendations led to the publication of NHS Wales standards for accessible communication and information in November 2013⁷. The standards set out what people with sensory loss should expect when they access healthcare. The standards apply to adults, young people and children and cover communication, workforce and training, healthcare standards and complaints.

⁶ Population Needs Assessments cover the communities living within the area encompassed by each of the seven local health boards.

⁷ NHS Wales, **All Wales Standards for Accessible Communication and Information for People with Sensory Loss**, July 2013.

1.10 The Welsh Government monitors NHS bodies' progress towards meeting the standards each year. Its unpublished reviews for 2015-16 and 2016-17 concluded that all NHS bodies were working towards achieving the standards⁸. Progress however is variable; it has generally been greater in secondary care than in primary, and emergency and unscheduled care ([Appendix 2](#)). A report by Action on Hearing Loss Cymru in March 2018⁹ on access to GPs for people with hearing loss highlighted some of the issues that remain. For example, 54% of 380 survey respondents said that they had left the GP surgery unclear about their diagnosis or how to take their medication. The report demonstrated difficulties around making appointments in particular: 29% of survey respondents had to ask someone to call the GP surgery for them and 36% had to visit the surgery to make appointments because they could not use the phone and online access or other forms of communication were not available.

Welsh Government policies on refugees and asylum seekers

1.11 The Welsh Government is responsible for policies such as health, education and housing that are essential for the effective integration of asylum seekers and refugees¹⁰. The UK Government is responsible for immigration and asylum policy, including asylum decisions.

8 Welsh Government, Update on Accessible Communication and Information for People with Sensory Loss, May 2016, unpublished report.

9 Action on Hearing Loss Cymru, **Good practice?: Why people in Wales who are deaf or have hearing loss are still not getting accessible information from their GP**, March 2018.

10 The terms 'asylum seeker' and 'refugee' have precise meanings. An asylum-seeker has exercised their legal right to claim asylum under the 1951 UN Convention relating to the Status of Refugees. A refugee is a person who 'owing to a well-founded fear of being persecuted for reasons of race, religion, nationality, membership of a particular social group or political opinion, is outside the country of his nationality, and is unable to or, owing to such fear, is unwilling to avail himself of the protection of that country'. It also includes people not recognised as refugees but who have been granted indefinite leave to remain, humanitarian protection or discretionary leave to remain.

1.12 The Welsh Government's **Refugee Inclusion Strategy** (Circular 14/2008, June 2008) set out its vision in which refugees are supported to become fully active members of society, taking part in and contributing to Welsh life. The strategy recognised that language is vital to inclusion and included proposals to address the shortage of interpreters working in Wales and plans to monitor and evaluate interpretation services. Successive Refugee and Asylum Seeker Delivery Plans have supported the strategy¹¹. The Welsh Government is currently consulting on a new plan¹². The Strategic Migration Partnership for Wales, set up in 2001 by the Home Office and hosted by the Welsh Local Government Association, supports the Welsh Government, councils and other local partners delivering services to refugees and asylum seekers.

Different approaches to providing interpretation and translation

Employing staff who can act as interpreters and translators when needed

- 1.13 Where there is enough demand, public bodies can employ staff who can act as interpreters or translators. For example, Newport City Council set up the Gwent Education Minority-Ethnic Service where staff employed to support pupils who do not speak English in schools are also trained to act as interpreters across public services more generally. GEMS interpreters are the first-choice interpreters for some public bodies in the Gwent area, including Newport City Council and Aneurin Bevan University Health Board.
- 1.14 As described in **Case Study 1**, Cardiff Council listed speaking a community language as a desirable criterion when it recruited staff to work in its community hubs providing information and advice services. Other public bodies keep a register of staff able to work in other languages. For example, health boards will publish details of general practitioners able to work in other languages as well as through the medium of Welsh.

11 Welsh Government, **Refugee and Asylum Seeker Delivery Plan**, March 2016.

12 Welsh Government, **Nation of Sanctuary – Refugee and Asylum Seeker Plan**, March 2018.

Case Study 1 – Cardiff Council recruited staff who could speak community languages for its advice services

Five years ago, Cardiff Council reorganised advice and community services on a neighbourhood model. Eleven Hubs across the city now provide library services, housing advice and council tax queries, free school meals and bus pass applications, work skills training and information about adult community learning.

Cardiff Council realised that its diverse community needed advice services in languages other than English and Welsh. It listed knowledge of a second community language as 'desirable skill' when it recruited staff to work in the Hubs.

The Council reports that it incurred no additional costs by employing some people able to act as interpreters when required as part of their role as many high calibre applicants also had the desired language skills. Rather, it suggested to us that it has saved money on interpreters as well as providing a better service to citizens. The Council believes that the initiative has raised the Council's profile as a good employer within the language communities.

Source: Cardiff Council, 2017

1.15 In total, six of the 12 councils that provided information told us that they employed staff to provide some form of service in languages other than English or Welsh. None gave precise numbers but included staff employed in social services and education such as teaching assistants and teachers for pupils who do not speak English or Welsh. Some public bodies may not have sufficient demand to justify employing staff. However, even where there is sufficient demand or they have staff with language skills, public bodies will need to use external organisations to provide interpretation and translation services to meet peaks in demand, staff being unavailable or for rarer languages.

The Wales Interpretation and Translation Service

Background to the Wales Interpretation and Translation Service

- 1.16 The Wales Interpretation and Translation Service (WITS) was set up after concern about the quality and number of interpreters available to public bodies in Wales (**Box 3**). Research for the Welsh Government's Making the Connections Fund in 2004 recommended setting up a one-stop shop for interpretation and translation for public bodies and third sector organisations in Wales. The aim was to provide a quality service with standard costs, which would become self-funding.
- 1.17 While it took some time for the 2004 Making the Connections recommendation to be realised, Cardiff Council and Gwent Police established WITS as a public sector collaboration in November 2009, using an initial grant of £120,000 from the Making the Connections Fund. Under the terms of the grant, WITS was expected to become self-funding within three months. The Welsh Government has had no further direct involvement in the funding or management of WITS.

Box 3 – The Equality Act 2010 and the Public Sector Equality Duty

WITS provide a one-stop booking service for face-to-face interpretation and translation through a register of self-employed interpreters. WITS provide telephone interpretation through contracts with Language Line and The Big Word, both multi-national companies providing a full range of interpretation and translation services. These arrangements allow WITS to provide a 24-hour, seven days a week service.

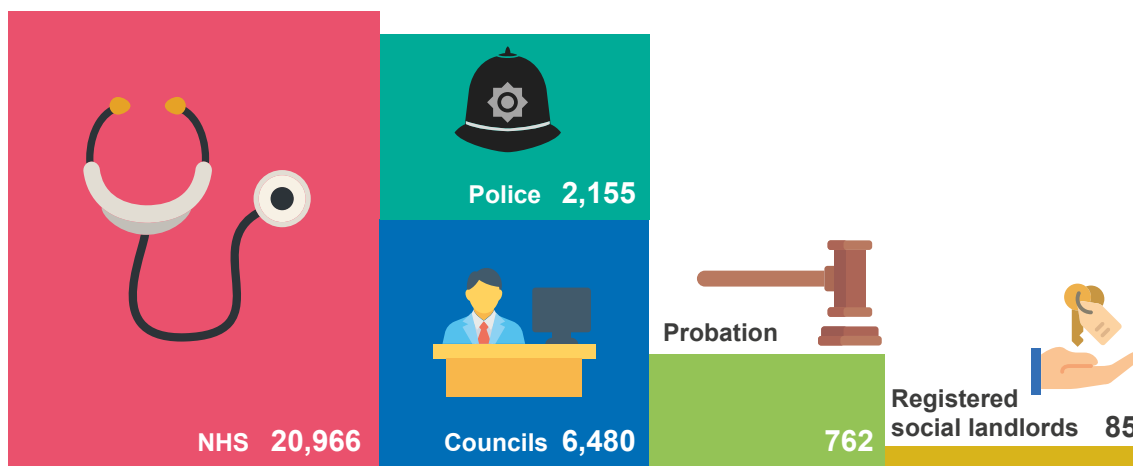
Public bodies can enter partnership agreements with WITS. Attending quarterly Partnership Board meetings gives them a say in managing the service. Currently there are 30 WITS partners: 14 of the 22 local authorities in Wales; all seven health boards and two NHS trusts; all four police forces; and three housing associations.

Source: Wales Audit Office and WITS, January 2018

Use of the Wales Interpretation and Translation Service

1.18 In 2016-17, WITS received 31,107 requests for interpreters, a substantial increase on the previous year (25,000). WITS interpreters fulfilled 30,448 bookings, over two-thirds (69%) of which were at NHS bodies (Figure 1). In total, 28 organisations used WITS in the year, although ten accounted for 90% of the bookings¹³.

Figure 1 – Number of fulfilled WITS bookings by sector, 2016-17



Note: These figures include some bookings (less than 94) for the Welsh language.

Source: WITS

13 Cardiff and Vale University Health Board, Cardiff County Council, Betsi Cadwaladr University Health Board, South Wales Police, Aneurin Bevan University Health Board, Swansea Council, Abertawe Bro Morgannwg University Health Board, Newport Council, Cwm Taf University Health Board and Wales Community Rehabilitation Company.

1.19 WITS received bookings for interpreters in 82 languages during 2016-17, most commonly Polish, Arabic and BSL (Figure 2). There were 21 languages where WITS received 10 or less requests for interpretation over the year including eight languages with only one request.

Figure 2 – Wales Interpretation and Translation Service, languages requested, 2016-17¹

| Language | Number of requests | % of total requests |
|-----------------------|--------------------|---------------------|
| Polish | 4,420 | 14.2 |
| Arabic | 4,381 | 14.1 |
| British Sign Language | 2,773 | 8.9 |
| Mandarin | 1,940 | 6.2 |
| Czech | 1,885 | 6.1 |
| Bengali | 1,829 | 5.9 |
| Romanian | 1,415 | 4.5 |
| Farsi | 1,100 | 3.5 |
| Slovak | 1,099 | 3.5 |
| Kurdish Sorani | 980 | 3.2 |
| Other ² | 9,285 | 29.8 |
| Total | 31,107 | 100 |

Note:

1. This figure shows the number of requests rather than the number of bookings fulfilled (the lower number in Figure 1).
2. 'Other' includes 94 requests for Welsh language interpretation. WITS will also provide note-takers or palantypists (speech to text) on request. It told us that it has not had a request for lip-speakers recently.

Source: WITS

1.20 WITS has reported an annual turnover of around £2.2 million for both 2015-16 and 2016-17. The 2016-17 turnover represents an average cost of £72 per booking including travel costs.

Governance and management challenges for WITS

- 1.21 Gwent Police initially hosted WITS and was responsible for its day-to-day management. An audit commissioned by Gwent Police in 2014 identified several management and governance issues, some of which stemmed from the rapid growth of WITS. These included clarifying the responsibilities and liabilities incurred by operating WITS, providing evidence that interpreters had up-to-date security and professional checks in place and updating the terms of reference for the Partnership Board. Gwent Police developed an action plan to address the findings of the audit report.
- 1.22 As part of its response, it approached Cardiff Council to take on responsibility for hosting WITS. WITS formally transferred to the Council in July 2017. Some temporary WITS staff employed by Gwent Police applied successfully for permanent WITS posts and became Council employees. The Council has introduced performance indicators and quality control measures for the WITS call-handling service similar to those used in its other call centres. The Council has also started to develop an e-booking service and a portal through which interpreters will access booking information rather than sharing information by insecure email.
- 1.23 WITS now has a formal governance structure, managed by an Advisory Board, chaired by a Director from Cardiff Council (Figure 3). Formalising the changed partnership arrangements has taken longer than originally estimated. At the time of writing (March 2018), each partner organisation was being asked to sign new partnership agreements detailing the roles and responsibilities of partners and the liabilities incurred by partners and the host body (Paragraph 1.28). Until finalised, WITS operates under interim arrangements agreed by partner organisations.

Figure 3 – WITS governance structure (March 2018)

WITS' objective is to meet the population's linguistic needs by providing a service that:

- Caters for the whole of Wales
- Addresses the different service needs of each organisation
- Addresses all foreign language needs
- Addresses relevant Welsh language needs
- Addresses relevant British Sign Language needs
- Is available 24/7
- Offers training and employment opportunities to local people
- Is cost effective for local public service providers

All partner organisations are represented on the Advisory Board. Not all attend regularly: it has been agreed that meeting will go ahead if seven partners – including three from the top quartile of spend – are present. The Board oversees WITS' development and progress and sets its strategic direction. It approves the budget and annual plan and fees. It considers serious breaches of the code of conduct and complaints.

The host organisation (currently Cardiff Council) is responsible for implementing the Advisory Board's recommendations. The host organisation employs a WITS manager who reports to the Board and whose costs are met by the partners.

Day-to-day management of WITS is delegated to the WITS management team.

Source: WITS (December 2017)

The challenge WITS faces in growing its business

- 1.24 By 2014, various third sector and private organisations were using WITS. WITS stopped providing services to these organisations after the 2015 audit questioned if this practice was lawful as the Police are not able to enter commercial relationships with private companies. This concern contributed to Gwent Police's decision to approach Cardiff Council to take on hosting WITS as councils are able to run profit-making services. The Council recognises that in future there will be potential to expand WITS by developing services for third and private sector organisations as well as by expanding its share of the public sector market.
- 1.25 The fees and charges for WITS services have remained the same for several years. Cardiff Council recognises that there is scope to review charges on an annual basis in line with practices for other council fees. In recent years, a shortfall in fees has been made up from reserves. However, under current arrangements, the Advisory Board would need to agree any increase in fees. It is unclear if partners will be prepared to raise costs that, ultimately, will affect their own budgets. Generally, it is important that the cost of services remains competitive although benchmarking by Gwent Police in 2015-16 suggested that costs were lower or equal to those of other third-sector and commercial organisations.

The challenge WITS faces in employing interpreters

- 1.26 At the time of the 2015 audit report, WITS had a register of over 1,000 self-employed interpreters. The auditors found that very few interpreters had undergone the required level of security vetting to work with vulnerable children and adults. Subsequently, Gwent Police identified only around 400 of those registered were regularly working for WITS. It employed a temporary member of staff to conduct security clearance and Disclosure and Barring Service checks retrospectively for these interpreters. WITS also checked the interpreters' qualifications. This retrospective vetting work cost £15,000. Cardiff Council procured an agency to manage the recruitment, vetting and payment of interpreters from July 2017.

- 1.27 In summer 2017, a dispute arose between the Council and interpreters about payment. Specifically, interpreters were unhappy about the Council's decision that tax and national insurance contributions should be deducted at source. Previously, interpreters had been paid in full and had been responsible for their tax and National Insurance Contributions¹⁴. The Council believed that this change in practice should not result in interpreters paying more tax or National Insurance overall. However, some BSL interpreters refused to undertake work for WITS under these arrangements. WITS was unable to fulfil 35 bookings in July and August 2017. The Council has provided information to HM Revenue and Customs on the terms of employment and is waiting for a response to clarify this matter. In the interim, tax is not being deducted at source. The Council reports that all of the interpreters have returned to undertaking WITS bookings.
- 1.28 Another important issue identified in the 2015 audit report was that neither Gwent Police nor WITS partners were clear about their liabilities in relation to WITS. Few interpreters had professional liability insurance; sometimes this was because they were unqualified and could not obtain insurance whereas others did not do sufficient work to justify the cost of insurance. Under the new collaboration agreement drawn up by Cardiff Council, WITS will have to carry the insurance risk and be responsible as a partnership should any claims be made. This means that partners will extend their professional indemnity and public liability insurance policies. Longer term, WITS wants interpreters to have their own professional indemnity insurance and public liability insurance.

¹⁴ The HMRC regulations in question (Inland Revenue 35) ensure that people who are not on an organisation's payroll but are employed through an intermediary pay broadly the same tax and National Insurance contributions as an employee would do. Public bodies are required to decide if these regulations apply to anyone employed in this way.

Services provided by private companies and third sector bodies

- 1.29 Many commercial companies also offer interpretation and translation services. Any public body can contract with them directly or through several UK Government framework contracts for interpretation and translation services. Courts, the Prison Service and the Department for Work and Pensions in Wales use these framework contracts but other public bodies can do so. The Welsh Government, councils and health boards spent £55,000 through these frameworks in 2016-17.
- 1.30 Our information request found that all but one of the 15 councils and all seven NHS bodies that responded had contracts with at least one organisation for interpretation and translation other than WITS. In total, seven organisations other than WITS were mentioned as currently contracted to provide interpretation and translation. However, we could not identify how many bookings were made through these companies or the cost as detailed information was not consistently available.
- 1.31 Some public bodies also contracted with third sector organisations for BSL interpretation. These operating in Wales include Action on Hearing Loss Cymru, Centre of Sign-Sight-Sound (formerly North Wales Deaf Association) and Wales Council for Deaf People. Each employs interpreters from a small pool of about 40 people working regularly in Wales¹⁵. Faced with a large number of requests for BSL interpretation, WITS experimented by directly employing a BSL interpreter at one point. However, WITS found that the post did not provide value for money: although costs were reduced for organisations based in South Wales, the demand did not cover the cost of the post. We did not identify total expenditure on BSL interpretation by public bodies although the number of organisations involved suggests that there may be scope to investigate whether public bodies are getting value for money from this spend.

¹⁵ The National Register of Communication Professionals working with Deaf and Deafblind People (NRCPD) estimates that there are around 900 BSL interpreters in the UK. Figures about Wales are from personal correspondence.

Part 2

Challenges for interpretation and translation services



- 2.1 This section of the report considers some of the challenges faced in providing interpretation and translation services. This section addresses some of those problems and reflects issues raised with us during the course of our work.

Ensuring interpreters are available

- 2.2 People we spoke to during our work told us that interpreters are not always available when needed. Recent research¹⁶ found that 42% of Deaf sign languages users said that communication was inadequate at their last GP appointment because an interpreter was not available. Organisations can maximise the likelihood that an interpreter will be available by providing as much notice as possible of appointments and offering some flexibility on timings. Sometimes this can allow the interpreter to undertake more than one appointment with different people and reduce interpreters' travel costs.
- 2.3 There can be particular problems ensuring that interpreters are available for languages for which there is high demand:
- a) **BSL** – The small number of BSL interpreters working in Wales means that it can be difficult to meet demand and, as a result, BSL interpreters can attract premium rates from the various organisations that provide BSL interpretation. For example, WITS pay BSL interpreters a slightly higher rate than other language interpreters. BSL interpreters are paid for a minimum of three hours whereas other interpreters are paid on hourly basis.
 - b) **Arabic** – The number of asylum seekers arriving in recent years from Syria, the Middle East and North Africa has increased demand for Arabic interpreters across the UK. WITS is responding to this by fast tracking applications from Arabic speakers.
- 2.4 Getting interpreters at short notice or in emergencies is a long-standing concern. Many organisations use telephone interpretation in these circumstances although, increasingly, charities and commercial organisations are investing to develop Video Remote Interpreting (see for example **Case Study 2**). Some representative groups of the D/deaf community are cautiously welcoming this initiative for emergencies but do not want it to replace face-to-face interpretation in most situations.

16 Action on Hearing Loss Cymru Good practice?: **Why people in Wales who are deaf or have hearing loss are still not getting accessible information from their GP**, March 2018.

Case Study 2 – Centre of Sign-Sight-Sound – DAISY project

The Centre of Sign-Sight-Sound is developing the DAISY (Digital Accessible Information System) project to provide remote access to interpreters and other communication support. DAISY enables quick access to a BSL/English Interpreter for Deaf service users and to a lip speaker or note taker for people who are hard of hearing. It aims to help Deaf people to live independently and make informed choices.

The service uses Skype software on tablets, laptops and smartphones so the service could be widely available at low cost. Avoiding travel costs for the interpreter makes BSL interpretation or other support more affordable. This helps the Deaf community access interpreters and other communication support more readily than now.

The Centre of Sign-Sight-Sound is working with Betsi Cadwaladr University Health Board to develop DAISY. However, the Centre believes that DAISY could be used much more widely wherever people need BSL interpreters or note-takers.

Other organisations in Wales are developing different video remote interpreting for sign language services. Cwm Taf University Health Board has worked with the Centre of Sign-Sight-Sound and the Wales Council for Deaf People. Abertawe Bro Morgannwg University Health Board has also introduced Video Remote Interpreting, working with the Wales Council for Deaf People. NHS Wales 111 Service has a contract with a private company to provide telephone interpreting or video remote interpreting for people who do not speak English or Welsh. NHS 111 Wales is reviewing its service for people who are D/deaf with representative groups.

Source: Centre of Sign-Sight-Sound, July 2017 and the Wales Audit Office

- 2.5 Some organisations (including the Department for Work and Pensions) use telephone or video remote interpreting for most situations, other than for BSL or if people are otherwise vulnerable. In Scotland, the Scottish Government has procured a tele-interpretation app for the public sector (Interpreter Now). The app gives widespread access to video remote interpreting in sign language and other languages through a smartphone, tablet or computer. These types of technologies are developing rapidly and may be more widely used in future.

Ensuring interpreters are booked for every appointment when needed

2.6 Service users and providers told us that interpreters are not always booked when needed. Sometimes this is unavoidable, for example, a person may believe themselves proficient in English or Welsh but as an appointment unfolds, they can find their language skills are not sufficient for a conversation about specialised care. Mostly, councils and health boards place the onus on the person to say if they need an interpreter when they make an appointment. This requires individuals to know that they are entitled to have an interpreter and to be able to ask for one to be booked. This opportunity may be made clear in the appointment letter or on the organisation's website ([Case Study 3](#)). However, several organisations pointed out to us that this approach could fail if the person or their representative cannot read the letter or website in English or Welsh in the first instance. People are often expected to telephone, which is difficult for many people who do not speak English or Welsh or who are D/deaf.

Case Study 3 – Communication cards – Betsi Cadwaladr University Health Board and Welsh Ambulance Service NHS Trust

Betsi Cadwaladr University Health Board created an **Accessible Health Communication Card** for D/deaf people who need communication support to use in primary care and hospitals. The Card allows patients who are Deaf, deafened or hard of hearing to record their communication needs, prompts staff on what action to take and gives some communication tips. The card is part of Betsi Cadwaladr UHB's Sensory Loss Toolkit to help staff meet the communication needs of people with sensory loss.

The Welsh Ambulance Service NHS Trust introduced a bilingual **Medical Information Card** in 2013. It helps Deaf and hard of hearing people relay important information such as their preferred method of communication, next of kin, medication and medical history. The card is the size of a credit card and can be kept in a purse or wallet.

Source: [Betsi Cadwaladr University Health Board](#), [Welsh Ambulance Service NHS Trust](#) and [NHS Wales Centre for Equality and Human Rights](#)

- 2.7 Another commonly expressed frustration was that a person's language and communication needs are not routinely recorded, for example by placing a flag or note that an interpreter is required on the person's case notes or electronic record. Therefore, unless the person realises that they need to book an interpreter for each separate appointment, they may attend a second appointment expecting the interpreter to be there but find that one has not been booked. Having to get an interpreter at short notice reduces the chance that the original interpreter is available. This means that the relationship between interpreter, individual and professional does not develop in the same way and that second and subsequent appointments take longer than they might otherwise do.
- 2.8 A new Accessible Information Standard for people with sensory loss was introduced into GP surgeries in November 2017. This national initiative, led by the Welsh Government, builds on the 2013 All Wales Standards for Communication and Information for People with Sensory Loss. The Standard requires GP surgeries to capture, record and flag electronically the communication and information needs of patients with sensory loss. The second phase of the project means that from March 2018, information on communication needs will be shared with any e-referral to secondary care. However, these requirements do not extend to speakers of other languages, people with other communication difficulties or to social care providers. The Accessible Information Standard in England¹⁷ by contrast extends to publicly funded adult social care as well as NHS England and is for service users, patients, carers and parents with a disability, impairment or sensory loss.

Developing a common understanding of the interpreter's role

- 2.9 Interpreters and the organisations that employ them can have a different understanding of the interpreter's role. Strictly speaking, interpretation is simply telling one person what another person is saying. However, we heard of examples where interpreters go beyond this, for example making appointments for the individual or checking their understanding after an appointment. In these cases, the interpreter is moving beyond their role into providing support or advocacy.

¹⁷ The Health and Social Care Act 2012 (section 250) introduces an Accessible Information Standard in England. The Standard applied from 31 July 2016.

2.10 While interpreters will do this with the best of intentions, there are risks for them and for service users. Firstly, the service user can become overly dependent on an interpreter who may not always be available. Secondly, an interpreter can encourage the person to become overly dependent on them to create more work. Finally, professional liability insurance is unlikely to cover costs arising from advice given inappropriately in the event of a claim against the interpreter.

Offering people a choice of interpreter where practically possible

2.11 Representative groups of both the D/deaf community and asylum seekers and refugees stress that people want to be able to express a preference for an individual interpreter. This enables trusting relationships to build over time notwithstanding the risks noted above. Initially, WITS did not offer the opportunity for people to ask for a particular interpreter. After representations from the D/deaf community in particular, WITS does now offer this in most circumstances but partners must request the person when making a booking. WITS cannot guarantee that the chosen interpreter will be available though as interpreters are self-employed and can choose when and where they will work.

Matching people with an interpreter of the same gender where practically possible

2.12 Due to the sensitive nature of many of the interactions that people have with public bodies, they may feel more comfortable with an interpreter of the same gender. For example, many female refugees and asylum seekers will have experienced violence in their country of origin or in the UK. Specialist training is available for interpreters working with people who have experienced sexual or violent crimes and research has shown that women are more likely to disclose being a victim of violence if the interpreter is also female¹⁸. Men may also feel more comfortable talking about health issues to another man.

2.13 None of the organisations' policies that we have reviewed stated that gender matching is standard practice or mentioned circumstances in which staff may want to consider seeking a gender-match for interpreters. The ability to request an interpreter of the same gender could be stated in policies and in public information more explicitly as WITS and other interpretation providers will try to match interpreters on request.

¹⁸ Hubbard A., Payton J. and Robinson A., **Uncharted territory: Violence against migrant, refugee and asylum-seeking women in Wales**, Wales Strategic Migration partnership and Cardiff University, 2013

Making sure that interpretation services are good quality

- 2.14 Generally, public bodies need to know that the service they provide is good quality. This can be inherently difficult for interpretation and translation services: for example, staff will find it difficult to judge the quality of any interaction between an interpreter and a patient if they do not understand the language. Nevertheless, this is an important way of monitoring quality. Only nine of the 22 NHS bodies and councils who responded to our information request monitored the quality of interpretation services by requesting feedback from staff and/or service users.
- 2.15 Cardiff Council carried out a customer satisfaction survey of organisations using WITS at the end of 2017. WITS undertook workshops in November and December 2017 and March 2018 in North and South Wales with members of the D/deaf community to seek for feedback on their experiences of WITS' services. Previously WITS relied on discussions at its quarterly Partnership Board meetings or complaints to identify issues or concerns about its service. Cardiff Council also surveys WITS' interpreters on their views and experience of working for WITS. These surveys will provide a benchmark against which to measure improvement. Currently, WITS does not carry out routine quality control of its interpreters' work or ask service users for their views.
- 2.16 Complaints are another way of improving service quality. However, the 2012 working group's report on Accessible Health Care for People with Sensory Loss¹⁹ noted that people with sensory loss are often reluctant to make a complaint. Sometimes this is because they cannot access the complaints system, for example if they would have to telephone or if they need support make a complaint. Sometimes people are reluctant to complain because of issues involving personal dignity or respect. Another issue raised with us is that the tight knit nature of many language communities can make it hard to complain about interpreters especially if they are highly regarded people in the communities. These factors may limit the usefulness of complaints as an indicator of service quality.
- 2.17 We are aware that Cardiff Council has recognised that WITS needs to make its own complaints system accessible following concerns raised in meetings with representatives from the D/deaf community in late 2017 and early 2018. WITS has recently discussed an action plan with its Advisory Board that includes introducing a more accessible complaints process. WITS is also responding to other concerns to improve its service to Deaf people in the context of the wider statutory duties on public bodies (Paragraphs 1.2 – 1.7).

¹⁹ Accessible Health Care for People with Sensory Loss Working Group, **Accessible Health Care for People with Sensory Loss in Wales: final report 2012**.

Developing interpreters' professional and language skills

- 2.18 One of the aims in establishing WITS was to increase the number of qualified interpreters working in Wales. Cardiff Council reports that all of the BSL interpreters working with WITS have interpretation qualifications. All are registered with the National Register of Communication Professionals working with Deaf and Deafblind People (NRCPD).
- 2.19 However, many interpreters of other languages do not have formal qualifications. They can choose to register with the National Register of Public Service Interpreters (NRPSI) but this is not compulsory to work as an interpreter in the UK and carries a fee. WITS told us that it is not always possible to use a registered or qualified interpreter because of the scarcity of some language interpreters. WITS has worked with Cardiff University to put on accredited training for those wishing to be public-service interpreters. However, the primary interpretation qualification takes a long time to achieve and is quite costly. This can be off-putting to some interpreters, particularly if they do not do a lot of interpreting perhaps because there is little demand for their language or because they have other employment.

Specialist interpretation for mental health services

- 2.20 Deaf charities estimate that D/deaf people are at least twice as likely to experience depression and anxiety than the general population²⁰. The British Society for Mental Health and Deafness received a grant from the Big Lottery Wales' People and Places Programme to provide mental health awareness training for D/deaf people. It is working in partnership with the British Deaf Association Wales and Public Health Wales NHS Trust to make an accredited Mental Health First Aid programme accessible for D/deaf people, including interpretation for BSL users. The programme aims to help D/deaf people and those involved with the community gain the skills to identify mental health problems and respond fittingly.
- 2.21 Mental illness is common among refugees and asylum seekers, many of whom have experienced trauma and loss in their country of origin. Furthermore, after arriving in the UK, many migrants, asylum seekers and refugees are cut off from social support, especially if they are dispersed to an area with few people from the same community. For those who seek treatment for mental illness, effective talking therapies such as cognitive behaviour therapy are impossible without an interpreter.

²⁰ The deaf health charity SignHealth estimates that D/deaf people are at least twice as likely to experience depression and anxiety than the general population. Some research has estimated an even higher prevalence of mental illness, especially among people with acquired hearing loss (Matthews L. Hearing Loss, tinnitus and mental health: a literature review, Action on Hearing Loss, January 2013).

2.22 The Welsh Government and NHS bodies as well as WITS are aware of the need to train interpreters to work in mental health settings. In February 2017, the Welsh Government issued guidance to health boards²¹. It has provided funding of £40,000 to train mental health practitioners in child and adolescent and adult mental health services in relation to the delivery of trauma focused care to asylum seekers and refugees. The Welsh Government's current consultation document 'Nation of Sanctuary – Refugee and Asylum Seeker Plan' proposes actions that would help people access mental health services in their asylum journey. Several initiatives are trying to make mental health services more accessible to adults, children and adolescents who do not speak English or Welsh. For example, MIND Cymru's Vulnerable Migrant Programme ran for three years to March 2018 to explore how services can be accessible to asylum seekers and refugees. This has included overcoming language barriers and understanding how treatment programmes can be changed to take account of cultural differences in understanding mental health²².

21 NHS Wales Welsh Health Circular, Good Practice Guidance on the Provision of Mental Health Support for Asylum Seekers and Refugees Dispersed to Wales, February 2017.

22 Mind Cymru, Improving mental health services for vulnerable migrants in Wales: changing context, emerging practice. Report of the Second Year, November 2017.

Part 3

Developing interpretation and translation services



- 3.1 In summer 2017, we asked councils and NHS bodies to tell us about the actions they have taken to make services accessible to people who face language barriers. The areas we asked about included policy documents, information and training for staff, information for service users and digital communication. This section of the report provides details from the 15 councils and seven NHS bodies that responded. Based on this and other information, we developed a checklist to help organisations in their planning for services.

Actions underway in Councils and NHS bodies in Wales

- 3.2 Our work showed that, while all councils and NHS bodies are providing interpretation and translation services for people who do not speak English or Welsh, the extent to which they have developed formal policies and procedures varies. This was in line with the findings of the Welsh Government's assessment of NHS bodies' progress towards meeting the NHS All Wales Standards for Accessible Communication and Information for People with Sensory Loss ([Appendix 2](#)).
- 3.3 All of the 15 councils and seven NHS bodies that responded to our information request had provided some training for at least some of their staff such as face-face training and guidance as well as displaying posters, e-training and putting information on their intranet. Examples include a sensory loss e-learning module produced by NHS Wales that is available through the NHS Wales learning platform. Velindre NHS Trust has introduced a BSL programme tailored to reflect the work of staff in the Trust providing cancer services. The Welsh Ambulance Service NHS Trust has also developed a BSL learning package for its staff. Betsi Cadwaladr University Health Board produced a Sensory Loss toolkit that provides information for staff about how to communicate with and help people with sensory loss in their hospitals. It also has step-by-step instructions about how to organise communication support. The toolkit won an Excellence Wales award from Action on Hearing Loss Cymru.
- 3.4 However, less than half of the organisations responding had a formal policy detailing their duties and/or citizen's rights in relation to interpretation and translation. The policies differed in detail but all provided information about the process for booking interpretation and translation.

- 3.5 Around half (7 of 15) of councils that replied to our information request have carried out work to make their websites more accessible. Most often, this was by incorporating an e-translation²³ tool or screen readers²⁴ (**Case Study 4**).
- 3.6 We reviewed the home pages of health boards and trusts at the beginning of 2018. Four of the seven health boards and Public Health Wales NHS Trust have adopted a standard format for their websites developed by the NHS Wales Informatics Service. This follows Government accessibility and web-content accessibility guidelines. Users can alter the font size easily and use screen-readers. Other health boards have developed formats that are more individual although still follow the guidelines. Cardiff and the Vale University Health Board have incorporated an e-translation tool (Google Translate) into their home page. This makes it easy to for users to translate web pages into many of common languages. The home page for the Welsh Ambulance Service NHS Trust has a link 'Deaf and Hard of Hearing' on its Home Page that has BSL content as well as information about the emergency text service and the medical information card (**Case Study 3**) to help people communicate in an emergency. The ability to translate the site into the other main languages spoken in Wales is clearly indicated at the bottom of the home page.
- 3.7 Where information is relevant to people who do not speak English or Welsh or experience sensory loss, there are good examples of organisations making it available in many formats. For example, the Welsh Government published 2013 NHS Wales Standards for Accessible Communication and Information for people with Sensory Loss (**Paragraphs 1.8 and 1.9 and Appendix 2**) in BSL, large print, audio, Braille and Easy Read.
- 3.8 In two other recent reports²⁵, we have highlighted opportunities for public bodies to improve the accessibility of their public information in specific areas of service delivery. For example, our work on housing adaptations highlighted that while delivery organisations provide information on housing adaptations in both Welsh and English, a significant number do not provide information in other accessible formats.

²³ E-translation (or machine translation) is an online or electronic tool that substitutes words or phrases in one language for another. In the past, this has been described as 'clumsy'. However, the accuracy of translations is improving, especially in the most common languages and new applications are emerging such as speak-translate and real-time translation.

²⁴ Screen readers 'speak' text to make it accessible to people with vision impairment, people with learning difficulties including dyslexia and people with poor literacy.

²⁵ Auditor General for Wales, **How Local Government manages demand – Homelessness**, January 2018; and Auditor General for Wales, **Housing Adaptations**, February 2018.

Case Study 4 – The Wales Audit Office’s work to make its public website accessible

The Wales Audit Office wanted to make sure that its public website is accessible to everyone. It commissioned the Digital Accessibility Centre to audit its website in 2015. Their report highlighted several issues and recommended improvements. The website now incorporates software providing text to speech interpretation in 40 languages and translation into 99 languages as well as other features that make it more accessible.

Although work to fix the website took longer than planned, doing it in-house allowed staff to learn how to produce accessible web content. The Wales Audit Office knows that it can do more to make other communications more accessible. Recently it has reviewed its font size for print and is developing new templates so its publications meet best practice for print.

Source: Wales Audit Office

Checklist for interpretation and translation services

- 3.9 To support future developments, we have compiled a checklist of issues that public bodies may need to consider when planning how to meet the needs of people who do not speak English or Welsh based on our work (Box 4). In doing this, we have referred to, but do not seek to reproduce, the advice and guidance available elsewhere and in the NHS-specific All Wales Standards for Accessible Communication and Information for People with Sensory Loss (Paragraphs 1.8 and 1.9).

Box 4 – Checklist for interpretation and translation services

1. Understanding the communication needs of the local population

- a Has the organisation assessed the communication needs of the local population to estimate the likely demand for interpretation and translation services including the languages spoken locally?
- b Has the organisation reviewed how accessible its services are to people who do not speak English or Welsh, including Deaf people who use BSL, including seeking feedback from service users and representative groups?

Box 4 – Checklist for interpretation and translation services (cont.)

2. Policy and procedures

- a Has the organisation developed a policy covering:
 - Legislative requirements to ensure that services are accessible.
 - Requirement to use professional interpreters rather than relying on bilingual staff, family or friends.
 - Circumstances in which staff may rely on someone other than a professional interpreter such as emergencies.
 - Types of interpretation available and the circumstances in which staff should use face-to-face interpreters, telephone interpreters and video remote interpreting.
 - The process for booking face-to-face, telephone and video remote interpreting.
 - How to access interpreters at short notice or in emergencies.
- b Are arrangements in place to monitor the quality of interpreters and translation?
- c Is there an accessible complaints process?

3. Sourcing interpretation and translation services

- a Has the organisation considered the best options for it to source interpretation and translation services (whether through WITS, UK Government frameworks, by contracting directly with other service providers or a mix of these options)?
- b Does the organisation monitor the demand for and the cost of interpretation and translation services including any added costs incurred for late notice or emergency bookings, short-notice cancellations or missed appointments?
- c Has the organisation considered if it needs to source specialist interpreters, for example for work with people who are mentally ill or who have experienced violence or trauma?
- d Does the organisation know which staff – if any – have language skills to provide services in another language or to assist with communication in an emergency until a professional interpreter is available?

Box 4 – Checklist for interpretation and translation services (cont.)

4. Training for staff about working with people whose first language is not English or Welsh

- a Has the organisation considered and responded to the training needs of staff to ensure that they can communicate effectively with people whose first language is not English or Welsh?
- b Has the organisation evaluated the effectiveness of its staff training?
- c Do staff know how to book an interpreter?
- d Do staff know how to work with interpreters, for example booking longer appointment times or what is the interpreter's appropriate role?

5. Providing information for service users who do not speak English or Welsh as their main language

- a Are service users whose first language is not English or Welsh (including people who may use the services) made aware they can request an interpreter or translation, for example by information on the organisation's website, in posters/letters and through representative groups?
- b Are service users made aware they can express a preference for a particular interpreter?
- c Does the organisation seek feedback from service users who have used an interpreter?
- d Does the organisation clearly tell service users with different language needs how to make a complaint either about the interpreter, lack of accessible information or the service they have received more generally?
- e Has the organisation made sure that its website and other digital communication is accessible to those who do not speak English or Welsh?

Source: Wales Audit Office

Appendices

Appendix 1 – Our methods

Appendix 2 – Performance against
the 2013 All Wales
Standards for Accessible
Communication and
Information for People
with Sensory Loss



Appendix 1 – Our methods

This study focuses on people who do not speak English or Welsh including Deaf people who use BSL. We recognise that many other people have different communication barriers, for example people with learning disabilities or people who are deaf or hard of hearing, people with a combination of hearing and sight loss or people with poor literacy. Many of the steps to improve access for people who do not speak English or Welsh as a first language will help these wider groups (for example through using plain English and by increasing awareness of communication barriers generally) but this was not the focus of our work.

Following research and consultation with policy-makers and representatives of people who use interpretation and translation services, we hosted two shared learning seminars in February and March 2017 so representatives of particular groups and staff involved in delivering services could share their experiences and learn from each other. We followed up some case study examples from the seminars (**Box 5**) and more detail is available on the Wales Audit Office Shared Learning web pages ([Making services more accessible to people who do not speak English or Welsh](#)).

Box 5 – Case studies

1. Abertawe Bro Morgannwg University Health Board – Health Access Team
2. South Wales Police – Emergency and non-emergency contact, Keep Safe Cymru
3. Dyfed Powys Police – Emergency calls, The Pegasus Scheme
4. Dyfed Powys Police – Non-emergency text number
5. Arriva Trains Wales – Orange Wallet Scheme
6. Welsh Ambulance Service NHS Trust – Pre-hospital app
7. Taff Housing – Supporting people resettling in Cardiff and the Vale of Glamorgan through the Home Office’s Syrian Vulnerable Persons Resettlement Programme
8. Cardiff Council – Providing advice services to speakers of other languages in Community Hubs
9. Wales Audit Office – Making the public website accessible

In Summer 2017, we contacted councils and NHS bodies in Wales requesting information about their policy and actions to enable wider access to public services for people who do not speak English or Welsh as their first language or face language and communication barriers due to sensory loss. We had responses from 15 councils, four health boards and the three NHS trusts.

We reviewed the Strategic Equality Plans of 41 organisations – all 22 councils, the seven health boards and three NHS trusts, the three national park authorities, the four police forces and three fire authorities in Wales – to see what reference, if any was made to people who do not speak English or Welsh as a their first language or who experience language barriers because of sensory loss. We searched specifically for references to refugees, asylum seekers, migrants and Black and Minority Ethnic groups as well as language. Also for references to ‘Deaf’, ‘deafened’, ‘hearing impaired’ or ‘sensory loss’. We conducted the same review of the seven Population Needs Assessments published by the Joint Health, Social Care and Well-being Partnerships in 2017 and the 19 well-being assessments published by Public Services Boards for the first time in Spring 2017.

We had a number of meetings with officers from WITS. We followed the changes brought in following an audit report in March 2015 and the transfer of hosting responsibilities from Gwent Police to Cardiff Council. We contacted other interpretation and translation services to give them the opportunity to provide information on their services and work in Wales.

During this work, we also met with staff from the Wales Council for Deaf People and the Centre of Sign-Sight-Sound (formerly North Wales Deaf Association) in Summer 2017. We discussed the work with the Wales Council for Voluntary Action’s Equalities and Human Rights Coalition and received detailed information on initiatives underway from several organisations.

We also held discussions with officers from the Welsh Government and the Wales Strategic Migration Partnership, hosted by the Welsh Local Government Association.

Overall expenditure on interpretation and translation services

We know that public bodies in Wales spent £2.2 million through WITS and £55,000 through the UK Government procurement frameworks on interpretation and translation services in 2016-17 (Paragraphs 1.19 and 1.29). Expenditure through WITS includes a small amount (estimated at not more than £7,000) on Welsh language interpretation.

However, these figures do not include the cost of interpretation or translation procured through contracts with other private companies or third sector organisations. Overall, we were unable to establish the total expenditure on interpretation and translation for languages, in part because we only received information on expenditure from 12 councils, four health Boards and three NHS Trusts bodies. Some of the figures provided were either incomplete or inconsistent; for example, some paid a fee for each booking while others had a fixed contract for interpretation services. Information provided by councils did not include interpretation and translation for asylum seekers settled in Wales under the Syrian Vulnerable Persons Resettlement Programme as these costs are met from the Home Office's block grant to the host authority.

No information was provided on the number of employees whose primary role was interpretation or translation. Organisations also did not provide any assessment of the opportunity costs incurred by staff doing interpretation work rather than their primary role.

Appendix 2 – Performance against the NHS Wales’ 2013 All Wales Standards for Accessible Communication and Information for People with Sensory Loss

The Welsh Government monitors health bodies’ progress towards meeting the All Wales Standards for Accessible Communication and Information for People with Sensory Loss annually. Its unpublished reviews of information provided by the Health Boards and Trusts for 2015-16 and 2016-17 concluded that all have made progress towards achieving the Standards but performance is variable. All apart from Public Health Wales had an action plan towards achieving the Standards by March 2016. All could show that they had undertaken some form of needs assessment in hospital care. The following paragraphs summarise some of the findings from the reviews.

Secondary health care

All of the health boards and trusts except Powys Teaching Health Board have rolled out some form of awareness raising and/or training to staff. Various initiatives include how to use specialised equipment; information to raise awareness of the needs and issues faced by people with sensory loss and training staff in BSL. In 2016, the University Dental Hospital won an award in the Cardiff & Vale UHB’s Staff Recognition Awards for its awareness and training for front line staff in sensory loss.

All have put measures in place to improve their communication with people with sensory loss. Four health boards were piloting or rolling out text messaging for appointments and one health board is piloting a buzzer system to call patients for their outpatient appointment. Most have installed communication mechanisms such as hearing aid loops, Sondio amplification units, sensory mats, BSL interpreters and guidance on written patient information. Some have systems to alert staff to patients’ sensory needs such as sensory loss symbols on patient records/status boards and documenting communication needs in referral letters. Powys Teaching Health Board’s initiative to flag the access and linguistic needs of patients via e-referral and the Patient Admission System has been adopted as an exemplar.

Primary health care

Generally, primary care providers had done less to implement the Standards than secondary care. Initiatives underway and completed include:

- a **Raising staff awareness** of sensory loss issues and/or the Standards through training, awareness raising sessions and guidance documents;
- b **Introducing communication tools** for people with sensory loss who want to use primary care services. Examples include communication cards, booking BSL interpreters and piloting the use of awareness raising symbols. More specifically, the Accessible Information Standard for people with sensory loss was introduced into GP surgeries from November 2017.

It is a national, Welsh Government led, project that enables GP surgeries to capture, record, transfer and flag the communication and information needs of sensory loss patients. An additional phase will be added to the project by the end of March 2018 to enable those identified communication and information needs to be shared via e-referral when the GP refers patients to secondary care; and

- c **Making information about health and wellbeing accessible** for example by including BSL video clips on websites and adapting education programmes so that participation is inclusive. In regards to the latter, Abertawe Bro Morgannwg University Health Board has won an NHS Wales Award (Citizens at the Centre of Service Redesign & Delivery) in 2015 for its redesigned health and wellbeing courses that are now accessible to Deaf BSL users.

Issues identified as needing to be addressed in March 2017 included ensuring that appointment systems are more accessible to people with sensory loss. One health board noted an on-going problem with interpreters for emergency appointments. A more general concern in three of seven health boards was making public and patient areas in primary health buildings more accessible especially in older buildings and ensuring hearing loops are available.

Emergency and unscheduled health care

NHS bodies vary in the extent to which they have taken action to improve access to emergency and unscheduled care. Initiatives include:

- a staff training/awareness sessions;
- b using equipment such as listening devices, information cards, updating websites to assist people with sensory loss and identifying a lead or champion for sensory loss issues; and
- c the Welsh Ambulance Service NHS Trust has developed an app to help communication with patients and others who do not speak English or Welsh or who have sensory loss or other communication needs ([Case Study 6, Speak My Language Shared Learning](#)).

However, in March 2017, three health boards reported that they needed to address the issue of access to unscheduled and emergency care and especially outside of core hours.

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AUDIT COMMITTEE

13TH JULY 2018

STATEMENT OF ACCOUNTS 2017-2018

Recommendations / key decisions required:

- 1) To receive the Carmarthenshire County Council Statement of Accounts 2017/18

- (2) To retrospectively approve the movements to and from the Earmarked Reserves.

In particular the transfers to :

 - The Corporate Retirement Fund
 - The Major Development Fund
 - MEP Capital Funding

- (3) To retrospectively approve the creation of the City Deal Reserve.

Reasons:

To comply with the Accounts and Audit (Wales) Regulations 2014.

Relevant scrutiny committee to be consulted: NA

| | |
|------------------------------|----|
| Exec Board Decision Required | NO |
|------------------------------|----|

| | |
|---------------------------|----|
| Council Decision Required | NO |
|---------------------------|----|

EXECUTIVE BOARD MEMBER PORTFOLIO HOLDER:- Cllr. David Jenkins

Directorate: Corporate Services

Head of Service:
Randal Hemingway

Report Author:
Randal Hemingway

Designations:

Head of Financial Services

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**EXECUTIVE SUMMARY
AUDIT COMMITTEE
13TH JULY 2018**

STATEMENT OF ACCOUNTS 2017-2018

The Statement of Accounts for 2017/18 brings together all the financial transactions of the Authority for the year, and also details the Authority's assets and liabilities as at the 31st March 2018.

The Authority has maintained the overall Council Fund net expenditure within budget during 2017/18, and you will note the following results are reported in the Movement in Reserves Statement:

Council Fund (Generally available for new expenditure). Transfer to balances £480k
Balances held by schools under local management schemes. Transfer from balances £195k.
Housing Revenue Account. Increase in balance £6,103m , including £3.8m to support the Authority's Affordable Homes Strategy

Whilst a number of service areas across the authority experienced demand led pressures during the year, these have been offset by under-spends in other service areas; specifically on capital financing costs and a higher than estimated collection level on Council Tax.

The resultant outturn has meant that the Authority transferred £480k to its general reserves, against a budgeted transfer of £200k from the reserves.

In the preparation of these accounts there have been movements to and from earmarked reserves. In particular transfers to:

The Corporate Retirement Fund: £750k to support the Authority's redundancy and early retirement policy, enabling the Authority to provide for the actuarial strain on the pension Fund which arises from any early retirement or redundancy.

The Major Development Fund; Transfer of £2.041m to support major developments in the future.

MEP Capital Funding: £3.533m set aside in the 2017-2018 budget to meet the cost of prudential borrowing to finance the Modernising Education Provision programme. This will now be utilised in 2018-2019.

The City Deal Reserve: Transfer £2m to meet potential future expenditure in respect of City deal projects.

Members are therefore asked to retrospectively approve these movements and approve the creation of the City Deal Reserve.

DETAILED REPORT ATTACHED ?

YES

IMPLICATIONS

I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report :

Signed: **Randal Hemingway**

Head of Financial Services

| | | | | | | |
|---|------------|------------|-------------|------------------------|-----------------------|-----------------|
| Policy, Crime & Disorder and Equalities | Legal | Finance | ICT | Risk Management Issues | Staffing Implications | Physical Assets |
| NONE | YES | YES | NONE | NONE | NONE | NONE |

Legal

Compliance with the Accounts and Audit Regulations 2014

Finance

Overall the Authority's Council Fund net expenditure for the year was below the original budget, resulting in a transfer of £480k to balances on the Council Fund as opposed to a budgeted transfer of £200k from Council Fund Balances, and a transfer of £6,103m to the Housing Revenue Account balance which includes £3.8m to support the Authority's Affordable Homes Strategy.

At the balance sheet date the Council Fund General Balances stood at £9,783m, the Housing Revenue Account £20,114m and the balances held by schools under LMS £1,515m

The reserves created and included within the Statement of Accounts have been set up to meet future liabilities.

CONSULTATIONS

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below

Signed: Randal Hemingway

Interim Head of Financial Services

1.Scrutiny Committee – Not applicable

2.Local Member(s) – Not applicable

3.Community / Town Council – Not applicable

4.Relevant Partners – Not applicable

5.Staff Side Representatives and other Organisations – Not applicable

Section 100D Local Government Act, 1972 – Access to Information

List of Background Papers used in the preparation of this report:

THESE ARE DETAILED BELOW

| Title of Document | File Ref No. | Locations that the papers are available for public inspection |
|--|--------------|---|
| Accounts and Audit (Wales) Regulations 2014 | | Corporate Services Department, County Hall, Carmarthen |
| Code of Practice on Local Authority Accounting 2017 | | Corporate Services Department, County Hall, Carmarthen |



STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED 31st MARCH 2018

**CHRIS MOORE FCCA
DIRECTOR OF CORPORATE SERVICES
COUNTY HALL
CARMARTHEN**

Published Subject to Audit

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1 NARRATIVE REPORT

The following Statement of Accounts brings together in summary form the financial transactions of the Authority for the year 2017-18.

The Authority's Accounts for the year 2017-18 are set out on the following pages of this report, and have been produced in line with the 2017-18 Code of Practice on Local Authority Accounting (the Code).

1.1 The accounts consist of the following financial statements:

Expenditure and Funding Analysis

This statement shows the reconciliation between how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices as shown in the Comprehensive Income and Expenditure Statement.

Comprehensive Income and Expenditure Statement (CIES)

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. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The reconciliation to the taxation position is shown in the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Provision of Services line shows a deficit of £38.787m being the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

The Balance Sheet

This shows the assets and liabilities of the Authority as at 31 March 2018.

The Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period.

The Housing Revenue Account Income and Expenditure Statement and Movement on the Housing Revenue Account Statement

This shows the income and expenditure incurred on Council housing (which is included in the whole Authority income and expenditure statement) and how the surplus/deficit for the year reconciles to the movement on HRA balance for the year.

Dyfed Welsh Church Fund and Other Trust Funds

These accounts show the financial transactions and net assets relating to sums within the trusts.

The accounts are supported by the Statement of Accounting Policies (Note 6.1 - Notes to the Accounts).

1.2 Revenue Budget

The following table shows how the actual spend on services during 2017-18 compared with the budget set for the year.

| Service | Working Budget | | | | Actual | | | | Variance For Year |
|---|----------------|------------------|----------------------|----------------|----------------|------------------|----------------------|----------------|-------------------|
| | Expenditure | Income | Net Non Controllable | Net | Expenditure | Income | Net Non Controllable | Net | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Chief Executive | 24,208 | (7,815) | (3,540) | 12,853 | 25,423 | (9,180) | (3,540) | 12,703 | (151) |
| Education & Children | 159,766 | (21,554) | 30,289 | 168,501 | 184,233 | (45,857) | 30,289 | 168,665 | 164 |
| Corporate Services | 79,482 | (51,162) | (4,446) | 23,874 | 81,535 | (53,532) | (4,446) | 23,558 | (317) |
| Communities | 134,503 | (53,133) | 15,494 | 96,864 | 135,480 | (54,163) | 15,494 | 96,811 | (53) |
| Environment | 113,685 | (75,344) | 22,034 | 60,375 | 114,498 | (76,107) | 22,034 | 60,425 | 50 |
| Departmental Expenditure | 511,643 | (209,008) | 59,831 | 362,465 | 541,168 | (238,839) | 59,831 | 362,160 | (306) |
| Net Interest & Capital | | | | | | | | | |
| Accounting Adjustments | | | | (20,605) | | | | (22,793) | (2,188) |
| Pension Reserve Adjustment | | | | (16,962) | | | | (16,962) | 0 |
| Accumulated Leave | | | | 15 | | | | 15 | 0 |
| Levies and Contributions: | | | | | | | | | |
| Brecon Beacon Nat Parks | | | | 138 | | | | 138 | 0 |
| Fire Authority | | | | 9,349 | | | | 9,349 | 0 |
| Net Expenditure | | | | 334,401 | | | | 331,907 | (2,494) |
| Contribution to/(from) General Balances | | | | (200) | | | | 480 | 680 |
| To/(from) Departmental Reserves | | | | 0 | | | | 209 | 209 |
| Transfer to City Deal Reserve | | | | 0 | | | | 2,000 | 2,000 |
| Transfer to other Earmarked Reserves | | | | 0 | | | | 890 | 890 |
| Net Budget | | | | 334,201 | | | | 335,486 | 1,286 |
| Revenue Support Grant | | | | (191,881) | | | | (191,881) | 0 |
| Non Domestic Rates | | | | (60,295) | | | | (60,295) | 0 |
| Council Tax | | | | (82,024) | | | | (83,310) | (1,286) |
| | | | | 0 | | | | 0 | 0 |

The financial position, at year end showed an under-spend at service level of £306k.

The Education department was £164k over budget after offsetting underspends due to staff vacancies and secondments against overspends due mainly to school based EVR and redundancy costs, increased number of care proceedings entering the legal system and a shortfall in the Music Service SLA income from schools. The Environment budget experienced pressures, mostly within the Highways and Transport division as a result of the non achievement of income targets in Parking Services and increased winter maintenance on the Highways service which resulted in a net overspend of £50k

The under-spends in other departments, plus the savings on capital financing costs and a higher than estimated collection level on Council Tax means that the Authority transferred £480k to general reserves for the 2017-18 financial year compared to a budgeted transfer from reserves of £200k.

| HOUSING REVENUE ACCOUNT | Working Budget | | | Actual | | | Variance For Year |
|---|----------------|----------|---------|-------------|----------|---------|-------------------|
| | Expenditure | Income | Net | Expenditure | Income | Net | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Housing Revenue Account | 36,957 | (39,245) | (2,288) | 33,344 | (39,447) | (6,103) | (3,815) |
| Set aside for Affordable Homes Strategy | 0 | 0 | 0 | 3,793 | 0 | 3,793 | 3,793 |
| Net HRA | 36,957 | (39,245) | (2,288) | 37,137 | (39,447) | (2,310) | (22) |
| Transfers to/(from) HRA balances | 0 | 0 | 2,288 | 0 | 0 | 2,310 | 22 |

The Housing Revenue Account (HRA) reported an under spend of £22k for the year following a transfer of £3.8m to support our Affordable Homes strategy.

The main variances were:

- increased revenue Repairs and Maintenance of £334k due mainly to increased delivery on voids.
- increased Supervision and Management costs £33k
- capital financing costs of £54k more than budgeted due to a small increase in interest rates and reduces borrowing as a result of an underspend on the capital programme.
- reduction in the provision for debt the write-off £254k, based on arrears levels and aged debt analysis.
- rental income higher due to the settlement of insurance claims

1.3 Reserves

In the changeable and challenging environment currently facing Local Government the Authority is committed to maintaining a reasonable level of reserves. At the year end the general reserves amounted to the following:

| | £'000 | £'000 |
|---|-------|---------------|
| Council Fund: | | |
| Held by Schools under Local Management of Schools Regulations (LMS) | 1,515 | |
| Generally available for new expenditure | 9,783 | 11,298 |
| Housing Revenue Account | | 20,114 |
| | | <u>31,412</u> |

In addition to general reserves the Authority holds earmarked reserves of £81.140m for specific purposes.

1.4 Borrowing

£21.0m new borrowing was taken from the Public Works Loans Board (PWLb) in 2017-18.

As at the 31 March 2018 the Authority's total borrowing stood at £400m, which was within the Authority's authorised limit of £532m. Further detail is included in Note 6.47 to the Accounts.

The Authority's borrowing procedures and limits are outlined in the Treasury Management Policy and Strategy, which is approved annually.

1.5 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 debit balance on the Pensions Reserve of £321m therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

1.6 Current Economic Climate

The accounting statements are required to reflect the conditions applying at the end of the financial year.

All the assets of the Authority are re-valued on a cyclical basis and in many instances therefore the current valuation (last undertaken in past years) is likely to reflect current market value or a fair reflection thereof.

The financial year has been a period of significant political and economic uncertainty at a national level. The most significant factors affecting the council were/are:

- The outcome of the General Election in June 2017, which resulted in hung parliament. The Democratic Unionist Party agreed to a “confidence and supply agreement” enabling the Conservative Party to form a government, albeit with a very small majority;
- A possible easing of the austerity agenda and a relaxation of public sector pay restraint;
- A gradual but sustained increase in the underlying rate of inflation from historic low levels, and widespread uncertainty regarding the pace of change of interest rates;
- Continuing and significant uncertainty regarding the terms of the UK’s departure from the European Union, and the implications for the UK economy (including the impact on public sector revenues), the terms of any future trade and customs arrangements and the potential for any future grant funding streams to replace existing EU programmes; and
- The First Minister’s announced intention of standing down later in the year, and the current uncertainty over his successor, and what this might mean for the future of Local Authority funding in Wales.

Most recently the Authority’s current three year Medium Term Financial Plan (MTFP) was agreed by Council in February 2018 and was based on estimates of known commitments and formulated in the context of the financial settlement for 2018-19. The previous Cabinet Secretary gave an indication in the provisional settlement of an overall reduction in Welsh Government funding to local authorities of -1.5% in 2019-20, which was subsequently revised up -1% a month later speaking at the 2017 WGLA conference. No further information has been forthcoming.

Our overall financial standing has been maintained at a prudent level. The majority of our reserves are earmarked for specific purposes – whether this is to address liabilities now or in the future e.g. Insurance reserves, or for financing specific capital schemes.

1.7 Capital

In 2017-18 the Authority spent some £66.4m on capital projects. This expenditure was financed by a combination of borrowing, useable capital receipts, government grants, contributions and direct revenue financing.

£21.4m was spent on Housing with the areas of spend being as follows:

Public Sector

| | |
|---|--------|
| Refurbishment & redevelopment of housing stock and the purchase of additional housing stock | £17.9m |
|---|--------|

Private Sector

| | |
|----------------------------|-------|
| Disability Facility Grants | £2.3m |
| Other Improvements | £1.2m |

The major areas of expenditure on non-housing services were as follows:

| | £'m | |
|--------------------------------|------------|---|
| Education & Childrens Services | 23.0 | New Schools, Renovations and Improvements to existing Schools & Children & Family Services projects |
| Leisure | 2.0 | Rights of Way, Sports & Leisure, Arts & Culture and Libraries |
| Infrastructure | 9.3 | Roads, Bridges, Cycle Paths, Road Safety, Car Parks, & Coastal Defence |
| Fleet | 0.9 | New welfare buses and grounds maintenance equipment |
| Economic Development | 3.8 | Physical Regeneration Projects County Wide, Community Development and Joint Ventures |
| Social Services | 0.6 | Care Homes and Learning Disability Developments |
| Corporate | 5.4 | Capital Minor Works and IT Strategy Developments |

1.8 Further Information

Further information about the accounts is available from the Head of Financial Services, Corporate Services Department, County Hall, Carmarthen, SA31 1JP.

2 STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of these affairs. In this Authority, that officer is the Director of Corporate Services.
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- To approve the Statement of Accounts.

The Director of Corporate Services' Responsibilities

The Director of Corporate Services is responsible for the preparation of the Authority's Statement of Accounts, in accordance with proper accounting practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Director of Corporate Services has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code;
- Kept proper and timely accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities;

Certification of Accounts

I certify that the Statement of Accounts on pages 33 to 136 gives a true and fair view of the financial position of Carmarthenshire County Council at 31st March 2018 and its income and expenditure for the year ended 31st March 2018.

Chris Moore FCCA
Director of Corporate Services

Dated: 14 June 2018




3 ANNUAL GOVERNANCE STATEMENT

Assurance Executive Summary

Corporate Governance Assurance Level - Acceptable

The Corporate Governance arrangements of the Council are acceptable.

| Post Review Assurance Level | Description for Assurance Level |
|-----------------------------|---|
| Acceptable | Moderate controls, some areas of non-compliance to agreed controls Medium/Low risk of not meeting objectives Medium/Low risk of fraud, negligence, loss, damage to reputation |

| No. of behaviours and actions in the standard that demonstrate good governance | | | |
|--|---|--|---|
| Number of behaviours | Fully evidenced | Partial | No evidence |
| |  |  |  |
| 91 | 54 | 35 | 2 |

Key Finding - The Code of Corporate Governance should be reviewed and updated with the 7 new key principles to comply with the new CIPFA/SOLACE 'Delivering good governance in Local Government' framework.

3.1 Scope of Responsibility

Carmarthenshire County Council (the Authority) is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It must also ensure that public money is safeguarded and properly accounted for and used economically, efficiently and effectively and to secure continuous improvement in this regard.

The Authority is responsible for putting in place proper arrangements for the Governance of its affairs and facilitating the effective exercise of its functions including having appropriate arrangements for the management of risk.

The Authority details how it deals with all aspects of Governance through its Constitution which defines the standards, roles and responsibilities of the Executive, its Members, Committees and its Officers. The Constitution includes a Scheme of Delegation outlining the decision making process, taking into account the relevant legislation.

A **Corporate Governance Group** comprising key Officers and 2 Executive Board Members is in place to inform and monitor progress on issues affecting Governance, including the **Code of Corporate Governance**, approved by Council in June 2012 and

updated by Audit Committee in March 2016. The Chair of the Audit Committee is invited to the Corporate Governance Group meetings in an observer capacity.

The Code of Corporate Governance recognises policies and processes that are consistent with the principles of the CIPFA / SOLACE Framework '**Delivering Good Governance in Local Government**' (Guidance Notes for Welsh Authorities 2016 Edition – Published September 2016). This framework identifies 7 key principles of good governance which complement the Well-being of Future Generations Act requirements.

This Statement explains how the Authority has complied with the various elements of the Governance Framework.

3.2 The Governance Framework

The Governance Framework comprises the systems, processes, cultures and values by which the Authority is directed and controlled and also the way it accounts to, engages with and leads the Community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of Internal Control is a significant part of that framework and is designed to manage risk to a reasonable level. It aims to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives. It evaluates the likelihood and impact of identified risks being realised and to manage individual risks appropriately.

3.3 The Governance Environment

The CIPFA/SOLACE Governance Framework sets out 7 fundamental principles of Corporate Governance. The 'CIPFA Seven' are:

- 1. Integrity and Values** - *Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.*
- 2. Openness and engagement** - *Ensuring openness and comprehensive stakeholder engagement.*
- 3. Making a difference** - *Defining outcomes in terms of sustainable economic, social, and environmental benefits.*
- 4. Making sure we achieve what we set out to do** - *Determining the interventions necessary to optimise the achievement of the intended outcomes.*
- 5. Valuing our people; engaging, leading and supporting** - *Developing capacity and the capability of leadership and individuals.*
- 6. Managing risks, performance and finance** - *Managing risks and performance through robust internal control and strong public financial management.*
- 7. Good transparency and accountability** - *Implementing good practices in transparency, reporting, and audit to deliver effective accountability.*

For 2018/19 the Council has created a Well-being Objective on Building a Better Council and Making Better Use of Resources and action plan for this is sub headed by the above 7 principles. During 2016/17 we reported Corporate Governance progress against the seven principles above but not as a Well-being Objective.

The Authority addresses the 7 Fundamental Principles through the following:

- 3.3.1 **Integrity and Values** - *Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.*

3.3.1.1 Standards Committee

Standards Committee oversees standards of members conduct, arranges training for members of the Council and members of Town and Community Councils on the Code of Conduct, and considers applications for dispensations to participate in meetings where members identify personal and prejudicial interests in the business in hand.

Training on the Code of Conduct for Members and Co-opted Members was provided to county councillors by the Authority's Monitoring Officer, Deputy Monitoring Officers and Senior Solicitors, with the Chair of the Standards Committee in attendance, as part of the Induction Programme following the May 2017 county council elections, so as to make members aware of the standards required of them in decision-making and in their role as councillors. An easy use guide to the Code was handed out and the guide was also made available on-line.

During the financial year 9 dispensations were granted by the Committee to county councillors to participate in items of business where they had personal and prejudicial interests.

3.3.1.2 Core Values

The Council's Core Values were refreshed during 2015/16 in conjunction with staff, elected members, senior management and the trades unions. They provide a foundation for service priorities and act as a guide to develop inclusive services, which are responsive to the needs of customers whilst supporting and valuing our staff. Our values underpin and guide the way that we work, the way we improve and the way we make decisions in our community:

1. Working as one team

We recognise that by working together and making constructive connections we can make the best use of our resources for our communities.

2. Focus on our customers

We work to improve the lives of the people in our communities this is our focus and key purpose.

3. Listen to improve

We will listen and engage with our communities, partners and all stakeholders to inform our improvement plans.

4. Strive for excellence

We will remain vigilant and ensure that we deliver to the best of our abilities and always explore ways to improve what we do.

5. Act with Integrity

We will actively think about what is the right thing to do when presented with choices in a work situation.

6. Take personal responsibility

We will all consider how we support and apply these values so they actively underpin and guide the way we work.

To supplement the work undertaken on Core Values we have introduced a set of Behavioural Standards and developed an e-learning module which is available on the authority's 'Learning Curve', and is currently being rolled out to all our staff to ensure that our Core Values are embedded throughout the Authority.

3.3.1.3 The Constitution

The Authority adopted a new form of Constitution in the form promoted by the Welsh Assembly Government upon the modernisation of local government following the Local Government Act 2000, and this has been kept under constant review since then to ensure that it meets the needs of the Authority and its regulators in terms of transparency of Governance, accountability and decision making.

The Constitution is published on the Council's website and essentially explains the way the Council operates and how it takes decisions. It comprises 8 parts, namely:

1. *Summary & Explanation* – a brief overview of the make-up of the Council and its decision making bodies.
2. *The Articles* – a fuller description of the Council and its constituent parts.
3. *Functions / Delegations* - This Part explains which Members are responsible for which decisions, and in particular whether they are decisions which can only be taken by the Council, or only by the Executive Board, and the decisions which have been delegated to officers to take under a Scheme of Delegation.
4. *Rules of Procedure* - including the rules relating to the Conduct of Council and Committee meetings (commonly known as “**Standing Orders**”), rules relating to proceedings of the Executive Board and Scrutiny Committees, rules relating to access to information, **Contract Procedure Rules, Financial Procedure Rules and Officer Employment Rules.**
5. *Codes & Protocols* - Amongst the Codes included in this Part is the statutory **Code of Conduct for Members.** In this respect Members' conduct is strictly governed whether it be in respect of their role as Councillors or as decision makers. In particular Members having a personal and prejudicial interest in any business being transacted at meetings have to declare their interest and withdraw from the meeting (unless they have obtained a dispensation to participate).
6. a) *Councillors and Co-Opted Members' Scheme of Allowances* - which sets out the respective Job Profiles and Personal Specifications for Members, Executive Board Members, and Chairs and Vice-Chairs of Committees, as well as details of payments which Members are entitled to. In relation to payments to Members as of the 1st April 2012 the Independent Remuneration Panel for Wales, which is the body formed to determine Members' payments (now called “salaries”), used its new powers to actually prescribe the amounts to be paid as opposed to prescribing maximum payments which could be made. The purpose of this prescription was to make payments more consistent across Wales.
6. b) *Management Structures.*
7. *Names & Addresses of Councillors.*
8. *Bilingual Composition of Executive Board and Committees.*

The Constitution is a living document and individual amendments are reported to Council for decision on an as and when required basis, following consideration by the Constitutional Review Working Group. The main amendments made to the Constitution during the 2017/18 year were the amendments required by *The Size and Composition of Local Planning Authority Committees (Wales) Regulations 2017* which restricted membership of Planning Committees to no fewer than 11, no more than 21 members (and no more than a 50% quorum of the Council's overall membership), restricted membership from multi-member wards to one member from the ward, removed the ability to nominate substitute members and imposed a 50% quorum for meetings.

The County Council reviewed its political balance and composition of Committees following the May 2017 local government elections.

3.3.1.4 Corporate Governance Group

As stated in Section 3.1, a Corporate Governance Group has been established to coordinate, manage and report on the Governance arrangements of the Authority. The Group comprised:

- Executive Board Member - Resources
- Executive Board Member - Business Manager
- Chair of Audit Committee (in an observer capacity)
- Director of Corporate Services (s.151 Officer)
- Head of Administration & Law (Monitoring Officer)
- Head of Financial Services
- Director of Regeneration & Policy
- Assistant Chief Executive (People Management)
- Head of Revenues and Financial Compliance
- Employee Services Manager
- Nominated substitutes allowable

The Group are responsible for updating the Code of Governance and developing the Annual Governance Statement.

In addition, the Group now oversees the work of the Information Management Group.

3.3.1.5 Monitoring Officer

The Monitoring Officer (Head of Administration & Law) is responsible for maintaining the Constitution to ensure that it reflects up to date legislative requirements and the Authority's Governance needs, and is also responsible for ensuring that the provisions are fully complied with at all levels of the Authority's activities. As Chief Legal Officer supported by the in-house legal team, the Monitoring Officer has access to all meetings of the Authority including the Executive Board and the Authority's Corporate Management Team. The Monitoring Officer is well placed to play a proactive role in supporting Members and Officers in both formal and informal settings to comply with the law and with the Authority's own procedures. As the Head of Service with ultimate responsibility for the Democratic Services Unit, the Monitoring Officer is also responsible for the formal recording and publication of the democratic decision making process.

The Monitoring Officer works closely with the Chief Executive as the Head of Paid Service and the Section 151 Officer in accordance with the provisions of the Local Government and Housing Act 1989 and will report to Council or the Executive Board if she considers that any proposal will give rise to unlawfulness.

There is an All Wales Network of Monitoring Officers which meets on a quarterly basis to discuss topical issues and share best practice, which the Monitoring Officer attends.

3.3.2 **Openness and engagement** - *Ensuring openness and comprehensive stakeholder engagement.*

3.3.2.1 Consulting and Engaging with Citizens and Service Users

The Authority has a well-established method of consulting and engaging with citizens and service users. There is a **Citizens Panel**, a **50 Plus Network** to consult older people, a **Youth Forum** and numerous specific consultation groups to seek the views of those with

specified protected characteristics as recognised by the 2011 **Equality Act**. The Council also publishes all of its on-going consultations on the Council website.

The Authority also makes extensive use of the annual **National Survey for Wales** commissioned by Welsh Government. The results are used to help the Authority in its self-assessment of services and are included in our Annual Report.

The Authority has been webcasting all Full Council meetings since May 2013 and Planning Committee since November 2014 and Executive Board meetings from September 2015.

The Authority undertakes extensive consultation on its Budget annually, which includes seminars, Insight events for young people, on-line surveys, social media, and stake holder meetings with Town and Community Councils and Unions. The results of the consultations are considered and presented to Executive Board and County Council as part of the Budget Strategy Report.

3.3.2.2 Dealing with Complaints

The Authority has a corporate **Customer Complaints & Compliments Procedure** and statistics and analysis of the complaints received are reported to each Scrutiny Committee and annually by the Standards Committee. The Complaints Procedure is in line with the Welsh Government's Model Concerns and Complaints Policy and was reviewed and revised in 2016/17.

The Authority has a centralised Complaints Team for most services which ensures compliance with the requirements set out in our Procedure and consistency of approach across the whole Authority. During 2017/18, it was agreed that Adult Social Care Complaints would be managed by the Communities Department.

Annual reports are provided to the Corporate Management Team and Scrutiny Committees with more detailed reports provided to departments when required in order to monitor trends, identify problem areas and generate service improvement based on customer experience.

The Authority investigated and responded to 855 complaints during 2017/18 compared to 731 during 2016/17. The Complaints Team also addressed a further 714 enquiries and requests for assistance.

3.3.2.3 Public Services Ombudsman for Wales

The Public Services Ombudsman for Wales considers complaints from Members of the public in relation to Members' conduct and maladministration. His Report is published annually.

S.16 Ombudsman's Reports (i.e. Public interest reports) are reported to County Council as required by law. No Public Interest Reports were issued against the Authority during the 2017/18 year.

3.3.2.4 Ensuring Effective External Communication

The Authority's Marketing and Media team promotes the work of the council and supports proactive engagement with members of the public, helping them to access information on council services wherever and whenever it is convenient to them.

The Authority's new-look website receives an average of 4,600 page views every day from residents and businesses. We've had 300+ people send feedback or ask a question since the site went live in February 2018. We're continuously improving the website based on suggestions from the public and staff. We're adding more services online and reviewing our existing eforms to ensure that they are easy to use. MyAccount also launched at the same time as the website and to date 3,000 people have signed up to this service.

Customer Services has made it easier for people to get information and support across all council services. A new Hwb model was originally trialled successfully in Llanelli and is now rolling out to other areas, offering pre-booked appointments and drop-in advice, as well as access to training and employment support. A mobile Hwb also supports rural communities. Increasing use of Social Media enables open engagement and conversations with members of the public, and as well as a tool for promoting council services it also acts as an effective customer service tool with a growing number of people using it to communicate with us.

Almost 8,000 follow the council's main Facebook account and in the region of 8,000 also follow the main Twitter account. Thousands more follow and engage with the authority's other social media accounts, including Carmarthenshire markets, libraries, sport and leisure, theatres, Pembrey Country Park and more.

The Marketing and Media team work with the Executive Board and Departmental Management Teams to plan proactive communications, supporting service areas to engage with the right people, at the right time, in the right way.

3.3.3 **Making a difference** - *Defining outcomes in terms of sustainable economic, social, and environmental benefits.*

3.3.3.1 Purpose and Vision

The Authority has a firm mechanism for collaboration with key partners and is a statutory member of the Carmarthenshire Public Services Board (PSB). The Well-being of Future Generations Act puts a well-being duty on specified public bodies across Carmarthenshire to act jointly through the PSB. The PSB is tasked with improving the economic, social, environmental and cultural well-being of Carmarthenshire.

www.thecarmarthenshirewewant.wales

- The PSB must publish a Well-being plan which sets out its local objectives to improving the economic, social, environmental and cultural well-being of the County and the steps it proposes to take to meet them. The first Carmarthenshire Well-being Plan will be published May 2018.
- The Well-being Objectives of the Carmarthenshire PSB are not intended to address the core services and provision of the individual partners, rather they are to enhance and add value through collective action. The statutory partners of the PSB (Council, Health Board, Fire & Rescue Service and Natural Resources Wales) each have to publish their own Well-being Objectives.

For 2016/17 we set an Improvement Plan and In October 2017 we published an Annual Report on our performance for that year. For both of these we received a Certificate of compliance from the Wales Audit Office.

3.3.3.2 Well-being of Future Generations Act (Wales) 2015

This is a new Act introduced by the Welsh Government which will change aspects of how we work. The general purpose of the Act, is to ensure that the governance arrangements of public bodies for improving the well-being of Wales, take the needs of future generations into account. The Act is designed to improve the economic, social, environmental and cultural well-being of Wales, in accordance with sustainable development principles. The new law states that:-

- i. We must carry out sustainable development, improving the economic, social, environmental and cultural well-being of Wales. The sustainable development principle is: '*... the public body must act in a manner which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs.*'
- ii. We must demonstrate 5 ways of working:
 - Long term
 - Integrated
 - Involving
 - Collaborative
 - Preventative
- iii. We must work towards achieving all of the 7 national well-being goals in the Act. Together they provide a shared vision for public bodies to work towards a:
 - prosperous Wales
 - resilient Wales
 - healthier Wales
 - more equal Wales
 - Wales of cohesive communities
 - Wales of vibrant culture and thriving Welsh Language
 - globally responsible Wales

As a public body we must publish our Well-being Objectives that maximise our contribution to these National Well-being Goals.

List of Carmarthenshire's Well-being Objectives 2017/18:

- Help to give every child the best start in life and improve their early life experiences
- Help children live healthy lifestyles (Childhood Obesity)
- Continue to improve learner attainment for all
- Reduce the number of young adults that are Not in Education, Employment or Training (NEET)
- Tackle poverty by doing all we can to prevent it, helping people into work and improving the lives of those living in poverty
- Create more jobs and growth throughout the county
- Increase the availability of rented and affordable homes
- Help people live healthy lives (Tackling risky behaviour and Adult obesity)
- Support good connections with friends, family and safer communities

- Support the growing numbers of older people to maintain dignity and independence in their later years
- A Council wide approach to supporting Ageing Well in Carmarthenshire
- Look after the environment now and for the future
- Improve the highway and transport infrastructure and connectivity
- Promote Welsh Language and Culture
- Building a Better Council and Making Better use of Resources (New for 2018)

We included our Statutory Well-being Statement when we published our Statutory Well-being Objectives on 1st April 2017. This sets out our governance arrangements to support our planned outcomes.

Well-being Statement

- i. We feel that our Well-being Objectives contribute significantly to the achievement of the National Well-being Goals. Our Well-being Objectives relate to different aspects of life's course and address well-being in a systematic way.
- ii. These Well-being Objectives have been selected from considerable consultation feedback and a range of different sources of information on need, performance data and regulatory feedback. In developing action plans to achieve these objectives we will involve people (in all their diversity) with an interest in achieving them.
- iii. The steps we take to achieve the Well-being Objectives (our action plans) look to ensure that long term, preventative, integrated, collaborative and involvement approaches are fully embraced.
- iv. An Executive Board member has a specific responsibility for the overall Act. In addition, each Executive Board portfolio holder will have responsibility to relevant Well-being Objectives/KIOP.
- v. To ensure that we take these action plan steps we will use our in house developed Performance Information Monitoring System dashboard. All the action plans will be monitored and reported on quarterly to department management teams and the Corporate Management Team and Executive Board. In addition progress will be reported to Scrutiny Committees. The Council will prepare an Annual report on its Well-being Objectives and revise the objectives if required.
- vi. The content of action plans to achieve the Well-being Objectives are adequately resourced and embedded in Service business To achieve these objectives services will 'join-up' and work together, work with partners and fully involve citizens in all their diversity.
- vii. Our Objectives are long term but our action plans will include milestones that will enable monitoring and assurance of progress.
- viii. To ensure that our Well-being Objectives are deliverable and that the expectations of the Act are embraced we will adapt financial planning, asset management, risk assessment, performance management and scrutiny arrangements.

Where change needs to happen in Corporate Governance

The Act identifies.....' a core set of activities that are common to the corporate governance of public bodies (SPF1 Para 47). Applying the requirements of the Act to these activities is likely to most effectively secure the type of change required'.

- | | |
|---------------------------------|-----------------------|
| 1. Corporate & Service Planning | 2. Financial Planning |
| 3. Asset Management | 4. Workforce Planning |
| 5. Procurement | 6. Risk Management |
| 7. Performance Management | |

3.3.3.3 Leader's Annual Report and Five Year Plan

Following local government elections in May 2017 the previous Leader was re-appointed at the AGM of the 24th May 2017.

The Leader announced his Executive Board Members to Council at the AGM, and the new allocation of seats between the Plaid and Independent Coalition, being 7 Executive Board Seats for Plaid and 3 for the Independents, with the office of Deputy Leader being given to the Independent Group.

In January 2018 the Executive Board approved their 'Moving Forward in Carmarthenshire: the next 5-years' plan. The plan identifies almost 100 priority projects, schemes or services the Executive Board want to deliver over the next 5-years. The Authority's new Corporate Strategy is being developed in line with the Well-being of Future Generations (Wales) Act 2015, and will incorporate the key projects and programmes within this plan.

3.3.3.4 New Corporate Strategy .Following publication of the above Executive Board 5 year plan the Council took the opportunity to publish a New Corporate Strategy (June 2018). It consolidates the following plans into one document –:-

1. It supersedes the 2015-20 Corporate Strategy
2. It incorporates our Improvement Objectives as required by the Local Government Measure 2009 (See Appendix 1).
3. It includes our Well-being Objectives as required by the Well-being of Future Generations (Wales) Act 2015. For the first time in Wales, there is a shared vision and set of goals for all public bodies to work towards, our Well-being Objectives are set to maximise our contribution to these (See Appendix 1).
4. It includes Carmarthenshire County Council's Executive Board key projects and programmes for the next 5 years as set out in 'Moving Forward in Carmarthenshire: the next 5 years'.

3.3.3.5 Progress on the Well –being of Future Generations Act. Wales Audit Office undertook a Year One Commentary review of our progress against the Act and verbal feedback was favourable. Internal Audit also undertook a review of our progress against the requirements and reached a favourable conclusion.

3.3.4 **Making sure we achieve what we set out to do** - *Determining the interventions necessary to optimise the achievement of the intended outcomes.*

3.3.4.1 Managing Performance / Scrutiny Function

The Authority's Elected Members are closely involved in managing performance, at both Executive Board and Scrutiny Committee level. Performance data often initiates in-depth studies by the Scrutiny Committees, usually via Task and Finish Groups, and these have contributed in a proactive way to policy development and service improvement on numerous occasions in recent years.

The Wales Audit Office (WAO) annually report to Full Council in relation to the effectiveness of the Authority.

The Authority's sophisticated system for Performance Management (PIMS) is well used by Officers and Members and is used as a 'real-time' tool (via the Dashboard facility) by the Corporate Management Team and Preliminary Executive Board for monitoring performance. Detailed information is extracted and used by the Authority's Scrutiny Committees and the data is used to identify specific topic areas where the Committees undertake more intensive studies to monitor performance and make policy recommendations. The Authority is a partner in the Public Services Board (PSB) and the Council's Policy and Resources Scrutiny Committee receives an Annual Performance Report from the incumbent Chair of the PSB.

PIMS Dashboards are being developed for analysing performance informatics on specific areas/projects that include Corporate Safeguarding, TIC projects and for Departmental managerial use - with a view to develop more holistic Dashboards where appropriate.

3.3.5 Valuing our people; engaging, leading and supporting - *Developing capacity and the capability of leadership and individuals.*

Following the local government elections in Wales in May 2017 Carmarthenshire County Council has 30 new county councillors, and a comprehensive package of training, development and induction is being provided to them and returning members.

3.3.5.1 Democratic Services Committee

This is a statutory Committee with terms of reference which include promoting and supporting good governance. An important aspect of that aim is secured by the provision of reasonable training and development opportunities for Members and the appointment of the Chair of the Committee as the Member Development Champion. In that respect the Committee reviewed and endorsed the Induction programme in its March 2017 meeting in relation to the training to be provided to members after the May 2017 elections, and evaluated the feedback of that training from members later in the year.

The Committee also considered the outcome of the survey made of members regarding the timing of meetings and concluded that most members preferred meeting arrangements to remain as currently, and conducted a survey of the members' IT needs.

3.3.5.2 Managing our Workforce

Carmarthenshire County Council has some 8,000 employees who each contribute to the achievement of our Corporate Priorities.

Our staff are supported by the People Management Division who maintain a range of Policies and Procedures to ensure that all staff are managed in a fair and consistent way. Key Policies and Procedures include:

- Health & Safety Policy
- Staff Recruitment and Selection Policy including safe recruitment
- Induction Procedure
- Whistleblowing Policy
- Grievance and Disciplinary Policies
- Officers' Code of Conduct
- Restructuring Policy
- People Strategy
- Pay Policy
- Agile Working Policy

Our Staff are encouraged to develop and this is consistent with our objectives as an organisation that has been accredited with **Investors in People**. The development of our workforce is underpinned by the following:

- Appraisal Process
- Learning and Development Strategy
- Encouraging Continuous Professional Development (CPD)
- Effective Workforce Planning
- People Strategy

Following the implementation of the Single Status Agreement in 2011/12, a small officer group continues to maintain an overview of the management of change, the NJC pay and grading structure and offers advice to managers regarding reward generally. This group aims to ensure that the integrity of the pay, benefits and grading structure is maintained.

In addition, the Council publishes a Pay Policy by April each year, as required under Section 38 of the Localism Act. The purpose of the statement is to provide transparency with regard to the Council's approach to setting the pay of its employees (excluding those working in local authority schools). The Pay Policy is agreed by Full Council and is published on the Authority's website.

The Authority conducts and publishes annual equal pay audits, the most recent of which does not suggest any evidence of discrimination within the pay structures nor the allowances paid. The pay gaps are generally as a result of segregation of the sexes between job types rather than application of the allowances.

The Authority seeks to maximise agile working opportunities to support our Strategic objectives by:

- **Modernising service delivery:** using new technology to deliver services provides possibilities for streamlining processes and being closer to our customers.
- **Recruitment and Retention:** Different working practices will help us to recruit, and retain our valued employees.
- **Accommodation strategy:** agile working will help to reduce accommodation needs and make more effective use of buildings.
- **Flexible working agenda:** agile working will support the wider work-life balance agenda, supporting a more inclusive workforce.
- **Environmental:** agile working can lead to fewer car journeys, reduced congestion at peak times and reduced pollution.

The above points represent the strategic principles that underpin our Agile Working Policy.

Our Whistleblowing Policy is there to protect our Employees if they find that they need to report a serious concern about a service the council provides or the conduct of another Employee, Councillor or other individual acting for the Council. The Authority takes Whistleblowing very seriously, and has developed and rolled out a very comprehensive E-Learning module that sits on the 'Learning Curve' section of our recently revised INTRANET. Awareness raising of the policy itself is done via the intranet, Department newsletters, posters, all staff emails and we also produce a short guide which is available to those employees not on email. Whistleblowing officers have received refresher training to re-inforce their role of being the initial point of contact for managing concerns. HR Advisors, legal advisors and whistleblowing officers have received external training to strengthen the links between other HR policies and whistleblowing.

3.3.5.3 Scheme of Delegation to Officers

The Scheme of Delegation itemises the decisions which are delegated to officers, whether by the Council or by the Executive Board. In exercising delegated powers Officers must comply both with any statutory requirements and the Council's Policy and Budget Framework, amongst other requirements. Any significant decisions have to be recorded and are subject to the call-in rules. Executive decisions by officers are now published.

3.3.6 Managing risks, performance and finance - *Managing risks and performance through robust internal control and strong public financial management*

3.3.6.1 Risk Management

The Authority has a Risk Management Steering Group which reports directly to Executive Board, Audit Committee and Chief Officers' Management Team (CMT). The Risk Management Steering Group comprises an Executive Board Member Risk Champion (Executive Board Member for Resources), Departmental Risk Champions and is chaired by the Head of Revenues and Financial Compliance.

The Authority aims to embed good risk management into all its processes including a specific section in Committee Reports for the implications from a Risk Management perspective to be discussed and explained.

Corporate, Service and Project Risks are captured within a Risk Register. We use "**Web Based Risk Register Software**", which allows Departments to input, access, maintain and manage Service and Project Risks. The Corporate Risk Register is reported to the Audit Committee.

3.3.6.2 Risk Management Steering Group

The Risk Management Steering Group has been seen as a very good example of how Risk Management can be developed and ensure that Risk Management is embedded in decision making throughout the organisation. The Group meet quarterly and is supported by the work of its Sub Groups i.e. Property & Liability Risks, Motor Fleet Risks, CCTV group and Contingency Planning Sub Groups.

3.3.6.3 Scrutiny Committees

The Scrutiny Function plays a highly valuable role in ensuring performance improvement and challenge. The role of Scrutiny in “Task and Finish Groups” has clearly had a positive influence on policy development.

The Authority has a well-developed system of performance management. Scrutiny Committees receive a Quarter 1 and Quarter 3 report and an Annual Report on performance which includes an update on all Performance Indicators and Key Actions contained within the Improvement Plan.

All Scrutiny Committees have the constitutional power to call-in executive decisions in respect of their own functional responsibilities, whether taken by the Executive Board collectively or by individual Executive Board Members on their own portfolio areas. In order to allow call in to be exercised no decision taken by the Executive Board or Executive Board Members shall take effect until 3 working days after the decision is published and circulated via e-mail to Members of the relevant Scrutiny Committee.

In line with the Local Government Measure 2011, the respective Chairs of the Community Scrutiny Committee and Environment Scrutiny Committee are Members from the opposition Group.

3.3.6.4 Financial Administration (Section 151 Officer)

The Director of Corporate Services is the responsible officer for the administration of the Authority’s affairs under Section 151 of the Local Government Act 1972 and carries overall responsibility for the financial administration of the County Council.

The Chartered Institute of Public Finance and Accountancy (CIPFA) previously published a “**Statement on the Role of the Chief Financial Officer in Local Government**”. The Statement describes the role and responsibilities of the Chief Financial Officer (CFO) and sets out 5 Key Principles (see below) that define the core activities and behaviours that belong to the role of CFO in public service organisations and the organisational arrangements needed to support them. Carmarthenshire County Council through the appointment of the Director of Corporate Services fully complies with the Statement.

Principle 1 - The CFO in a Local Authority is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the Authority’s strategic objectives sustainably and in the public interest.

Principle 2 - The CFO in a Local Authority must be 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 Authority’s overall financial strategy.

Principle 3 - The CFO in a Local Authority must lead the promotion and delivery by the whole Authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively.

Principle 4 - The CFO in a Local Authority must lead and direct a finance function that is resourced to be fit for purpose.

Principle 5 - The CFO in a Local Authority must be professionally qualified and suitably experienced.

The Financial Services Division provides support to Departments and co-ordinates and supports the budget preparation and financial monitoring process.

The Authority operates to a defined set of Financial Procedure Rules and Contract Procedure Rules which are maintained by the Corporate Services Department with any amendments approved by the Audit Committee.

3.3.6.5 Dyfed Pension Fund Panel

Carmarthenshire County Council is the statutorily appointed Administering Authority for the Dyfed Pension Fund. The Pension Fund Committee comprises of three County Council Members plus a nominated substitute to act in the absence of a Member. The Pension Fund Committee has the following responsibilities:

- To review the performance of the Dyfed Pension Fund, decide on the strategic direction of all matters relating to the investment of the Fund and monitor all aspects of the investment function.
- To determine on Administering Authority Pension Fund matters.

During 2017-18 the Pension Fund Committee was supported by the Director of Corporate Services and Head of Financial Services, the Financial Services Division and an Independent Investment Adviser. The Director of Corporate Services was the Section 151 Officer

The Fund's Governance Policy sets out in detail the Governance arrangements of the Fund.

The Local Pensions Board established in 2015-16 under the Public Service Pension Act (PSPA) 2013 has an oversight or scrutiny role and is intended to assist the Administering Authority in securing compliance with regulations and requirements imposed by the Pensions Regulator and the Department for Communities and Local Government.

Following HM Government's approval of the Wales Investment Pool in November 2016 and the establishment of the Wales Pension Partnership (WPP) Joint Governance Committee an extensive procurement process was undertaken to appoint a Financial Conduct Authority regulated Third Party Pool Operator to manage the investments of the 8 Welsh Pension Funds. In November 2017 the WPP Joint Governance Committee approved the appointment of Link Asset Services as their Operator. Link Asset Services have subsequently been developing the initial Partnership Sub Fund investment proposal and Prospectus application for the FCA submission.

Carmarthenshire County Council has been selected as the Host Authority to provide administrative and secretarial support and implement decisions made by the Joint Governance Committee.

The Authority for 2017/18 has produced a separate Statement of Accounts for the Dyfed Pension Fund and therefore further information in respect of governance and activity of both the Fund and the WPP can be found in this document.

3.3.6.6 The City Deal

The City Deal will be governed by a Joint Committee arrangement composed of the Leaders of the local authorities of Carmarthenshire, Swansea (Chair), Neath Port Talbot and Pembrokeshire. The City Deal met in shadow form during the 2017/18 year pending formalisation of the Joint Committee Agreement. Carmarthenshire CC's Chief Executive is the lead Accountable Officer for the City Deal and the authority hosts the Regional Office function on behalf of the Joint Committee.

3.3.7 **Good transparency and accountability** - *Implementing good practices in transparency, reporting, and audit to deliver effective accountability*

3.3.7.1 Audit, Standards and Democratic Services Committees

The Audit Committee is a key component of Corporate Governance, providing a source of assurance about the Authority's arrangements for managing risk, maintaining an effective control environment and reporting on financial as well as non-financial performance.

The Standards Committee (which includes a majority of External Members) promotes high standards of conduct for Members as well as maintaining an overview of the Authority's processes for complaints handling and its Whistleblowing Procedure.

The Authority also has a Democratic Services Committee (5 Elected Members) and a statutory designated Head of Democratic Services. The Committee's terms of reference as set by the Authority include securing the provision of reasonable training and development opportunities for Members, appointing a Member Development Champion and promoting and supporting good governance.

3.3.7.2 Internal Audit

The review of the effectiveness of the system of Internal Control and Governance arrangements is informed by the work of the Internal Auditors on which the Authority gains assurance. Internal Audit are required to undertake their work in accordance with the standards as set out in the **Public Sector Internal Audit Standards (PSIAS)** established in 2013 are the agreed professional standards for Internal Audit in Local Government.

As required by the Standards, the Head of Internal Audit prepares an Annual report for consideration by the Audit Committee. The format of the Annual Report complies with the requirements of the Code of Practice.

The overall opinion is that the Authority has an 'Adequate' control environment in operation. There are clear Governance arrangements with defined Management responsibilities and Committee Structures in place, Risk Management and the control framework is generally sound and operated reasonably consistently. The Authority has an established Constitution, has developed Policies and approved Financial Procedure Rules that provide advice and guidance to all staff and members. Sufficient assurance work has been carried out to form a reasonable conclusion on the adequacy and effectiveness of the Authority's internal control environment. Where weaknesses have been identified through reviews, Internal Audit have worked with management to agree appropriate corrective actions and a timescale for improvement.

The Authority maintains an effective Internal Audit function. The **Strategic and Annual Audit Plans** are approved by Audit Committee annually and regular reports are made to

the Audit Committee throughout the year on progress and any significant weaknesses identified.

The Public Sector Internal Audit Standard (PSIAS) became effective from 1st April 2013 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.

The two possible approaches to external assessments outlined in the Standards included either a full external assessment or an internal self-assessment which is validated by an external reviewer. Carmarthenshire County Council elected to adopt the self-assessment approach with an external validation undertaken by a suitable qualified and experienced external assessor with the required level of knowledge of the application of the PSIAS, as agreed with the Welsh Chief Auditors' Group. 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. The self-assessment and the external assessment concluded that the Internal Audit Service is generally conforming.

In addition to the planned work, the Internal Audit Unit undertakes fraud investigation and proactive fraud detection work.

3.3.7.3 External Audit (Wales Audit Office)

The Wales Audit Office as External Auditor to the Authority reviews and comments on the financial aspects of Corporate Governance which includes the legality of financial transactions, financial standing, systems of Internal Financial Control and standards of financial conduct and fraud and corruption.

All reports are presented to relevant committees, and we also maintain a log of regulatory reports and recommendations.

3.3.7.4 Information Assets

The Council's Director of Regeneration & Policy acts as the Authority's **Senior Information Risk Owner**. A Corporate Information Governance Group meets regularly in order to safeguard and secure the Authority's information. Minutes of these meetings are provided for consideration to the Corporate Management Team.

There are various safeguards in place to guard against the loss or release of personalised information. These include encryption of laptops, memory storage media and other devices. The Authority employs:

- an IT Security Officer who advises on data security and external advisers and consultants are employed from time to time to test and advise on the Authority's security arrangements.
- a Data Protection Officer who advises on legal compliance and ensures that policies and procedures are in place and are being adhered to.

These safeguards are subject to ongoing review and include a combination of technical solutions and training for staff involved in managing and handling sensitive data.

The Authority's Data Protection Officer is currently working closely with ICT Services and relevant services and departments to assess and prepare for the introduction of the new General Data Protection Regulation (GDPR) which takes effect in May 2018. Training for third tier managers is being rolled-out and an e-learning module has been published for all staff to undertake.

3.3.7.5 Review of Effectiveness

A review of the effectiveness of our Governance arrangements (including the system of Internal Control) is undertaken regularly by the Corporate Governance Group through its work.

The review of effectiveness is informed by managers within the Authority who have responsibility for the development and maintenance of the Governance environment, the Head of Internal Audit's Annual Report and also by comments made by the External Auditors (Wales Audit Office).

The effectiveness of the Governance framework draws on evidence and assurances from:

- Council
- Leadership / Executive Board
- Executive Board Members
- Scheme of Delegation to Officers
- The Audit Committee / Scrutiny Committees / Risk Management Steering Group
- Standards Committee
- Internal Audit
- External Audit
- Public Services Ombudsman for Wales

3.3.7.6 Council

The Council meets on a monthly basis and takes decisions on Council functions. Its Agendas are published at least 3 clear days in advance of meetings, and its meetings are open to the public (subject to exemptions) and webcast. Its Minutes are published and are available to the Public.

The Wales Audit Office, Annual Improvement Report (AIR) 2016-17, published June 2017 concluded that the Council is meeting its statutory requirements in relation to continuous improvement. The 2017/18 Wales Audit Office - AIR report is expected late June/July.

3.3.7.7 Leadership / Executive Board

The Executive Board takes decisions on executive functions within the policy and budget framework set by the Council. The Agenda is published at least 3 clear days in advance of its meetings and meetings are held in public (subject to statutory exemptions) and webcast. Its Minutes are published and its decisions are subject to call in by the relevant Scrutiny Committee (ref para 3.3.6.3).

In the post 2017 local government election a Coalition Administration was formed between the Plaid and the Independent Groups with 7 Plaid: 3 Independent members.

The Authority meets with Town and Community Councils twice yearly in a formal Forum.

3.3.7.8 Executive Board Members

The Executive Board Members have decision making powers in relation to their own portfolio areas. Their decisions are published and are subject to call in by the relevant Scrutiny Committees (ref para 3.3.6.3). Portfolios have been amended following the 2017 elections.

3.3.7.9 Audit Committee

The Audit Committee meets throughout the year to provide independent assurance to the Authority in relation to the effectiveness of the Internal Control Environment and Risk Management Framework.

The Audit Committee are also responsible for approving the Authority's Statement of Accounts.

Under the **Local Government Wales Measure 2011** it is mandatory for Local Authorities to have an Audit Committee. The Measure provides that there must be an independent External Voting Member on the Audit Committee.

Job Profiles are in place for both the Chair of Audit Committee and the Members of Audit Committee. In line with the Local Government Measure 2011, the Chair of Audit Committee is a Member from the Opposition Group.

3.4 Governance issues to be addressed

The following additional Governance issues need to be considered and addressed during the next 12 months:

1. To ensure all agreed and valid Regulatory Recommendations and Proposals for Improvement are being actioned and monitored by departments. That a dashboard/PIMS function is developed to enable this.
2. **For 2017/18** - To publish an Annual Report on our 2017/18 Well-being Objectives by **31st October 2018**.
3. **For 2018/19**
 - To publish a New Corporate Strategy 2018-23 by the 30th June 2018 and monitor Action Plans via PIMS.
 - To ensure that our Well-being Objectives are considered as part of the Budget Setting Process.
 - Publish a pay policy by April 2019 in accordance with Section 38 of the Localism Act.
 - Develop and implement pay model to accommodate national pay agreement in conjunction with trade unions.
 - Monitor and evaluate People Strategy Group/Workstream actions relating to WAO People Performance Management recommendations.
 - Introduce revised Disclosure and Barring Service checking policy.
 - Update the Code of Governance to ensure that it's in line with the CIPFA standards and Wellbeing of Future Generations Act.
 - City Deal – monitor and assess the impact of the City Deal.

We propose over the coming year to take steps to address the above matters to further enhance our Governance arrangements. An Action Plan summarising the above Actions, Responsible Officers and Target Dates is attached in Appendix 2. We are satisfied that these steps will address the need for improvements and will monitor their implementation and operation as part of our next annual review.

Approval**Leader of Council****Dated: 14 June 2018****Chief Executive****Dated: 14 June 2018**

APPENDIX 1*UPDATE ON OUTSTANDING GOVERNANCE ISSUES IDENTIFIED IN
PREVIOUS ANNUAL GOVERNANCE STATEMENTS*

| SOURCE | ISSUES | RESPONSIBLE OFFICER | ACTIONS/PROGRESS | STATUS |
|--------------------------|---|-------------------------------------|---|---|
| AGS 2013/14 No. 5b | Review Financial Procedure Rules and ensure Budget Managers are fully aware of their responsibilities. | Head of Audit, Risk & Procurement | Financial Procedure Rules to be updated approved by Audit Committee. | Ongoing |
| AGS 2014/15 No. 6 | Responding to the new EU General Data Protection Regulation (GDPR) (as a replacement to the Data Protection Act 1998). | Director of Regeneration and Policy | The Authority's Data Protection Officer is working closely with ICT Services and other relevant services and departments to assess requirements and prepare for the introduction of the new regulations which take effect in May 2018. Training and support is being provided to staff as required. | Ongoing |
| AGS 2014/15 No. 8 | Monitor progress with implementing improvements in the management of Supporting People Grant. | Head Of Housing & Public Protection | Monitoring in place through quarterly reporting to the Audit Committee. Progress has been positive and changes have been implemented. Audit Committee now have requested 6 monthly reports. | Ongoing Still being reported to Audit Committee now on a 6 monthly basis |
| AGS 2015/16 No. 1 | Respond to the new Well-being of Future Generations Act and develop effective working relationships to work in collaboration with PSB Partners. | Director of Regeneration and Policy | Public Services Board established in May 2016. PSB Wellbeing plan has been issued and approved. | Completed |
| AGS 2015/16 No. 2 | Monitor compliance with Welsh Language Standards. | Director of Regeneration and Policy | New standards introduced across the Authority. Monitoring of compliance will be on-going. | Completed |

**UPDATE ON OUTSTANDING GOVERNANCE ISSUES IDENTIFIED IN
PREVIOUS ANNUAL GOVERNANCE STATEMENTS**

| SOURCE | ISSUES | RESPONSIBLE OFFICER | ACTIONS/PROGRESS | STATUS |
|-------------------------|--|-------------------------------------|--|----------------------|
| AGS 2015/16 No. 3 | To ensure an Action Plan relating to proposals for improvement raised in the Corporate Assessment 2015/16 is completed and monitored. | Director of Regeneration and Policy | A 25 point Action Plan was agreed and incorporated in our 2016/17 ARIP and this was monitored throughout the year. This Action Plan featured on the CMT and PEB dashboard. The WAO Annual Improvement Report for 2016/17 includes a follow up to the Corporate Assessment. | Completed |
| AGS 2015/16 No. 7 | Assess and monitor the impact of the Partnership City Deal on the Authority. | Director of Regeneration and Policy | The Swansea Bay City Deal was signed off by Welsh and UK Governments on the 20 th March 2017. Carmarthenshire County Council will host the Regional Office and accountable body lead role. Joint Committee Agreement presented to Executive Board on 4 th June 2018. Final sign off expected when the fourth Authority present to their Executive Board in July 2018. | Completed |
| AGS 2015/16 No. 9 | Develop a new Risk & Business Continuity Strategy. | Head of Audit, Risk and Procurement | Drafted and agreed with Exec Board Member (Risk Champion) – approval process now to be followed. | Ongoing |
| AGS 2016/17 No. 1 | To ensure all agreed and valid Regulatory Recommendations and Proposals for Improvement are being actioned and monitored by departments. That a dashboard/PIMS function is developed to enable this. | Director of Regeneration and Policy | | Due date - July 2018 |

| <i>UPDATE ON OUTSTANDING GOVERNANCE ISSUES IDENTIFIED IN PREVIOUS ANNUAL GOVERNANCE STATEMENTS</i> | | | | |
|--|--|---|---|---------------|
| SOURCE | ISSUES | RESPONSIBLE OFFICER | ACTIONS/PROGRESS | STATUS |
| AGS 2016/17 No.2 | For 2016/17 - To publish an Annual Report on 2016/17 performance and our progress on year two of our Corporate Strategy. | Director of Regeneration and Policy | | Completed |
| AGS 2016/17 No.3 | For 2017/18 <ul style="list-style-type: none"> • To publicise our Well-being Objectives. • to publish our Action Plans on our Well-being Objectives for 2017/18 and monitor their implementation. • to address the Corporate Governance expectations of the Well-being of Future Generations Act. • during the year continue to adopt and strengthen the 5 ways of working. | Assistant Chief Executive (Regeneration and Policy) | Objectives completed and published. Quarterly monitoring and reporting. Annual report incorporates year one of Well-being objectives. Commissioner published report. | Completed |
| AGS 2016/17 No.4 | To ensure our Well-being Objectives inform the budget setting process. | Assistant Chief Executive (Regeneration and Policy) | Key expectation of the Act – Corporate Strategy addresses how resources are matched to priorities. | Ongoing |
| AGS 2016/17 No.5 | To ensure improved integration of Service and Financial Planning as agreed with WAO in the Financial Planning Report. | Head of Financial Services | Business plans aligned to financial planning and performance data. Discussed at Member seminars. | Completed |

| <i>UPDATE ON OUTSTANDING GOVERNANCE ISSUES IDENTIFIED IN PREVIOUS ANNUAL GOVERNANCE STATEMENTS</i> | | | | |
|--|--|---|--|---------------|
| SOURCE | ISSUES | RESPONSIBLE OFFICER | ACTIONS/PROGRESS | STATUS |
| AGS 2016/17 No.6 | Review and monitor employment safeguarding processes in relation to: <ul style="list-style-type: none"> • HR Record keeping in relation to safeguarding complaints and investigations relating to staff; • Provision of references for posts involved in regulated activity; Pre-employment checks for posts involved in regulated activity. | Director of Communities | Key perf measures considered quarterly. IA reviews arrangement again this year and identified improvement in the processes. | Ongoing |
| AGS 2016/17 No.7 | Review Recruitment and Selection Policy to ensure compliance with employment legislation and support recruitment process review. | People Services Manager | Drafted Now going through consultation. | Ongoing |
| AGS 2016/17 No.8 | Publish a Pay Policy by April 2018 in accordance with Section 38 of the Localism Act | Assistant Chief Executive (People Management) | Work commenced Already compliant with WG requirements | Completed |
| AGS 2016/17 No.9 | To monitor and evaluate recommendations made by the People Performance Review Task and Finish Group | Assistant Chief Executive (Regeneration and Policy) | People Strategy Group will monitor the actions determined from their group | Completed |

APPENDIX 2

| GOVERNANCE ISSUES ACTION PLAN | | | |
|--|--|---|--------------------|
| NEW GOVERNANCE ISSUES IDENTIFIED IN THIS YEAR'S ANNUAL GOVERNANCE STATEMENT | | | |
| ISSUE REF | ACTION | RESPONSIBLE OFFICER | TARGET DATE |
| AGS 2017/18 No.1 | For 2017/18 - To publish an Annual Report on 2017/18 performance against our Well-being Objectives. | Director of Regeneration and Policy. | 31 October 2018 |
| AGS 2017/18 No.2 | For 2018/19 To publish our New Corporate Strategy that consolidates a number of plans. 1. It supersedes the 2015-20 Corporate Strategy. 2. It incorporates our Improvement Objectives as required by the Local Government Measure 2009. 3. It includes our Well-being Objectives as required by the Well-being of Future Generations (Wales) Act 2015. 4. It includes Carmarthenshire County Council's Executive Board key projects and programmes for the next 5 years as set out in 'Moving Forward in Carmarthenshire: the next 5 years'. | Director of Regeneration and Policy. | June 2018 |
| AGS 2017/18 No.3 | To ensure our Well-being Objectives inform the budget setting process. | Director of Regeneration and Policy. Head of Financial Services. | December 2018 |
| AGS 2017/18 No.4 | Publish a pay policy by April 2019 in accordance with Section 38 of the Localism Act. | Assistant Chief Executive – People Management. | April 2019 |
| AGS 2017/18 No.5 | Develop and implement pay model to accommodate national pay agreement in conjunction with trade unions. | Assistant Chief Executive – People Management. | April 2019 |

GOVERNANCE ISSUES ACTION PLAN

| NEW GOVERNANCE ISSUES IDENTIFIED IN THIS YEAR'S ANNUAL GOVERNANCE STATEMENT | | | |
|--|---|---|--------------------|
| ISSUE REF | ACTION | RESPONSIBLE OFFICER | TARGET DATE |
| AGS 2017/18 No.6 | Monitor and evaluate People Strategy Group/Work stream actions relating to WAO People Performance Management recommendations. | Assistant Chief Executive – People Management. | March 2019 |
| AGS 2017/18 No.7 | Introduce revised Disclosure and Barring Service checking policy. | Assistant Chief Executive – People Management. | March 2019 |
| AGS 2017/18 No. 8 | Update the Code of Governance to ensure that it's in line with the CIPFA standards and Wellbeing of Future Generations Act. | Head of Revenues and Financial Compliance. | March 2019 |
| AGS 2017/18 No.9 | City Deal – monitor and assess the impact of the City Deal. | Director Regeneration & Policy. Director Corporate Services. | |

5 FINANCIAL STATEMENTS

The financial statements comprise of the following:

5.1 EXPENDITURE AND FUNDING ANALYSIS (EFA)

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents and council tax) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure statement.

5.2 COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)

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. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

5.3 MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Statement shows how the movements in year of the Authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return the accounts to the amounts chargeable to council tax and dwelling rents for the year. The Net Increase/Decrease line shows the statutory Council Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

5.4 BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is that which the Authority 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), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

5.5 CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority 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 Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority'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 Authority.

5.1 EXPENDITURE AND FUNDING ANALYSIS (EFA)

| 2017-18 | Difference between Council Fund (CF) and Housing Revenue Account (HRA) (Surplus)/Deficit and Comprehensive Income and Expenditure Statement (CIES) (Surplus)/Deficit | | |
|--|--|-------------------------|-----------------------------------|
| | Net Expenditure Chargeable to the CF and HRA £'000 | Total Adjustments £'000 | Net Expenditure in the CIES £'000 |
| Department | | | |
| Chief Executive | 9,035 | 2,601 | 11,636 |
| Education & Children | 143,210 | 24,867 | 168,077 |
| Corporate Services | 20,318 | 1,084 | 21,402 |
| Communities | 86,435 | 12,831 | 99,266 |
| Environment | 43,222 | 12,459 | 55,681 |
| Housing Revenue Account | (20,097) | 15,405 | (4,692) |
| Insurance & Corporate | 5,141 | (4,476) | 665 |
| Net Cost of Services | <u>287,264</u> | <u>64,771</u> | <u>352,035</u> |
| Other Income & Expenditure | (300,658) | (12,590) | (313,248) |
| (Surplus)/Deficit before transfers to/(from) earmarked reserves | <u>(13,394)</u> | <u>52,181</u> | <u>38,787</u> |
| Transfers to/(from) earmarked reserves | 6,812 | | |
| (Surplus)/Deficit after transfers to/(from) earmarked reserves | <u><u>(6,582)</u></u> | | |
| CF & HRA Balance at 31st March 2017: (Surplus)/Deficit | (23,315) (6,582) | | |
| CF & HRA Balance at 31st March 2018: | <u><u>(29,897)</u></u> | | |
| 2016-17 | | | |
| Department | | | |
| Chief Executive | 8,344 | 1,244 | 9,588 |
| Education & Children | 146,143 | 19,783 | 165,926 |
| Corporate Services | 19,774 | (624) | 19,150 |
| Communities | 86,242 | 7,706 | 93,948 |
| Environment | 41,637 | 9,361 | 50,998 |
| Housing Revenue Account | (18,973) | 14,964 | (4,009) |
| Insurance & Corporate | 2,369 | (3,345) | (976) |
| Net Cost of Services | <u>285,536</u> | <u>49,089</u> | <u>334,625</u> |
| Other Income & Expenditure | (296,987) | (15,478) | (312,465) |
| (Surplus)/Deficit before transfers to/(from) earmarked reserves | <u>(11,451)</u> | <u>33,611</u> | <u>22,160</u> |
| Transfers to/(from) earmarked reserves | 6,035 | | |
| (Surplus)/Deficit after transfers to/(from) earmarked reserves | <u><u>(5,416)</u></u> | | |
| CF & HRA Balance at 31st March 2016: (Surplus)/Deficit | (17,899) (5,416) | | |
| CF & HRA Balance at 31st March 2017: | <u><u>(23,315)</u></u> | | |

See note 6.5 for Explanation of adjustments between Net expenditure chargeable to the CF and HRA and Net expenditure in the CIES.

2016-17 amounts have been restated for Chief Executive and Corporate Services to reflect the transfer of a service between the two departments.

5.2 COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)

| 2016-17 Total Gross Expenditure £'000 (Restated) | 2016-17 Total Gross Income £'000 (Restated) | 2016-17 Total Net Expenditure £'000 (Restated) | Department | 2017-18 Total Gross Expenditure £'000 | 2017-18 Total Gross Income £'000 | 2017-18 Total Net Expenditure £'000 |
|--|---|--|---|--|---|--|
| 14,696 | (5,108) | 9,588 | Chief Executive | 17,299 | (5,663) | 11,636 |
| 204,707 | (38,781) | 165,926 | Education and Children | 210,350 | (42,273) | 168,077 |
| 71,399 | (52,249) | 19,150 | Corporate Services | 73,389 | (51,987) | 21,402 |
| 148,120 | (54,172) | 93,948 | Communities | 158,108 | (58,842) | 99,266 |
| 75,420 | (24,422) | 50,998 | Environment | 80,357 | (24,676) | 55,681 |
| 33,820 | (37,829) | (4,009) | Housing Revenue Account | 34,421 | (39,113) | (4,692) |
| (964) | (12) | (976) | Insurance & Corporate | 672 | (7) | 665 |
| 547,198 | (212,573) | 334,625 | Net Cost of Services | 574,596 | (222,561) | 352,035 |
| | | | Precepts and Levies: | | | |
| | | 138 | Brecon Beacons National Park | | | 138 |
| | | 9,172 | Mid & West Wales Fire Authority | | | 9,349 |
| | | 5,283 | Community Councils | | | 5,397 |
| | | 14,191 | Dyfed Powys Police Authority | | | 15,313 |
| | | 2,268 | (Gains)/losses on the disposal of non-current assets | | | (21) |
| | | (369) | (Surpluses)/Deficits on Trading Activities not included | | | |
| | | 30,683 | in Net Cost of Services | | Note 6.6 | 5,161 |
| | | | Other Operating Expenditure | | | 35,337 |
| | | 17,636 | Interest Payable and Similar Charges | | | 17,613 |
| | | 9,687 | Net interest on the net defined benefit liability (asset) | | | 9,425 |
| | | (386) | Interest and Investment Income | | | (429) |
| | | 333 | Income and expenditure in relation to investment properties | | | |
| | | 0 | and changes in their fair value | | Note 6.11 | 2,113 |
| | | | Other income | | | (229) |
| | | 27,270 | Financing and Investment Income and Expenditure | | | 28,493 |
| | | (195,966) | Revenue Support Grant | | Note 6.39 | (191,881) |
| | | (100,023) | Council Tax | | Note 6.7 | (104,020) |
| | | (55,720) | Net Proceeds of Non-Domestic Rates | | Note 6.8 | (60,295) |
| | | (18,709) | Capital Grants and Contributions | | Note 6.39 | (20,882) |
| | | (370,418) | Taxation and Non-specific Grant Income | | | (377,078) |
| | | 22,160 | (Surplus)/Deficit on Provision of Services | | | 38,787 |
| | | (9,150) | (Surplus) or deficit on revaluation of Property, Plant | | | 11,777 |
| | | 83,368 | and Equipment assets | | | (67,425) |
| | | 74,218 | Remeasurement of the net defined benefit liability/(asset) | | | |
| | | 96,378 | Other Comprehensive Income and Expenditure | | | (55,648) |
| | | | Total Comprehensive Income and Expenditure | | | (16,861) |

2016-17 Net Cost of Services Gross Expenditure and Gross Income have been restated to net off internal recharges. There has been no change to Net Expenditure as a result of this restatement.

2016-17 Gross Expenditure, Gross Income and Net Expenditure have been restated for Chief Executive and Corporate Services to reflect the transfer of a service between the two departments.

5.3 MOVEMENT IN RESERVES STATEMENT

| | Council Fund Balance £'000 | Earmarked Council Fund Reserves £'000 | Housing Revenue Account £'000 | Capital Receipts Reserve £'000 | Major Repairs Reserve £'000 | Capital Grants Unapplied £'000 | TOTAL USABLE RESERVES £'000 | Unusable Reserves £'000 | TOTAL AUTHORITY RESERVES £'000 |
|---|----------------------------------|--|--|--------------------------------------|-----------------------------------|--------------------------------------|-----------------------------------|-------------------------------|---|
| Balance at 31 March 2016 | (8,779) | (69,808) | (9,120) | (18,633) | 0 | (863) | (107,203) | (620,380) | (727,583) |
| Movement in reserves during 2016/17 (Surplus) or deficit on the provision of services | 22,520 | 0 | (360) | 0 | 0 | 0 | 22,160 | 0 | 22,160 |
| Other Comprehensive Income and Expenditure | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 74,218 | 74,218 |
| Total Comprehensive Income and Expenditure | 22,520 | 0 | (360) | 0 | 0 | 0 | 22,160 | 74,218 | 96,378 |
| Adjustments between accounting basis and funding basis under regulations(Note 6.4) | (28,786) | 0 | (4,825) | 3,658 | 0 | 272 | (29,681) | 29,681 | 0 |
| Net (Increase)/Decrease before Transfers to/from Earmarked Reserves | (6,266) | 0 | (5,185) | 3,658 | 0 | 272 | (7,521) | 103,899 | 96,378 |
| Transfers to/(from) Earmarked Reserves(Note 6.23) | 5,741 | (6,035) | 294 | 0 | 0 | 0 | 0 | 0 | 0 |
| (Increase)/Decrease in Year | (525) | (6,035) | (4,891) | 3,658 | 0 | 272 | (7,521) | 103,899 | 96,378 |
| Balance at 31 March 2017 | (9,304) | (75,843) | (14,011) | (14,975) | 0 | (591) | (114,724) | (516,481) | (631,205) |
| Movement in reserves during 2017/18 (Surplus) or deficit on the provision of services | 40,227 | 0 | (1,440) | 0 | 0 | 0 | 38,787 | 0 | 38,787 |
| Other Comprehensive Income and Expenditure | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (55,648) | (55,648) |
| Total Comprehensive Income and Expenditure | 40,227 | 0 | (1,440) | 0 | 0 | 0 | 38,787 | (55,648) | (16,861) |
| Adjustments between accounting basis and funding basis under regulations(Note 6.4) | (47,418) | 0 | (4,763) | 6,358 | 0 | 27 | (45,796) | 45,796 | 0 |
| Net (Increase)/Decrease before Transfers to Earmarked Reserves | (7,191) | 0 | (6,203) | 6,358 | 0 | 27 | (7,009) | (9,852) | (16,861) |
| Transfers to/(from) Earmarked Reserves(Note 6.23) | 6,712 | (6,812) | 100 | 0 | 0 | 0 | 0 | 0 | 0 |
| (Increase)/Decrease in Year | (479) | (6,812) | (6,103) | 6,358 | 0 | 27 | (7,009) | (9,852) | (16,861) |
| Balance at 31 March 2018 | (9,783) | (82,655) | (20,114) | (8,617) | 0 | (564) | (121,733) | (526,333) | (648,066) |

5.4 BALANCE SHEET

| 31/03/17 £'000 | | Notes | £'000 | 31/03/18 £'000 |
|-----------------------|---|-------|-----------|-----------------------|
| 1,321,435 | Property, Plant & Equipment | 6.9 | 1,306,643 | |
| 2,246 | Heritage Assets | 6.10 | 2,246 | |
| 25,290 | Investment Property | 6.11 | 22,552 | |
| 1,961 | Long Term Investments | 6.12 | 1,953 | |
| 6,128 | Long Term Debtors | 6.13 | 7,926 | |
| <u>1,357,060</u> | Long Term Assets | | | <u>1,341,320</u> |
| 22,155 | Short Term Investments | 6.14 | 22,184 | |
| 0 | Assets Held for Sale | 6.15 | 0 | |
| 977 | Inventories | 6.16 | 1,030 | |
| 50,794 | Short Term Debtors | 6.17 | 53,494 | |
| 16,022 | Cash and Cash Equivalents | 6.18 | 18,782 | |
| <u>89,948</u> | Current Assets | | | <u>95,490</u> |
| (13,203) | Short Term Borrowing | 6.19 | (10,018) | |
| (57,723) | Short Term Creditors | 6.20 | (59,814) | |
| (1,755) | Provisions | 6.21 | (2,056) | |
| <u>(72,681)</u> | Current Liabilities | | | <u>(71,888)</u> |
| (3,757) | Provisions | 6.21 | (3,216) | |
| (378,071) | Long Term Borrowing | 6.22 | (392,936) | |
| (361,294) | Other Long Term Liabilities | 6.45 | (320,704) | |
| <u>(743,122)</u> | Long Term Liabilities | | | <u>(716,856)</u> |
| <u>631,205</u> | Net Assets | | | <u>648,066</u> |
| 9,304 | Council Fund | | 9,783 | |
| 14,011 | Housing Revenue Account | 7.2 | 20,114 | |
| 74,133 | Earmarked Council Fund Reserves | 6.23 | 81,140 | |
| 1,710 | Council Fund Reserves Held by Schools under LMS | 6.23 | 1,515 | |
| 0 | Major Repairs Reserve | 6.23 | 0 | |
| 14,975 | Capital Receipts Reserve | 6.24 | 8,617 | |
| 591 | Capital Grants Unapplied | 6.25 | 564 | |
| <u>114,724</u> | Usable Reserves | | | <u>121,733</u> |
| 331,384 | Revaluation Reserve | 6.26 | 308,873 | |
| 552,106 | Capital Adjustment Account | 6.27 | 543,920 | |
| (884) | Financial Instruments Adjustment Account | 6.28 | (937) | |
| 336 | Deferred Capital Receipts Reserve | 6.29 | 332 | |
| (361,294) | Pensions Reserve | 6.30 | (320,704) | |
| (5,167) | Accumulated Absences Account | 6.31 | (5,151) | |
| <u>516,481</u> | Unusable Reserves | | | <u>526,333</u> |
| <u>631,205</u> | Total Reserves | | | <u>648,066</u> |

5.5 CASH FLOW STATEMENT

| 2016-17 £'000 | | Note | 2017-18 £'000 |
|------------------|--|------|------------------|
| 130,179 | Taxation | | 131,492 |
| 343,073 | Grants | | 333,248 |
| 14,468 | Rents | | 15,221 |
| 188 | Interest received | | 165 |
| 93,378 | Other receipts from operating activities | | 105,846 |
| 581,286 | Cash inflows generated from operating activities | | 585,972 |
| (202,567) | Cash paid to and on behalf of employees | | (211,970) |
| (28,241) | Housing benefit paid out | | (27,310) |
| (48,002) | NNDR payments to national pool | | (47,433) |
| (19,474) | Precepts paid | | (20,710) |
| (17,737) | Interest paid | | (17,822) |
| (238,461) | Other payments for operating activities | | (232,400) |
| (554,482) | Cash outflows generated from operating activities | | (557,645) |
| 26,804 | Net cash flows from operating activities | 6.49 | 28,327 |
| (56,004) | Purchase of property, plant & equipment, investment property and intangible assets | | (54,512) |
| (317,400) | Purchase of short term and long term investments | | (418,900) |
| (9,850) | Other payments for investing activities | | (11,693) |
| 2,998 | Proceeds from Sale of property, plant & equipment, investment property and intangible assets | | 1,940 |
| 303,333 | Proceeds of short term and long term investments | | 418,879 |
| 21,922 | Other receipts from investing activities | | 26,855 |
| (55,001) | Net cash flows from investing activities | | (37,431) |
| 17,657 | Cash receipts of short and long term borrowing | | 21,895 |
| (5,727) | Repayments of short term and long term borrowing | | (10,011) |
| (2,562) | Other payments for financing activities | | (20) |
| 9,368 | Net cash flows from financing activities | | 11,864 |
| (18,829) | Net increase or decrease in cash and cash equivalents | | 2,760 |
| 34,851 | Cash and cash equivalents at the beginning of the reporting period | | 16,022 |
| 16,022 | Cash and cash equivalents at the end of the reporting period | 6.18 | 18,782 |

6 NOTES TO THE ACCOUNTS

6.1 Statement of Accounting Policies

General

The Statement of Accounts summarises the transactions of Carmarthenshire County Council and of the Dyfed Pension Fund for the 2017-18 financial year and their position at the year ended 31 March 2018.

The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014 in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and the Service Reporting Code of Practice 2017/18, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Areas within the accounts that do not comply with the above publication have been suitably noted where necessary.

6.1.1 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress 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 payable on borrowings and receivables on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

- An exception to this principle is when certain revenue payments are made quarterly (e.g. electricity, gas) where the revenue accounts are charged with four payments. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.
- Income and expenditure are credited and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.

6.1.2 **Property, Plant & 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.

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 Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement: Assets are initially measured at cost, comprising the purchase price and/or any expenditure that is directly attributable to bringing the asset into working condition for its intended use.

Assets are then carried in the Balance Sheet on the basis recommended by CIPFA and in accordance with The Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Standards. Assets are classified into the groupings required by the Code of Practice on Local Authority Accounting on the following basis:

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).
- Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value

With the exception of infrastructure and community assets, revaluations of fixed assets are carried out on the basis of a five-year rolling programme with any material change to asset values being adjusted in the accounts in the year it arises.

The historic timetable of assets revaluations is given below:

| | |
|-----------------------------------|---------|
| Chief Executives, Regeneration | 2013-14 |
| Schools | 2014-15 |
| Housing Stock & Depreciated | |
| Replacement Costs valued assets | 2015-16 |
| Social Care, Leisure, Environment | 2016-17 |
| Environment | 2017-18 |

Assets acquired under finance leases are capitalised in the Authority's accounts, together with the liability to pay future rentals.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of an impairment loss previously charged to a service revenue account.

Impairment:

Assets are assessed at each year-end 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 by:

- 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.

Disposals and Assets Held for Sale

When it becomes highly 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. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. 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 previously recognised losses 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 non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, 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. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line 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 £10,000 are categorised as capital receipts and credited to the Capital Receipts Reserve. These can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow. Receipts are appropriated to the 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 fixed 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.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – either a straight-line allocation over the useful life of the asset or as a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over 40 years.

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 charged based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Component Accounting

Component accounting is used when a single asset has one or more constituent parts with a significantly different economic life to the main asset. Components within the main asset would therefore be depreciated at different rates.

In order to determine whether there is a material difference in the depreciation charge, the Authority carries out a sensitivity analysis on its largest capital projects. A charge is calculated based on the asset as a whole compared to a charge based on the component parts. The component based charge will be used if there is a material difference between the two calculations.

6.1.3 Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the Council Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the Council Fund Balance. The gains and losses are therefore reversed out of the Council Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

6.1.4 Heritage Assets

There are different types of Heritage Assets which have been accounted for as follows.

- **Former Community Assets**

Those heritage assets which were formerly included within community assets have been transferred to the new Heritage Assets category. They are recorded at historic cost and include Carmarthen Castle, civic regalia and works of art.

- **Infrastructure Artwork**

These assets were previously included as infrastructure and were either part of a larger capital project or standalone artworks on roundabouts or in town centres. As former infrastructure assets they are recorded at historic cost.

- **Museum Exhibits/Archive Records**

The Authority holds a large collection museum exhibits and archive material which have not been included in the Balance Sheet. Cost information is not readily available for these items and the Authority believes that the benefits of obtaining a valuation for these items would not justify the cost.

6.1.5 Intangible Assets

These are assets that do not have a physical substance but will provide future economic benefits to the Authority such as software licences or internally generated assets which have been capitalised.

The Authority does not currently hold any intangible assets. Enhancements are categorised each year and any intangible assets would be identified as part of this annual exercise.

6.1.6 **Charges to Revenue for Non-Current Assets**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed 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 fixed assets attributable to the service.

The Authority is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the Council Fund balance (MRP or Loans Fund Principal), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

6.1.7 **Revenue Expenditure Funded from Capital under Statute (REFFCUS)**

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement account in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the Council Fund Balance to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the Council Fund Balance so there is no impact on the level of Council Tax.

6.1.8 **Cash and Cash Equivalents**

Cash Equivalents are investments that are readily convertible to known amounts of cash with no change in value. Cash is withdrawn and deposited depending on a deficit or surplus of cash on the day. All call accounts are classified for this purpose. Cash Equivalents also includes fixed term investments that mature within three months or less from the date of acquisition.

6.1.9 **Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the Council Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

6.1.10 **Leasing**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

A review of all leases held by the Authority (both as Lessee and Lessor) has been undertaken. All leases are currently treated as operating leases. A few small leases have been identified that could potentially be reclassified as finance leases. These relate to equipment and are insignificant both in terms of value and term length. The reclassification adjustments would not materially affect the Authority's financial position, or the reader of the accounts' ability to see the complete economic activities and exposure to risk of the Authority.

The Authority as Lessee – operating leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment.

The Authority as Lessor – operating leases

Where the Authority grants an operating lease over a property, the asset is retained in the Balance Sheet. Rental income is credited to the appropriate service in the Comprehensive Income and Expenditure statement.

6.1.11 **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in 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. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and

interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the Council Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the Council Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

6.1.12 **Financial Assets**

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where the Authority has made loans at less than market rates (soft loans), any material loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the Council Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the Council Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

6.1.13 **Inventories and Long Term Contracts**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the weighted average costing formula.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

6.1.14 **Cost of Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received.

6.1.15 **Provisions**

Provisions are made where an event has taken place that gives the Authority an obligation that probably requires settlement by a transfer of economic benefits, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation and are measured on 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 set up 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 revenue account.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

6.1.16 **Reserves**

The Authority 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 score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the Council Fund Balance in the Movement in Reserves statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments retirement and employee benefits and do not represent usable resources for the Authority - these reserves are explained in the relevant policies.

6.1.17 **Employee Benefits**

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the Council Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

Employees of the Authority are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The Local Government Pensions Scheme, administered by Carmarthenshire County Council.

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified specifically to the Authority. The scheme is therefore accounted for as if it were a defined contributions scheme and no liability for future payments of benefits is recognised in the Balance Sheet and the Education and Children's

Services Line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to teachers' pensions in the year.

The Dyfed Pension Fund

The Fund is accounted for as a defined benefit scheme.

The liabilities of the Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit credit method – 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 projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 2.6% (based on the indicative rate of return on high quality corporate bond [AA Corporate Bond]).

The assets of the Fund attributable to the Authority are included in the Balance Sheet at their fair value:

- quoted securities – bid price value
- unquoted securities – professional estimate
- unitised securities – bid price value
- property – market value.

The change in the net pensions liability is analysed into the following components:

Service cost comprising:

- current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- 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 as part of Non Distributed Costs
- net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Remeasurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- 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 assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- contributions paid to the Fund – cash paid as employer’s contributions to the fund in settlement of liabilities; not accounted for as an expense

In relation to retirement benefits, statutory provisions require the Council Fund balance to be charged with the amount payable by the Authority 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 debits for 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 Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Fund.

6.1.18 Interests in Companies and other Entities

CWM Environmental

The Council has material interests in CWM Environmental that has the nature of a subsidiary that require the preparation of group accounts. Group Accounts have not been prepared, as the consolidation would not materially affect the Authority’s financial position, or the reader of the accounts’ ability to see the complete economic activities and exposure to risk of the Council.

Egni Sir Gar Cyfyngedig

Carmarthenshire County Council is the registered Custodian Trustee of Egni Sir Gar Cyfyngedig and has one board member on the board.

Llesiant Delta Wellbeing

In January 2018, the council’s Executive Board agreed:

- to establish a Local Authority Trading Company known as “Llesiant Delta Wellbeing” to transfer and grow the Careline service
- that the business plan be brought back to Executive Board for approval prior to implementation, which subsequently happened in May 2018.

In line with this approval, a company has been set up which is wholly owned by the Council, with council officers as directors and strong oversight effected through a governance group comprising four members including the Executive Board portfolio holder, the Director of Social Services, the Section 151 officer and the Monitoring Officer of the council.

As the company was not operational during the financial year, no figures are included within the 2017-18 Statement of Accounts.

Cartrefi Croeso Cyfyngedig

In November 2017, the council's Executive Board agreed to establish a housing company to build homes for sale and rent in Carmarthenshire and act as a catalyst for further regeneration activities. The Executive Board agreed that the business plan be brought back for their approval prior to implementation.

The company was subsequently created and is wholly owned by the Council. The Director of Social Services and the Director of Regeneration and Policy have been appointed as directors of the company. As the company was not operational during the financial year, no figures are included within the 2017-18 Statement of Accounts.

6.1.19 **Jointly Controlled Operations and Jointly Controlled Assets**

Jointly controlled operations are activities undertaken by the Authority in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Authority and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Authority accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

We have identified the following arrangement that could fall within the above definition for accounting purposes:-

- ERW - the regional education consortium for Mid and South West Wales

| | ERW | |
|-------------------------------|------------------|------------------|
| | 2017-2018 | |
| | Total | CCC Share |
| | £'000 | £'000 |
| Expenditure | 433 | 91 |
| Income | (254) | (53) |
| Net Pensions Interest | 37 | 7 |
| Surplus/Deficit for the year | <u>216</u> | <u>45</u> |
| Current Assets | 5 | 1 |
| Current Liabilities | 477 | 100 |
| Long Term Liabilities | (292) | (61) |
| Total assets less liabilities | <u>190</u> | <u>40</u> |
| Reserves | 190 | 40 |
| Total Financing | <u>190</u> | <u>40</u> |

Other potential arrangements include The Children's Commissioning Consortium Cymru (4 C's) amongst others. For the purposes of the accounts no actual entries have been made for these arrangements other than the direct expenditure and income applicable to each scheme. The adjustments are not material and would not affect the Authority's financial position, or the reader of the accounts' ability to see the complete economic activities and exposure to risk of the Council.

6.1.20 **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

6.1.21 **VAT**

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs, and all VAT paid is recoverable from them.

6.1.22 **Carbon Reduction Commitment Energy Efficiency Scheme**

The authority is required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme. This scheme is currently in the second phase, which ends on 31 March 2019. The authority is required to purchase allowances, either prospectively or retrospectively, and surrender them on the basis of emissions, ie carbon dioxide produced as energy is used. As carbon dioxide is emitted (ie as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the

costs of the authority's services and is apportioned to services on the basis of energy consumption.

6.2 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 6.1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

Uncertainty continues about both future funding and any potential reorganisation of local government, as well as uncertainty about the implications of the vote to leave the European Union. However, the Authority has a robust three year budget strategy with efficiency and service rationalisation proposals to deliver a balanced budget and has therefore determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result.

In October 2008 the Icelandic banking sector defaulted on its obligations. The Council had £4m plus interest invested in Kaupthing, Singer and Friedlander (KSF) at that time. By the end of 2017-2018 £3.42m plus interest had been repaid by the administrators. See note 6.47.

Voluntary Controlled and Voluntary Aided schools are currently excluded from the Authority's balance sheet and have been since 2009-10 as although the Authority has liabilities and risks in terms of property costs such as repairs and maintenance, it does not own the schools nor does it have any rights to the future economic benefits inherent in the assets.

6.3 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| Item | Uncertainties | Effect if Actual Results Differ from Assumptions |
|--------------------|---|---|
| Pensions Liability | Estimation of the net 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. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied. | <p>The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £24.4m for 2017-18.</p> <p>The carrying amount of the net pensions liability at 31st March 2018 was £321m.</p> <p>However, the assumptions interact in complex ways. During 2017-18, the Authority's actuaries advised that the net pensions liability had decreased by £54.6m due to updating of the assumptions.</p> |

6.4 Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

| | Usable Reserves | | | | | Movement in Unusable Reserves |
|--|----------------------|-------------------------|--------------------------|-----------------------|--------------------------|-------------------------------|
| | Council Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | |
| 2017-18 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Adjustments primarily involving the Capital Adjustment Account: | | | | | | |
| Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement: | | | | | | |
| Charges for depreciation and impairment of non-current assets | (30,919) | (11,508) | 0 | 0 | 0 | 42,427 |
| Revaluation losses on Property Plant and Equipment | (13,980) | (3,447) | 0 | 0 | 0 | 17,427 |
| Movements in the market value of Investment Properties | (2,516) | 0 | 0 | 0 | 0 | 2,516 |
| Capital grants and contributions applied | 14,158 | 473 | 0 | 0 | 0 | (14,631) |
| Revenue expenditure funded from capital under statute | (1,993) | (2) | 0 | 0 | 0 | 1,995 |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (1,775) | (67) | 0 | 0 | 0 | 1,842 |
| Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement: | | | | | | |
| Statutory provision for the financing of capital investment | 8,384 | 4,276 | 0 | 0 | 0 | (12,660) |
| Capital expenditure charged against the Council Fund and HRA balances | 5,468 | 0 | 0 | 0 | 0 | (5,468) |

| | Usable Reserves | | | | | Movement in Unusable Reserves |
|--|----------------------|-------------------------|--------------------------|-----------------------|--------------------------|-------------------------------|
| | Council Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | |
| 2017-18 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Adjustments primarily involving the Capital Grants Unapplied Account: | | | | | | |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement | 62 | 0 | 0 | 0 | (62) | 0 |
| Application of grants to capital financing transferred to the Capital Adjustment Account | 0 | 0 | 0 | 0 | 89 | (89) |
| Adjustments primarily involving the Capital Receipts Reserve: | | | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 1,809 | 54 | (1,863) | 0 | 0 | 0 |
| Statutory Capital Receipts | 24 | 0 | (72) | 0 | 0 | 48 |
| Use of the Capital Receipts Reserve to finance new capital expenditure | 0 | 0 | 8,296 | 0 | 0 | (8,296) |
| Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals | 0 | 0 | 1 | 0 | 0 | (1) |
| Capital Receipts Set Aside | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfer from Deferred Capital Receipts Reserve upon receipt of cash | 0 | 0 | (4) | 0 | 0 | 4 |

| | Usable Reserves | | | | | Movement in Unusable Reserves |
|---|----------------------|-------------------------|--------------------------|-----------------------|--------------------------|-------------------------------|
| | Council Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | |
| 2017-18 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Adjustment primarily involving the Major Repairs Reserve: | | | | | | |
| Reversal of Major Repairs Allowance credited to the HRA | 0 | 6,190 | 0 | (6,190) | 0 | 0 |
| Use of the Major Repairs Reserve to finance new capital expenditure | 0 | 0 | 0 | 6,190 | 0 | (6,190) |
| Adjustments primarily involving the Financial Instruments Adjustment Account: | | | | | | |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | (1) | (52) | 0 | 0 | 0 | 53 |
| Adjustments primarily involving the Pensions Reserve: | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 6.45) | (50,134) | (1,222) | 0 | 0 | 0 | 51,356 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 23,979 | 542 | 0 | 0 | 0 | (24,521) |
| Adjustment primarily involving the Accumulated Absences Account: | | | | | | |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 16 | 0 | 0 | 0 | 0 | (16) |
| Total Adjustments | (47,418) | (4,763) | 6,358 | 0 | 27 | 45,796 |

| | Usable Reserves | | | | | Movement in Unusable Reserves |
|--|----------------------|-------------------------|--------------------------|-----------------------|--------------------------|-------------------------------|
| | Council Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | |
| 2016-17 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Adjustments primarily involving the Capital Adjustment Account: | | | | | | |
| Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement: | | | | | | |
| Charges for depreciation and impairment of non-current assets | (30,304) | (11,185) | 0 | 0 | 0 | 41,489 |
| Revaluation losses on Property Plant and Equipment | (4,306) | (4,439) | 0 | 0 | 0 | 8,745 |
| Movements in the market value of Investment Properties | (752) | 0 | 0 | 0 | 0 | 752 |
| Capital grants and contributions applied | 12,398 | 58 | 0 | 0 | 0 | (12,456) |
| Revenue expenditure funded from capital under statute | (1,722) | (9) | 0 | 0 | 0 | 1,731 |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (4,987) | (139) | 0 | 0 | 0 | 5,126 |
| Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement: | | | | | | |
| Statutory provision for the financing of capital investment | 7,313 | 4,207 | 0 | 0 | 0 | (11,520) |
| Capital expenditure charged against the Council Fund and HRA balances | 5,038 | 782 | 0 | 0 | 0 | (5,820) |

| | Usable Reserves | | | | | |
|--|----------------------|-------------------------|--------------------------|-----------------------|--------------------------|-------------------------------|
| | Council Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | Movement in Unusable Reserves |
| 2016-17 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Adjustments primarily involving the Capital Grants Unapplied Account: | | | | | | |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement | 82 | 0 | 0 | 0 | (82) | 0 |
| Application of grants to capital financing transferred to the Capital Adjustment Account | 0 | 0 | 0 | 0 | 354 | (354) |
| Adjustments primarily involving the Capital Receipts Reserve: | | | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 2,740 | 118 | (2,858) | 0 | 0 | 0 |
| Statutory Capital Receipts | 48 | 0 | (135) | 0 | 0 | 87 |
| Use of the Capital Receipts Reserve to finance new capital expenditure | 0 | 0 | 6,644 | 0 | 0 | (6,644) |
| Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals | 0 | 0 | 9 | 0 | 0 | (9) |
| Capital Receipts Set Aside | 0 | 0 | 4 | 0 | 0 | (4) |
| Transfer from Deferred Capital Receipts Reserve upon receipt of cash | 0 | 0 | (6) | 0 | 0 | 6 |

| | Usable Reserves | | | | | Movement in Unusable Reserves |
|---|----------------------|-------------------------|--------------------------|-----------------------|--------------------------|-------------------------------|
| | Council Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | |
| 2016-17 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Adjustment primarily involving the Major Repairs Reserve: | | | | | | |
| Reversal of Major Repairs Allowance credited to the HRA | 0 | 6,170 | 0 | (6,170) | 0 | 0 |
| Use of the Major Repairs Reserve to finance new capital expenditure | 0 | 0 | 0 | 6,170 | 0 | (6,170) |
| Adjustments primarily involving the Financial Instruments Adjustment Account: | | | | | | |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | 154 | (52) | 0 | 0 | 0 | (102) |
| Adjustments primarily involving the Pensions Reserve: | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 6.45) | (36,785) | (832) | 0 | 0 | 0 | 37,617 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 23,703 | 502 | 0 | 0 | 0 | (24,205) |
| Adjustment primarily involving the Accumulated Absences Account: | | | | | | |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | (1,406) | (6) | 0 | 0 | 0 | 1,412 |
| Total Adjustments | (28,786) | (4,825) | 3,658 | 0 | 272 | 29,681 |

6.5 Note to the Expenditure and Funding Analysis

2017-18

Adjustments between Funding and Accounting Basis

| Department | Adjustments for Capital Purposes £'000 | Net Changes for Pensions Adjustments £'000 | Other Differences £'000 | Total Adjustments £'000 |
|--|---|---|--|--|
| Chief Executive | 743 | 1,875 | (17) | 2,601 |
| Education & Children | 19,199 | 5,611 | 57 | 24,867 |
| Corporate Services | 749 | 345 | (10) | 1,084 |
| Communities | 7,652 | 5,204 | (25) | 12,831 |
| Environment | 9,872 | 2,595 | (8) | 12,459 |
| Housing Revenue Account | 14,957 | 448 | 0 | 15,405 |
| Insurance & Corporate | (4,476) | 0 | 0 | (4,476) |
| Net Cost of Services | 48,696 | 16,078 | (3) | 64,771 |
| Other Income & Expenditure | (23,387) | 10,757 | 40 | (12,590) |
| Difference between CF & HRA (Surplus)/Deficit and CIES (Surplus)/Deficit on Provision of Services | 25,309 | 26,835 | 37 | 52,181 |

2016-17

Department

| | | | | |
|--|---------------|---------------|--------------|---------------|
| Chief Executive | 622 | 613 | 9 | 1,244 |
| Education & Children | 17,830 | 681 | 1,272 | 19,783 |
| Corporate Services | (85) | (548) | 9 | (624) |
| Communities | 6,042 | 1,624 | 40 | 7,706 |
| Environment | 8,530 | 796 | 35 | 9,361 |
| Housing Revenue Account | 14,851 | 107 | 6 | 14,964 |
| Insurance & Corporate | (3,345) | 0 | 0 | (3,345) |
| Net Cost of Services | 44,445 | 3,273 | 1,371 | 49,089 |
| Other Income & Expenditure | (25,556) | 10,140 | (62) | (15,478) |
| Difference between CF & HRA (Surplus)/Deficit and CIES (Surplus)/Deficit on Provision of Services | 18,889 | 13,413 | 1,309 | 33,611 |

Narrative Explanation**Adjustments for Capital Purposes**

Service lines - adds in depreciation, impairment and revaluation gains and losses and deducts direct revenue funding.

Other Income and Expenditure includes the following:

Other Operating Expenditure - Adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets. Adds/deducts charges to trading operations not included in service lines.

Financing and Investment income and expenditure – deducts the statutory charges for capital financing (MRP) and other revenue contributions are deducted from other income

and expenditure as these are not chargeable under generally accepted accounting practices.

Taxation and non specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. There are credits for capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for Pensions Adjustments

Service lines – employer contributions made by the Authority are removed as allowed by statute and replaced with current service costs and past service costs.

Other Income and Expenditure includes the following:

Financing and Investment Income – the net interest on the defined benefit liability is charged to the CIES.

Other Differences

Service lines – adjusts for holiday pay transferred to the accumulated absence reserve.

Financing and Investment Income and Expenditure – adjustments to the General Fund for the timing differences for premiums and discounts.

6.6 Trading Operations

The Authority undertakes various trading operations, as listed in the table below. These trading activities mainly derive their turnover from rents, fees and charges and are either undertakings with the public and other third parties or are internal trading operations, which were originally set up as DSOs. Social Services residential homes are not operated as a trading activity within the Authority. At present all costs attributable to the operation of these homes are charged direct to the Social Services budget. The actual outturn figures in respect of these trading operations are detailed below:

| 2016-17 Total Gross Expenditure £'000 | 2016-17 Total Gross Income £'000 | 2016-17 Total Net (Income)/ Expenditure £'000 | Activities/Section | 2017-18 Total Gross Expenditure £'000 | 2017-18 Total Gross Income £'000 | 2017-18 Total Net (Income)/ Expenditure £'000 |
|--|--|---|---------------------------------------|--|--|---|
| 31,524 | (32,206) | (682) | Property Services Vehicle Repair & | 29,799 | (30,407) | (608) |
| 1,131 | (1,492) | (361) | Maintenance | 1,080 | (1,097) | (17) |
| 3,965 | (3,445) | 520 | Building Cleaning | 4,178 | (3,478) | 700 |
| 5,202 | (5,191) | 11 | Fleet Management | 5,076 | (5,140) | (64) |
| 1,447 | (1,725) | (278) | Civil Design | 1,313 | (1,553) | (240) |
| 688 | (311) | 377 | Rural Estate | 4,511 | (306) | 4,205 |
| 993 | (597) | 396 | Provision Markets | 1,645 | (581) | 1,064 |
| 1,321 | (1,673) | (352) | Industrial Sites | 1,870 | (1,749) | 121 |
| 46,271 | (46,640) | (369) | | 49,472 | (44,311) | 5,161 |

6.7 Council Tax

Council tax income is derived from charges raised according to the value of residential properties, which have been classified into nine valuation bands estimating 1 April 2003 values for this specific purpose. Charges are calculated by dividing the amount of income required for Carmarthenshire County Council and the Dyfed-Powys Police & Crime Commissioner and Town & Community Councils by the Council Tax base. The Council Tax base is the total number of properties in each band adjusted by a proportion to convert the number to a band D equivalent and adjusted for discounts. The Council Tax Base for 2017-18 was 71,598.56 (70,928.91 for 2016-17).

Council Tax bills are based on multipliers for bands A to I. The following table shows the multiplier applicable to each band together with the equivalent number of Band 'D' properties within each band. In addition there is one lower band (A-) designed to offer the appropriate discount in respect of disabled dwellings where legislation allows a reduction in banding to that one below the band in which the property is actually valued.

| Band | A- | A | B | C | D | E | F | G | H | I |
|------------------|-----|-------|--------|--------|--------|--------|-------|-------|------|------|
| Multiplier | 5/9 | 6/9 | 7/9 | 8/9 | 9/9 | 11/9 | 13/9 | 15/9 | 18/9 | 21/9 |
| Band D Dwellings | 19 | 4,875 | 15,979 | 13,846 | 12,484 | 14,117 | 8,242 | 3,232 | 535 | 106 |

Analysis of the net proceeds from Council Tax:

| | 2016-17 £'000 | 2017-18 £'000 |
|---|-----------------------|-----------------------|
| Council Tax Collectable | 100,781 | 104,642 |
| Movement in Impairment Allowance | (758) | (622) |
| Net Proceeds from Council Tax (including Precepts) | <u>100,023</u> | <u>104,020</u> |

6.8 National Non Domestic Rates (NNDR)

NNDR is organised on a national basis. The Council is responsible for collecting rates due from ratepayers in its area but pays the proceeds into the NNDR pool administered by the Welsh Government who redistribute the sums payable back to local authorities on the basis of a fixed amount per head of population. Local businesses pay rates calculated by multiplying their rateable value by a rate specified by the Welsh Government (49.9p for 2017-18, 48.6p for 2016-17).

The total non-domestic rateable value at 31st March 2018 was £117,601,498 (£122,690,223 at 31st March 2017).

6.9 Property, Plant & Equipment

| Movements in 2017-18 | Council Dwellings | Other Land & Buildings | Vehicles Plant & Equipment | Infra-structure | Community Assets | Surplus Assets | Assets Under Construction | TOTAL |
|--|-------------------|------------------------|----------------------------|-----------------|------------------|----------------|---------------------------|------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Gross Book Value 01/04/17 | 336,124 | 738,020 | 21,129 | 290,821 | 5,652 | 34,555 | 31,809 | 1,458,110 |
| Additions | 17,817 | 14,870 | 3,650 | 5,924 | 1 | 96 | 15,140 | 57,498 |
| Revaluation Increases Recognised in the Revaluation Reserve | 37 | 7,404 | 0 | 0 | 0 | 1,561 | 0 | 9,002 |
| Revaluation Losses Recognised in the Revaluation Reserve | (32) | (19,995) | 0 | 0 | (479) | (274) | 0 | (20,780) |
| Revaluation Increases Recognised in the Provision of Services | 22 | 1,169 | 0 | 0 | 0 | 62 | 0 | 1,253 |
| Revaluation Losses Recognised in the Provision of Services | (3,469) | (11,142) | (629) | (2,104) | (627) | (387) | (322) | (18,680) |
| Derecognition of Disposals | 0 | 0 | (363) | 0 | 0 | 0 | 0 | (363) |
| Reclassifications: to & from Assets Held for Sale | (67) | (82) | 0 | 0 | 0 | (1,375) | 0 | (1,524) |
| Reclassifications: to & from Investment Properties | 0 | 0 | 0 | 0 | 740 | 468 | 0 | 1,208 |
| Reclassifications: from Assets Under Construction to Investment Properties | 0 | 0 | 0 | 0 | 0 | 0 | (284) | (284) |
| Reclassifications: from Assets Under Construction | 569 | 13,665 | 0 | 1,371 | 80 | 3,063 | (18,748) | 0 |
| Write back of Dep'n to the Gross Carrying Amount on Revaluation | (2) | (7,071) | (1,105) | (1,089) | (58) | (786) | 0 | (10,111) |
| Gross Book Value 31/03/18 | 350,999 | 736,838 | 22,682 | 294,923 | 5,309 | 36,983 | 27,595 | 1,475,329 |
| Accumulated Depreciation and Impairment at 01/04/17 | (10,887) | (40,776) | (7,262) | (76,354) | (468) | (928) | 0 | (136,675) |
| Depreciation Charge | (11,509) | (21,510) | (2,498) | (6,386) | (23) | (501) | 0 | (42,427) |
| Depreciation Written Out to Revaluation Reserve | 2 | 7,071 | 1,105 | 1,089 | 58 | 786 | 0 | 10,111 |
| Derecognition of Disposals | 0 | 0 | 305 | 0 | 0 | 0 | 0 | 305 |
| Reclassifications: Depreciation & Impairments to Investment Properties | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Movements in Depreciation and Impairments | 0 | 14 | 0 | 0 | (7) | (7) | 0 | 0 |
| Cumulative Depreciation to 31/03/18 | (22,394) | (55,201) | (8,350) | (81,651) | (440) | (650) | 0 | (168,686) |
| Net Book Value at 31/03/18 | 328,605 | 681,637 | 14,332 | 213,272 | 4,869 | 36,333 | 27,595 | 1,306,643 |

| Movements in 2016-17 | Council Dwellings £'000 | Other Land & Buildings £'000 | Vehicles Plant & Equipment £'000 | Infra-structure £'000 | Community Assets £'000 | Surplus Assets £'000 | Assets Under Construction £'000 | TOTAL £'000 |
|--|----------------------------|---------------------------------|-------------------------------------|--------------------------|---------------------------|-------------------------|------------------------------------|------------------|
| Gross Book Value 01/04/16 | 326,472 | 751,829 | 14,897 | 276,390 | 3,782 | 21,813 | 19,165 | 1,414,348 |
| Additions | 14,148 | 10,599 | 10,027 | 4,970 | 367 | 15 | 18,041 | 58,167 |
| Revaluation Increases Recognised in the Revaluation Reserve | 97 | 21,676 | 0 | 0 | 5 | 396 | 0 | 22,174 |
| Revaluation Losses Recognised in the Revaluation Reserve | (11) | (12,793) | 0 | 0 | 0 | (220) | 0 | (13,024) |
| Revaluation Increases Recognised in the Provision of Services | 0 | 5,413 | 0 | 0 | 0 | 628 | 0 | 6,041 |
| Revaluation Losses Recognised in the Provision of Services | (4,439) | (9,693) | (282) | 0 | 0 | (372) | 0 | (14,786) |
| Derecognition of Disposals | 0 | (2,082) | (2,949) | 0 | 0 | 0 | 0 | (5,031) |
| Reclassifications: to & from Assets Held for Sale | (42) | 0 | 0 | 0 | 0 | (2,458) | 0 | (2,500) |
| Reclassifications: to & from Investment Properties | 0 | (293) | 0 | 0 | 0 | 91 | 0 | (202) |
| Reclassifications: from Assets Under Construction to Investment Properties | 0 | 0 | 0 | 0 | 0 | 0 | (871) | (871) |
| Reclassifications: from Assets Under Construction | (99) | (21,032) | 9 | 9,461 | 1,498 | 14,689 | (4,526) | 0 |
| Write back of Dep'n to the Gross Carrying Amount on Revaluation | (2) | (5,604) | (573) | 0 | 0 | (27) | 0 | (6,206) |
| Gross Book Value 31/03/17 | 336,124 | 738,020 | 21,129 | 290,821 | 5,652 | 34,555 | 31,809 | 1,458,110 |
| Accumulated Depreciation and Impairment at 01/04/16 | 296 | (25,192) | (8,881) | (70,063) | (395) | (16) | 0 | (104,251) |
| Depreciation Charge | (11,185) | (21,951) | (1,745) | (6,291) | (34) | (283) | 0 | (41,489) |
| Depreciation Written Out to Revaluation Reserve | 2 | 5,604 | 573 | 0 | 0 | 27 | 0 | 6,206 |
| Derecognition of Disposals | 0 | 29 | 2,791 | 0 | 0 | 0 | 0 | 2,820 |
| Reclassifications: Depreciation & Impairments to Investment Properties | 0 | 39 | 0 | 0 | 0 | 0 | 0 | 39 |
| Other Movements in Depreciation and Impairments | 0 | 695 | 0 | 0 | (39) | (656) | 0 | 0 |
| Cumulative Depreciation to 31/03/17 | (10,887) | (40,776) | (7,262) | (76,354) | (468) | (928) | 0 | (136,675) |
| Net Book Value at 31/03/17 | 325,237 | 697,244 | 13,867 | 214,467 | 5,184 | 33,627 | 31,809 | 1,321,435 |

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

| Asset | Life (Years) |
|---|---------------------|
| Council Dwellings | 30 |
| Land <i>(including Community Assets)</i> | infinite |
| Buildings <i>(including Community Assets)</i> | 30 |
| Plant, Furniture & Equipment | 5 to 10 |
| Vehicles | 1 to 10 |
| Infrastructure | 40 |

Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were 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, furniture and equipment are based on a depreciated historic cost basis.

Statement of Non-Current Assets Carried at Current Value 2017-18

The following statement shows the progress of the Authority's rolling programme for revaluation of fixed assets. The valuations are carried out in house by the Authority's Valuers who are Fellows of the Royal Institute of Chartered Surveyors. The basis for valuation is set out in the statement of accounting policies.

| | Council Dwellings £'000 | Other Land & Buildings £'000 | Vehicles Plant & Equipment £'000 | Surplus Assets £'000 | TOTAL £'000 |
|---|--|---|---|-------------------------------------|------------------------|
| Movement in fair value as at: | | | | | |
| Previous Years | 523,305 | 699,680 | 16,379 | 23,554 | 1,262,918 |
| 31 March 2014 | 19,476 | (19,640) | 1,851 | (2,612) | (925) |
| 31 March 2015 | 19,668 | (40,940) | (683) | (1,269) | (23,224) |
| 31 March 2016 | (235,977) | 112,729 | (2,650) | 2,140 | (123,758) |
| 31 March 2017 | 9,652 | (13,809) | 6,232 | 12,742 | 14,817 |
| 31 March 2018 | 14,875 | (1,182) | 1,553 | 2,428 | 17,674 |
| Gross Book Value at 31/03/18 | 350,999 | 736,838 | 22,682 | 36,983 | 1,147,502 |

Capital Commitments

As at 31 March 2018 the Council was contractually committed to capital works which amounted to approximately £21.3 million. Major contracts included the following schemes:

| | £'000 |
|--|----------------------|
| <u>COMMUNITIES</u> | |
| Public Sector Housing | 1,008 |
| Pembrey Country Park | 799 |
| Carmarthenshire Archives | 2,247 |
| Closed Circuit Cycle Track | 409 |
| <u>ENVIRONMENT</u> | |
| Carmarthen West Link Road | 2,135 |
| Glannamman Industrial Estate Workshops | 37 |
| St David's Park Block 4 | 876 |
| <u>EDUCATION AND CHILDREN</u> | |
| Modernising Education Programme | |
| Burry Port | 131 |
| Carreg Hirfaen | 10 |
| Gorslas | 5,458 |
| Llangadog | 3,112 |
| Llannon - Demountable | 34 |
| Parc y Tywyn | 1,043 |
| Pen Rhos | 170 |
| Pontyberem | 1,377 |
| Trimsaran | 331 |
| Heol Goffa SAC | 8 |
| Bro Dinefwr | 438 |
| Coedcae | 425 |
| Dyffryn Amman | 182 |
| St John Lloyd | 548 |
| <u>ECONOMIC DEVELOPMENT</u> | |
| Pendine Attractor Project | 489 |
| | <u>21,267</u> |

6.10 Heritage AssetsFive Year Summary of Additions & Valuations

| | Art Collections | Civic Regalia | Museum Exhibits | Public Sculptures | Ancient Monuments | Archive | Other | Total |
|------------------------------|--------------------|------------------|--------------------|----------------------|----------------------|-----------|----------|--------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Previous Years | 30 | 16 | 33 | 720 | 1,273 | 30 | 3 | 2,105 |
| 2013-14 | 0 | 0 | 31 | 2 | 1 | 0 | 0 | 34 |
| 2014-15 | 0 | 0 | 7 | 39 | 63 | 0 | 0 | 109 |
| 2015-16 | 0 | 0 | 0 | 0 | 0 | 0 | (2) | (2) |
| 2016-17 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2017-18 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Cost or Valuation | | | | | | | | |
| Gross Carrying Amount | 30 | 16 | 71 | 761 | 1,337 | 30 | 1 | 2,246 |
| 31/03/18 | | | | | | | | |

Heritage Assets: Archives collections

The archive service was established in 1959 to collect historically important records. Since then it has accrued 8785 deposits of records – each deposit may be as small as one item or as large as several thousand. All the items are unique. The records held are categorised under various headings.

Records under the Public Records Act 1958:

Land Tax 1797, Hearth Tax 1670, Survey of Crown lands 1560 and Census for Carmarthenshire 1841-1911.

Carmarthenshire Quarter Sessions: Order/minute books 1748-1752, 1794-1813, and 1820 -1971. Case files and papers 1833-1971; Judges' notebooks, jury books, justices' roll, registers of convictions and appeal books, 19th and 20th centuries. Public Records deposited with the Clerk of the Peace.

Carmarthenshire electoral registers from 1851 (Carmarthenshire and Llanelli constituencies from 1918 to date)

Plans of railways, roads, canals, harbours and other public undertakings 1808-1950

Enclosure acts and awards 1810-1873

Turnpike Trust records relating to Carmarthenshire

Petty Sessions: minutes and registers in Carmarthenshire 19th and 20th centuries

Hospital Records: minutes, reports, financial records and plans for various hospitals.

Territorial Association: Carmarthen Territorial and Auxiliary Forces Association minutes.

Shipping Records: Crew agreements and official logbooks of ships registered in Llanelli 1863-1913; Registers of ships and fishing boats in the ports of Llanelli 1824-1957 and Carmarthen 1839-1849.

Land Valuation Records: Valuation lists made under the Finance Act 1910 by the Commissioners of Inland Revenue: this includes detailed valuations of properties in every parish in Carmarthenshire.

OFFICIAL RECORDS

County Council: Carmarthenshire County Council 1889-1974, motor vehicle licensing records 1907-1974; Dyfed County Council minutes 1973-1996: Carmarthenshire County council minutes 1997-2011.

Education Records: Log Books of various schools 1862-1976; school board minutes 1871-1903; school managers' minutes 1872-1973; some admission registers 19th and 20th centuries.

Board of Guardians and the Workhouse: Minutes and financial records of the Guardians for Carmarthenshire Union 19th century-1948; Llandeilo Union 1836-1948; Llandovery Union 1840-1950; Llanelli Union c. 1840-1948; Workhouse records from Penlan Carmarthen 1866-1975; Abercennen Llandeilo 1839-1969; Llanelli 1913-1950.

Borough Records: Records for Carmarthen, Kidwelly, Laugharne, Llandovery and Llanelli Borough including minutes, rate books, title deeds, rentals, accounts and other material.

District Councils: Minutes, rate books, financial records, correspondence and plans for Llandeilo RDC / UDC, Cwmamman UDC c.1860-1974 and Ammanford UDC 1903-1974.

Water Authority: Minutes, reports, accounts and correspondence of the Towy Fishery Board 1867-1951.

Parish Councils: Minutes, title deeds, rate books, financial records and correspondence from many parishes 1894-1974.

Ecclesiastical Records: Church in Wales: registers of baptisms, marriages and burials of all Carmarthenshire parishes 16th-20th centuries; vestry minutes, churchwardens' accounts, overseers' papers, rate books and tithe maps for some parishes 18th-20th centuries. Tithe Apportionments and tithe maps 1848-c.1920. Nonconformist: microfilms of non-parochial registers in the Public Record Office; some original chapel records 18th-20th centuries.

DEPOSITED PRIVATE COLLECTIONS:

Many of the following are still owned by the original depositor and are on indefinite loan to the archive service. A few notable items include the Vaughan of Golden Grove pedigree created in 1641, and regarded as one of the finest examples of its kind; the Golden Grove Books – four volumes of Welsh family pedigrees compiled in c.1703, but relating to sources dating back to the eleventh century; Rebecca Riots letters.

Family and Estate records: 14-20th centuries' collections relating to many estates across the county. These contain title deeds, rentals, correspondence, financial records, maps, diaries, political and personal records.

Solicitors: Records accumulated by the firms within Carmarthenshire including deeds, rentals, correspondence and maps covering many large estates.

Business Records: John Francis and son, estate agents: records include deeds, wills, rentals and maps relating to various estates together with a collection of over 1,000 sale catalogues. Others business records include Waddle Engineering Llanelli, Buckleys Brewery Llanelli, the woollen industry in the Teifi Valley, Emlyn Anthracite Colliery and Llanelli Harbour Trust records.

Societies: Carmarthenshire Antiquarian Society collection includes borough records; police records; ecclesiastical records; poor law records; education records; maps; railway plans and a series of scrapbooks containing title deeds, cuttings, pictorial and antiquarian material, 13th – 20th centuries. Also, other records include Carmarthenshire Women's Institutes, United Counties Hunters' Society, Llanelli Constituency Labour Party, Ferryside RNLI and the Carmarthen branch of ASLEF 20th century and other trade union records.

Ordnance Survey Maps: Including various maps relating to Carmarthenshire dating back to the Nineteenth Century.

Newspapers: Carmarthen Journal 1810 - present, The Welshman 1846 -1950, South Wales Guardian and the Amman Valley Chronicle.

All the above records are normally available for use by the public, however at present due to fungal contamination in the strong rooms, they have had to be removed for restoration works, so are currently unavailable. Before the collections are returned it will be necessary to ensure that suitable accommodation is available or otherwise to look at alternative solutions such as working with other bodies to provide the service. The exact timescales are unknown at present but in the meantime it is planned that some collections will be

deposited with Glamorgan Archives and Swansea University Archives during the calendar year 2016 in order to make them available to researchers.

Heritage Assets: Further information on Carmarthenshire County Council's museums' collections

Carmarthenshire Museums Services consist of five museums and one heritage room.

While the collections of Carmarthenshire County Museum and Parc Howard Museum & Art Gallery are analysed separately, those of the Museum of Speed, Carmarthen Town Museum and Bro Aman Museum are included within the information about Carmarthenshire County Museum.

Parc Howard

Parc Howard was opened in 1912. Its collections have been drawn together mainly by donation. They reflect Llanelli's past. The Parc Howard collection is stored within the museum.

Material Culture: including all material in the collection other than Fine Art and Ceramics

This collection has a broad range of material culture reflecting the history of Llanelli from the 18th century. Notable items are an example of the Stepney Spare Wheel, products of the local iron, tin and steel industries and an example of the first tin beer can, which were made for the local Felinfoel Brewery. The collection also reflects local sport, brewing, religion, costume, WW2, and the town's civic history and notable figures. Of the 3,000 material culture objects in Parc Howard's collection, approximately 11% are on display at one time.

Fine Art Collection

This collection consists of nearly 500 works of art, including oil paintings, works of art on paper and sculptures. The core of the collection's most important paintings came from the collection of Lady Stepney, who originally leased the museum and park to Llanelli Borough Council. The collection contains works by Llanelli born artists James Dickson Innes and Charles William Mansel Lewis and a large scale work by Hubert von Herkomer. Paintings by John Bowen and Tony Evans, two significant 20th century local artists, are also held. Of the 491 works of art, some 8.5%, including the collections' most significant works, are on display at one time. The remaining items are held in a secure store but can be made accessible to scholars and are shown in rotating exhibitions.

Ceramics Collection

This collection contains the largest collection of Llanelly Pottery in public ownership. Nearly 80% of this collection of 721 items is on display at any one time. The Llanelly Pottery collection has been brought together since 1912 by a mixture of purchase and donation. The collection ranges from wares produced during the earliest years of manufacturing in 1840s until its final years during the 1920s. Among the earliest wares of significance are the collection of lithophanes and a bust of John Wesley, as well as examples of transfer printed ware patterns and forms. Approximately 30% of these are on display at any one time. Ceramics not on display are held in secure stores but can be made accessible to scholars.

Carmarthenshire County Museum

The collections were begun by the Carmarthenshire Antiquarian Society and opened in 1908, being one of Wales' oldest museums. The County Museum collections not on display are stored at the museum and in a large store at Kidwelly Industrial Museum.

Material Culture: this includes all material except Archaeology, Natural Sciences, Ethnography and Fine Art.

Carmarthenshire's post-medieval history encompasses both rural and industrial urban life and the collections reflect this dichotomy. The collections contain furniture, such as dressers, local ceramics, agricultural and industrial tools and machinery (including the anthracite coal industry), costume, samplers, quilts, lovespoons, photographs, militaria, numismatics, sports, education, tradition, the contents of a local cottage, faith, folk belief, education, memorabilia and commercial life. Of particular significance are the frieze from the Picton Monument, militia material, the cottage interior and a copy of the first translation of the New Testament into Welsh, as well as Carmarthenshire dressers with their original crockery. Of the collection of material culture of nearly 30,000 objects, approximately 9% of the collection is on display at any one time but objects not on display are held in secure stores but can be made accessible to scholars. Carmarthen Guildhall holds significant pieces of fixed and portable furniture made for it by David Morley of Carmarthen, and portraits of notable local people and other paintings.

Archaeology Collection

Archaeology is a major regional collection containing items of local, regional, Welsh, UK and international significance. It can be viewed in two parts, material primarily acquired by the Carmarthenshire Antiquarian Society (1907 – 1939) and acquisitions of large archives from controlled excavations (1967 – present), mainly from the Dyfed Archaeological Trust and CADW. These archives include the paper, photographic and digital records. The date range is from Middle Palaeolithic to 20th century.

Significant items include: Middle Palaeolithic/late Neanderthal chert tools from Coygan Cave (50,000 ya) (international importance), Mesolithic shale figurines and pierced beads from Nab Head (international importance), Bronze Age metalwork hoards (regional importance), Romano-British wooden figurine from Strata Florida (international importance), Romano-British brooch from Carmarthen (national importance), Romano-British gold pendant from Dolaucothi (national importance), excavation archives from Roman Carmarthen and Dolaucothi/Pumsaint (both national importance), early medieval inscribed standing stones (international importance), excavation archives from Dryslwyn and Laugharne castles and Carmarthen Greyfriars (national importance), Whitland floor tiles (national importance). The ceramics sequence from Laugharne Castle and Greyfriars combined provides a good reference collection for most of the medieval period in south-west Wales. There are over 30,000 items. At any time, 1.3% of the collection is on display.

Natural History and Geology Collection

This is a small collection of mainly local flora and fauna, rocks, fossils and minerals which has developed very slowly since the museum's inception.

Early natural history acquisitions include vertebrate skeletal material, taxidermy specimens, collections of eggs and invertebrates and a few examples of pressed plants. A significant item is an 17th/18th herbarium. Later acquisitions (1970s) are mainly stuffed animals used in display.

The geological collection dates from the early years of the museum and perhaps from the 1970s/80s when some local collections appear to have been acquired.

There are 1700 geological items of which 67 are on display, representing 4% of this collection.

Ethnography

This is a small collection of 300 objects acquired from families associated with the Carmarthenshire Antiquarian Society. The various provenances reflect the activities of

these families and individuals within the late Victorian/Edwardian empire. None of the collection is currently on display but has been exhibited in the recent past.

Fine Art

This collection consists of oil paintings, works on paper and sculpture. It has one of the largest collections of oil paintings in a local museum in Wales. Notable works of art include the portraits of Sir Richard Vaughan of Golden Grove, Madam Bevan and David Morley. Works by 20th century Carmarthenshire artists are well represented, particularly those by Edward Morland Lewis, B. A. Lewis and Stanley Lewis. Of the 2000 or so works of art, approximately 216 or 11% are on display either at the county museum or in public buildings.

Kidwelly Industrial Museum

This museum consists of an industrial complex, including buildings, machinery and displays. It is owned by Carmarthenshire County Council but is leased to an independent trust. The site also accommodates a large store of Carmarthenshire Museums Service.

6.11 Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

| | 2016-17 £'000 | 2017-18 £'000 |
|---|-------------------|---------------------|
| Rental income from investment properties | (981) | (964) |
| Direct operating expenses arising from investment property | 277 | 434 |
| Net (gain)/loss | <u>(704)</u> | <u>(530)</u> |
| Indirect Expenditure | 284 | 127 |
| Net (Gains)/Losses from Fair Value Adjustments | 753 | 2,516 |
| Income and Expenditure in relation to Investment Properties and Changes in their Fair Value | <u><u>333</u></u> | <u><u>2,113</u></u> |

The following table summarises the movement in the fair value of investment properties over the year:

| | 2016-17 £'000 | 2017-18 £'000 |
|--|----------------------|----------------------|
| Balance at start of year | 22,927 | 25,290 |
| Additions: | | |
| Enhancements | 2,086 | 961 |
| Disposals | (5) | (259) |
| Net Gains/(Losses) from fair value adjustments | (752) | (2,516) |
| Transfer: | | |
| (To)/From Property, Plant and Equipment | 1,034 | (924) |
| | <u><u>25,290</u></u> | <u><u>22,552</u></u> |

6.12 Long Term Investments

| | 31 March 2017 £'000 | 31 March 2018 £'000 |
|--|------------------------|------------------------|
| Cwm Environmental Ltd. | 329 | 329 |
| Egni Sir Gar Cyfyngedig | 900 | 900 |
| Banks and 100% Wholly Owned Subsidiaries | 732 | 724 |
| | <u>1,961</u> | <u>1,953</u> |

CWM Environmental Ltd. is a wholly owned subsidiary company of the Authority. The company has been set up in accordance with the Environmental Protection Act 1990 for the purpose of Waste Disposal.

The company was vested with the Welsh Office on 10 March 1997 and the following represents the Authority's Interest at 31 March 2018:

| | £'000 |
|---------------|------------|
| Share Capital | <u>329</u> |

The investment has been included in Long-Term Investments within the Balance Sheet and the Authority has given no commitment to this company to meet any accumulated deficits or losses.

CWM Environmental Ltd operate two wholly owned subsidiaries with the following shareholding:

| | |
|---------------------------------------|-------|
| Pembrokeshire Recycling Company Ltd | £1.00 |
| Carmarthenshire Recycling Company Ltd | £1.00 |

Pembrokeshire Recycling Company Ltd and Carmarthenshire Recycling Company Ltd are registered in England and Wales and are dormant.

The Company has produced separate Annual Reports for the year ended 31 December 2017, which includes an unqualified audit opinion by its Auditors Broomfield & Alexander Limited. Detailed below is a summary of the trading results for the year ended 31 December 2017 and net assets as at that date for CWM Environmental Ltd:

| | Year ended 31 December 2017 £'000 |
|--|---|
| Turnover | 13,396 |
| Less: Cost of Sales | <u>(10,538)</u> |
| Gross Profit | 2,858 |
| Overheads | <u>(3,258)</u> |
| Net Profit/(Loss) before taxation | (400) |
| Taxation on loss / profit | 43 |
| Retained Profit/(Loss) | <u>(357)</u> |
| Net Assets as at 31 December 2017 | <u>5,370</u> |

A copy of the Annual Report can be obtained from the Registered Office at the following address:

MRF Unit, Alltynap Road
Cillefwr Industrial Estate
Johnstown, Carmarthen
SA31 3RA

Whilst CWM Environmental has the nature of subsidiaries which require the preparation of group accounts, Group Accounts have not been prepared as the consolidation would not materially affect the Authority's financial position or the reader of the accounts' ability to see the complete economic activities and exposure to risk of the Council.

In January 2017, the Council's Executive Board approved a report which recommended the transfer of the council's waste operations business, currently operated by CWM Environmental, into a new Teckal Compliant company. This is expected to add considerable benefit for the council in terms of future delivery as well as strengthened governance. As change had been effected before the year end date, there have been no changes to the figures contained within the 2017-18 statement of accounts

Carmarthenshire County Council invested in the solar PV project set up by Egni Sir Gar Cyfyngedig - a community benefit society registered with the Financial Conduct Authority (number 7193). The scheme installed solar PV panels in 2016 on 17 non-domestic buildings within the Council's portfolio.

The society sold shares to fund the capital expenditure and working capital requirements associated with the development, installation and maintenance of the panels. The solar PV panel installation was completed during the 3rd quarter of 2016

The total generation of electricity from the whole portfolio over the last year was 518MWhs (megawatt-hours), equating to approximately a saving of over £35,508 in reduced electricity bills for the tenants. This generation is equivalent to 278 tonnes of CO2 offset.

A Share Purchase Agreement was set up between Carmarthenshire County Council and Egni Si Gâr Cyfyngedig.

| | £'000 |
|----------------------------|--------------|
| Ordinary 'A' Shares | 100 |
| Ordinary 'B' Shares | 800 |
| Total Share Capital | 900 |

Each share has a nominal value of £1.00 each.

6.13 Long Term Debtors

| | 31 March 2017 £'000 | 31 March 2018 £'000 |
|---|------------------------|------------------------|
| Mortgages raised on Council House Sales | 5 | 1 |
| Home Improvement Loans Longer than One Year | 194 | 268 |
| Charges against estates of persons in residential homes (Carmarthenshire County Council) | 508 | 743 |
| Charges against estates of persons in residential homes (External Providers) | 1,244 | 1,671 |
| Capital Contribution to the loans of 1st time homebuyers | 1,147 | 1,098 |
| Dwr Cymru Welsh Water | 14 | 14 |
| Car Loans | 128 | 71 |
| Loan National Botanic Garden of Wales | 0 | 1,190 |
| Loan Scarlets | 2,616 | 2,616 |
| Loan Towy Community Church | 207 | 189 |
| Other | 65 | 65 |
| | 6,128 | 7,926 |

The Welsh Government's initiative Houses into Homes and Home Improvement Loans provides interest free loans to bring back empty properties into use. These payments to landlords will create a recyclable loan fund usable during the term of the scheme which ends 31/03/2030.

In November 2017 it was agreed by Executive Board to extend the Authority's interest free loan to the Botanic Garden for a further 2 years to 31st March 2020. The transaction has been recognised as a 'soft loan', where the interest rate charged is at below market rates. An adjustment has been made in the Comprehensive Income and Expenditure Statement to take account of the interest foregone which effectively reduces the amount outstanding to an amortised cost, thereby reducing the recorded amount outstanding. This balance is intended to be representative of what the loan could be traded for. Over the duration of the loan the amortised cost will increase back to the full amount outstanding of £1.350m at maturity date, as a result writing back forgone interest.

The County Council, as part of the Development Agreement entered into with Llanelli Rugby Football Club Limited (the club), advanced a sum of £2.4m for a term of 15 years to the club. In October 2010, the County Council agreed to a variation in the terms of the loan whereby interest payments of £216,000 were deferred to the end of the loan period in 2023. In October 2013, the Executive Board agreed to a variation in the terms of the loan whereby the interest charged will be reduced from the fixed rate of 7% to a variable rate of 3.5% plus the base interest rate (currently 0.50%) and capped at a maximum rate of 10%.

A 15 year annuity loan of £270k at a variable interest rate of 2.5% above base rate (currently 0.50%) was entered into with the Towy Community Church in December 2012 to assist in the implementation of the Xcel project.

6.14 Short Term Investments

This represents investments repayable within twelve months and is analysed as follows:

| | 31 March 2017 £'000 | 31 March 2018 £'000 |
|--|------------------------------------|------------------------------------|
| Banks and 100% Wholly Owned Subsidiaries | 17,148 | 12,166 |
| Local Authorities | 5,007 | 10,018 |
| | <u>22,155</u> | <u>22,184</u> |

6.15 Assets Held for Sale

| | Current Assets | |
|--|--------------------------|--------------------------|
| | 2016-17 £'000 | 2017-18 £'000 |
| Balance at start of year | 410 | 0 |
| Assets newly classified as held for sale: | | |
| - Property, Plant and Equipment | 2,500 | 1,524 |
| Assets sold | (2,910) | (1,524) |
| Balance at year end | <u>0</u> | <u>0</u> |

6.16 Inventories

| | Education & | | | | Total £'000 |
|--------------------------------------|----------------------|-------------------|------------------|----------------|----------------|
| | Environment £'000 | Children £'000 | Leisure £'000 | Other £'000 | |
| 2016-17 | | | | | |
| Balance as at 31 March 2016 | 795 | 83 | 118 | 10 | 1,006 |
| Purchases | 1,840 | 1,980 | 123 | 125 | 4,068 |
| Recognised as an expense in the year | (1,886) | (1,970) | (106) | (123) | (4,085) |
| Written off balances | 0 | 0 | (6) | 0 | (6) |
| Other net movements in year | 1 | 0 | 0 | (7) | (6) |
| Balance as at 31 March 2017 | 750 | 93 | 129 | 5 | 977 |
| 2017-18 | | | | | |
| Purchases | 2,888 | 2,055 | 109 | 162 | 5,214 |
| Recognised as an expense in the year | (2,783) | (2,060) | (139) | (165) | (5,147) |
| Written off balances | 0 | (1) | (16) | 0 | (17) |
| Other net movements in year | 3 | 0 | 0 | 0 | 3 |
| Balance as at 31 March 2018 | 858 | 87 | 83 | 2 | 1,030 |

6.17 Short Term Debtors

| | 31 March 2017 £'000 | 31 March 2018 £'000 |
|---|------------------------|------------------------|
| HM Revenue & Customs | 3,131 | 3,452 |
| Central Government | 12,382 | 18,976 |
| Police, Fire, National Park and Local Authorities | 8,152 | 8,140 |
| NHS Bodies | 4,887 | 3,900 |
| Council Tax Payers | 4,407 | 3,472 |
| Housing Tenants | 1,186 | 1,200 |
| Employee Related | 104 | 58 |
| Other | 16,545 | 14,296 |
| | 50,794 | 53,494 |

6.18 Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

| 2016-17 | | 2017-18 |
|----------------------|--|----------------------|
| £'000 | | £'000 |
| 745 | Cash held by the Authority | 276 |
| (2,727) | Bank current accounts | (2,503) |
| | Short-term deposits with banks and money | |
| 18,004 | market funds | 17,007 |
| 0 | Short-term deposits with Local Authorities | 4,002 |
| <u>16,022</u> | Total Cash and Cash Equivalents | <u>18,782</u> |

6.19 Short Term Borrowing

This represents borrowing repayable within twelve months and is analysed as follows:

| | 31 March | 31 March |
|-------------------------|----------------------|----------------------|
| | 2017 | 2018 |
| | £'000 | £'000 |
| Public Works Loan Board | 12,835 | 9,611 |
| Market Loan | 64 | 64 |
| Salix & Invest 2 Save | 304 | 343 |
| | <u>13,203</u> | <u>10,018</u> |

6.20 Short Term Creditors

| | 31 March 2017 | 31 March 2018 |
|---|------------------------|------------------------|
| | £'000 | £'000 |
| HM Revenue & Customs | (4,126) | (4,399) |
| Central Government | (2,799) | (2,090) |
| Police, Fire, National Park and Local Authorities | (4,081) | (2,388) |
| NHS Bodies | (642) | (998) |
| Housing Tenants | (441) | (542) |
| Council Tax Payers | (2,765) | (2,102) |
| Employee Related | (7,710) | (7,610) |
| Other | (35,159) | (39,685) |
| | <u>(57,723)</u> | <u>(59,814)</u> |

6.21 Provisions

The summary below shows the movement in the level of provisions during 2017-18:

| | 1 April 2017 £'000 | Reversal £'000 | Addition £'000 | Utilisation £'000 | 31 March 2018 £'000 |
|-------------------------------------|--------------------------|-------------------|-------------------|----------------------|---------------------------|
| Corporate Services Department | 175 | (40) | 40 | 0 | 175 |
| Environment Department | 752 | 0 | 736 | (349) | 1,139 |
| Education & Children | 126 | 0 | 152 | (126) | 152 |
| Chief Executive Department | 88 | 0 | 0 | 0 | 88 |
| Communities Department | 1,938 | (1,391) | 930 | 0 | 1,477 |
| Losses on Investments | 781 | (53) | 0 | 0 | 728 |
| Municipal Mutual Insurance (MMI) | 133 | 0 | 13 | 0 | 146 |
| Landfill Site - Aftercare Provision | 999 | 0 | 0 | (137) | 862 |
| Insurance | 520 | (15) | 0 | 0 | 505 |
| | 5,512 | (1,499) | 1,871 | (612) | 5,272 |

| | Current Liabilities (< 1 year) £'000 | Long Term Liabilities (> 1 year) £'000 | Total £'000 |
|-------------------------------------|---|--|----------------|
| Balances as at 31 March 2018 | | | |
| Corporate Services Department | 175 | 0 | 175 |
| Environment Department | 886 | 253 | 1,139 |
| Education & Children | 152 | 0 | 152 |
| Chief Executives Department | 39 | 49 | 88 |
| Communities Department | 46 | 1,431 | 1,477 |
| Losses on Investments | 4 | 724 | 728 |
| Municipal Mutual Insurance (MMI) | 122 | 24 | 146 |
| Landfill Site - Aftercare Provision | 127 | 735 | 862 |
| Insurance | 505 | 0 | 505 |
| | 2,056 | 3,216 | 5,272 |

Purpose of Main Provisions**Corporate Services Department**

Provision of £135k for remedial works on vacated buildings, plus provision for overtime for the closure of the accounts.

Environment Department

The total includes £14k for remedial works due to subsidence in Crown Park, £21k retention amount for Trebeddrod reservoir, £82k bad debts – trade waste, £131k for potential bad debts on livestock markets, £526k for approved asset transfer payments, £192k for Public Lighting I2S repayment and £173k for Carbon Reduction Programme allowances in respect of emissions generated in 2017-18.

Education & Children's Services

A provision of £152k has been made to meet the authority's Carbon Reduction Commitment responsibilities relating to 2017-18 in respect of schools.

Chief Executive Department

Provision of 39k is made for potential legal challenge on the right to charge for personal search fees and a provision of £49k for potential bad debts on Commercial Properties.

Communities Department

Provision of £864k is made for the potential write off of residents' contribution debt and £293k for a potential shortfall in Health Board income. A provision of £215k for legal/barristers costs for prosecutions relating to trading standards and animal health, £31k for agile working and £15k for Healthy Housing study. A specific provision of £60k is made in respect of unrecoverable debts on rental income from properties.

Losses on Investments

In October 2008 the Icelandic banking sector defaulted on its obligations. Provision has been made in the accounts for the estimated non-recoverable amounts. See note 6.47.

Municipal Mutual Insurance (MMI)

For the policy years before 1992/93, each local authority insured by MMI is exposed to a potential insurance liability relating to the closure of MMI on 30th September 1992. In January 2012 the Directors of MMI triggered the "MMI Scheme of Arrangement" with the levy notice being issued on 1st January 2014. The initial levy was for 15% and was increased to 25% at the end of 2015-16. Whilst there remains a net liability position on MMI's balance sheet the Schemes Administrator continues to monitor the claims position and will advise the scheme creditors if an adjustment to the levy is required. As the matter is on-going, the provision is retained in the accounts.

Landfill Site - Aftercare

Entities that operate landfill sites have a duty to carry out restoration works and undertake appropriate aftercare, including the monitoring and control of gas and leachate production at the sites. This provision recognises the estimated aftercare costs for the Wernddu and Nantycaws closed landfill sites.

Insurance Provision

This provision is for insurance claims that have been registered and are likely to fall on the Authority.

6.22 Long Term Borrowing

| Total Outstanding as at | 31st March 2017 £'000 | 31st March 2018 £'000 | Maturity Dates |
|--------------------------------|--------------------------------------|--------------------------------------|-----------------------|
| Sources of Borrowing | | | |
| Public Works Loan Board | 371,108 | 385,421 | 2018-2068 |
| Market Loans (Note i) | 3,116 | 3,115 | 2018-2055 |
| Interest Free Loans (Note ii) | 3,847 | 4,400 | 2018-2033 |
| | 378,071 | 392,936 | |

(i) The FMS Wertmanagement AoR Bank loan is a Lenders Option Borrowers Option (LOBO) loan. It is shown at the Equivalent Interest Rate (EIR). It is a stepped interest rate loan, with a current rate of 4.72 %. The lender has the option to vary the interest rate at each interest payment date. If the lender exercises the option the Authority then has the option as to either accept the new interest rate or repay the loan back to the lender. In the accounts an adjustment has to be made to equalise the difference between the rate charged and the rate paid to show the true cost of the loan over the loan period.

(ii)

| Interest Free Loans Total Outstanding as at | 31st March 2017 £'000 | 31st March 2018 £'000 |
|--|--------------------------------------|--------------------------------------|
| SALIX | 100 | 27 |
| Invest-2-Save | 1,287 | 1,018 |
| Home Improvement Loans Scheme | 1,292 | 1,292 |
| Town Centre Loans | 1,168 | 2,063 |
| | 3,847 | 4,400 |

The Home Improvement Loan Scheme (HILS) is issued under statute by the Welsh Government. The purpose of the scheme is to provide loans to owner occupiers and the private rented sector to improve properties or to bring empty properties back into use. The term of the funding is until 31st March 2030, with advances to third parties repayable interest free.

The Town Centre Loans (TCL) is issued under statute by the Welsh Government. The purpose of the scheme is to provide loans to reduce the number of vacant, underutilised and redundant sites and premises in town centres and to support the diversification of the town centres by encouraging more sustainable uses for empty sites and premises, such as residential, leisure and for key services. The term of the funding is until 31st March 2033, with advances to third parties repayable interest free.

6.23 Earmarked Council Fund Reserves

A summary of the earmarked reserves set up by this Authority or its predecessor Authorities is set out below:

| | 1 April 2016 £'000 | Transfers In £'000 | Transfers Out £'000 | 31 March 2017 £'000 | Transfers In £'000 | Transfers Out £'000 | 31 March 2018 £'000 |
|----------------------------------|--------------------------|--------------------------|---------------------------|---------------------------|--------------------------|---------------------------|---------------------------|
| Insurance | 7,886 | 3,575 | (1,516) | 9,945 | 1,913 | (1,117) | 10,741 |
| Major Development Fund | 32,146 | 6,643 | (1,304) | 37,485 | 2,043 | (810) | 38,718 |
| Capital Investment Fund | 86 | 0 | 0 | 86 | 0 | 0 | 86 |
| Outcome Agreement Fund | 1,337 | 0 | (1,328) | 9 | 0 | (9) | 0 |
| MEP Capital Funding | 2,164 | 3,685 | (2,400) | 3,449 | 3,533 | (3,042) | 3,940 |
| Development Fund | 1,195 | 630 | (311) | 1,514 | 333 | (220) | 1,627 |
| City Deal | 0 | 0 | 0 | 0 | 2,000 | 0 | 2,000 |
| Public Lighting Invest 2 Save | 0 | 0 | 0 | 0 | 1,850 | 0 | 1,850 |
| Salix Fund | 251 | 210 | (305) | 156 | 162 | (184) | 134 |
| Corporate Retirement Fund | 3,143 | 0 | (301) | 2,842 | 751 | (634) | 2,959 |
| Job Evaluation | 1,402 | 0 | (999) | 403 | 0 | 0 | 403 |
| Redundancy | 888 | 8 | (88) | 808 | 87 | (11) | 884 |
| IT Infrastructure | 1,093 | 121 | (140) | 1,074 | 0 | (153) | 921 |
| Financial Management System | 73 | 44 | 0 | 117 | 0 | 0 | 117 |
| Parc Dewi Sant/St David's Park | 446 | 65 | 0 | 511 | 0 | (43) | 468 |
| Joint Ventures | 1,515 | 190 | (537) | 1,168 | 148 | (68) | 1,248 |
| Externally Funded Schemes | 1,801 | 441 | (536) | 1,706 | 987 | (659) | 2,034 |
| Support Carmarthenshire Business | 143 | 0 | 0 | 143 | 124 | 0 | 267 |
| Llanelly House | 60 | 350 | 0 | 410 | 0 | (333) | 77 |
| National Botanic Garden | 130 | 0 | (65) | 65 | 0 | (30) | 35 |
| Community Asset Transfer Fund | 239 | 0 | (27) | 212 | 0 | (32) | 180 |
| Fleet Management | 312 | 1,330 | (266) | 1,376 | 1,087 | (512) | 1,951 |
| Highways Capital Funding | 798 | 49 | 0 | 847 | 131 | 0 | 978 |
| Council Tax/Housing Benefit | 1,631 | 0 | 0 | 1,631 | 0 | 0 | 1,631 |
| Housing Services Schemes | 665 | 939 | (381) | 1,223 | 1,442 | (1,041) | 1,624 |
| Employee Development | 384 | 505 | (231) | 658 | 0 | (193) | 465 |
| Departmental Reserves | 6,070 | 1,634 | (1,537) | 6,167 | 1,750 | (2,244) | 5,673 |
| Other | 273 | 25 | (170) | 128 | 15 | (14) | 129 |
| | 66,131 | | | 74,133 | | | 81,140 |
| Held by Schools under LMS | 3,677 | 931 | (2,898) | 1,710 | 1,583 | (1,778) | 1,515 |
| | 3,677 | | | 1,710 | | | 1,515 |
| HRA: | | | | | | | |
| Major Repairs | 0 | 6,170 | (6,170) | 0 | 6,190 | (6,190) | 0 |
| Total | 0 | | | 0 | | | 0 |

Insurance

Funds have been set aside to meet the cost of claims and other losses that could fall on the Authority (see note 6.38).

Major Development Fund

This fund has been created to support major capital development projects in the County and its utilisation is reflected in the 5 year capital programme.

Capital Investment Fund

The fund was set up with aim of providing a means of supporting the Authority's Capital Programme.

MEP Capital Funding

Sum set aside to meet the cost of prudential borrowing to finance the Modernising Education Provision programme and its utilisation is reflected in the 5 year capital programme.

Development Fund

The aim of this fund is to assist the Authority in its long term planning by allocating resources to projects that, due to lack of funding, could not be carried out within normal budgetary allocations.

City Deal

Funding set aside to meet potential future expenditure in respect of the city deal projects, such as project development costs, borrowing and interest costs and Carmarthenshire's contribution towards the overall city deal operating costs (including the Regional Office) as per the Swansea Bay City region Joint Agreement.

Public Lighting Invest 2 Save

Reserve set aside to provide additional financial support for the Welsh Government Invest-to-save project of converting street lamps to dimmable LED lighting. The initiative will deliver a legacy of reduced energy costs and associated carbon taxes achieved through a 3 year programme of converting approximately 12,000 sodium lantern units to lower energy consumption LED units which will incorporate part-night dimming regimes.

Salix Fund

Salix, which is an independent social enterprise that provides funding for proven technologies which are cost effective in saving CO₂, have provided the Authority with a grant to allow loans to be made to schools/ departments to fund energy saving schemes. These loans are repaid from the resultant savings and the fund is replenished for other schools/ departments to benefit from the scheme.

Corporate Retirement Fund

This Fund has been set up to support the Authority's redundancy and early retirement policy, enabling the Authority to provide for the actuarial strain on the Pension Fund which arises from any early retirement or redundancy.

Job Evaluation

The Authority has implemented the outcome of the Job Evaluation exercise and has set up this reserve to assist with the maintenance of the Single Status structures.

Redundancy

This fund has been established by Departments to meet potential redundancy costs that may be incurred at the termination of fixed term contracts for staff at the end of externally funded schemes.

IT Infrastructure

This fund has been established to support the planned replacement of the Authorities servers and IT infrastructure.

Financial Management System

Set up to meet the funding of the significant investment in the provision and development of the new Financial Management System. Delays in recruitment have impacted upon the development of the system but it is expected that the balance will be utilised in 2018-19.

Parc Dewi Sant/St David's Park

This fund has been established to finance the ongoing programme of refurbishment works that are required to allow the buildings to be used as office accommodation. Income generated from these buildings has been set aside into this reserve to allow funding of these works.

Joint Ventures

The Authority has entered into various Joint Venture agreements with the Welsh Government. Rental income received in relation to these is set aside to meet future obligations.

Externally Funded Schemes

To provide match funding for ongoing projects or externally funded schemes in future years.

Support Carmarthenshire Business

Reserve set aside to provide financial support to ratepaying businesses in Carmarthenshire experiencing difficulties providing short term loans for a maximum of 18 months.

Llanelly House

To meet the agreed funding support to the Llanelly House project, in order to assist with the sustainability of this new facility which is seen as being integral to the long term regeneration plans for the town centre.

National Botanic Garden

Reserve set aside to provide financial support to the National Botanic Garden.

Community Assets Transfer Fund

The authority recognised that there are some services or local facilities that could be operated more effectively if run by Community Groups or Community Councils. This fund was established to undertake improvements to facilities or give financial incentives to enable these projects to be taken forward.

Fleet Management

This reserve has been established to equalise the whole of life cost of operating and maintaining Council's vehicles to the service users over agreed durations.

Highways Capital Funding (Local Government Borrowing Initiative LGBI)

The fund has been established to meet the cost of borrowing to finance the Highways capital improvement and maintenance programme.

Council Tax/Housing Benefits

This reserve has been earmarked to meet the potential costs falling on Carmarthenshire arising from the annual reductions in the Housing Benefits Administration grant and Welfare reform.

Housing Services Schemes

This reserve has been set up to support Housing projects including Supporting People and bringing empty houses back into use and the Syrian Resettlement scheme.

Employee Development Fund

Reserve set aside to provide 4 tiers of work placement and training within the Council as a means of assisting local people, including young people with limited or no employment history to gain qualifications and employment in order to enhance their employment prospects.

Departmental Reserves

The Authority has a policy which permits allocations to departmental reserves, funded from in year underspends that can be allocated towards specific one off projects/services. This approach encourages prudent use of public money.

6.24 Capital Receipts Reserve

| | 2016-17 | 2017-18 |
|--|----------------------|---------------------|
| | £'000 | £'000 |
| Opening Balance | 18,633 | 14,975 |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 2,858 | 1,863 |
| Statutory Capital Receipts | 135 | 72 |
| Transfer from Deferred Capital Receipts Reserve upon receipt of cash | 6 | 4 |
| | <u>21,632</u> | <u>16,914</u> |
| Capital Receipts Set Aside | (4) | 0 |
| Use of the Capital Receipts Reserve to finance new capital expenditure | (6,644) | (8,296) |
| Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals | (9) | (1) |
| Closing Balance | <u>14,975</u> | <u>8,617</u> |

The capital receipts reserve represents the capital receipts available to finance capital expenditure in future years, after setting aside the statutory amounts for the repayment of external loans. The major repairs allowance received from the Welsh Assembly Government was applied in full during the year. There was no balance carried forward in respect of this grant.

6.25 Capital Grants Unapplied

| | 2016-17 | 2017-18 |
|----------------------------------|-------------------|-------------------|
| | £'000 | £'000 |
| Opening Balance | 863 | 591 |
| Additions | 83 | 62 |
| | <u>946</u> | <u>653</u> |
| Grants and Contributions applied | (355) | (89) |
| Closing Balance | <u>591</u> | <u>564</u> |

6.26 Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. 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 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.

| 2016-17 | | 2017-18 |
|-----------------------|---|-----------------------|
| £'000 | | £'000 |
| 333,733 | Balance at 1 April | 331,384 |
| 22,174 | Upward revaluation of assets | 9,002 |
| | Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | (20,779) |
| <u>(13,024)</u> | Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services | (11,777) |
| 9,150 | Difference between fair value depreciation and historical cost depreciation | (10,012) |
| <u>(1,404)</u> | Accumulated gains on assets sold or scrapped | <u>(722)</u> |
| (11,499) | Amount written off to the Capital Adjustment Account | (10,734) |
| <u>331,384</u> | Balance at 31 March | <u>308,873</u> |

6.27 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current 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 amortisations 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 Authority as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 6.4 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

| 2016-17 £'000 | | 2017-18 £'000 |
|-----------------------|--|-----------------------|
| 555,560 | Balance at 1 April | 552,106 |
| | Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement: | |
| (31,394) | Charges for depreciation and impairment of non-current assets | (32,415) |
| (8,745) | Revaluation losses on Property, Plant and Equipment | (17,427) |
| (1,732) | Revenue expenditure funded from capital under statute | (1,995) |
| | Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | |
| <u>(5,126)</u> | | <u>(1,842)</u> |
| 508,563 | | 498,427 |
| 1,404 | Adjusting amounts written out of the Revaluation Reserve | 722 |
| <u>509,967</u> | Net written out amount of the cost of non-current assets consumed in the year | <u>499,149</u> |
| 4 | Capital Receipts Set Aside | 0 |
| (87) | Additional in Year Movements | (48) |
| 6,644 | Use of the Capital Receipts Reserve to finance new capital expenditure | 8,296 |
| 9 | Use of Capital Receipts to finance Cost of Sales | 1 |
| 6,170 | Use of the Major Repairs Reserve to finance new capital expenditure | 6,190 |
| | Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | |
| 12,456 | Application of grants to capital financing from the Capital Grants | 14,631 |
| 354 | Unapplied Account | 89 |
| | Statutory provision for the financing of capital investment charged against the Council Fund and HRA balances | |
| 11,521 | Capital expenditure charged against the General Fund and HRA balances | 12,660 |
| <u>5,820</u> | | <u>5,468</u> |
| 552,858 | | 546,436 |
| (752) | Movements in the market value of Investment Properties (debited) or credited to the Comprehensive Income and Expenditure Statement | (2,516) |
| <u><u>552,106</u></u> | Balance at 31 March | <u><u>543,920</u></u> |

6.28 Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Authority uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the Council Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the Council Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2018 will be charged to the Council Fund over the next 5 years.

| 2016-17 £'000 | | 2017-18 £'000 |
|------------------|---|------------------|
| (986) | Balance at 1 April | (884) |
| | Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | (53) |
| 102 | | (53) |
| <u>(884)</u> | Balance at 31 March | <u>(937)</u> |

6.29 Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

| 2016-17 £'000 | | 2017-18 £'000 |
|------------------|---|------------------|
| 342 | Balance at 1 April | 336 |
| | Transfer to the Capital Receipts Reserve upon receipt of cash | (4) |
| (6) | | (4) |
| <u>336</u> | Balance at 31 March | <u>332</u> |

6.30 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 Authority 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 Authority 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 Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

| 2016-17 | | 2017-18 |
|-------------------------|--|-------------------------|
| £'000 | | £'000 |
| (264,514) | Balance at 1 April | (361,294) |
| (83,368) | Remeasurements of the net defined benefit liability/(asset) | 67,425 |
| | Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services | |
| (37,617) | in the Comprehensive Income and Expenditure Statement | (51,356) |
| 24,205 | Employer's pensions contributions and direct payments to pensioners payable in the year | 24,521 |
| <u>(361,294)</u> | Balance at 31 March | <u>(320,704)</u> |

6.31 Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the Council Fund Balance from accruing for compensated absences earned but not taken in the year, eg annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the Council Fund Balance is neutralised by transfers to or from the Account.

| 2016-17 | | 2017-18 |
|-----------------------|---|-----------------------|
| £'000 | | £'000 |
| (3,755) | Balance at 1 April | (5,167) |
| 3,755 | Settlement or cancellation of accrual made at the end of the preceding year | 5,167 |
| <u>(5,167)</u> | Amounts accrued at the end of the current year | <u>(5,151)</u> |
| | Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | |
| <u>(1,412)</u> | | 16 |
| <u>(5,167)</u> | Balance at 31 March | <u>(5,151)</u> |

6.32 Expenditure and Income Analysed by Nature

The Authority's expenditure and income is analysed as follows. This is made up of expenditure and income both within and outside of the cost of services in the Comprehensive Income and Expenditure Statement, and reconciles to the surplus or deficit on the provision of services.

| 2016-17 | | 2017-18 |
|------------------|--|------------------|
| £'000 | | £'000 |
| | Expenditure | |
| 250,913 | Employee Expenses | 266,847 |
| 256,316 | Other Service Expenses | 262,481 |
| 30,843 | Support Service Recharges | 30,868 |
| 50,234 | Depreciation & Similar Charges | 59,854 |
| 56,806 | Interest Payable & Similar Charges | 52,037 |
| 28,784 | Precepts & Levies | 30,197 |
| 2,268 | Gains/Losses on Disposal of Non Current Assets | (21) |
| 676,164 | Total Expenditure | 702,263 |
| | Income | |
| (147,510) | Fees, Charges & Other Service Income | (148,317) |
| (29,536) | Interest and Investment Income | (23,544) |
| (155,743) | Income from Council Tax & Net Proceeds from Non Domestic Rates | (164,315) |
| (321,215) | Grants and Contributions | (327,300) |
| (654,004) | Total Income | (663,476) |
| 22,160 | (Surplus)/deficit on the provision of services | 38,787 |

6.33 Pooled Budgets

The Authority has entered into a pooled budget arrangement with Hywel Dda Local Health Board for the provision of an integrated community equipment store. The Authority and the Board have an agreement in place with the partners contributing funds to the agreed budget of £148,768 and £381,960 respectively.

Any additional funding together with any deficit or surplus arising on the pooled budget at the end of each financial year is agreed between partners.

| | £'000 | 2016-17 £'000 | £'000 | 2017-18 £'000 |
|---|-------|------------------|-------|------------------|
| Funding provided to the pooled budget: | | | | |
| the Authority | 150 | | 193 | |
| the Local Health Board | 382 | | 382 | |
| | | 532 | | 575 |
| Expenditure met from the pooled budget: | | (512) | | (601) |
| Net surplus/(deficit) arising on the pooled budget during the year | | <u>20</u> | | <u>(26)</u> |
| Authority share of the net surplus/(deficit) arising on the pooled budget | | <u>10</u> | | <u>(13)</u> |

6.34 Members Allowances

The Authority paid the following amounts to Members of the Council during the year:

| | 2016-17 £ | 2017-18 £ |
|--------------|-------------------------|-------------------------|
| Allowances | 1,240,069 | 1,239,086 |
| Expenses | 42,702 | 50,554 |
| Total | <u>1,282,771</u> | <u>1,289,640</u> |

Further information on Members Allowances is available on the Authority's website www.carmarthenshire.gov.wales under Councillors Allowances.

6.35 Employee Emoluments

The numbers of employees whose remuneration excluding pension contributions was £60,000 or more were:

| Remuneration Band | No. of Employees 2016-17 | No. of Employees 2017-18 | Left During 2016-17 |
|---------------------------------|--------------------------|--------------------------|---------------------|
| 60,000 to 64,999 | 36 | 41 | 0 |
| 65,000 to 69,999 | 16 | 17 | 0 |
| 70,000 to 74,999 | 10 | 7 | 0 |
| 75,000 to 79,999 | 6 | 4 | 1 |
| 80,000 to 84,999 | 3 | 4 | 0 |
| 85,000 to 89,999 | 12 | 8 | 0 |
| 90,000 to 94,999 | 2 | 6 | 0 |
| 95,000 to 99,999 | 3 | 5 | 0 |
| 100,000 to 104,999 | 3 | 4 | 2 |
| 105,000 to 109,999 | 1 | 0 | 0 |
| Total No. of Employees : | 92 | 96 | 3 |

Remuneration value includes redundancy/termination payments.

Included in the bandings above are three teachers who are employed by voluntary aided schools.

The bandings above exclude the senior officers of the Authority's Management Team that are listed in detail in the following tables.

Senior Officers emoluments where salary is £150,000 or more per year

The following table sets out Senior Officers emoluments where salary is £150,000 or more, including pension contributions or equivalent payments.

| Post | | Salary (including fees & allowances) | Pension contributions | Expense Allowances |
|-------------------------------------|-------|--------------------------------------|-----------------------|--------------------|
| Mr M V James | 16/17 | 170,424 | 0 | 193 |
| Chief Executive & Returning Officer | 17/18 | 191,699 | 0 | 209 |

The salary figures above include fees in respect of County Council and Town & Community Council elections.

Senior Officers emoluments where salary is between £60,000 & £150,000 per year

| Post | | Salary (including fees & allowances) | Pension contributions |
|---|-------|--------------------------------------|-----------------------|
| Director of Environment | 16/17 | 116,764 | 15,125 |
| | 17/18 | 120,565 | 18,278 |
| Director of Communities | 16/17 | 134,198 | 17,311 |
| | 17/18 | 135,540 | 20,466 |
| Director of Corporate Services | 16/17 | 117,696 | 15,183 |
| | 17/18 | 121,045 | 18,278 |
| Director of Education & Children's Services (i) | 16/17 | 95,981 | 12,382 |
| | 16/17 | 37,906 | 4,876 |
| | 17/18 | 118,566 | 17,840 |
| Head of Education Services (i) | 16/17 | 65,921 | 8,496 |
| Director of Regeneration & Policy (ii) | 17/18 | 76,349 | 11,529 |

No compensation for loss of office, benefits in kind or bonus payments were made to the officers detailed in Senior Officers emoluments tables. No expense allowances were paid to Senior Officers where the salary is between £60,000 and £150,000 per year.

For the purpose of putting a value on the pension contributions relating to senior officers, the Common Contribution Rate of 15.1% for 2017/18 (12.9% for 2016/17) of pensionable pay has been used. This rate does not allow for the Deficit Recovery which is a liability of the Authority and does not relate specifically to the employee.

- (i) The Director of Education & Children's Services retired in December 2016. The former Head of Education Services was subsequently appointed interim Director and this was made permanent in November 2017.
- (ii) The post of Director of Regeneration & Policy was created in August 2017.

The ratio of the Chief Executive's remuneration to the median remuneration in Carmarthenshire County Council was as follows:

| | | |
|--|----------------|----------------|
| | 2016/17 | 2017/18 |
| Chief Executive's remuneration | £170,617 | £191,908 |
| Median remuneration of all employees | £21,274 | £21,962 |
| Ratio of the remuneration of the Chief Executive to the median remuneration of all employees | 8.02 : 1 | 8.74 : 1 |

6.36 Exit Packages

During 2017-18 the Authority incurred significant expenditure in terms of redundancy costs paid to leavers together with costs incurred in compensation payments to the Local Government Pension Fund in respect of early access pension costs. During this period the authority operated a voluntary severance scheme to support the delivery of its required efficiencies.

All costs relating to termination benefits have been included as part of service definitions within the Comprehensive Income and Expenditure Statement.

The above costs are detailed in the table below.

| Exit package cost band (including special payments) | Number of compulsory redundancies | | Number of other departures agreed | | Total Number of Exit Packages by cost band | | Total Cost of Exit Packages in each band | |
|---|-----------------------------------|-----------|-----------------------------------|-----------|--|------------|--|------------------|
| | 2016/17 | 2017/18 | 2016/17 | 2017/18 | 2016/17 | 2017/18 | 2016/17 £ | 2017/18 £ |
| £0 - £20,000 | 74 | 31 | 39 | 47 | 113 | 78 | 734,506 | 652,663 |
| £20,000 - £40,000 | 11 | 2 | 17 | 17 | 28 | 19 | 770,803 | 493,608 |
| £40,000 - £60,000 | 2 | 0 | 3 | 5 | 5 | 5 | 250,519 | 257,794 |
| £60,000 - £80,000 | 1 | 0 | 11 | 7 | 12 | 7 | 865,684 | 516,976 |
| £80,000 - £100,000 | 0 | 0 | 2 | 3 | 2 | 3 | 166,698 | 261,378 |
| £100,000 - £150,000 | 0 | 0 | 2 | 6 | 2 | 6 | 235,951 | 687,738 |
| TOTAL | 88 | 33 | 74 | 85 | 162 | 118 | 3,024,160 | 2,870,157 |

6.37 Audit Costs

In 2017-18 Carmarthenshire County Council incurred the following fees relating to financial audit and inspection, payable to the Wales Audit Office:

| | 2016-17 £'000 | 2017-18 £'000 |
|---|------------------|------------------|
| Financial Audit Services | 184 | 184 |
| Local Government Measure | 116 | 100 |
| Certification of Grant Claims & Returns | 72 | 63 |
| Burry Port Harbour Inspection | 1 | 1 |
| Total | 373 | 348 |

6.38 Insurance Cost

The insurance reserve is used to meet the cost of claims and other losses that could fall on the Authority. Whilst the Authority purchases a range of insurance cover, part of the risk remains with the Authority through the acceptance of "Policy Excesses" and through the setting of "Indemnity Limits".

On Liability and Property Policies there is a "Stop Loss" which is the aggregate maximum exposure that the Authority could face provided the Indemnity Limit is not breached (see below).

The Insurer may set a limit at the maximum exposure they are contracted to cover and this is termed the "Indemnity Limit".

The Table below illustrates the Authority's potential exposure by identifying the main policies, the relevant excess per claim, the overall Stop Loss and the Indemnity Limit that applied for the period 1st July 2017 to 30th June 2018:

| Description | Policy Excess (per claim/ event) | Stop Loss | Indemnity Limit |
|-------------|--|-------------------|--|
| Liability | Public Liability £255,500 Employers' Liability £132,000 | £3,216,150 | £30,000,000 |
| Property | Education Properties - £250,000 General Properties - £50,000 Housing Properties - £50,000 | £1,000,000 | Sum Insured £1,930,541,596 |
| Motor | £1,000 per claim (own damage i.e. Council Vehicle) No excess applies for 3 rd Party Property Damage or Personal Injury Claims | Not Applicable | * Damage to Own Vehicle – Market Value * 3 rd Party Vehicle or Property Damage - £5m any one claim * 3 rd Party Death or Injury – Unlimited |

6.39 Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement.

| | 2016-17 £'000 | 2017-18 £'000 |
|---|------------------|------------------|
| Credited to Services | | |
| Education & Children's Services: | | |
| DCELLS Post 16 & ACL Funding | 6,344 | 5,921 |
| Flying Start | 3,847 | 3,915 |
| Cymorth Grant | 1,977 | 1,952 |
| Education Improvement Grant | 7,771 | 7,642 |
| Deprivation Grant | 4,505 | 4,761 |
| European Social Fund | 211 | 673 |
| Adult Social Services: | | |
| Supporting People | 6,238 | 6,486 |
| Continuing Health Care Grant | 1,103 | 1,033 |
| Intermediate Care Fund | 1,656 | 1,951 |
| Wanless Grant | 688 | 844 |
| General Capital Grant | 2,294 | 3,556 |
| Community Team Learning Disabilities | 3,060 | 3,039 |
| Highways & Transport Services: | | |
| Concessionary Fares Subsidy | 2,001 | 1,868 |
| Local Transport Services Grant | 760 | 767 |
| Rural Development Plan | 206 | 560 |
| Cultural, Environmental, Regulatory & Planning Services: | | |
| Sustainable Waste Management Grant | 3,750 | 3,659 |
| ERDF | 90 | 92 |
| European Social Fund | 448 | 489 |
| Rural Development Plan | 204 | 299 |
| Communities First Cluster | 659 | 457 |
| Sports Council for Wales | 513 | 514 |
| Central Services to the Public: | | |
| Housing Benefit | 51,250 | 50,717 |
| Other Grants - WG funded * | 3,423 | 6,353 |
| Other Grants* | 3,542 | 6,989 |
| Total | 106,540 | 114,537 |

* The 2016-17 comparative balances for the Work choice Grant, Specific Grant for Renewals and ARBED Energy efficiency have been incorporated into: Other Grants–WG funded (£598k) and Other Grants (£418k).

| | 2016-17 £'000 | 2017-18 £'000 |
|--|------------------|------------------|
| Revenue Support Grant | 195,966 | 191,881 |
| Capital Grants and Contributions | | |
| 21st Century Schools Grant/School Building Improvement Grant | 5,225 | 4,248 |
| Major Repairs Allowance | 6,170 | 6,190 |
| Transport Grants | 3,116 | 5,906 |
| Highways Improvement Fund | 0 | 2,006 |
| General Capital Grant | 1,265 | 0 |
| ERDF | 17 | 149 |
| Vibrant & Viable Places VVP | 1,090 | 0 |
| Other Grants & Contributions ** | 1,826 | 2,383 |
| Total | 18,709 | 20,882 |

** The 2016-17 comparative balances for Flying Start, Targeted Match Funding, Intermediate Care Fund and Coastal Defence grant have been incorporated into Other Grants & Contributions (£567k).

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

| | 31 March 2017 £'000 | 31 March 2018 £'000 |
|---|---------------------------|---------------------------|
| Revenue Grants Receipts in Advance | | |
| Communities various | 80 | 65 |
| Environment various | 41 | 41 |
| Education various | 121 | 78 |
| Chief Executive various | 0 | 41 |
| | 242 | 225 |

6.40 Related Party Transactions

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority 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 with the Authority.

Central Government

Central Government has effective control over the general operations of the Authority – it 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. housing benefits). Grants received from government departments are set out in Note 6.39.

Other Public Bodies

The Authority has a pooled budget arrangement with Hywel Dda Local Health Board for the provision of an integrated community equipment store. Transactions are detailed in Note 6.33

Dyfed Pension Fund

The Dyfed Pension Fund is administered by Carmarthenshire County Council. Transactions between the two bodies are detailed in Note 6.45. Short Term Creditors (Note 6.20) includes an amount of £6.7m owed to the Dyfed Pension Fund at 31st March 2018 (£4.9m at 31st March 2017).

Wales Pension Partnership

A Wales Investment Pool Operator has been appointed by the Wales Pension Partnership to manage the investments and the reduction of investment management expenses for all 8 Wales pension funds. Carmarthenshire County Council is the Host Authority to provide administrative and secretarial support and implement decisions made by the Joint Governance Committee of the Wales Pension Partnership.

CWM Environmental Limited

CWM Environmental Limited is a wholly owned subsidiary company of Carmarthenshire County Council. Details of investments are included in Note 6.12 under Long Term Investments.

Egni Sir Gar Cyfyngedig

Carmarthenshire County Council is the registered Custodian Trustee of Egni Sir Gar Cyfyngedig. Details of investments are included in Note 6.12 under Long Term Investments.

Cartrefi Croeso Cyfyngedig

Cartrefi Croeso Cyfyngedig is a housing company wholly owned by Carmarthenshire County Council. The company was dormant during 2017-18 therefore no figures are included within the 2017-18 Statement of Accounts.

Llesiant Delta Wellbeing

Llesiant Delta Wellbeing is a company set up to expand and grow the Careline service which is wholly owned by Carmarthenshire County Council. The company was dormant during 2017-18 therefore no figures are included within the 2017-18 Statement of Accounts.

Members' Interests

The Authority has arrangements in place requesting members and Officers to identify and disclose related party transactions.

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2017-18 is shown in Note 6.34.

The Authority paid grants totalling £59k to organisations in which nine members had an interest. The grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants.

Officers' Interests

During 2017-18, the Director of Regeneration and Policy (former Assistant Chief Executive) continued the position representing Carmarthenshire County Council on the Board of Coleg Sir Gar.

A summary of Carmarthenshire County Council's transactions with Coleg Sir Gar is set out below:

| | 2016-17 | 2017-18 |
|-------------------------------------|----------------|----------------|
| | £'000 | £'000 |
| Expenditure | 481 | 494 |
| Income | 966 | 967 |
| | 2017 | 2018 |
| Balances outstanding at 31st March: | £'000 | £'000 |
| Creditor | 2 | 48 |
| Debtor | 563 | 591 |

Expenditure includes payment to Coleg Sir Gar for the provision of 14-19 vocational courses.

Income includes funding from Coleg Sir Gar for the College Transport Contract and the provision of Adult Community Learning Courses.

6.41 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below 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 Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

| | 2016-17 | 2017-18 |
|--|-----------------------|-----------------------|
| | £'000 | £'000 |
| Capital Investment | | |
| Property, Plant and Equipment | 58,167 | 57,498 |
| Investment Properties | 2,086 | 960 |
| Long Term Loans | 3 | 0 |
| Investments | 900 | 0 |
| Revenue Expenditure Funded from Capital under Statute | 4,945 | 7,968 |
| | <u>66,101</u> | <u>66,426</u> |
| Sources of Finance | | |
| Capital Receipts | 6,653 | 8,297 |
| Government grants and other contributions | 21,840 | 26,794 |
| Sums set aside from revenue | 4,440 | 3,140 |
| Direct revenue contributions | 1,734 | 2,417 |
| Borrowing | 31,434 | 25,778 |
| | <u>66,101</u> | <u>66,426</u> |
| Opening Capital Financing Requirement | 454,325 | 471,326 |
| Explanation of Movements in Year | | |
| Increase in underlying need to borrow (supported by government financial assistance) | 3,724 | 3,572 |
| Increase in underlying need to borrow (unsupported by government financial assistance) | 13,277 | 9,547 |
| Increase/(decrease) in Capital Financing Requirement | <u>17,001</u> | <u>13,119</u> |
| Closing Capital Financing Requirement | <u>471,326</u> | <u>484,445</u> |

6.42 Leases**Authority as Lessee***Operating Leases*

The Authority leases in property under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses.

The future minimum lease payments due under non-cancellable leases in future years are:-

| | 2016-17 £'000 | 2017-18 £'000 |
|---|--------------------------------|--------------------------------|
| Not later than one year | 723 | 743 |
| Later than one year and not later than five years | 2,227 | 1,996 |
| Later than five years | 4,453 | 4,085 |
| | <u><u>7,403</u></u> | <u><u>6,824</u></u> |

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

| | 2016-17 £'000 | 2017-18 £'000 |
|------------------------|--------------------------------|--------------------------------|
| Minimum Lease payments | 1,024 | 987 |

Authority as Lessor*Operating Leases*

The Authority leases out property under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses.

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

| | 2016-17 £'000 | 2017-18 £'000 |
|---|--------------------------------|--------------------------------|
| Not later than one year | 1,043 | 1,123 |
| Later than one year and not later than five years | 3,077 | 2,979 |
| Later than five years | 22,154 | 25,102 |
| | <u>26,274</u> | <u>29,204</u> |

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into.

In 2017/18 £112,666 contingent rents were receivable by the Authority (£109,171 in 2016/17).

The Authority also holds various capital assets, principally vehicles, plant and office equipment financed under the terms of operating leases and accounted for as such, the rentals being charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement.

6.43 Impairment Losses

An assessment has been made at the year-end which indicates that there are no instances of impairment to the Authority's assets.

6.44 Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is a multi-employer defined benefit scheme. 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. Valuations of the notional fund are undertaken every four years.

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 Authority 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 2017-18 Carmarthenshire County Council paid £10.1m to the Department for Education in respect of teachers' pension costs, which represents 16.48% of teachers and lecturers pensionable pay. The figures for 2016-17 were £10.1m and 16.48%. There were no contributions remaining payable at year-end. The contributions due to be paid in the next financial year are estimated to be £10.0m.

In addition, the County Council is responsible for all pension payments relating to added years it has awarded together with the related increases. In 2017-18 these amounted to £0.414m.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the Teachers' scheme. These benefits are fully accrued in the pensions liability described above.

6.45 Defined Benefit Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments. Liabilities for these payments need to be disclosed at the time employees earn their future entitlement.

The Dyfed Pension Fund (the Fund) is a member of the Local Government Pension Scheme (LGPS). It is administered by Carmarthenshire County Council and is a funded defined benefit scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The Dyfed Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Dyfed Pension Fund Panel. Policy is determined in accordance with the Pensions Fund Regulations. The investment managers of the fund are appointed by the Committee and are advised by an Independent Investment Adviser and officers of Carmarthenshire County Council.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (ie large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

Discretionary Post-retirement Benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

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 that is required to be made 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 Comprehensive Income and Expenditure Statement via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement during the year:

| | 2016-17 £'000 | 2017-18 £'000 |
|---|------------------|------------------|
| Comprehensive Income and Expenditure Statement | | |
| Cost of Services: | | |
| Current Service Cost | 26,294 | 40,095 |
| Past Service Costs | 271 | 111 |
| Settlements and Curtailments | 1,365 | 1,725 |
| Financing and Investment Income and Expenditure | | |
| Net Interest Expense | 9,687 | 9,425 |
| Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services | 37,617 | 51,356 |
| Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement | | |
| Remeasurement of the net defined benefit liability comprising: | | |
| Return on plan assets | (163,781) | (11,566) |
| Experience gain on liabilities | (17,482) | 0 |
| Actuarial gains and losses arising on changes in demographic assumptions | (16,312) | 0 |
| Actuarial gains and losses arising on changes in financial assumptions | 280,943 | (55,859) |
| Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement | 120,985 | (16,069) |
| Movement in Reserves Statement | | |
| Reversal of net charges made to the Surplus or Deficit for Provision of Services for Post Employment Benefits in the accordance with the code | (37,617) | (51,356) |
| Actual amount charged against the Council Fund Balance for pensions in the year: | | |
| Employers' Contributions payable to Scheme | 24,205 | 24,521 |

Assets and Liabilities in Relation to Post-employment Benefits**Carmarthenshire County Council**

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets:

| | 2016-17 | 2017-18 |
|--------------------------------------|------------------|------------------|
| | £'000 | £'000 |
| Balance as at 1 April | 839,426 | 1,030,154 |
| Interest on plan assets | 30,174 | 25,699 |
| Experience gain on assets | 163,781 | 11,566 |
| Administration expenses | (691) | (700) |
| Employer contributions | 24,205 | 24,521 |
| Contributions by scheme participants | 7,327 | 7,354 |
| Benefits paid | (34,068) | (36,289) |
| Balance as at 31 March | <u>1,030,154</u> | <u>1,062,305</u> |

Reconciliation of Present Value of the Scheme Liabilities:

| | 2016-17 | 2017-18 |
|--|-------------------------|-------------------------|
| | £'000 | £'000 |
| Balance as at 1 April | (1,103,940) | (1,391,448) |
| Current Service Cost | (26,294) | (40,095) |
| Interest cost | (39,170) | (34,424) |
| Contributions by scheme participants | (7,327) | (7,354) |
| Experience gain on liabilities | 17,482 | 0 |
| Actuarial gains and losses arising on changes in demographic assumptions | 16,312 | 0 |
| Actuarial gains and losses arising on changes in financial assumptions | (280,943) | 55,859 |
| Curtailements | (1,365) | (1,725) |
| Benefits paid | 34,068 | 36,289 |
| Past service costs | (271) | (111) |
| Balance as at 31 March | <u>(1,391,448)</u> | <u>(1,383,009)</u> |
| Net Scheme Liabilities | <u>(361,294)</u> | <u>(320,704)</u> |

The Dyfed Pension Fund assets comprised:

| | <u>Quoted</u> | 2016-17 £'000 | 2017-18 £'000 |
|-----------------------|---------------|--------------------------------|--------------------------------|
| UK | Yes | 253,417 | 215,647 |
| Overseas Pooled Funds | No | 224,574 | 239,019 |
| US | Yes | 98,895 | 106,231 |
| Canada | Yes | 5,151 | 5,312 |
| Japan | Yes | 33,995 | 36,118 |
| Pacific Rim | No | 30,905 | 27,620 |
| Emerging Markets | No | 78,292 | 83,922 |
| Pooled Overseas | Yes | 1,030 | 0 |
| European ex UK | Yes | 0 | 36,118 |
| UK Index linked | Yes | 99,925 | 104,106 |
| UK Corporate | No | 99,925 | 101,981 |
| Property Funds | No | 95,804 | 99,857 |
| Cash instruments | Yes | 0 | 0 |
| Cash accounts | Yes | 6,181 | 3,187 |
| Net current assets | No | 2,060 | 3,187 |
| | | <u>1,030,154</u> | <u>1,062,305</u> |

Scheme History

| | 2013-14 £'000 | 2014-15 £'000 | 2015-16 £'000 | 2016-17 £'000 | 2017-18 £'000 |
|---|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Present value of liabilities in the Local Government Pension Scheme | (926,948) | (1,126,044) | (1,103,940) | (1,391,448) | (1,383,009) |
| Fair value of assets in the Local Government Pension Scheme | 740,531 | 849,893 | 839,426 | 1,030,154 | 1,062,305 |
| Surplus/(deficit) in the scheme | <u>(186,417)</u> | <u>(276,151)</u> | <u>(264,514)</u> | <u>(361,294)</u> | <u>(320,704)</u> |

The liabilities show the underlying commitments that the Authority has in the long-run to pay post-employment benefits. The total net liability of £321m has a substantial impact on the net worth of the Authority as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy with the deficit on the Fund made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2019 is £23.8m.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, returns on investments, future inflation etc. The Fund's assets and liabilities within the Balance Sheet and the current and past service costs included within the Comprehensive Income and Expenditure Statement have been assessed by Mercer Ltd, an independent firm of actuaries, estimates for the Fund being based on the latest full valuation of the scheme as at 31 March 2016.

The main assumptions used in its calculations are shown below:

| | 2016-17 | 2017-18 |
|---------------------------------------|---------|---------|
| | % | % |
| Financial Assumptions: | | |
| Rate of CPI inflation | 2.3 | 2.1 |
| Rate of increase in salaries | 3.80 | 3.60 |
| Rate of increase in pensions | 2.3 | 2.2 |
| Rate for discounting Fund liabilities | 2.5 | 2.6 |

| | 2016-17 | 2017-18 |
|---|---------|---------|
| | % | % |
| Mortality assumptions: | | |
| Longevity at 65 for current pensioners: | | |
| Men | 22.8 | 22.9 |
| Women | 25.5 | 25.6 |
| Longevity at 65 for future pensioners: | | |
| Men | 25.0 | 25.1 |
| Women | 27.8 | 27.9 |

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. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, ie on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

**Impact on the Defined Benefit Obligation
of the Scheme**

| | Increase in assumption £'000 | Decrease in assumption £'000 |
|---|---------------------------------|---------------------------------|
| Longevity (increase or decrease of 1 year) | 27,548 | (27,548) |
| Rate of inflation (increase or decrease by 0.1% p.a.) | 25,480 | (25,480) |
| Rate of increase in salaries (increase or decrease by 0.1% p.a.) | 4,767 | (4,767) |
| Rate of increase in pensions (increase or decrease by 0.1% p.a.) | 25,480 | (25,480) |
| Rate for discounting scheme liabilities (increase or decrease by 0.1% p.a.) | (25,018) | 25,018 |

6.46 Contingent Liabilities

The Authority acts as a collection agent on behalf of Dwr Cymru in respect of Housing Revenue Account (HRA) Tenants water and sewerage charges. In return for this service the Authority has received a commission which has been treated as an income stream to the HRA. The treatment of this arrangement has been called in to question due to a Court ruling during 2015-16 (Kim Jones versus London Borough of Southwark) which ruled that Local Authorities collecting water rates via the HRA were doing so as a water supplier and not as an agent of the water supplier. Traditionally this has been viewed as an agency arrangement, but the Court ruling concludes that the Authority concerned was acting as a water supplier, which has significant financial implications for those affected, both in terms of the agency fee and where action has been taken against rent arrears that could be deemed to include water rates. The authority's legal advice is that our agreement would be found to be a *bona fide* agency agreement if challenged and as at 31st March 2018 we have not received any correspondence relating to potential claims. However, to reinforce even further that the Authority is collecting these monies as agents for Dwr Cymru and avoid the possibility of future legal challenges, the Council is currently entering into a new agreement with the water supplier which ensures that it is acting as an agent.

Whilst the Authority purchases a range of insurance cover, part of the risk remains with the Authority (see note 6.38). A number of insurance claims have been registered but not yet finalised. Where it is probable that costs will fall on the authority, expenditure has been recognised in the Comprehensive Income and Expenditure Statement and as a movement in the Insurance Provision (see note 6.21). It is possible that the Authority may incur costs relating to other registered claims or to claims that have yet to be submitted. Funds have been set aside in an Insurance Reserve (see note 6.23) for this purpose.

6.47 Financial Instruments**Disclosure Notes for Financial Liabilities, Financial Assets and Risk****Financial Instruments Balances**

The borrowings and investments disclosed in the Balance Sheet include the following categories of financial instruments:

| | Long Term | | Current | |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| | 31 March 2017 £'000 | 31 March 2018 £'000 | 31 March 2017 £'000 | 31 March 2018 £'000 |
| Financial liabilities (principal amount) | 377,955 | 392,821 | 10,012 | 7,029 |
| Accrued Interest | 0 | 0 | 3,191 | 2,989 |
| Other accounting adjustments | 116 | 115 | 0 | 0 |
| Financial liabilities at amortised cost | | | | |
| Total borrowings | 378,071 | 392,936 | 13,203 | 10,018 |
| Loans and receivables (principal amount) | 584 | 576 | 22,046 | 22,004 |
| Accrued Interest | 148 | 148 | 109 | 180 |
| Loans and receivables at amortised cost | 732 | 724 | 22,155 | 22,184 |
| Unquoted equity investment at cost | 1,229 | 1,229 | 0 | 0 |
| Total investments | 1,961 | 1,953 | 22,155 | 22,184 |
| Soft loans provided (Note i) | 1,268 | 1,190 | 0 | 0 |

- (i) The Council made a loan to the National Botanic Garden of Wales at less than market rates (soft loans). This loan is for £1.35m at 0% interest and was extended in 2017/18 with the expectation it will be repaid in 2019/20. When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account. The detailed soft loans information is as follows:

| | <u>Soft Loans</u> | |
|--------------------------------------|-------------------|--------------|
| | 31-Mar-17 | 31-Mar-18 |
| Opening Balance | 1,190 | 1,268 |
| + New loans granted | 0 | 0 |
| - Fair value adjustment | 0 | 233 |
| + Loans repaid | 78 | 155 |
| Balance carried forward | 1,268 | 1,190 |
| Nominal value carried forward | 1,350 | 1,350 |

Valuation Assumptions

The interest rate at which the fair value of this soft loan has been made is arrived at by taking the authority's prevailing cost of borrowing, 5%, and adding an allowance for the risk that the loan might not be repaid.

Financial Instruments Gains/Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

| | Financial Liabilities | | Financial Assets | | Totals | |
|---|--|------------------|--------------------------|------------------|------------------|------------------|
| | Liabilities measured at amortised cost | | Loans and Receivables | | | |
| | 2016-17 £'000 | 2017-18 £'000 | 2016-17 £'000 | 2017-18 £'000 | 2016-17 £'000 | 2017-18 £'000 |
| Interest expense | (17,636) | (17,613) | 0 | 0 | (17,636) | (17,613) |
| Impairment Losses | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest payable and similar charges | (17,636) | (17,613) | 0 | 0 | (17,636) | (17,613) |
| Interest Income | 0 | 0 | 386 | 429 | 386 | 429 |
| Interest and investment income | 0 | 0 | 386 | 429 | 386 | 429 |
| Net gain/(loss) for the year | (17,636) | (17,613) | 386 | 429 | (17,250) | (17,184) |

Fair value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the Public Works Loans Board (PWLB) and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;

- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

| | 31 March 2017 | | 31 March 2018 | |
|------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | Carrying amount | Fair Value | Carrying amount | Fair Value |
| PWLB Debt | 383,943 | 598,350 | 395,033 | 606,194 |
| Non - PWLB debt | 7,330 | 12,929 | 7,921 | 15,825 |
| Total Financial Liabilities | <u>391,273</u> | <u>611,279</u> | <u>402,954</u> | <u>622,019</u> |

The fair value is greater than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.

| | 31 March 2017 | | 31 March 2018 | |
|------------------------------------|----------------------|----------------------|----------------------|----------------------|
| | Carrying amount | Fair Value | Carrying amount | Fair Value |
| Money market loans < 1year | 22,155 | 22,155 | 22,184 | 22,184 |
| Money market loans > 1year | 732 | 732 | 724 | 724 |
| Total investments | <u>22,887</u> | <u>22,887</u> | <u>22,908</u> | <u>22,908</u> |
| Trade Debtors | 17,416 | 17,416 | 17,252 | 17,252 |
| Total Loans and Receivables | <u>40,303</u> | <u>40,303</u> | <u>40,160</u> | <u>40,160</u> |

The fair values for financial liabilities have been determined by reference to the Public Works Loans Board (PWLB) redemption rules and prevailing PWLB redemption rates as at each balance sheet date, and include accrued interest. The fair values for non-PWLB debt have also been calculated using the same procedures and interest rates and this provides a sound approximation for fair value for these instruments.

The fair values for loans and receivables have been determined by reference to similar practices, as above, which provide a reasonable approximation for the fair value of a financial instrument, and include accrued interest. The comparator market rates prevailing have been taken from indicative investment rates at each balance sheet date. In practice rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures, and the difference is likely to be immaterial.

The fair value of Public Works Loan Board (PWLB) loans of £606.194m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates, the PWLB redemption interest rates.

However, the authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB, the PWLB Certainty rates. If a value is calculated on this basis, the carrying amount of £395.033m would be valued at £517.834m. But, if the authority were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £606.194m, comprising £392.108m principal; £2.925m accrued interest and a penalty of £211.161m.

The valuation of financial instruments has been classified into three levels according to the quality and reliability of information used to determine fair values.

- Level 1 Inputs – are unadjusted quoted prices in active markets for identical assets or liabilities that the authority can access at the measurement date
- Level 2 Inputs – are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 Inputs – are unobservable inputs for the asset or liability

For the purposes of this Council's financial liabilities and financial assets, level 2 is applicable.

| Recurring fair value measurements using: | Quoted prices in active markets for identical assets (Level 1) £'000 | Other significant observable inputs (Level 2) £'000 | Significant observable inputs (Level 3) £'000 | Total £'000 |
|--|---|--|---|----------------|
| Financial Liabilities | | | | |
| Financial liabilities held at amortised cost: | | | | |
| PWLB | 0 | 606,194 | 0 | 606,194 |
| NON PWLB | 0 | 15,825 | 0 | 15,825 |
| Total | 0 | 622,019 | 0 | 622,019 |
| Financial assets | | | | |
| Loans and Receivables | 0 | 22,908 | 0 | 22,908 |
| Total | 0 | 22,908 | 0 | 22,908 |

| Recurring fair value measurements using: 31 March 2017 | Quoted prices in active markets for identical assets (Level 1) £'000 | Other significant observable inputs (Level 2) £'000 | Significant observable inputs (Level 3) £'000 | Total £'000 |
|---|---|--|---|----------------|
| Financial Liabilities | | | | |
| Financial liabilities held at amortised cost: | | | | |
| PWLB | 0 | 598,350 | 0 | 598,350 |
| NON PWLB | 0 | 12,929 | 0 | 12,929 |
| Total | 0 | 611,279 | 0 | 611,279 |
| Financial assets | | | | |
| Loans and Receivables | 0 | 22,887 | 0 | 22,887 |
| Total | 0 | 22,887 | 0 | 22,887 |

Disclosure of nature and Extent of Risk Arising from Financial Instruments

Key Risks

The Authority's activities expose it to a variety of financial risks, the key risks are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Authority;
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the Authority might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk - the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates movements.

Overall Procedures for Managing Risk

The Authority's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the *Local Government Act 2003* and the associated regulations. These require the Authority 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. Overall these procedures require the Authority to manage risk in the following ways:

- by formally adopting the requirements of the Revised editions of the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice.
- by the adoption of a Treasury Policy Statement and treasury management clauses;

- by approving annually in advance prudential indicators for the following three years limiting:
 - The Authority's overall borrowing;
 - Its maximum and minimum exposures to fixed and variable rates;
 - Its maximum and minimum exposures of the maturity structure of its debt;
 - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance;

These are required to be reported and approved at or before the Authority's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management policy and strategy which outlines the detailed approach to managing risk in relation to the Authority's financial instrument exposure. Actual performance is also reported quarterly to Members. These policies are implemented by the Treasury and Pension Investments Section.

The annual Treasury Management strategy which incorporates the prudential indicators was approved by Council on 22nd February 2017 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2017/18 was set at £532m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £484m. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at £444m and £20m based on the Council's net debt.

The Authority 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). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

Credit Risk

Investments

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. This risk is minimised through the Annual Investment Strategy (which forms part of the Authority's Treasury Management Policy and Strategy Report), which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Ratings Services. The Treasury Management Policy and Strategy report also imposes a maximum amount and time to be invested with a financial institution located within each category. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

The Council's Schedule of Approved Counterparties shows the minimum criteria for investment counterparties. This is as follows:

- An Upper Limit where Credit ratings of Short Term of F1, P-1 or A-1 apply together with Credit Ratings for Long Term AA-, Aa3 and AA-.
Maximum Investment of £10m.
- A Middle Limit where Credit ratings of Short Term of F1, P-1 or A-1.
Maximum Investment £7m.
- UK Banks Part Nationalised included as investment counterparties, as long as they continue to have appropriate UK Government support
Maximum Investment £7m
- Other Limits
 - Local Authority. Maximum Investment £10m
 - AAA Rated Money Market Fund. Maximum Investment £5m
 - Debt Management Office £40m

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the council.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £19k cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but excepting the £4m KSF deposit (detailed at the end of this note), there was no evidence at 31 March 2018 that this was likely to crystallise.

The following analysis summarises the Council's maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions.

| | Amount at 31 March 2018 £'000 | Historical Experience of default % | Adjustment for market conditions at 31 March 2018 % | Estimated maximum exposure to default £'000 |
|---|--|--|---|---|
| <u>Deposits with banks and financial institutions</u> | | | | |
| AAA rated counterparties | 10,000 | 0.00 | 0.00 | 0 |
| AA rated counterparties | 14,000 | 0.02 | 0.03 | 4 |
| A rated counterparties | 19,000 | 0.06 | 0.08 | 15 |
| BBB rated counterparties | 0 | 0.17 | 0.19 | 0 |
| Trade debtors | 17,252 | 3.50 | 3.50 | 604 |
| | <u><u>60,252</u></u> | | | <u><u>623</u></u> |

The investment of £0.58m in Kaupthing, Friedlander and Singer (KSF) has been excluded from the above figures with full details being provided at the end of this note.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any other losses from non-performance by any of its counterparties in relation to deposits and bonds.

Trade Debtors

The trade debtors figure of £17.252m shown above includes £9.683m which is past its due date for payment. The past due amount can be analysed by age as follows:

| | 31st March 2017 £'000 | 31st March 2018 £'000 |
|------------------------|--------------------------------------|--------------------------------------|
| Less than three months | 2,247 | 1,863 |
| Three to six months | 840 | 1,049 |
| Six months to one year | 1,434 | 1,513 |
| More than one year | 4,763 | 5,257 |
| | <u>9,284</u> | <u>9,682</u> |

The Council initiates a legal charge on property where, for instance, clients require the assistance of social services but cannot afford to pay immediately. The total collateral as at 31st March 2018 was £601k.

Liquidity Risk

The Authority 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 (although it will not provide funding to a council whose actions are unlawful). The Authority is also required to provide a balanced budget through 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.

The Authority manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury management policy and strategy), as well as through a comprehensive cash flow management system, as required by the Code of Practice. This seeks to ensure that cash is available when it is needed.

Refinancing and Maturity Risk

The Authority 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 Authority 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 placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Authority approved treasury management policy and strategy addresses the main risks and the treasury management team addresses the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and

- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Authority'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 financial liabilities is shown below together with the maximum and minimum exposures.

| | 2016 -2017 | | | 2017-2018 | | |
|----------------------------|------------------------------|------------------------------|-----------------------------|------------------------------|------------------------------|-----------------------------|
| | Approved Maximum Limit | Approved Minimum Limit | 31st March 2017 £'000 | Approved Maximum Limit | Approved Minimum Limit | 31st March 2018 £'000 |
| | % | % | | % | % | |
| Less than one year | 15 | 0 | 13,203 | 15 | 0 | 10,018 |
| Between one and two years | 25 | 0 | 7,029 | 25 | 0 | 5,292 |
| Between two and five years | 50 | 0 | 23,857 | 50 | 0 | 29,566 |
| Between five and ten years | 50 | 0 | 42,978 | 50 | 0 | 39,979 |
| More than ten years | 100 | 0 | 304,206 | 100 | 0 | 318,098 |
| | | | 391,273 | | | 402,953 |

The maturity analysis of financial assets is as follows:

| | 2016-2017 £'000 | 2017-2018 £'000 |
|-----------------------|--------------------|--------------------|
| Less than one year | 22,155 | 22,184 |
| Greater than one year | 732 | 724 |
| | 22,887 | 22,908 |

All trade and other payables are due to be paid in less than one year and trade debtors of £17.252m are not shown in the table above.

Market Risk

Interest rate risk - The Authority is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise;
- borrowings at fixed rates – the fair value of the borrowing liability will fall (no impact on revenue balances);
- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise; and
- investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and effect the Council Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments will be reflected in the Movements in Reserves Statement, unless the investments have been designated as Fair Value through the Income and Expenditure Account.

The Authority has a number of strategies for managing interest rate risk. The Annual Treasury Management Policy and Strategy Report and the 5 year Capital Programme Report draws together the Authority's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure.

The risk of interest rate loss is partially mitigated by Government grant payable on financing costs.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

| | £'000 |
|--|-------------------|
| Increase in interest payable on variable rate borrowings | 0 |
| Increase in interest receivable on variable rate investments | (320) |
| Increase in Government grant receivable for financing costs | <u>(163)</u> |
| Impact on Surplus or Deficit on the Provision of Services | (483) |
| Share of overall impact debited to the HRA* | 220 |
| Decrease in fair value of fixed rate investment assets | <u>0</u> |
| Impact on Other Comprehensive Income and Expenditure | <u>(263)</u> |
| Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure) | 92,026 |

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Note – Fair value of Assets and Liabilities carried at Amortised Cost

Price risk - The Authority, excluding the pension fund, does not invest in equity shares. It therefore has no exposure to loss arising from movements in price.

Foreign exchange risk - The Authority has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

Kaupthing Singer and Friedlander Ltd (KSF)

Early in October 2008, the Icelandic bank Kaupthing collapsed and the UK subsidiary of the bank, Kaupthing Singer and Friedlander went into administration. The Authority had £4m deposited, with varying maturity dates and interest rates.

The Authority made a provision in 2008/09 in respect of the expected future impairment in anticipation of the regulations ceasing on 31 March 2018 and the Council Fund bearing the impact of the impairment. During 2017-18 £53k of the provision has been released

and £728k is being maintained as a contingency against future changes. This figure is made up of £580k principal and £148k interest.

All money within this institution is currently subject to the administration and receivership process. The amounts and timing of payments to depositors such as the Authority will be determined by the administrators/receivers.

For Kaupthing, Singer & Friedlander Ltd a total repayment of £3.420m principal and £210k interest was received (85.5%) to 2017-18. An estimated further 0.75% is expected to be received, taking total dividends expected to be paid to 86.25%.

The current position on actual payments received and estimated future payouts is as shown in the table.

| Date | Repayment |
|------------------|------------------|
| Received to date | 85.50% |
| Qtr 2 2018-19 | 0.10% |
| Qtr 2 2019-20 | 0.65% |

Recoveries are expressed as a percentage of the Authority's claim in the administration, which includes interest accrued up to 7th October 2008.

6.48 **Burry Port Harbour**

Carmarthenshire County Council has been given a range of statutory powers and duties for the purposes of improving, maintaining and managing the Burry Port harbour through the Burry Port Harbour Revision Order 2000. In accordance with the Harbours Act 1964, statutory harbour authorities are required to prepare annual statement of accounts relating to the harbour activities. Currently, the harbour activities are included in the Authority's statement of accounts, with the relevant figures being:

| 2016-17 | | 2017-18 |
|----------------|---------------------------------|----------------|
| £'000 | <u>Expenditure</u> | £'000 |
| 43 | Employee Costs | 86 |
| 23 | Premises Related Costs | 57 |
| 65 | Supplies and Services | 26 |
| 55 | Support Service Recharges | 33 |
| 170 | Depreciation & Similar Charges | 3,215 |
| 356 | <u>Total Expenditure</u> | 3,417 |
| | <u>Income</u> | |
| (99) | Fees and Costs Recoverable | (63) |
| (2) | Other Income | (1) |
| (101) | <u>Total Income</u> | (64) |
| 255 | <u>Net Cost</u> | 3,353 |

| 2016-17 | Assets held: | 2017-18 |
|--------------|----------------------------------|--------------|
| £'000 | | £'000 |
| 3,143 | Infrastructure, Land & Buildings | 988 |
| 670 | Plant / Vehicles / Equipment | 0 |
| 55 | Assets Under Construction | 12 |
| <u>3,868</u> | | <u>1,000</u> |

A separate annual income and expenditure account and statement of balances has been prepared for Burry Port Harbour as required under the 'smaller body' threshold as defined by the Accounts and Audit (Wales) Regulations 2014. The separate statement is available from the Head of Financial Services, Corporate Services Department, County Hall, Carmarthen, SA31 1JP.

From 1st April 2018, Carmarthenshire County Council has granted a long term lease to The Marine & Property Group Ltd, who have taken over the running and management of Burry Port Harbour. This will result in further investment and development of the harbour, which will increase its financial viability and sustainability going forwards.

As a consequence of the lease valuation the basis of valuation of the harbour has changed from depreciated historic cost to fair value, being the value of the freehold interest of the harbour.

6.49 **Reconciliation of Net Deficit to Net Cashflows from Operating Activities**

| 2016-17 | | 2017-18 |
|---------------|--|---------------|
| £'000 | | £'000 |
| (22,160) | Surplus/(Deficit) for Year: | (38,787) |
| 41,489 | Depreciation | 42,427 |
| 8,745 | Impairment & Downward Valuations | 17,427 |
| 2,182 | Increase/(Decrease) in Creditors | 2,091 |
| (3,404) | (Increase)/Decrease in Debtors | (4,498) |
| 29 | (increase)/Decrease in Inventories | (53) |
| (13,412) | Movement in Pension Liability | (26,835) |
| 13,335 | Other non-cash transactions | 36,555 |
| <u>26,804</u> | Net Cash Flow from Operating Activities | <u>28,327</u> |

6.50 **Accounting Standards that have been issued but have not yet been adopted.**

Where a new Standard has been published but has not yet been adopted by the Code, the Authority is required to disclose information relating to the impact of the accounting change. The changes that are introduced in the 2018/19 Code are:

- IFRS 15 - Revenue from contracts with customers, effective 2018-19, introduces a new comprehensive framework for revenue recognition which is a principles-based five-step model for recognising revenue arising from contracts with customers. It replaces IAS 18 Revenue and IAS 11 Construction Contracts and is based on a core principle requiring revenue recognition to depict the transfer of promised goods or services to the customer in an amount that reflects the

consideration the body expects to be entitled to, in exchange for those goods or services.

- IFRS 9 - Financial Instruments, replaces IAS39 and has been implemented in the 2018-19 Code of Practice. A new approach is introduced for the classification and measurement of financial assets. The second main change will be the introduction of an expected credit loss model for particular asset types, rather than an impairment of the asset resulting from a specific incident.
- The transitional reporting requirements for IFRS 9 and IFRS 15 have been adopted such that the preceding year is not restated.
- IFRS 16 – leases – A new leasing standard will be issued on 1st January 2019, which will affect the classification of operating and finance leases for lessees, and result in a potentially significant increase in the number of leased in assets that are recognised on the balance sheet, as well as the liabilities associated with those assets. CIPFA is currently considering new ways of assessing how the standard will impact on local authorities and a consultation has been issued. The standard is not anticipated to be adopted until 2019-20 at the earliest.

It is not anticipated that the above amendments will have a material impact on the information provided in the council's financial statements

7 HOUSING REVENUE ACCOUNT (HRA)**7.1 HRA Income and Expenditure Statement**

| 2016-17 £'000 | | Note | 2017-18 £'000 |
|------------------|---|------|------------------|
| | Expenditure | | |
| 2,431 | Repairs and Maintenance | | |
| | - Responsive | | 1,948 |
| 4,635 | - Planned/Cyclical | | 5,096 |
| 2,677 | - Voids | | 3,054 |
| 6,798 | Supervision and Management | | 7,701 |
| 1,265 | Central Support Charges | | 1,290 |
| 272 | Rents, Rates Taxes and other charges | | 319 |
| 223 | Movement in the allowance for Bad Debts | | 218 |
| 15,624 | Depreciation and Impairment of non current assets | 8.11 | 14,956 |
| | Revenue Expenditure funded from Capital under | | |
| 9 | Statute | | 1 |
| 34 | Debt Management Costs | | 35 |
| 33,968 | Total Expenditure | | 34,618 |
| | Income | | |
| (36,229) | Dwelling rents | 8.1 | (37,622) |
| (109) | Non-Dwelling Rents | | (117) |
| (28) | Leaseholders | 8.2 | (29) |
| (740) | Service Fees | 8.2 | (749) |
| (135) | Grants | 8.6 | (135) |
| (499) | Other Income | | (495) |
| (520) | Commission - Water Rates | 8.7 | (446) |
| (38,260) | Total Income | | (39,593) |
| (4,292) | Net cost of HRA Services as included in the Comprehensive Income & Expenditure Statement | | (4,975) |
| 283 | HRA services' share of Corporate and Democratic Core | | 283 |
| (4,009) | Net (Income)/cost for HRA Services | | (4,692) |
| | HRA Share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement | | |
| 21 | (Gain) or loss on the sale of HRA Non Current Assets | | 12 |
| 9,681 | Interest Payable and similar charges | | 9,734 |
| (49) | Interest and Investment Income | | (64) |
| 224 | Net interest on the net defined benefit liability (asset) | | 233 |
| (6,228) | Capital grants and contributions receivable | | (6,663) |
| (360) | (Surplus) or Deficit for the year on HRA Services | | (1,440) |

7.2 Movement on the HRA Statement

The overall objectives for Movement on the HRA Statement and the general principles for its construction are the same as those generally for the Movement in Reserves Statement, into which it is consolidated. The statement takes the outturn on the HRA Income and Expenditure Statement and reconciles it to the surplus or deficit for the year on the HRA Balance, calculated in accordance with the requirements of the Local Government and Housing Act 1989.

| 2016-17 £'000 | | Note | 2017-18 £'000 | 2017-18 £'000 |
|------------------|---|------|------------------|------------------|
| (9,120) | Balance on the HRA at the end of the previous year | | | (14,011) |
| (360) | (Surplus) or deficit for the year on the HRA Income and Expenditure Account | | (1,440) | |
| (4,825) | Adjustments between accounting basis and funding basis under statute | 7.3 | (4,763) | |
| (5,185) | Net Increase or (decrease) before transfers to or from reserves | | (6,203) | |
| 294 | Transfers (to) or from reserves | 7.4 | 100 | |
| (4,891) | (Increase) or decrease in year on the HRA | | | (6,103) |
| (14,011) | Balance on the HRA at the end of the current year | | | (20,114) |

7.3 Adjustments between accounting basis and funding basis under statute

| 2016-17 £'000 | | 2017-18 £'000 |
|------------------|--|------------------|
| (52) | Amortisation of Premiums and Discounts | (52) |
| (6) | Transfers to / (from) Accumulated Absences Account | 0 |
| (30) | Gain or loss on sale of HRA noncurrent assets | (14) |
| (330) | HRA share of contributions to or from the Pensions Reserve | (680) |
| 782 | Capital expenditure funded by the HRA | 0 |
| (5,189) | Transfer to / from the Capital Adjustment Account | (4,017) |
| (4,825) | | (4,763) |

7.4 Transfers to or (from) Earmarked Reserves

| 2016-17 | | | | 2017-18 | | |
|------------|-------------|------------|---------------------------|------------|--------------|------------|
| £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 |
| Trfs from | Trfs to | Net | | Trfs from | Trfs to | Net |
| 274 | (26) | 248 | Insurance Reserve | 202 | (138) | 64 |
| 0 | 0 | 0 | Employee Developmental | 0 | (7) | (7) |
| 41 | 0 | 41 | Salix | 42 | 0 | 42 |
| 5 | 0 | 5 | Corporate Retirement Fund | 1 | 0 | 1 |
| 320 | (26) | 294 | | 245 | (145) | 100 |

8 NOTES TO THE HRA INCOME AND EXPENDITURE STATEMENT**Introduction**

The Housing Revenue Account (HRA) is a record of revenue expenditure and income relating to an authority's housing stock. Its primary purpose is to ensure that expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants. Consequently, the HRA is a statutory account, ringfenced from the rest of the Council Fund, so that rents cannot be subsidised from council tax (or vice versa).

8.1 Gross Rent Income

This is the total rent income due for the year after allowance is made for voids etc. For 2017-18 this totalled £37.6m (£36.2m for 2016-17). At the 31st March 2018 2.78% of lettable properties were vacant (1.99% in 2016-17). Average rents were £81.65 a week in 2017-18 (£78.79 in 2016-17).

8.2 Service Charges and Leaseholders

This represents the income of the Authority from charges for services and facilities etc in connection with the provision of houses and other property within the HRA – This totalled £778k in 2017-18 (£768k in 2016-17).

8.3 Rebates

Assistance with rents is available under the Housing Benefit Scheme for those on low incomes. This totalled £22.7m in 2017-18 (£22m for 2016-17). 64.5% of the Council's tenants receive some help with the cost of rent and Council Tax (64.9% in 2016-17).

8.4 Housing Stock

The Council was responsible for managing on average 9,063 dwellings during 2017-18 (9,019 in 2016-17). The stock at 31 March 2018 was as follows:

| | 2016-17 | 2017-18 |
|-------------------------------|----------------|----------------|
| Houses | 4,887 | 4,923 |
| Flats / Maisonettes / Bedsits | 1,967 | 1,987 |
| Bungalows | 2,181 | 2,181 |
| | 9,035 | 9,091 |

The change in stock can be summarised as follows:

| | 2016-17 | 2017-18 |
|---------------------------------------|----------------|----------------|
| Opening Stock as at 1 April | 9,002 | 9,035 |
| Sales | 0 | (1) |
| Demolitions/Deactivated | 0 | 0 |
| New Building/Acquisitions/Conversions | 33 | 57 |
| Closing Stock as at 31 March | 9,035 | 9,091 |

8.5 Rent Arrears

| | As at 31 March 2017 £'000 | As at 31 March 2018 £'000 |
|--|--|--|
| Arrears | 1,887 | 1,778 |
| Arrears as a Percentage of Gross Rent Income | 5.11% | 4.62% |

There is a 0.04% year on year decrease of current tenants rent arrears as a percentage of gross collectable rent debit. Performance is outside margins of what is considered good practice level (2%) at 2.55%. There is a 0.4% year on year decrease in former tenants rent arrears as a percentage of gross collectable rent debit. There is also 0.4% after allowing for the £342k write-offs.

Provision for Bad Debts at 31 March 2018 was £848,954 for rent (£933,019 inclusive of water rates). The comparative figures for 2016-17 are £995,446 for rent (£1,050,633 inclusive of water rates).

8.6 Grants

Supporting People Grant £135k (£135k in 2016-17) was received from the Welsh Government during 2017-18 as a result of the de-pooling of tenants support service costs.

8.7 Commission

The Authority collects water rates on behalf of Dwr Cymru Welsh Water and receives commission on the monies due. In 2017-18 this amounted to £446k (£520k in 2016-17) net of void loss on properties. The value of water rates was £3.5m in 2017-18 (£3.8m in 2016-17).

8.8 Capital Expenditure

Capital Expenditure in 2017-18 on HRA land and dwellings totalled £17.929m (£14.851m in 2016-17).

The agreement to exit the Housing Revenue Account Subsidy placed a limit on the borrowing we could undertake in relation to our HRA activities. (Currently 228m).

| | 2016-17 £'000 | 2017-18 £'000 |
|--|--------------------------|--------------------------|
| Funded by : | | |
| Major Repairs Allowance | 6,170 | 6,190 |
| Borrowing | 7,660 | 11,266 |
| Capital Receipts - Sales of Dwellings/Land | 175 | 0 |
| Grants | 11 | 25 |
| Capital Receipts - Mortgage Principal | 6 | 1 |
| Miscellaneous Income | 47 | 447 |
| Direct Revenue Financing | 782 | 0 |
| | 14,851 | 17,929 |
| Spent on: | | |
| Houses | 14,145 | 17,223 |
| Land | 477 | 477 |
| Other | 229 | 229 |
| | 14,851 | 17,929 |

8.9 Capital Receipts

Capital Receipts in 2017-18 totalled £0.057m (£0.115m in 2016-17). The table below shows the type of receipt and how much was used to finance capital expenditure and how much was used to repay debt and how much was placed in reserves.

| | Financing Repayment Receipts | | | | Financing Repayment Receipts | | | |
|----------------------------|------------------------------|----------|----------|------------|------------------------------|----------|-----------|-----------|
| | Expenditure | of Debt | Reserve | Total | Expenditure | of Debt | Reserve | Total |
| | 2016-17 | 2016-17 | 2016-17 | 2016-17 | 2017-18 | 2017-18 | 2017-18 | 2017-18 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | | £'000 |
| Sales of Council Dwellings | 59 | 0 | 0 | 59 | 0 | 0 | 0 | 0 |
| Sale of Land | 43 | 0 | 0 | 43 | 0 | 0 | 54 | 54 |
| Mortgage Principal | 1 | 4 | 0 | 5 | 0 | 0 | 4 | 4 |
| Other | 8 | 0 | 0 | 8 | 0 | 0 | (1) | (1) |
| | 111 | 4 | 0 | 115 | 0 | 0 | 57 | 57 |

8.10 IAS19 Accounting For Pensions Costs

Actual deductions for pensions contributions and any adjustment for current service cost are shown in the net cost of service. Net interest costs are included in the surplus/deficit on HRA services and then adjusted in the Movement in Reserves Statement, to ensure that only prescribed statutory debits/credits calculated in accordance with the LG&H act 1989 are applied to the HRA.

The following transactions have been made during the year:

| | 2016-17 | 2017-18 |
|--|---------------------|---------------------|
| | £'000 | £'000 |
| <u>HRA Income & Expenditure Statement</u> | | |
| Cost of Service: | | |
| Current Service Cost | 608 | 989 |
| Financing and Investment Income and Expenditure | | |
| Net Interest Cost | 905 | 850 |
| Total Post Employment Benefit charged to the Surplus or (Deficit) for the year on HRA Services | <u>1,513</u> | <u>1,839</u> |
| <u>Movement in Reserves Statement</u> | | |
| Reversal of net charges made to the Surplus or (Deficit) for the year on HRA Services for Post Employment Benefits in the accordance with the code | (832) | (1,222) |
| Actual amount charged against the HRA Balance for pensions in the year: | | |
| Employers' Contributions payable to Scheme | 502 | 542 |
| | <u>(330)</u> | <u>(680)</u> |

8.11 Depreciation

Authorities are required to charge depreciation and impairment losses on all HRA properties calculated in accordance with proper practices, including non-dwelling properties. There is no specification in the Item 8 Determination that depreciation should be debited to the HRA Income and Expenditure Statement (or equally that it should be reversed out in the Statement of Movement on the HRA Balance). However, it has become generally accepted since the introduction of resource accounting into the HRA in 2005/06 that statutory requirements can be satisfied on a 'no net impact' basis - debits and credits expected by proper practices (but not specified in legislation) can be made to the HRA provided that they are subsequently reversed out and replaced by statutory amounts in the calculation of the HRA Balance.

Depreciation and Impairment losses have therefore been debited to the Income and Expenditure Statement in accordance with the general provisions of the Code and reversed out in the Movement on the HRA Balance. The depreciation charge has then been replaced with the HRA Minimum Revenue Provision via a credit from the Capital Adjustment Account to avoid having an effect on rent levels.

HRA dwellings are revalued on a 5 year cycle, which was last undertaken on the 1 April 2015.

Depreciation and Impairment Losses:

| | 2016-17 | 2017-18 |
|----------------------------------|----------------------|----------------------|
| | £'000 | £'000 |
| Depreciation on dwellings | 11,185 | 11,509 |
| Revaluation losses & impairments | 4,439 | 3,447 |
| | <u>15,624</u> | <u>14,956</u> |

Revaluation losses and impairments were incurred on:

| | 2016-17 | 2017-18 |
|--------|---------------------|---------------------|
| | £'000 | £'000 |
| Houses | 4,000 | 3,065 |
| Land | 46 | 41 |
| Other | 393 | 341 |
| | <u>4,439</u> | <u>3,447</u> |

9 DYFED WELSH CHURCH FUND ACCOUNT

The Dyfed Welsh Church Fund is a scheme that mainly awards grants towards the costs of maintaining places of worship. However, registered charities which benefit residents may apply for help towards running costs, or the cost of a specific project or purchasing a piece of equipment. Besides nationally recognised charities, the Fund supports local charities responsible for providing recreational facilities or other services which are of benefit to the Community.

At Local Government Reorganisation 1996 the fund was split among the new Unitary Authorities with the amount available to each new authority being calculated on the following agreed percentages:

| | |
|--------------------------------|-----|
| Carmarthenshire County Council | 41% |
| Ceredigion County Council | 25% |
| Pembrokeshire County Council | 34% |

It was agreed that Carmarthenshire County Council would take responsibility for administering the investment portfolio.

The following accounts provide a report of the financial transactions during the year and the disposition of its assets at the year end for the Fund in total, that is administered by Carmarthenshire County Council and then the second set of accounts details Carmarthenshire County Council's share of the Dyfed Welsh Church Fund when the LGR percentage split has been applied.

9.1 Fund Accounts administered by Carmarthenshire County Council

Revenue Account

| 2016-17 £'000 31/03/17 | | 2017-18 £'000 31/03/18 |
|------------------------------|---|------------------------------|
| | Income | |
| (14) | Rent of Buildings/Land | (14) |
| (72) | Investment Income | (82) |
| (2) | Other Income | 0 |
| (88) | | (96) |
| | Expenditure | |
| 110 | Grants to Voluntary & Other Organisations | 112 |
| 17 | Management and Administration | 20 |
| 4 | Professional Fees | 0 |
| 43 | Revenue Account (Surplus)/Deficit for the Year | 36 |
| (46) | Net Profit on Sales of Investments | (74) |
| (571) | Change in unrealised (Gains)/Losses on investments | 86 |
| | Change in unrealised (Gains)/Losses on Non- Current | |
| 0 | Assets | 0 |
| (574) | Net (Surplus)/Deficit for the Year | 48 |

Net Assets Statement

| 2016-17 | | 2017-18 |
|-----------------|----------------------------------|-----------------|
| £'000 | | £'000 |
| 31/03/17 | | 31/03/18 |
| 3,733 | Investments | 3,595 |
| 950 | Other Land & Buildings | 950 |
| 4,683 | | 4,545 |
| 0 | Debtors | 0 |
| 692 | Cash | 734 |
| (140) | Creditors | (92) |
| 5,235 | Net Assets | 5,187 |
| | Represented by | |
| 431 | Capital Adjustment Account | 431 |
| 500 | Revaluation Reserve | 500 |
| 2,197 | Capital Fund | 2,145 |
| 552 | Revenue Fund | 642 |
| 1,555 | Unrealised Profit/(Loss) Reserve | 1,469 |
| 5,235 | Closing Balance of Fund | 5,187 |

Reconciliation of the Movement in Fund Net Assets

| 2016-17 | | 2017-18 |
|----------------|---|----------------|
| £'000 | | £'000 |
| 4,661 | Opening Net Assets | 5,235 |
| (43) | Revenue Account Surplus/(Deficit) for the Year | (36) |
| 46 | Net Profit on Sale of Investments | 74 |
| 571 | Unrealised Profit/(Loss) Reserve - Investments | (86) |
| 0 | Unrealised Profit/(Loss) Reserve - Non-Current Assets | 0 |
| 5,235 | Closing Net Assets of the Fund | 5,187 |

**9.2 Fund Accounts for Carmarthenshire County Council
Revenue Account**

| 2016-17 | | 2017-18 |
|-----------------|---|-----------------|
| £'000 | | £'000 |
| 31/03/17 | | 31/03/18 |
| | Income | |
| (6) | Rent of Buildings/Land | (6) |
| (29) | Investment Income | (33) |
| 0 | Other Income | 0 |
| <u>(35)</u> | | <u>(39)</u> |
| | Expenditure | |
| 45 | Grants to Voluntary & Other Organisations | 55 |
| 6 | Management & Administration | 7 |
| 1 | Professional Fees | 0 |
| <u>17</u> | Revenue Account (Surplus)/Deficit for the Year | <u>23</u> |
| (19) | Net Profit on Sales of Investments | (30) |
| (234) | Change in unrealised (Gains)/Losses on Investments | 35 |
| 0 | Change in unrealised (Gains)/Losses on Non-Current Assets | 0 |
| <u>(236)</u> | Net (Surplus)/Deficit for the Year | <u>28</u> |

Net Assets Statement

| 2016-17 | | 2017-18 |
|----------------|----------------------------------|----------------|
| £'000 | | £'000 |
| 1,531 | Investments | 1,474 |
| 389 | Other Land & Buildings | 389 |
| <u>1,920</u> | | <u>1,863</u> |
| 0 | Debtors | 0 |
| 137 | Cash | 146 |
| (86) | Creditors | (66) |
| <u>1,971</u> | Net Assets | <u>1,943</u> |
| | Represented by | |
| 177 | Capital Adjustment Account | 177 |
| 205 | Revaluation Reserve | 205 |
| 901 | Capital Fund | 880 |
| 51 | Revenue Fund | 79 |
| 637 | Unrealised Profit/(Loss) Reserve | 602 |
| <u>1,971</u> | Closing Balance of Fund | <u>1,943</u> |

Reconciliation of the Movement in Fund Net Assets

| 2016-17 | | 2017-18 |
|----------------|---|----------------|
| £'000 | | £'000 |
| 1,735 | Opening Net Assets | 1,971 |
| (17) | Revenue Account Surplus (Deficit) for the Year | (23) |
| 19 | Net Profit on Sales Reinvested | 30 |
| 234 | Unrealised Profit/(Loss) Reserve - Investments | (35) |
| 0 | Unrealised Profit/(Loss) Reserve - Non-Current Assets | 0 |
| <u>1,971</u> | Closing Net Assets of the Fund | <u>1,943</u> |

10 TRUST FUNDS 2017-2018**10.1 Receipts & Payments Account for the Year Ended 31 March 2018**

| Total | | Education Services 2017-18 £'000 | Social Services 2017-18 £'000 | Cultural Services 2017-18 £'000 | Total 2017-18 £'000 |
|------------------|--|---|--|--|---------------------------|
| 2016-17 £'000 | | | | | |
| | Receipts | | | | |
| (309) | Dividends/Interest/Sales/Contributions | (103) | (4) | (180) | (287) |
| 276 | Payments | 121 | 4 | 217 | 342 |
| <u>(33)</u> | (Surplus)/Deficit | <u>18</u> | <u>0</u> | <u>37</u> | <u>55</u> |

10.2 Balance Sheet as at 31 March 2018

| Total | | Education Services 2017-18 £'000 | Social Services 2017-18 £'000 | Cultural Services 2017-18 £'000 | Total 2017-18 £'000 |
|------------------|--------------------------|---|--|--|---------------------------|
| 2016-17 £'000 | | | | | |
| | Assets | | | | |
| 263 | Investments | 239 | 24 | 0 | 263 |
| 17 | Stocks | 0 | 0 | 17 | 17 |
| 0 | Debtors | 0 | 0 | 0 | 0 |
| 572 | Cash | 257 | 58 | 202 | 517 |
| <u>852</u> | Total Assets | <u>496</u> | <u>82</u> | <u>219</u> | <u>797</u> |
| | Liabilities | | | | |
| (1) | Creditors | 0 | 0 | (1) | (1) |
| <u>(1)</u> | Total Liabilities | <u>0</u> | <u>0</u> | <u>(1)</u> | <u>(1)</u> |
| <u>851</u> | NET ASSETS | <u>496</u> | <u>82</u> | <u>218</u> | <u>796</u> |

Investments are shown at Book Value, however their Market Value as at 31st March 2018 was £812,184 (£824,727 as at 31st March 2017).

11 NOTES TO THE TRUST FUNDS**11.1 Background**

Carmarthenshire County Council is currently responsible for the administration of sixty separate trust funds.

11.2 Education Services

The Council administers fifty one education related trusts, the majority of which are registered charities. The breakdown of the purposes for which the education trusts were established is as follows:

| | |
|---|----|
| Prizes to Pupils in recognition of Academic Achievement | 16 |
| Provision of Further and or Higher Education Scholarships | 18 |
| School Funding (<i>including special needs schools</i>) | 10 |
| Other | 7 |

11.3 Cultural Services

The Council administers two cultural trust funds, one which was established specifically for the funding of an art gallery at "Oriol Myrddin", Carmarthen and one for Carmarthen Museum known as "George Arbour Stephens Trust Fund."

11.4 Social Services

During the financial year the Council was responsible for the administration of seven trusts on behalf of social services clients. Five are for the benefit of residents at specific residential homes throughout the County. Two relate to funds administered on behalf of individuals. Owing to the sensitive nature of these two trusts and the need to maintain privacy, details about the purpose for which each is administered is not published.

12 SOCIAL CARE / CHILDREN'S SERVICES – SAFEKEEPING, SAFE CUSTODY, AMENITY FUNDS & STAFF BENEFIT ACCOUNTS**12.1 Residents Safekeeping**

People in residential homes are allowed a personal allowance payable to them each week. If the resident does not wish to spend all of this allowance in any given week, the balance is paid into the Residents Safekeeping account. The balance as at 31st March 2018 was £706,720 (£303,797 as at 31st March 2017) and this reflects the amount of personal allowances held by the Authority on behalf of its residents.

12.2 Safe Custody Accounts

The Communities Department maintains individual Safe Custody accounts for service users living in the community who are unable to deal with their financial affairs due to their mental incapacity. The Director of Communities is appointee with The Department of Work and Pensions for each of these service users. The balance as at 31st March 2018 was £1,125,494 (£957,141 as at 31st March 2017) and this reflects the amount of money held by the Authority on behalf of its service users.

12.3 Amenity Funds

Amenity funds represent funds held on behalf of establishments such as day centres and residential homes. Payments are for items purchased for the benefit of residents and clients of these establishments and the income is generated from donations and gifts etc from families of clients and bequests from the estates of deceased clients. The balance as at 31st March 2018 was £102,294 (£82,753 as at 31st March 2017).

Amenity funds also represent funds held on behalf of establishments such as childrens centres/playgroups. Payments are for items purchased for the benefit of residents and clients of these establishments and the income is generated from donations and gifts etc from families of clients and bequests from the estates of deceased clients. The balance as at 31st March 2018 was £5,584 (£5,453 as at 31st March 2017).

12.4 Staff Benefit Accounts

Staff Benefit Accounts represent funds held on behalf of staff working within particular establishments. Income is derived from donations received from families of clients and bequests from the estate of deceased clients. Payments are for items that benefit all staff working in a particular establishment. The balance as at 31st March 2018 was £6,435 (£7,846 as at 31st March 2017).

13 GLOSSARY OF TERMS

The following section attempts to explain the meaning of some of those technical terms that are used in the Statements. The section is split into General and those terms relating to the Pension Fund Accounts.

General

Accrual

An accrual is a sum shown in our accounts to cover income or expenditure for the accounting period that was not paid at the date of the balance sheet.

Assets Held for Sale

These are assets which are no longer being used to provide a service and are being actively marketed with the likelihood of sale being highly probable within 1 year.

Audit

An audit is an independent examination of our activities.

Balance

The surplus or deficit on any account at any point in time.

Balance Sheet

This is a statement of our assets, liabilities and other balances at the end of the financial year.

Bid Price

The price that a third party would pay the scheme in an arm's length transaction for the investment.

Billing Authority

A local authority responsible for collecting the council tax and non-domestic rates.

Budget

A budget is a spending plan, usually for the following financial year.

Capital Expenditure

Capital expenditure is spending on non-current assets such as Property, Plant and Equipment, Investment Properties and Heritage Assets. This would include the purchase or construction of new assets, together with subsequent expenditure on major maintenance or development work.

Capital Receipt

These are the sales proceeds from the disposal of land and buildings which are restricted in their use by statute. They can only be used to fund new capital expenditure or set aside to finance historic capital expenditure.

Council Fund

The main revenue fund of the local authority. Day to day spending on services is met from this fund.

Council Tax

The main source of local taxation to local authorities. Council tax is levied on households within its area by the Billing Authority and the proceeds are used to meet the Billing Authority's council tax requirement and to pay the precepting authorities.

Creditor

A creditor is someone to whom money is owed at the end of the financial year for work done, goods received or services rendered.

Current Assets

These are short-term assets that are available for us to use in the following accounting year.

Current Liabilities

These are short-term liabilities that are due for payment by us in the following accounting year.

Debtor

A debtor is someone who owes money to us at end of the financial year.

Depreciation

Depreciation is a method of allocating the cost of Property Plant and Equipment assets over their useful lives.

Direct Revenue Financing

Resources provided from an authority's revenue budget to finance the cost of capital projects.

Earmarked Reserves

These are reserves that have been set aside for a specific purpose.

Fees And Charges

Income raised by charging users of services for the facilities, e.g. charges for the use of leisure facilities, car parking, the collection of trade refuse etc.

Financial Year

This is the accounting period. For local authorities it starts on 1 April and finishes on 31 March in the following year.

Finance Leases

A means by which capital items are bought. (When we use finance leases we take on most of the risks (and rewards) of owning the assets.)

Gross Expenditure

The total cost of providing the council's services before taking into account income, such as fees and charges for services etc.

Heritage Assets

Heritage Assets are defined as those that are held and maintained principally for their contribution to knowledge and culture.

Housing Benefit

An allowance to persons on low income (or none) to meet in whole or part their rent. Benefit is allowed or paid by local authorities but central government refunds part of the costs of the benefits and of the running costs of the service to local authorities. Benefit paid to the Authority's own tenants is known as 'rent rebate' and that paid to private sector tenants as 'rent allowance'.

Housing Revenue Account (HRA)

This account contains all our housing income and expenditure.

IFRS

International Financial Reporting Standard.

IFRIC

International Financial Reporting Interpretations Committee.

The above two are accounting standards which provide a guideline for financial accounting.

Investment Properties

These are properties that are being held solely to earn rentals or for capital appreciation or both, rather than for the provision of services

Liability

A liability is an amount due and payable at some time in the future.

Minimum Revenue Provision (MRP)

This is the amount we have to set aside to repay loans.

National Non-Domestic Rates (NNDR)

The NNDR, or Business Rate, is the charge occupiers of business premises pay to finance part of local Authority spending. The NNDR is set by Government and is a percentage of the rateable values. The percentage is the same throughout Wales. The total collected is split among individual authorities in proportion to their adult populations.

Net Realisable Value

The selling price of the asset reduced by the relevant costs of selling it.

Operating Leases

A means by which capital items are bought.

These are leases where risks (and rewards) of ownership of the asset remain with the owner.

Pensions Assets/Liabilities (Notes to the Movement in Net Pension Liabilities)

The Current Service Costs - the value of the increase in liabilities for active members as a result of their service increasing by one year (i.e. from the start of the year to the end of the year), less any employee contributions.

Employer Contributions - The employer contributions are the amounts actually paid by the employer during the year. They include any amounts paid in respect of early retirement strains and any recharges in respect of compulsory added years benefits.

Past Service Costs - Past service costs arise when the employer makes a commitment to provide a higher level of benefit than previously promised, for example the creation of a pension benefit for a spouse where such a benefit did not previously exist or a grant of early retirement with added-on years of service.

Interest Costs - The interest cost is based on the discount rate and the present value of the scheme liabilities at the beginning of the period. Another way of viewing the "interest on liabilities" is the unwinding of 1 year's discounting in relation to the liabilities.

Interest on Pension Assets – This is the interest on assets held at the start of the period and cashflows occurring during the period, calculated using the discount rate at the start of the year.

Remeasurements (assets) – This is the return on plan assets net of administration expenses and interest income. It replaces actuarial gains and losses on assets. For the LGPS, any change as a result of reviewing an employer's allocation of assets as at an actuarial valuation will also be included within remeasurements.

Remeasurements (liabilities) – Remeasurements (liabilities) can be sub-divided into 'Changes in actuarial assumptions' and 'Experience (gains) losses on liabilities'. 'Changes in actuarial assumptions' is not shown as its own separate entry but instead the changes in demographic and financial assumptions are shown separately.

Gains or Losses on Settlements or Curtailment - Where under the scheme rules the employees have the option to retire early or transfer out of the scheme, the resulting settlements and curtailments are allowed for in the normal demographic assumptions made by the actuary and any gains and losses arising are actuarial gains and losses. Losses arising on a settlement or curtailment not allowed for in the actuarial assumptions are measured at the date on which the employer becomes demonstrably committed to the transaction and recognised in the profit and loss account covering that date. Gains arising on a settlement or curtailment not allowed for in the actuarial assumptions are measured at the date on which all parties whose consent is required are irrevocably committed to the transaction and recognised in the profit and loss account covering that date.

Pension Fund

The fund maintained to meet pension payments on the retirement of participants.

Precepting Authorities

Those authorities which are not billing authorities, i.e. do not collect the council tax and non-domestic rates. For Carmarthenshire County Council the precepting authorities are Dyfed Powys Police and the Town & Community Councils.

Precepts

This is the amount that we levy/pay to a Non-Billing Authority (for example a Community Council) so that it can cover its expenses (after allowing for its income).

Property, Plant and Equipment

These are assets with a physical substance that are held for use in the production or supply of goods and services, for rental to others (as part of a service) or for administrative purposes. Any asset included in this category is expected to be used for more than one financial year.

Provision

Provisions are amounts set aside for liabilities or losses which are likely or certain to be incurred, but the amounts or the dates on which they will arise are uncertain.

Prudential Code

The Prudential Code is a professional code of practice to support local authorities in making capital investment decisions.

Public Works Loan Board (PWLB)

This is a Government agency that provides longer-term loans to local authorities. It charges interest rates only slightly higher than those at which the Government itself can borrow.

Reserve

Reserves are amounts set aside that do not fall within the definition of provisions and include general reserves (or 'balances') which every Authority must maintain as a matter of prudence.

Revenue Account

This is an account that records our day-to-day spending and income on items such as salaries and wages, running costs of services and the financing of capital expenditure.

Revenue Support Grant

The main grant paid by Welsh Government to support the local authority budget.

Securities

These are investments such as stocks, shares and bonds.

SeRCoP

Service Reporting Code of Practice - establishes proper practices with regard to consistent financial reporting for services – all local authorities in the United Kingdom are expected to adopt its mandatory requirements and detailed recommendations. It is also expected that CIPFA members will comply with all the discretionary requirements of SeRCoP as it defines best practice in terms of financial reporting.

Inventories

Inventories are raw materials purchased for day-to-day use. The value of those items not used at the end of the financial year is shown within current assets in the balance sheet.

Subjective Analysis

An analysis of income and expenditure according to type. Such expenditure headings include employee, premises and transport expenses. Income includes government grants and fees and charges.

Variance

The difference between actual expenditure and budget - expressed in cash or percentage terms.

Wales Audit Office

An independent body lead by the Auditor General for Wales who is responsible for the appointment of external auditors to local authorities.

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AUDIT COMMITTEE

13TH JULY 2018

| | | |
|--|----------------------------|---|
| DYFED PENSION FUND STATEMENT OF ACCOUNTS 2017-2018 | | |
| Recommendations / key decisions required: To receive the Dyfed Pension Statement of Accounts 2017/18 | | |
| Reasons: To comply with the Accounts and Audit (Wales) Regulations 2014. | | |
| Relevant scrutiny committee to be consulted: NA | | |
| Exec Board Decision Required | NO | |
| Council Decision Required | NO | |
| EXECUTIVE BOARD MEMBER PORTFOLIO HOLDER:- Cllr. David Jenkins - Resources | | |
| Directorate: Corporate Services | Designations: | Tel No. 01267 224886 |
| Head of Service: Randal Hemingway | Head of Financial Services | E Mail Addresses: RHemingway@carmarthenshire.gov.uk |
| Report Author: Randal Hemingway | | |

EXECUTIVE SUMMARY
AUDIT COMMITTEE
13TH JULY 2018

DYFED PENSION FUND STATEMENT OF ACCOUNTS 2017-2018

The Dyfed Pension Fund Statement of Accounts for 2017/18, is attached.

This Statement brings together all the financial transactions of the Dyfed Pension Fund for the year, and also details the Dyfed Pension Fund assets and liabilities as at the 31st March 2018.

The Net Assets of the Fund increased by £97.0m from 2016/17 to 2017/18 mainly due to the increase in market value of the investment assets.

On the expenditure side Benefits Payable and Transfers Out increased by £2.4m to £82.5m with Contributions and Transfers In increasing by £1.6m to £73.4m on the income side.

Total membership of the Fund increased by 555 from 45,959 in 2016/17 to 46,514 in 2017/18 an increase of 1.2%.

DETAILED REPORT ATTACHED ?

YES

IMPLICATIONS

I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report :

Signed: **Randal Hemingway**

Head of Financial Services

| Policy, Crime & Disorder and Equalities | Legal | Finance | ICT | Risk Management Issues | Staffing Implications | Physical Assets |
|---|------------|------------|-------------|------------------------|-----------------------|-----------------|
| NONE | YES | YES | NONE | NONE | NONE | NONE |

1. Legal

Compliance with the Accounts and Audit Regulations 2014

2. Finance:

Closing Net Assets of the Fund were £2,440m. This was made up of Investment Assets £2,429m, Cash Deposits £6m, Current Assets £10m and Current Liabilities (£5m).

CONSULTATIONS

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below

Signed: Owen Bowen

Interim Head of Financial Services

1.Scrutiny Committee – Not applicable

2.Local Member(s) – Not applicable

3.Community / Town Council – Not applicable

4.Relevant Partners – Not applicable

5.Staff Side Representatives and other Organisations – Not applicable

Section 100D Local Government Act, 1972 – Access to Information

List of Background Papers used in the preparation of this report:

THESE ARE DETAILED BELOW

| Title of Document | File Ref No. | Locations that the papers are available for public inspection |
|--|--------------|---|
| Accounts and Audit (Wales) Regulations 2014 | | Corporate Services Department, County Hall, Carmarthen |
| Code of Practice on Local Authority Accounting 2017/18 | | Corporate Services Department, County Hall, Carmarthen |

DYFED PENSION FUND STATEMENT OF ACCOUNTS 2017-2018

EXPLANATORY FOREWORD

The Dyfed Pension Fund accounts are set out on the following pages and provide information about the financial position, performance and financial adaptability of the Fund for the year 2017-18. They show the results of the stewardship of management, that is, the accountability of management for the resources entrusted to it, and of the disposition of its assets at the period end.

The accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 (the "Code"), which is based upon International Financial Reporting Standards (IFRS), as amended for the public sector. Reference is also made to the Financial Reports of Pension Schemes – A Statement of Recommended Practice published by the Pensions Research Accountants Group (PRAG) where it is felt that these disclosures provide more sufficient detail.

For readers with a more detailed or specialist interest of the operation of the Dyfed Pension Fund during 2017-2018, reference should be made to the Annual Report and Accounts 2017-18 (when published).

The main accounts and reports contained within this Statement of Accounts are as follows:

- The Fund Account.
- The Net Assets Statement.
- The Statement by the Consulting Actuary

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of these affairs. In this Authority, that officer is the Director of Corporate Services
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- To approve the Statement of Accounts

The Director of Corporate Services' Responsibilities

The Director of Corporate Services is responsible for the preparation of the Authority's Statement of Accounts, in accordance with proper accounting practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Director of Corporate Services has:

- Selected suitable accounting policies and then applied them consistently
- Made judgements and estimates that were reasonable and prudent
- Kept proper and timely accounting records which were up to date
- Taken reasonable steps for the prevention and detection of fraud and other irregularities;

Certification of Accounts

I certify that the Statement of Accounts on pages 3 to 33 gives a true and fair view of the financial position of Carmarthenshire County Council and the Dyfed Pension Fund at 31st March 2018 and its income and expenditure for the year ended 31st March 2018.

Chris Moore FCCA
Director of Corporate Services

Dated: 29 June 2018

Fund Account for the Year Ended 31 March 2018

| 2016-17 £'000 | | <u>Note</u> | 2017-18 £'000 |
|------------------|---|-------------|------------------|
| | Dealings with members, employers and others directly involved in the Fund | | |
| | Contributions | | |
| | Employer | | |
| 36,980 | Normal | | 42,417 |
| 7,125 | Augmentation | | 7,475 |
| 7,951 | Past Service Deficit | | 3,549 |
| | Member | | |
| 17,739 | Normal | | 18,077 |
| 76 | Additional voluntary | | 152 |
| 1,889 | Transfers in from other pension funds | 6 | 1,699 |
| 71,760 | | | 73,369 |
| | Benefits payable | | |
| (61,761) | Pensions payable | | (64,232) |
| (13,099) | Commutation and lump sum retirement benefits | | (14,161) |
| (1,834) | Lump sum death benefits | | (1,807) |
| (3,452) | Payments to and on account of leavers | 7 | (2,304) |
| (80,146) | | | (82,504) |
| (8,386) | Net Additions (Withdrawals) from dealings with Members | | (9,135) |
| (7,371) * | Management Expenses | 8 | (11,216) |
| (15,757) | Net Additions (Withdrawals) including fund management expenses | | (20,351) |
| | Returns on Investments | | |
| 31,508 * | Investment Income | 9 | 19,087 |
| (47) | Taxes on Income (Irrecoverable Withholding Tax) | 10 | (138) |
| | Changes in the market value of investments | | |
| 374,710 | Unrealised | 11.2 | (162,391) |
| 52,245 | Realised | 11.3 | 260,838 |
| 458,416 | Net Return on Investments | | 117,396 |
| 442,659 | Net Increase (Decrease) in the net assets available for benefits during the year | | 97,045 |
| 1,900,409 | Opening Net Assets of Scheme | | 2,343,068 |
| 2,343,068 | Closing Net Assets of Scheme | | 2,440,112 |

Net Assets Statement for the year ended 31 March 2018

| 31/03/17 £'000 | | <u>Note</u> | 31/03/18 £'000 |
|-------------------------|----------------------------------|-------------|-------------------------|
| 2,330,544 | Investment Assets | | 2,428,563 |
| 4,880 | Cash deposits | | 6,587 |
| (246) | Investment liabilities | | 0 |
| <u>2,335,178</u> | | 11.1 | <u>2,435,150</u> |
| 11,164 | Current assets | 16 | 9,563 |
| (3,274) | Current liabilities | 17 | (4,600) |
| <u>7,890</u> | Net Current Assets/(Liabilities) | | <u>4,963</u> |
| <u>2,343,068</u> | Total Net Assets | | <u>2,440,112</u> |

Reconciliation of the movement in Fund Net Assets

| 2016-17 £'000 | | 2017-18 £'000 |
|-------------------------|---|-------------------------|
| 1,900,409 | Opening Net Assets | 2,343,068 |
| 15,704 | Net New Money Invested | (1,403) |
| 426,955 | Profit and losses on disposal of investments and changes in the market value of investments | 98,447 |
| <u>2,343,068</u> | Closing Net Assets of Fund | <u>2,440,112</u> |

Notes to the Dyfed Pension Fund Accounts for the year ended 31 March 2018

1 Description of the Fund

The Dyfed Pension Fund (the Fund) is part of the Local Government Pension Scheme and is administered by Carmarthenshire County Council.

The following description of the Fund is a summary only. For more detail, reference should be made to the Annual Report and Accounts 2017-2018 (when published) and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

1.1 General

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

- the LGPS Scheme Regulations 2013 (as amended)
- the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the LGPS (Management and Investment of Funds) Regulations 2016.

It is a contributory defined pension scheme administered by Carmarthenshire County Council to provide pensions and other benefits for pensionable employees of Carmarthenshire County Council, Pembrokeshire County Council, Ceredigion County Council and a range of other scheduled and admission bodies within the former Dyfed geographical area. Teachers, police officers and firefighters are not included as they come within other national pension schemes.

The Fund is overseen by the Dyfed Pension Fund Committee (the Committee).

1.2 Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the Dyfed Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Admission bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admission bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There are 65 employer organisations within the Dyfed Pension Fund as at 31 March 2018 and these are detailed in Note 21. The membership details of these organisations are summarised below:

| 31/03/17 | | 31/03/18 |
|----------------------|---|----------------------|
| 19,052 | Number of active contributors in the Fund | 18,575 |
| 12,003 | Number of pensioners | 12,585 |
| 14,904 | Number of deferred pensioners | 15,354 |
| <u>45,959</u> | Total membership | <u>46,514</u> |
| 51 | Number of employers with active members | 51 |

These figures reflect the recorded position as at 31 March 2018 but are always subject to some movement post year end for notifications from employing bodies received after this date.

1.3 Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2018. Employee contributions are matched by employers' contributions which are set based on the triennial actuarial funding valuation as at 31 March 2016. Currently, employer contribution rates range from 7.4% to 27.7% of pensionable pay as detailed in Note 21.

1.4 Benefits

Pension benefits under the LGPS are based on final pensionable pay and length of pensionable service, summarised below:

| | Service pre 1 April 2008 | Service post 31 March 2008 |
|-----------------|--|--|
| Pension | Each year is worth 1/80 x final pensionable salary. | Each year is worth 1/60 x final pensionable salary. |
| Lump Sum | Automatic lump sum of 3 x salary. In addition, part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up. | No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up. |

From 1st April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Price Index.

There are a range of other benefits provided under the scheme including early retirement, ill-health pensions and death benefits. For more details, please refer to the Dyfed Pension Fund website – www.dyfedpensionfund.org.uk

2 **Basis of preparation**

The Statement of Accounts summarises the Fund's transactions for the 2017-2018 financial year and its position at year end as at 31 March 2018. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-2018 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall after the end of the financial year. The actuarial present value of promised retirement benefits is disclosed in the Statement by the Consulting Actuary.

3 Summary of significant accounting policies

Fund Account – revenue recognition

3.1 Contributions

Normal contributions, both from members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the fund actuary in the payroll period to which they relate.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

3.2 Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations.

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In.

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

3.3 Investment income

3.3.1 Interest income

Interest income is recognised in the fund as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

3.3.2 Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

3.3.3 Distributions from pooled funds

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

3.3.4 Movement in the net market value of investments

Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

3.4 Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

3.5 Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

As Carmarthenshire County Council is the administering Authority, VAT is recoverable on all Fund Activities. The Accounts are shown exclusive of VAT.

3.6 Management Expenses

The Code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the fund discloses its pension fund management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses 2016.

All administrative expenses are accounted for on an accruals basis. All staff costs of the pensions administration team are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to the Fund in accordance with council policy.

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

All investment management expenses are accounted for on an accruals basis.

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

An element of one of the Investment Managers' fees is performance related. The performance related fee was £0.58m in 2017-2018 (2016-2017: Fee was £0.18m).

Where an investment manager's fee note has not been received by the year end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the Fund Account. In 2017-2018, no fees are based on such estimates (2016-2017: £0.2m).

The costs of the council's pension investments team are charged direct to the fund and a proportion of the council's costs representing management time spent by officers on investment management is also charged to the fund.

Net assets statement

3.7 Financial assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the asset are recognised by the Fund.

The values of investments as shown in the net assets statement have been determined as follows:

3.7.1 Market-quoted investments

The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.

3.7.2 Fixed interest securities

Fixed interest securities are recorded at net market value.

3.7.3 Unquoted investments

Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the investment manager.

3.7.4 Limited partnerships

Fair value is based on the net asset value ascertained from periodic valuations by those controlling the partnership.

3.7.5 Pooled investment vehicles

Pooled investment vehicles are valued at closing bid price if available. If this is not available then these investments will be valued at the closing single price. In the case of accumulation funds, the change in market value will also include income which is reinvested in the Fund.

3.8 Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market value of overseas investments and purchases and sales outstanding at the end of the reporting period.

3.9 Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the fund's external managers.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

The Fund has had its own bank accounts, which deal with the transactions of the Fund, since 1 April 2011, in accordance with section 6 of the Local Government Pension Scheme (Management and Investment of Pension Funds) Regulations 2009.

Cash balances held by the Fund are invested on a short term basis on the London Money Market by Carmarthenshire County Council until it is required to meet its liabilities or to transfer surplus cash to the investment managers for reinvestment.

3.10 Financial liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net asset statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

3.11 Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS19 and relevant actuarial standards.

As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a reference in the accompanying actuarial report.

3.12 Additional voluntary contributions (AVC)

Occupational Pension Schemes are required by Statute to provide in-house AVC arrangements. The Fund has joint providers: Prudential, Standard Life and Equitable Life, where a range of investment options are available.

It is for individual scheme members to determine how much they contribute (subject to HM Revenue & Customs limits) and the investment components or its mix.

AVC's are invested separately from the assets of the Fund and are not included in the accounts in accordance with section 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Pension Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only - Note 18.

4 **Critical judgements in applying accounting policies**

4.1 Fund liability

The Fund's liability is calculated every three years by the appointed actuary. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 22. This estimate is subject to significant variances based on changes to the underlying assumptions.

4.2 Unquoted Property investments – Partners Group Red Dragon Limited Partnership

In assessing the fair value of non-traded financial instruments, the Limited Partnership uses a variety of market and income methods such as time of last financing, earnings and multiple analysis, discounted cash flow method and third party valuation and makes assumptions that are based on market conditions and expected market participant assumptions existing at the end of each reporting period. Other information used in determining the fair value of non-traded financial instruments include latest financial reports, subsequent cash flows and internally performed monitoring of triggering events (such as exits and IPOs) as well as pricing movements in comparable investments together with techniques such as option pricing models and estimated discounted value of future cash flows. These practices are in line with widely

used international industry guidelines. The value of the Partners Group Red Dragon Limited Partnership as at 31 March 2018 was £44.0m (31 March 2017: £37.1m).

5 Assumptions made about the future and other major sources of estimation uncertainty

The 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 balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the net assets statement at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| Item | Uncertainties | Effect if actual results differ from assumptions |
|---|--|---|
| Actuarial present value of promised retirement benefits | Estimation of the net 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. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied. | <p>The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £24.4m for 2017-18.</p> <p>The carrying amount of the net pensions liability at 31st March 2018 was £321m.</p> <p>However, the assumptions interact in complex ways. During 2017-18, the Authority's actuaries advised that the net pensions liability had decreased by £54.6m due to updating of the assumptions.</p> |
| Property – Limited Partnership investments | The Limited Partnership property investments are valued in line with widely used industry guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. | The total Limited Partnership property investments are £44.0m. There is a risk that this investment may be under or overstated in the accounts. |

6 Transfers in from other pension funds

| 2016-17 £'000 | | 2017-18 £'000 |
|------------------|----------------------|------------------|
| 0 | Group transfers | 0 |
| 1,889 | Individual transfers | 1,699 |
| <u>1,889</u> | | <u>1,699</u> |

7 Payments to and on account of Leavers

| 2016-17 £'000 | | 2017-18 £'000 |
|------------------|---|------------------|
| (138) | Refunds to members leaving service | (150) |
| (1) | Payments for members joining state scheme | (12) |
| 0 | Group transfers | 0 |
| (3,313) | Individual transfers | (2,142) |
| <u>(3,452)</u> | | <u>(2,304)</u> |

8 Management Expenses

| 2016-17 £'000 | | 2017-18 £'000 |
|------------------|--|------------------|
| (942) | Administrative costs | (1,053) |
| (5,941) | Investment management expenses (Note 13) | (9,710) |
| (488) | Oversight and governance costs | (453) |
| <u>(7,371)</u> | | <u>(11,216)</u> |

2017-18 Audit fees of £28,054 included within Oversight and governance costs. (2016-17 £28,858)

9 Investment Income

| 2016-17 £'000 | | 2017-18 £'000 |
|------------------|-----------------------------|------------------|
| 21,921 | Income from equities | 10,189 |
| 9,597 | Pooled property investments | 8,879 |
| (10) | Interest on cash deposits | 18 |
| <u>31,508</u> | | <u>19,087</u> |

10 Taxation

| 2016-17 £'000 | | 2017-18 £'000 |
|------------------|----------------------------|------------------|
| 0 | Withholding tax - Bonds | 0 |
| (47) | Withholding tax - equities | (138) |
| 0 | Withholding tax - pooled | 0 |
| <u>(47)</u> | | <u>(138)</u> |

11 Investments

11.1 Net investment assets

| Fair value 31/03/2017 £'000 | | Fair value 31/03/2018 £'000 |
|-----------------------------------|--|-----------------------------------|
| | <u>Investment assets</u> | |
| | Bonds | |
| 221,350 | UK Corporate Bonds - BlackRock | 240,907 |
| 219,346 | Indexed Linked Securities - BlackRock | 248,675 |
| | Equities | |
| 568,252 | UK Quoted Equities - BlackRock | 480,060 |
| | Pooled Investments | |
| 578,845 | Overseas equities - BlackRock | 673,513 |
| 270,933 | Global equities - Baillie Gifford | 306,577 |
| 249,594 | - Columbia Threadneedle | 240,408 |
| | Pooled property investments | |
| 183,045 | - Schroders | 196,129 |
| 29,373 | - Partners Group | 35,745 |
| | Property | |
| 1,144 | - Schroders | 343 |
| 4,822 | - Partners Group | 5,715 |
| | Cash deposits | |
| 1,705 | - BlackRock | 258 |
| 275 | - Schroders | 3,828 |
| 2,900 | - Partners Group | 2,500 |
| | Investment income due | |
| 3,126 | - BlackRock | 0 |
| 45 | - Schroders | 265 |
| | Tax reclaims due | |
| 312 | - BlackRock | 132 |
| 99 | - Schroders | 93 |
| | Amounts receivable for sales | |
| 258 | - BlackRock | 0 |
| 2,335,424 | Total investment assets | 2,435,150 |
| | <u>Investment liabilities</u> | |
| | Amounts payable for purchases | |
| (246) | - BlackRock | 0 |
| (246) | Total investment liabilities | 0 |
| <u>2,335,178</u> | Net investment assets | <u>2,435,150</u> |

11.2 Reconciliation of movements in investments

During the year, investments purchased totalled £1,042m whilst sales totalled £778m. The sales realised a net gain of £264m. Acquisition costs are included in the purchase price of the investment.

| | Fair value 31/03/2017 £'000 | Purchases at Cost £'000 | Sales at Cost £'000 | Cash movement £'000 | unrealised gains/(losses) £'000 | Fair value 31/03/2018 £'000 |
|--|-----------------------------------|-------------------------------|---------------------------|---------------------------|---------------------------------------|-----------------------------------|
| Bonds | 440,696 | 40,488 | (33) | 0 | 8,431 | 489,582 |
| Equities | 568,252 | 573,159 | (549,510) | 0 | (111,841) | 480,060 |
| Pooled investments | 1,099,372 | 400,431 | (207,119) | 0 | (72,185) | 1,220,499 |
| Pooled property investments | 212,418 | 28,308 | (20,504) | 0 | 11,652 | 231,874 |
| Property | 5,966 | 25 | (1,266) | 0 | 1,332 | 6,057 |
| | 2,326,704 | 1,042,411 | (778,432) | 0 | (162,611) | 2,428,072 |
| Other investment balances | | | | | | |
| Cash deposits | 4,880 | 0 | 0 | 1,708 | 0 | 6,588 |
| Amount receivable for sales investments | 258 | 0 | 0 | (258) | 0 | 0 |
| Investment income due | 3,171 | 0 | 0 | (3,126) | 220 | 265 |
| Tax reclaims due | 411 | 0 | 0 | (186) | 0 | 225 |
| Amounts payable for purchases investments | (246) | 0 | 0 | 246 | 0 | 0 |
| | 2,335,178 | 1,042,411 | (778,432) | (1,616) | (162,391) | 2,435,150 |

| | Fair value 31/03/2016 £'000 | Purchases at Cost £'000 | Sales at Cost £'000 | Cash movement £'000 | Change in unrealised gains/(losses) £'000 | Fair value 31/03/2017 £'000 |
|--|-----------------------------------|-------------------------------|---------------------------|---------------------------|--|-----------------------------------|
| Bonds | 355,254 | 38,086 | (9,469) | 0 | 56,825 | 440,696 |
| Equities | 450,678 | 56,152 | (10,681) | 0 | 72,103 | 568,252 |
| Pooled investments | 874,407 | 1,081 | (25,847) | 0 | 249,731 | 1,099,372 |
| Pooled property investments | 202,363 | 25,283 | (12,918) | 0 | (2,310) | 212,418 |
| Property | 7,381 | 269 | 0 | 0 | (1,684) | 5,966 |
| | 1,890,083 | 121,141 | (58,916) | (1,684) | 374,665 | 2,326,704 |
| Other investment balances | | | | | | |
| Cash deposits | 1,715 | 0 | 0 | 3,164 | 0 | 4,880 |
| Amount receivable for sales investments | 1,193 | 0 | 0 | (935) | 0 | 258 |
| Investment income due | 2,973 | 0 | 0 | 153 | 45 | 3,171 |
| Tax reclaims due | 364 | 0 | 0 | 47 | 0 | 411 |
| Amounts payable for purchases investments | (948) | 0 | 0 | 702 | 0 | (246) |
| | 1,895,380 | 121,141 | (58,916) | 1,448 | 374,710 | 2,335,178 |

11.3 Realised gains and losses

| 2016-17 | | 2017-18 |
|----------------------|-----------------------------|-----------------------|
| £'000 | | £'000 |
| 2,796 | Bonds | 1 |
| 9,683 | Equities | 111,116 |
| 35,128 | Pooled Investments | 143,908 |
| 4,508 | Pooled property investments | 6,337 |
| 130 | Property | (525) |
| <u>52,245</u> | | <u>260,837</u> |

11.4 Geographical analysis of investments

| Fair value 31/03/17 £'000 | Geographical analysis | Fair value 31/03/18 £'000 |
|--|----------------------------------|--|
| 1,260,994 | UK | 1,237,440 |
| 124,203 | Europe (excl UK) | 137,572 |
| 483,243 | North America | 487,562 |
| 84,628 | Japan | 95,899 |
| 125,034 | Pacific Rim | 113,639 |
| 255,575 | Emerging Markets | 281,405 |
| 1,501 | International pooled funds | 81,634 |
| <u>2,335,178</u> | | <u>2,435,150</u> |

11.5 Fund manager analysis

| Fair value 31/03/17 £'000 | Fund manager analysis | Fair value 31/03/18 £'000 |
|--|----------------------------------|--|
| 1,592,948 | BlackRock | 1,643,546 |
| 184,608 | Schroders | 200,659 |
| 37,095 | Partners Group | 43,959 |
| 270,933 | Baillie Gifford | 306,577 |
| 249,594 | Columbia Threadneedle | 240,408 |
| <u>2,335,178</u> | | <u>2,435,150</u> |

12 Concentration of Investments

The following investments represent more than 5% of the Fund's total net assets as at 31 March 2018:

| | Value as at 31/03/2018 | Proportion of Investment Portfolio |
|--|-----------------------------------|---|
| | £'000 | % |
| BlackRock Aquila Life UK Equity Index Fund | 480,057 | 19.71 |
| Baillie Gifford Global Alpha Growth Fund | 306,577 | 12.59 |
| BlackRock Aquila Life over 5yr UK index linked | 248,675 | 10.21 |
| Blackrock Active Selection Fund UK | 240,907 | 9.89 |
| Columbia Threadneedle Global Equity Fund | 240,408 | 9.87 |
| Blackrock Ascent Life US Equity Fund | 240,054 | 9.86 |

13 Investment Management Expenses

| 2016-17 | | 2017-18 |
|-----------------------|--------------------------|-----------------------|
| £'000 | | £'000 |
| (3,813) | Management fees | (4,190) |
| (180) | Performance related fees | (577) |
| (50) | Custody fees | (29) |
| (1,898) | Transaction costs | (4,914) |
| <u>(5,941)</u> | | <u>(9,710)</u> |

14 Financial Instruments

14.1 Classification of financial instruments

Accounting policies describe how different asset classes are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities (excluding cash) by category and net assets statement heading.

| 2016-17 | | | | 2017-18 | | | |
|---|-----------------------------------|---|------------------|---|-----------------------------------|---|------------------|
| Designated at fair value through profit and loss £'000 | Loans and receivables £'000 | Financial liabilities at amortised cost £'000 | Total £'000 | Designated at fair value through profit and loss £'000 | Loans and receivables £'000 | Financial liabilities at amortised cost £'000 | Total £'000 |
| Financial assets | | | | | | | |
| 440,696 | 0 | 0 | 440,696 | 489,582 | 0 | 0 | 489,582 |
| 568,252 | 0 | 0 | 568,252 | 480,060 | 0 | 0 | 480,060 |
| 1,099,372 | 0 | 0 | 1,099,372 | 1,220,498 | 0 | 0 | 1,220,498 |
| | | | | | | | |
| 212,418 | 0 | 0 | 212,418 | 231,874 | 0 | 0 | 231,874 |
| 5,966 | 0 | 0 | 5,966 | 6,058 | 0 | 0 | 6,058 |
| 0 | 9,768 | 0 | 9,768 | 0 | 11,495 | 0 | 11,495 |
| | | | | | | | |
| 3,840 | 0 | 0 | 3,840 | 491 | 0 | 0 | 491 |
| 0 | 6,276 | 0 | 6,276 | 0 | 4,656 | 0 | 4,656 |
| 2,330,544 | 16,044 | 0 | 2,346,588 | 0 | 4,656 | 0 | 2,444,713 |
| Financial liabilities | | | | | | | |
| | | | | | | | |
| (246) | 0 | 0 | (246) | 0 | 0 | 0 | 0 |
| 0 | 0 | (3,274) | (3,274) | 0 | 0 | (4,601) | (4,601) |
| (246) | 0 | (3,274) | (3,520) | 0 | 0 | (4,601) | (4,601) |
| 2,330,298 | 16,044 | (3,274) | 2,343,068 | 0 | 4,656 | (4,601) | 2,440,112 |

14.2 Net gains and losses on financial instruments

| 2016-17 £'000 | 2017-18 £'000 |
|--------------------------------------|------------------|
| Financial assets | |
| 426,955 | 98,447 |
| 426,955 | 98,447 |
| 0 Total Financial liabilities | |
| 426,955 | 98,447 |
| 426,955 | 98,447 |

14.3 Fair value of financial instruments and liabilities

The following table summarises the carrying value of the financial assets and financial liabilities by class of instrument compared with their fair values:

| Carrying value | Fair value | | Carrying value | Fair value |
|-----------------------|-------------------|---|-----------------------|-------------------|
| 31/03/17 | 31/03/17 | | 31/03/18 | 31/03/18 |
| £'000 | £'000 | | £'000 | £'000 |
| | | Financial assets | | |
| 1,541,819 | 2,330,544 | Fair value through profit and loss | 1,802,228 | 2,428,563 |
| 16,044 | 16,044 | Loans and receivables | 16,151 | 16,151 |
| 1,557,863 | 2,346,588 | Total financial assets | 1,818,379 | 2,444,713 |
| | | Financial liabilities | | |
| (246) | (246) | Fair value through profit and loss | 0 | 0 |
| (3,274) | (3,274) | Financial liabilities at amortised cost | (4,601) | (4,601) |
| (3,520) | (3,520) | Total financial liabilities | (4,601) | (4,601) |
| 1,554,343 | 2,343,068 | Total | 1,813,778 | 2,440,112 |

14.4 Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed interest securities, quoted index linked securities and certain unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would include limited partnerships, where fair value is ascertained from periodic valuations provided by those controlling the partnership. Assurance over the valuation is gained from the independent audit of the partnership.

The following table provides an analysis of the financial assets and liabilities of the Fund grouped into levels 1 to 3, based on the value at which the fair value is observable.

| | Quoted market price | Using observable inputs | With significant unobservable inputs | |
|---|------------------------|-------------------------------|---|------------------|
| Fair values at 31 March 2018 | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
| Financial assets | | | | |
| Financial assets at fair value through profit and loss | 971,416 | 1,220,498 | 236,648 | 2,428,562 |
| Loans and receivables | 16,151 | 0 | 0 | 16,151 |
| Total financial assets | 987,567 | 1,220,498 | 236,648 | 2,444,713 |
| Financial liabilities | | | | |
| Financial liabilities at fair value through profit and loss | 0 | 0 | 0 | 0 |
| Financial liabilities at amortised cost | (4,601) | 0 | 0 | (4,601) |
| Total financial liabilities | (4,601) | 0 | 0 | (4,601) |
| Net financial assets | 982,966 | 1,220,498 | 236,648 | 2,440,112 |

| | Quoted market price | Using observable inputs | With significant unobservable inputs | |
|---|------------------------|-------------------------------|---|------------------|
| Fair values at 31 March 2017 | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
| Financial assets | | | | |
| Financial assets at fair value through profit and loss | 1,015,985 | 1,097,870 | 216,689 | 2,330,544 |
| Loans and receivables | 16,044 | 0 | 0 | 16,044 |
| Total financial assets | 1,032,029 | 1,097,870 | 216,689 | 2,346,588 |
| Financial liabilities | | | | |
| Financial liabilities at fair value through profit and loss | (246) | 0 | 0 | (246) |
| Financial liabilities at amortised cost | (3,274) | 0 | 0 | (3,274) |
| Total financial liabilities | (3,520) | 0 | 0 | (3,520) |
| Net financial assets | 1,028,509 | 1,097,870 | 216,689 | 2,343,068 |

14.5 Fair value – Basis of valuation

| Description of Asset | Valuation hierarchy | Basis of valuation | Observable and unobservable inputs | Key sensitivities affecting the Valuations provided |
|-------------------------------------|---------------------|---|--|--|
| Market quoted investments | Level 1 | Published bid market price ruling on the final day of the accounting period | Not required | Not required |
| Quoted bonds | Level 1 | Fixed interest securities are valued at a market value based on current yields | Not required | Not required |
| Pooled Investments – Quoted Equity | Level 2 | Closing bid price where bid and offer prices are published Closing single price where single price published | NAV-based pricing set on a forward pricing policy | Not required |
| Pooled Investments – Property Funds | Level 3 | Closing bid price where bid and offer prices are published Closing single price where single price published | NAV-based pricing set on a forward pricing policy | Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts |
| Unquoted Equity | Level 3 | Comparable valuation of similar companies in accordance with International Private Equity and Vanture Capital Valuation Guidelines (2012) | EBITDA multiple Revenue multiple Discount for lack of marketability control premium | Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts |

14.6 Reconciliation of fair value measurements within level 3

| Asset Type | Market Value 1 April 2017 £'000 | Transfers into Level 3 £'000 | Transfers out of Level 3 £'000 | Purchases £'000 | Sales £'000 | Unrealised Gains / (Losses) £'000 | Realised Gains / (Losses) £'000 | Market Value 31 March 2018 £'000 |
|-------------------------------------|--|------------------------------------|--------------------------------------|--------------------|-----------------|--|--|--|
| Equities - Unquoted overseas equity | 6,218 | 6,240 | 0 | 0 | 0 | (22) | 0 | 12,436 |
| Property | 210,471 | 173,914 | 0 | 14,386 | (13,907) | (2,347) | 5,089 | 387,607 |
| Total | 216,689 | 180,154 | 0 | 14,386 | (13,907) | (2,369) | 5,089 | 400,043 |

14.7 Transfers between levels 1 and 2

There were no transfers between levels 1 and 2 investments during 2017-18.

15 Nature and extent of risks arising from financial instruments

15.1 Risk and risk management

The Fund has developed a formal risk assessment process and maintains a risk register which is updated annually. This ensures that risks are identified appropriately and are assessed and managed effectively. For more details, and to view the Risk Register, please refer to the Fund's website - www.dyfedpensionfund.org.uk

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Authority manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Committee. Risk management policies are established to identify and analyse the risks faced by the Authority's pensions operations. Policies are reviewed regularly to reflect changes in activity and market conditions.

15.2 Market risk

Market risk is the risk of loss from fluctuations in equity prices and interest and foreign exchange rates. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Committee and its independent investment adviser undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund manages these risks in three ways:

- The exposure of the Fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels
- Specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments
- By investing in a diverse portfolio in terms of managers and investments and again by the actuary only anticipating a long-term return on a relatively prudent basis to reduce risk of under-performing

15.3 Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Panel to ensure it is within limits specified in the Fund's investment strategy.

15.4 Other price risk – sensitivity analysis

Potential price changes are determined based on the observed historical volatility of asset class returns. The potential volatilities shown below, are consistent with a one standard deviation movement in the change in value of the assets over the latest three years:

| Asset Type | Potential market movements (+/-) |
|-------------------------------|---|
| Cash | 1.60% |
| UK Equities | 9.90% |
| Overseas Equities | 12.20% |
| Global Pooled Equities inc UK | 9.80% |
| UK Corporate Bonds | 7.20% |
| Index Linked Securities | 12.50% |
| Property | 4.70% |

Had the market price of the Fund increased/decreased in line with the above, the change in the net assets available to pay benefits would have been as follows:

| Asset Type | Value as at 31 March 2018 £'000 | Change % | Value on Increase £'000 | Value on Decrease £'000 |
|--------------------------------|--|---------------------|--|--|
| Cash | 6,587 | 1.60% | 6,692 | 6,481 |
| UK Equities | 480,060 | 9.90% | 527,586 | 432,534 |
| Overseas Equities | 673,513 | 12.20% | 755,681 | 591,344 |
| Global Pooled Equities incl UK | 546,985 | 9.80% | 600,590 | 493,381 |
| UK Corporate Bonds | 240,907 | 7.20% | 258,252 | 223,561 |
| Index Linked Gilts | 248,675 | 12.50% | 279,760 | 217,591 |
| Property | 237,931 | 4.70% | 249,114 | 226,749 |
| Sales receivable | 0 | 0.00% | 0 | 0 |
| Purchases payable | 0 | 0.00% | 0 | 0 |
| Income receivables | 491 | 0.00% | 491 | 491 |
| Total Assets | 2,435,150 | | 2,678,166 | 2,192,132 |

| Asset Type | Value as at | | Value on Increase £'000 | Value on Decrease £'000 |
|--------------------------------|------------------|--------|----------------------------|----------------------------|
| | 31 March | Change | | |
| | 2017 £'000 | | | |
| Cash | 4,880 | | 4,973 | 4,787 |
| UK Equities | 568,252 | 1.90% | 622,805 | 513,700 |
| Overseas Equities | 578,845 | 9.60% | 650,042 | 507,647 |
| Global Pooled Equities incl UK | 520,527 | 12.30% | 568,415 | 472,638 |
| UK Corporate Bonds | 221,350 | 9.20% | 238,615 | 204,085 |
| Index Linked Gilts | 219,346 | 7.80% | 249,397 | 189,296 |
| Property | 218,384 | 13.70% | 228,866 | 207,901 |
| Sales receivable | 258 | 4.80% | 258 | 258 |
| Purchases payable | (246) | 0.00% | (246) | (246) |
| Income receivables | 3,582 | 0.00% | 3,582 | 3,582 |
| Total Assets | 2,335,178 | | 2,566,707 | 2,103,648 |

15.4.1 Sensitivity of assets valued at level 3

| Asset Type | Value as at | | Value on Increase £'000 | Value on Decrease £'000 |
|------------------------------|----------------|--------|----------------------------|----------------------------|
| | 31 March | Change | | |
| | 2018 £'000 | | | |
| Equities - Unquoted overseas | 2 | 12.20% | 2 | 1 |
| Property | 236,646 | 4.70% | 247,769 | 225,524 |
| Total Level 3 Assets | 236,648 | | 247,771 | 225,525 |

15.5 Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's interest rate risk is routinely monitored by the Committee in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates against the relevant benchmarks.

The actuary, as part of their triennial valuation and dictated by the Funding Strategy Statement, will only anticipate long-term return on a relatively prudent basis to reduce risk of under-performing. Progress is analysed at three yearly valuations for all employers.

The Fund's direct exposure to interest rate movements as at 31 March 2017 and 31 March 2018 are set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

| 31/03/17 £'000 | Asset type | 31/03/18 £'000 |
|-------------------|---------------------------|-------------------|
| 4,880 | Cash and cash equivalents | 6,586 |
| 4,888 | Cash held at CCC | 4,908 |
| 440,696 | Bonds | 489,582 |
| 450,464 | Total | 501,076 |

15.6 Interest rate risk sensitivity analysis

Interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates:

| Asset type | Value as at | Change in year in the net assets | |
|---|----------------|----------------------------------|----------------|
| | 31/03/18 | available to pay benefits | |
| | £'000 | +1% £'000 | -1% £'000 |
| Cash and cash equivalents | 6,586 | 66 | (66) |
| Cash held at CCC | 4,908 | 49 | (49) |
| Bonds | 489,582 | 4,896 | (4,896) |
| Total change in available assets | 501,076 | 5,011 | (5,011) |

| Asset type | Value as at | Change in year in the net assets | |
|---|----------------|----------------------------------|----------------|
| | 31/03/17 | available to pay benefits | |
| | £'000 | +1% £'000 | -1% £'000 |
| Cash and cash equivalents | 4,880 | 49 | (49) |
| Cash held at CCC | 4,888 | 49 | (49) |
| Bonds | 440,696 | 4,407 | (4,407) |
| Total change in available assets | 450,464 | 4,505 | (4,505) |

15.7 Discount Rate

Estimation of the net 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 fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.

15.8 Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£ GBP Sterling). The Fund holds both monetary and non-monetary assets denominated in currencies other than £ GBP Sterling.

The Fund's currency rate risk is routinely monitored by the Committee in accordance with the Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

The following table summarises the Fund's currency exposure as at 31 March 2017 and as at 31 March 2018:

| Fair value 31/03/17 £'000 | Asset type | Fair value 31/03/18 £'000 |
|---------------------------------|------------------------------|---------------------------------|
| 1,039,211 | Overseas Equities | 1,163,608 |
| 34,973 | Property | 34,101 |
| 0 | Cash | 0 |
| 1,074,184 | Total overseas assets | 1,197,709 |

15.9 Currency risk sensitivity analysis

The aggregate currency exposure within the Fund as at 31 March 2018 was 9.00% (2016-17: 8.30%).

This analysis assumes that all other variables, in particular interest rates, remain constant.

A 9.00% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

| Asset type | Fair value 31/03/18 | Change in year in the net assets available to pay benefits | |
|---|------------------------|--|------------------|
| | | +9.00% | -9.00% |
| | £'000 | £'000 | £'000 |
| Overseas equities | 1,163,608 | 104,725 | (104,725) |
| Property | 34,101 | 3,069 | (3,069) |
| Cash | 0 | 0 | 0 |
| Total change in available assets | 1,197,709 | 107,794 | (107,794) |

| Asset type | Fair value 31/03/17 | Change in year in the net assets available to pay benefits | |
|---|------------------------|--|-----------------|
| | | +8.30% | -8.30% |
| | £'000 | £'000 | £'000 |
| Overseas equities | 1,039,211 | 86,255 | (86,255) |
| Property | 34,973 | 2,903 | (2,903) |
| Cash | 0 | 0 | 0 |
| Total change in available assets | 1,074,184 | 89,158 | (89,158) |

15.10 Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the value of the Fund's financial assets and liabilities,

In essence the Fund's entire investment portfolio is exposed to some form of credit risk. However the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Employers in the Fund are not currently assessed for their creditworthiness or individual credit limits set. There is risk of being unable to collect contributions from employers with no contributing members (e.g. risk associated with employers with a small number of declining contributing members) so Carmarthenshire County Council monitors membership movements on an annual basis.

New employers to the Fund have to agree to the provision of a bond to prevent the risk of future financial loss to the Fund in the event of not being able to meet its pension liability on cessation. Carmarthenshire County Council currently guarantees to meet any future liabilities falling on the Fund as a result of cessation. This is done to ensure that actuarial recovery periods and amounts are kept at a manageable level for smaller employers.

No collateral is held as security on financial assets. Carmarthenshire County Council does not generally allow credit to employers.

All investments held by investment managers are held in the name of the Dyfed Pension Fund at the custodian – Northern Trust, so if the investment manager fails the Fund’s investments are not classed amongst the manager’s assets.

Any cash held is in the Carmarthenshire County Council accounts and is invested in line with Carmarthenshire County Council’s approved credit rated counterparty list.

15.11 Liquidity risk

This refers to the possibility that the Fund might not have sufficient Funds available to meet its commitments to make payments.

Carmarthenshire County Council has a comprehensive cash flow management system that seeks to ensure that cash is available when needed.

The amount held in the Fund’s bank accounts meet the normal liquidity needs of the Fund and any surplus cash is invested. The Fund’s actuaries establish what contributions should be paid in order that all future liabilities can be met.

The investments of the Fund are mainly of a liquid nature. Although any forced liquidation of the investments may be subject to a financial loss.

16 Current assets

| 31/03/17 | | 31/03/18 |
|-----------------|---------------------------------|-----------------|
| £'000 | | £'000 |
| | Contributions due from employer | |
| 4,468 | - Employer | 2,592 |
| 1,456 | - Employee | 1,539 |
| 4,888 | Cash Balances | 4,908 |
| 352 | Debtors | 524 |
| <u>11,164</u> | | <u>9,563</u> |

16.1 Analysis of Current assets

| 31/03/17 | | 31/03/18 |
|-----------------|---------------------------------------|-----------------|
| £'000 | | £'000 |
| 1 | HMRC | 5 |
| 9,906 | Other local authorities | 8,247 |
| 1 | NHS bodies | 1 |
| 1 | Public corporations and trading funds | 4 |
| 1,255 | Other entities and individuals | 1,306 |
| <u>11,164</u> | | <u>9,563</u> |

17 Current liabilities

| 31/03/17 £'000 | | 31/03/18 £'000 |
|-------------------|-----------------|-------------------|
| (1,823) | Unpaid benefits | (2,585) |
| (1,451) | Creditors | (2,015) |
| <u>(3,274)</u> | | <u>(4,600)</u> |

17.1 Analysis of Current liabilities

| 31/03/17 £'000 | | 31/03/18 £'000 |
|-------------------|---------------------------------------|-------------------|
| (609) | HMRC | (599) |
| 0 | Central government bodies | 0 |
| (67) | Other local authorities | (16) |
| 0 | NHS bodies | 0 |
| (417) | Public corporations and trading funds | (1,023) |
| (2,181) | Other entities and individuals | (2,962) |
| <u>(3,274)</u> | | <u>(4,600)</u> |

18 Additional Voluntary Contributions (AVC)

Occupational Pension Schemes are required by Statute to provide in-house AVC arrangements. The Fund has joint providers: Prudential, Standard Life and Equitable Life, where a range of investment options are available.

It is for individual Scheme members to determine how much they contribute (subject to HMRC limits) and the investment components or its mix.

The contributions made to separately invested AVC schemes and the value of these investments as at the balance sheet date are shown below:

| AVC Provider | Value as at 31/03/17 £ '000 | Contributions £ '000 | Expenditure £ '000 | Change in Market Value £ '000 | Value as at 31/03/18 £ '000 |
|----------------|-----------------------------------|-------------------------|-----------------------|-------------------------------------|-----------------------------------|
| Prudential | 3,767 | 1,294 | (612) | 143 | 4,592 |
| Equitable Life | 549 | 21 | (47) | 7 | 530 |
| Standard Life | 3,691 | 487 | (652) | 84 | 3,610 |
| Total | <u>8,007</u> | <u>1,802</u> | <u>(1,311)</u> | <u>234</u> | <u>8,732</u> |

19 Funding arrangements

In line with Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contributions rates for the forthcoming triennial period. The valuation that these financial statements are based on took place as at 31 March 2016. The last such valuation took place as at 31 March 2013 and the next valuation will take place as at 31 March 2019.

For more details, and to view the Funding Strategy Statement (FSS), please refer to the Fund's website – www.dyfedpensionfund.org.uk and the Annual Report and Accounts 2017-18.

20 Related Party Transactions

The Fund is administered by Carmarthenshire County Council (the Authority), consequently there is a strong relationship between the Authority and the Fund.

The Authority incurred costs of £0.956 million (2016-2017: £0.929 million) in relation to the administration of the Fund and was subsequently reimbursed by the Fund.

The Authority is also the single largest employer of members in the Fund and contributed £32.013 million to the Fund in 2017-2018 (2016-2017: £31.756 million).

The Fund holds part of its cash balance with the Authority in order to meet its day to day expenditure. This cash is invested on the Money Markets by the Authority's Treasury Management section. During the year to 31 March 2018, the Fund had an average investment balance of £12.45 million (2016-2017: £6.58 million) earning interest of £45,888 (2016-2017: £26,558).

20.1 Governance

Pensions Committee

There are three members and one substitute member of the Pension Committee. During 2017-18 these were Councillor Elwyn Williams, Councillor John Prosser (active member), Councillor Jim Jones (active member) and the substitute was Councillor Dai Thomas (active member).

The Director of Corporate Services, Mr Chris Moore, who has the role of Section 151 Officer for the Authority, played a key role in the financial management of the Fund and is also an active member of the Fund.

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

The Committee members and Director of Corporate Services accrue their benefits in line with the regulations encompassing councillors and employees of the employing bodies of the Fund.

Pension Board

A local Pension Board was approved by County Council on the 11th February 2015 effective from 1st April 2015 in line with the Public Service Pension Act 2013. It consists of three employer representatives, three member representatives and an independent chair.

For more details, and to view the Governance Policy, please refer to the Fund's website – www.dyfedpensionfund.org.uk and the Annual Report and Accounts 2017-18.

20.2 Key Management Personnel

The key management personnel of the fund is the Section 151 Officer. Total remuneration payable to key management personnel is set out below:

| 31/03/17 | | 31/03/18 |
|-----------------|--------------------------|-----------------|
| £ '000 | | £ '000 |
| 13 | Short-term benefits | 14 |
| 3 | Post-employment benefits | 3 |
| <u>16</u> | | <u>17</u> |

21 Employing bodies contribution rates, contributions receivable and benefits payable

| 2016-17 | | | | 2017-18 | | | | |
|---------------------------------------|----------------------------|-----------------------------|------------------------------|---------------------------------|----------------------------|-----------------------------|------------------------------|--------|
| Contri- bution rate % | Deficit | | | Contri- bution rate % | Deficit | | | |
| | Contri- bution £'000 | Contri- butions £'000 | Benefits payable £'000 | | Contri- bution £'000 | Contri- butions £'000 | Benefits payable £'000 | |
| Scheduled bodies | | | | | | | | |
| 12.9 | 5,019 | 26,753 | 32,822 | Carmarthenshire County Council | 15.1 | 2,529 | 29,484 | 34,037 |
| 13.5 | 1,152 | 14,103 | 16,322 | Pembrokeshire County Council | 15.6 | 270 | 15,687 | 17,364 |
| 13.6 | 760 | 9,949 | 9,927 | Ceredigion County Council | 15.3 | 90 | 10,934 | 10,915 |
| | | | | Office for the Police & Crime | | | | |
| 11.6 | 405 | 3,643 | 2,066 | Commissioner for Dyfed-Powys | 13.5 | 86 | 4,467 | 2,398 |
| 13.5 | 138 | 1,389 | 1,139 | Mid & West Wales Fire Authority | 14.1 | 71 | 1,341 | 1,434 |
| 15.2 | (1) | 281 | 340 | Coleg Ceredigion | 15.2 | (2) | 311 | 366 |
| 14.3 | 144 | 1,211 | 836 | Coleg Sir Gar | 14.3 | 150 | 1,304 | 802 |
| | | | | Pembrokeshire Coast National | | | | |
| 15.1 | (25) | 591 | 821 | Park Authority | 15.1 | (26) | 605 | 968 |
| 12.8 | 57 | 847 | 281 | Pembrokeshire College | 12.8 | 59 | 899 | 297 |
| | 7,650 | 58,766 | 64,554 | | | 3,228 | 65,032 | 68,581 |
| Designated (Resolution) bodies | | | | | | | | |
| 20.0 | 2 | 4 | 13 | Aberystwyth Town Council | 20.0 | 0 | 8 | 12 |
| 12.6 | 0 | 1 | 0 | Aberaeron Town Council | 12.6 | 0 | 1 | 0 |
| 18.6 | 14 | 72 | 95 | Carmarthen Town Council | 18.6 | 14 | 78 | 74 |
| 18.7 | 0 | 14 | 0 | Cwmamman Town Council | 18.7 | 0 | 21 | 0 |
| 0.0 | 0 | 7 | 0 | Llanedi Community Council | 21.7 | 0 | 11 | 0 |
| 27.7 | 1 | 5 | 4 | Gorslas Community Council | 27.7 | 1 | 5 | 4 |
| 24.4 | 0 | 11 | 30 | Haverfordwest Town Council | 24.4 | 0 | 11 | 30 |
| 27.6 | 7 | 13 | 12 | Kidwelly Town Council | 27.6 | 8 | 15 | 12 |
| | | | | Llanbadarn Fawr Community | | | | |
| 17.3 | 0 | 2 | 1 | Council | 17.3 | 0 | 2 | 1 |
| 21.2 | 0 | 1 | 1 | Llanarthne Community Council | 21.2 | 0 | 1 | 1 |
| 14.6 | 12 | 185 | 200 | Llanelli Rural Council | 15.0 | 10 | 164 | 146 |
| 17.8 | 8 | 100 | 76 | Llanelli Town Council | 17.8 | 9 | 50 | 82 |
| 12.8 | 0 | 6 | 0 | Llangennech Community Council | 12.8 | 0 | 6 | 0 |
| 18.2 | 4 | 23 | 7 | Llannon Community Council | 18.2 | 4 | 23 | 15 |
| | | | | Pembrey & Burry Port Town | | | | |
| 23.5 | 3 | 30 | 7 | Council | 23.5 | 3 | 41 | 7 |
| 13.0 | (1) | 6 | 12 | Tenby Town Council | 13.0 | (1) | 8 | 12 |
| 12.0 | 0 | 10 | 1 | Pembroke Town Council | 12.0 | 0 | 11 | 0 |
| 8.5 | 0 | 7 | 0 | Pembroke Dock Town Council | 8.5 | 0 | 7 | 0 |
| | 50 | 490 | 459 | | | 48 | 463 | 396 |

(continued overleaf)

(continued from previous page)

| 2016-17 | | | | 2017-18 | | | |
|---|---------------------------------------|-----------------------------|------------------------------|-----------------------------|---------------------------------------|-----------------------------|------------------------------|
| Contri- bution rate % | Deficit Contri- bution £'000 | Contri- butions £'000 | Benefits payable £'000 | Contri- bution rate % | Deficit Contri- bution £'000 | Contri- butions £'000 | Benefits payable £'000 |
| Admission bodies | | | | | | | |
| Community Admission Body (CAB) | | | | | | | |
| 13.2 | 13 | 32 | 19 | 13.2 | 14 | 32 | 17 |
| 13.3 | 42 | 811 | 891 | 13.3 | 43 | 811 | 982 |
| 11.7 | 6 | 31 | 46 | 11.7 | 7 | 24 | 32 |
| 26.5 | (5) | 9 | 0 | 26.5 | (5) | 11 | 0 |
| 17.9 | 0 | 16 | 39 | 17.9 | 0 | 13 | 39 |
| 20.0 | 5 | 3 | 16 | 20.0 | 5 | 2 | 15 |
| 18.1 | 5 | 29 | 49 | 18.1 | 3 | 9 | 34 |
| 7.8 | 3 | 55 | 27 | 7.8 | 4 | 56 | 10 |
| 11.5 | 16 | 33 | 31 | 11.5 | 17 | 34 | 49 |
| 7.4 | 0 | 16 | 0 | 7.4 | 0 | 18 | 0 |
| 23.7 | 1 | 21 | 10 | 23.7 | 1 | 24 | 10 |
| 16.0 | 2 | 9 | 2 | 16.0 | 2 | 9 | 2 |
| 14.5 | 4 | 63 | 23 | 14.5 | 4 | 62 | 103 |
| 12.6 | 7 | 45 | 33 | 12.6 | 8 | 55 | 33 |
| 14.2 | (42) | 265 | 320 | 14.2 | (44) | 260 | 226 |
| 16.5 | 105 | 607 | 563 | 16.5 | 109 | 555 | 511 |
| 22.5 | 77 | 11 | 228 | 22.5 | 80 | 11 | 214 |
| 15.1 | 22 | 222 | 371 | 15.1 | 23 | 220 | 351 |
| 13.8 | 6 | 34 | 40 | 13.8 | 7 | 26 | 40 |
| 17.8 | 1 | 52 | 44 | 17.8 | 1 | 136 | 188 |
| 13.5 | 0 | 7 | 0 | 13.5 | 0 | 8 | 0 |
| | 269 | 2,371 | 2,752 | | 276 | 2,378 | 2,857 |
| Transferee Admission Body (TAB) | | | | | | | |
| 19.3 | (4) | 17 | 36 | 19.3 | (4) | 16 | 36 |
| 21.5 | 0 | 15 | 6 | 21.5 | 0 | 10 | 6 |
| 20.3 | 0 | 175 | 198 | 20.3 | 0 | 144 | 117 |
| | (4) | 207 | 240 | | (4) | 170 | 159 |
| Bodies with no pensionable employees | | | | | | | |
| 0 | 0 | 5 | 6 | 0 | 0 | 5 | 6 |
| 26.1 | (12) | 0 | 14 | 0 | 0 | 0 | 12 |
| 13.4 | 0 | 0 | 73 | 0 | 0 | 0 | 23 |
| 0 | 0 | 51 | 325 | 0 | 0 | 51 | 300 |
| 0 | 0 | 1 | 5 | 0 | 0 | 1 | 6 |
| 0 | 0 | 1 | 2 | 0 | 0 | 1 | 3 |
| 0 | 0 | 0 | 2 | 0 | 0 | 0 | 2 |
| 0 | 0 | 0 | 8198 | 0 | 0 | 0 | 7796 |
| 0 | 0 | 0 | 2 | 0 | 0 | 0 | 2 |
| 0 | 0 | 6 | 7 | 0 | 0 | 6 | 74 |
| 0 | 0 | 13 | 42 | 0 | 0 | 11 | 35 |
| 0 | 0 | 0 | 7 | 0 | 0 | 0 | 7 |
| 0 | 0 | 0 | 5 | 0 | 0 | 0 | 5 |
| 0 | 0 | 1 | 1 | 0 | 0 | 1 | 1 |
| | (12) | 80 | 8689 | | 0 | 77 | 8 |
| | 7,953 | 61,918 | 76,694 | Total | 3,550 | 68,117 | 80,199 |

21.1 Bodies with No Pensionable Employees where pension increase is recharged

It has been assumed that for the following bodies, the proportion of pension increases stated below will continue to be recharged.

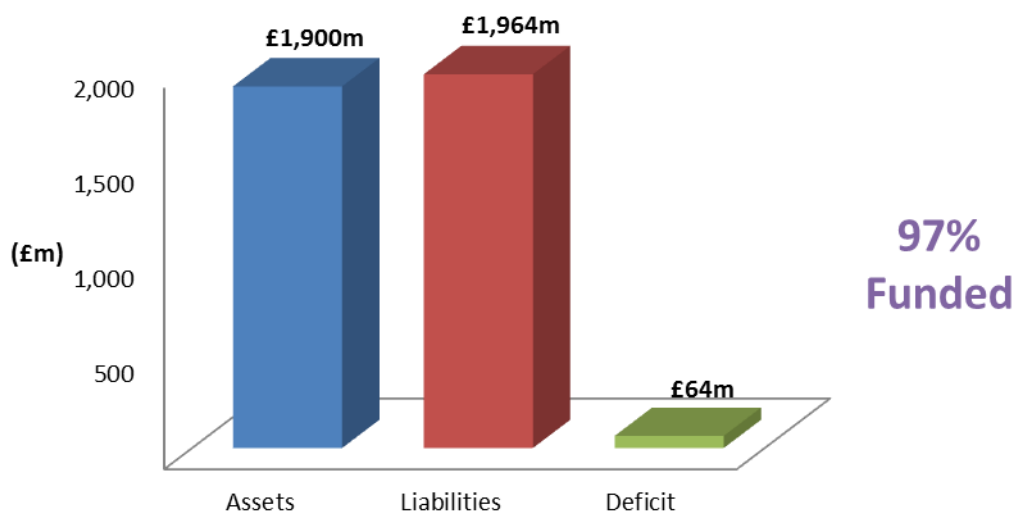
| | Proportion to be recharged % |
|----------------------------|---|
| DVLA | 100 |
| Milford Haven Town Council | 100 |
| National Health Service | 100 |
| Carmarthen Family Centre | 100 |
| Welsh Water | 50 |

22 Actuarial Statement

This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme Regulations 2013.

An actuarial valuation of the Dyfed Pension Fund was carried out as at 31 March 2016 to determine the contribution rates with effect from 1 April 2017 to 31 March 2020.

On the basis of the assumptions adopted, the Fund's assets of £1,900 million represented 97% of the Fund's past service liabilities of £1,964 million (the "Funding Target") at the valuation date. The deficit at the valuation was therefore £64 million.



The valuation also showed that a Primary contribution rate of 15.2% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

The funding objective as set out in the Funding Strategy Statement (FSS) is to achieve and then maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall (or contribution reductions to refund any surplus).

The FSS sets out the process for determining the recovery plan in respect of each employer. At this actuarial valuation the average deficit recovery period is 17 years, and the total initial recovery payment (the "Secondary rate") for 2018/19 is approximately £4.6 million per annum (which also includes allowance

for some employers to phase in any increases and to prepay contributions). For all employers, the Secondary rate will increase at 3.7% per annum, except where phasing has been applied. With the agreement of the Administering Authority employers may also opt to pay some of their deficit contributions early in return for a suitably agreed reduction.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated 31 March 2017. In practice, each individual employer's position is assessed separately and the contributions required are set out in the report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process. The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Funding Target and the Primary rate of contribution were as follows:

| | For past service liabilities (Funding Target) | For future service liabilities (Common Contribution Rate) |
|--|--|--|
| Rate of return on investments (discount rate) | 4.4% per annum | 4.95% per annum |
| Rate of pay increases (long term)* | 3.7% per annum | 3.7% per annum |
| Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension) | 2.2% per annum | 2.2% per annum |

* allowance was also made for short-term public sector pay restraint over a 4 year period.

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2019. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2020.

Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2018 (the 31 March 2017 assumptions are included for comparison):

| | 31 March 2017 | 31 March 2018 |
|--|----------------------|----------------------|
| Rate of return on investments (discount rate) | 2.5% per annum | 2.6% per annum |
| Rate of CPI Inflation / CARE benefit revaluation | 2.3% per annum | 2.1% per annum |
| Rate of pay increases* | 3.8% per annum | 3.6% per annum |
| Rate of increases in pensions in payment (in excess of GMP)/Deferred revaluation | 2.3% per annum | 2.2% per annum |

* includes a corresponding allowance to that made in the latest formal actuarial valuation for short-term public sector pay restraint.

The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2017.

During the year, corporate bond yields rose slightly, resulting in a higher discount rate being used for IAS 26 purposes at the year-end than at the beginning of the year (2.6% p.a. versus 2.5% p.a.). The expected long-term rate of CPI inflation decreased during the year, from 2.3% p.a. to 2.1%. Both of these factors served to decrease the liabilities over the year.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2017 was estimated as £2,997 million. Interest over the year increased the liabilities by c£75 million, and allowing for net benefits accrued/paid over the period also increased the liabilities by c£46 million (after allowing for any increase in liabilities arising as a result of early retirements/augmentations). There was then a decrease in liabilities of £125 million due to "actuarial gains" (i.e. the effects of the changes in the actuarial assumptions used, referred to above).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2018 is therefore £2,993 million.

John Livesey

Fellow of the Institute and Faculty of Actuaries

**Mercer Limited
June 2018**

23 Events after the balance sheet date

There have been no events since 31 March 2018, and up to the date when these accounts were authorised, that require any adjustments to these accounts.

24 Wales Pension Investments Pooling (Wales Pension Partnership (WPP))

The Third Party Pool Operator (Link Fund Solutions) in partnership with Russell Investments was appointed in December 2017 to manage the investments and the reduction of investment management expenses for all 8 Wales funds. The Joint Governance Committee has met on several occasions in 2017-18 and has approved an FCA prospectus submission for two Global Equity sub funds. These funds will launch in autumn 2018.

Carmarthenshire County Council has continued to act as the Host Authority providing administrative and secretarial support and implementing the decisions made by the Joint Governance Committee.

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AUDIT COMMITTEE

13TH JULY 2018

BURRY PORT HARBOUR FINANCIAL STATEMENT 2017-18

Purpose:

To present the Accounting Statement for 2017-18.

Recommendations / key decisions required:

To receive the Accounting Statement for Burry Port Harbour Authority for 2017-18.

Reasons:

The Council is required to approve the 2017-18 pre-audited accounts of the Harbour Authority, to comply with the Accounts and Audit (Wales) Regulations 2014.

The Audit Committee have delegated powers to approve the Accounts in line with the Local Government Measure.

Relevant scrutiny committee to be consulted Not applicable

Exec Board Decision Required Not applicable

Council Decision Required Not applicable

EXECUTIVE BOARD MEMBER PORTFOLIO HOLDER:- Cllr D Jenkins - Resources

Directorate: Corporate Services

Name of Head of Service: Randal Hemingway

Report Author: Randal Hemingway

Designations:

Head of Financial Services

Tel No:01267 224886

E Mail Addresses:

RHemingway@carmarthen shire.gov.uk

EXECUTIVE SUMMARY

AUDIT COMMITTEE 13TH JULY 2018

BURRY PORT HARBOUR FINANCIAL STATEMENT 2017-18

BRIEF SUMMARY OF PURPOSE OF REPORT

Carmarthenshire County Council has been given a range of statutory powers and duties for the purposes of improving, maintaining and managing the Burry Port harbour through the Burry Port Harbour Revision Order 2000.

In accordance with the Harbours Act 1964, statutory harbour authorities are required to prepare annual statement of accounts relating to the harbour activities. In compliance with the Accounts and Audit (Wales) Regulations 2014, these accounts are in the form of a separate annual income and expenditure account and statement of balances.

The net cost of the harbour activities in 2017-18 was £3,353k, and all activities are fully funded by Carmarthenshire County Council. Fixed assets held at 31st March 2018 total £1,000k. The net cost of £3,353k consists of a cash contribution of £138k (2016-17 £85k) and a contribution to cover capital charges being £3,215k (2016-17 £170k). The increase in capital charges is due to a revaluation loss on the harbour assets.

From 1st April 2018, the Authority has granted a long term lease to The Marine & Property Group Ltd, who have taken over the running and management of Burry Port Harbour. This will result in further investment and development of the harbour, which will increase its financial viability and sustainability going forwards.

As a consequence of the lease valuation, the basis of valuation of the harbour assets has changed resulting in the revaluation loss.

DETAILED REPORT ATTACHED ?

YES

IMPLICATIONS

I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report :

Signed: R Hemingway

Head of Financial Services

| | | | | | | |
|--|---------------------|-----------------------|--------------------|---------------------------------------|--------------------------------------|--------------------------------|
| Policy, Crime & Disorder and Equalities NONE | Legal YES | Finance YES | ICT NONE | Risk Management Issues NONE | Staffing Implications NONE | Physical Assets NONE |
|--|---------------------|-----------------------|--------------------|---------------------------------------|--------------------------------------|--------------------------------|

Legal

Compliance with the Accounts and Audit (Wales) Regulations 2014

Finance

The net cost of the Harbour activities in 2017-18 was £3,353k, which has been fully funded by Carmarthenshire County Council. Fixed assets held at 31st March 2018 total £1,000k a reduction of £2.9m on the previous year due to revaluation loss.

CONSULTATIONS

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below

Signed: R Hemingway

Head of Financial Services

1. **Scrutiny Committee:** Not applicable
2. **Local Member(s):** Not applicable
3. **Community / Town Council:** Not applicable
4. **Relevant Partners:** Not applicable
5. **Staff Side Representatives and other Organisations:** Not applicable

Section 100D Local Government Act, 1972 – Access to Information

List of Background Papers used in the preparation of this report:

THESE ARE DETAILED BELOW

| Title of Document | File Ref No. | Locations that the papers are available for public inspection |
|---|--------------|---|
| Accounts and Audit (Wales) Regulations 2014 | | Corporate Services Department, County Hall, Carmarthen. |

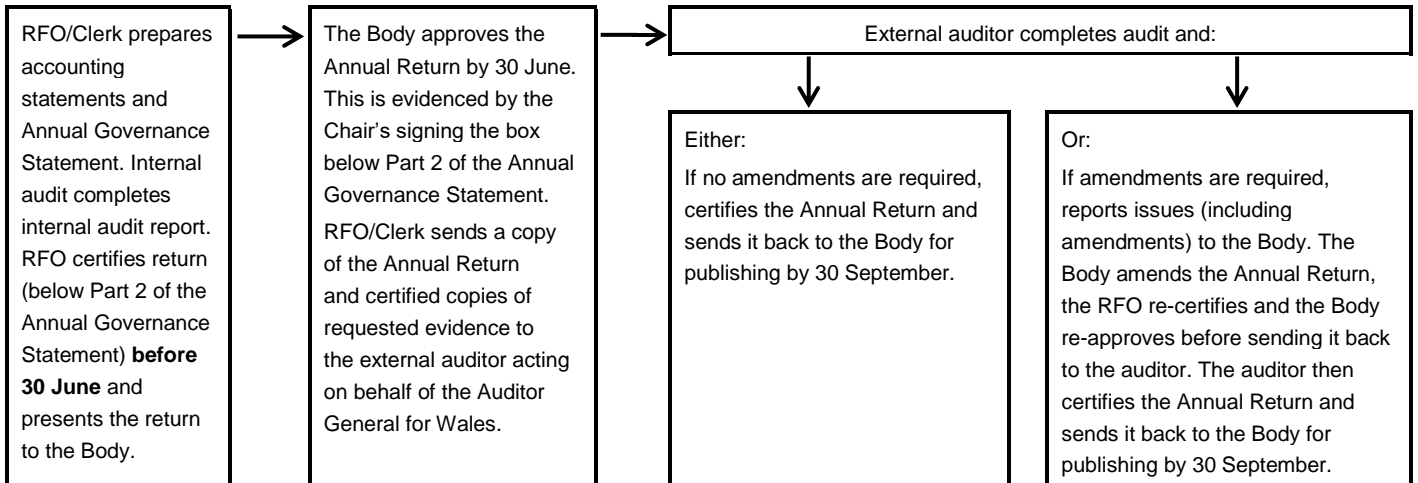
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Smaller local government bodies in Wales Annual Return for the Year Ended 31 March 2018

Smaller local government bodies in Wales must prepare annual accounts following proper practices as set out in the One Voice Wales/SLCC publication **Governance and accountability for local councils in Wales – A Practitioners’ Guide** (the Practitioners’ Guide). The Practitioners’ Guide states that bodies may prepare their accounts in the form of an annual return prepared by the Wales Audit Office.

The accounts and audit process

The accounts and audit arrangements follow the process as set out below.



Please complete all sections highlighted in red. Incomplete or incorrect returns may require additional external audit work and incur additional costs. Send the **original** Annual Return, together with all additional information requested, to the external auditor acting on behalf of the Auditor General for Wales. **Please note that copies of all documents provided for the purposes of the audit must be certified as true copies of the originals by the Clerk and Chair.** Unless requested, please **do not** send any original financial or other records to the external auditor.

Bodies should note the changes to the Annual Governance Statement. This is to be completed in full by all Bodies.

Audited and certified returns are sent back to the Body for publication or display of the accounting statements, Annual Governance Statement and the Auditor General for Wales’ certificate and report.

Completion checklist

| 'No' answers mean that you may not have met requirements | | Done? | |
|--|---|--------------------------|--------------------------|
| | | Yes | No |
| Initial submission to the external auditor | | | |
| Accounts | Has the RFO certified the accounting statements and the body approved the Annual Return (as evidenced by the relevant signatures), no later than 30 June 2018? | <input type="checkbox"/> | <input type="checkbox"/> |
| | Do the accounts add up and does the balance carried forward from last year equal the opening balance this year? | <input type="checkbox"/> | <input type="checkbox"/> |
| | Do the papers to be sent to the external auditor include an explanation of significant variations, including a quantified analysis of the changes from last year to this year? | <input type="checkbox"/> | <input type="checkbox"/> |
| | Does the bank reconciliation as at 31 March 2018 agree to line 9? | <input type="checkbox"/> | <input type="checkbox"/> |
| All sections | Have all red boxes been completed and explanations provided where needed? | <input type="checkbox"/> | <input type="checkbox"/> |
| | Has all the information requested by the external auditor been sent with this Annual Return? Please refer to your notice of audit and any additional schedules provided by your external auditor. | <input type="checkbox"/> | <input type="checkbox"/> |
| Supporting evidence | Have all items and pages of supporting evidence provided to the audit been certified as a true copy of the original by the Clerk and Chair? | <input type="checkbox"/> | <input type="checkbox"/> |

Accounting statements 2017-18 for:

Name of body: Burry Port Harbour Authority

| | Year ending | | Notes and guidance for compilers | | | | | | | | | | | | |
|--|---|-------------------|---|--------------------------|-----|----|-----|--------------------------|--------------------------|---|--------------------------|--------------------------|---|--|--|
| | 31 March 2017 (£) | 31 March 2018 (£) | | | | | | | | | | | | | |
| Statement of income and expenditure/receipts and payments | | | | | | | | | | | | | | | |
| 1. Balances brought forward | 0 | 0 | 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 | 255,013 | 3,353,061 | Total amount of income received/receivable in the year from local taxation (precept) or levy/contribution from principal bodies. | | | | | | | | | | | | |
| 3. (+) Total other receipts | 100,730 | 63,611 | Total income or receipts recorded in the cashbook minus amounts included in line 2. Includes support, discretionary and revenue grants. | | | | | | | | | | | | |
| 4. (-) Staff costs | 43,127 | 85,875 | 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 | 169,997 | 3,214,979 | Total expenditure or payments of capital and interest made during the year on external borrowing (if any). | | | | | | | | | | | | |
| 6. (-) Total other payments | 142,619 | 115,818 | 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 | 0 | 0 | Total balances and reserves at the end of the year. Must equal (1+2+3) – (4+5+6). | | | | | | | | | | | | |
| Statement of balances | | | | | | | | | | | | | | | |
| 8. (+) Debtors and stock balances | 51,818 | 21,217 | Income and expenditure accounts only: Enter the value of debts owed to the body and stock balances held at the year-end. | | | | | | | | | | | | |
| 9. (+) Total cash and investments | -45,749 | -8,172 | All accounts: 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 | 6,069 | 13,045 | Income and expenditure accounts only: Enter the value of monies owed by the body (except borrowing) at the year-end. | | | | | | | | | | | | |
| 11. (=) Balances carried forward | 0 | 0 | Total balances should equal line 7 above: Enter the total of (8+9-10). | | | | | | | | | | | | |
| 12. Total fixed assets and long-term assets | 3,868,493 | 1,000,000 | The original 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). | | | | | | | | | | | | |
| 14. Trust funds disclosure note | <table border="1"> <tr> <th>Yes</th> <th>No</th> <th>N/A</th> <th>Yes</th> <th>No</th> <th>N/A</th> </tr> <tr> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;">X</td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;">x</td> </tr> </table> | Yes | No | N/A | Yes | No | N/A | <input type="checkbox"/> | <input type="checkbox"/> | X | <input type="checkbox"/> | <input type="checkbox"/> | x | | The Body acts as sole trustee for and is responsible for managing (a) trust fund(s)/assets (readers should note that the figures above do not include any trust transactions). |
| Yes | No | N/A | Yes | No | N/A | | | | | | | | | | |
| <input type="checkbox"/> | <input type="checkbox"/> | X | <input type="checkbox"/> | <input type="checkbox"/> | x | | | | | | | | | | |

Annual Governance Statement (Part 1)

We acknowledge as the members of the Council, 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 2018, that:

| | Agreed? | | 'YES' means that the Council/Board/Committee: | PG Ref | | |
|---|-------------------------------------|-------------------------------------|---|----------|---|------|
| | Yes | No* | | | | |
| 1. We have approved the accounting statements which have been prepared in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014 and proper practices. | x | <input checked="" type="checkbox"/> | Prepared its accounting statements in the way prescribed by law. | 6, 12 | | |
| 2. We have maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption, and reviewed its effectiveness. | x | <input checked="" type="checkbox"/> | Made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge. | 6, 7 | | |
| 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 Harbour Authority to conduct its business or on its finances. | x | <input checked="" type="checkbox"/> | 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 | | |
| 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. | x | <input checked="" type="checkbox"/> | Has given all persons interested the opportunity to inspect and to ask questions about the Body's accounts. | 6, 23 | | |
| 5. We have carried out an assessment of the risks facing the Harbour Authority and taken appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required. | x | <input checked="" type="checkbox"/> | Considered the financial and other risks it faces in the operation of the Body and has dealt with them properly. | 6, 9 | | |
| 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. | x | <input checked="" type="checkbox"/> | 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 | | |
| 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 Council, and, where appropriate, have included them on the accounting statements. | x | <input checked="" type="checkbox"/> | Disclosed everything it should have about its business during the year including events taking place after the year-end if relevant. | 6 | | |
| 8. We have taken appropriate action on all matters raised in previous reports from internal and external audit. | x | <input checked="" type="checkbox"/> | Considered and taken appropriate action to address issues/weaknesses brought to its attention by both the internal and external auditors. | 6, 8, 23 | | |
| 9. Trust funds – in our capacity as trustee, we have: <ul style="list-style-type: none"> Discharged our responsibility in relation to the accountability for the fund(s) including financial reporting and, if required, independent examination or audit. | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | N/A | x | Has met all of its responsibilities where it is a sole managing trustee of a local trust or trusts. | 3, 6 |

* 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.

Annual Governance Statement (Part 2)

| | Agreed? | | 'YES' means that the Council/Board/ Committee: | PG Ref |
|---|---------|--------------------------|--|--------|
| | Yes | No* | | |
| 1. We calculated and approved the Harbour Authority's budget requirement for the 2017-18 financial year in accordance the Local Government Finance Act 1992 and proper practices [and issued the precept in accordance with Sections 39 to 42 of the Local Government Finance Act 1992.]* | x | <input type="checkbox"/> | Properly planned its financial activities for the year and set a budget in accordance with statutory requirements. | 13 |
| 2. We have received detailed financial reports setting out the [income and expenditure* receipts and payments*] and a summary of the Harbour Authority's financial position on a regular bimonthly basis throughout the year. | x | <input type="checkbox"/> | Effectively monitored its financial position, income and expenditure against that budget throughout the financial year. | 13 |
| 3. We have ensured that the Council's internal audit is independent of its day-to-day decision-making process and maintenance of the accounting records and have agreed appropriate terms of reference for the internal audit. | x | <input type="checkbox"/> | Ensured that its internal audit function is able to undertake its work without potential conflicts of interest and with sufficient scope to provide an adequate and effective service. | 8 |

* Please delete as appropriate.

Audit Committee approval and certification

The Council is responsible for the preparation of the accounting statements in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014 and for the preparation of the Annual Governance Statement.

| | |
|---|---|
| <p>Certification by the RFO</p> <p>I certify that the accounting statements contained in this Annual Return presents fairly the financial position of the Harbour Authority, and its income and expenditure, or properly presents receipts and payments, as the case may be, for the year ended 31 March 2018.</p> | <p>Approval by the Audit Committee</p> <p>I confirm that these accounting statements and Annual Governance Statement were approved by the Committee under minute reference:</p> <p style="text-align: center;">Insert minute reference and date of meeting</p> |
| <p>RFO signature: signature required</p> | <p>Chair signature: signature required</p> |
| <p>Name: name required</p> | <p>Name: name required</p> |
| <p>Date: dd/mm/yyyy</p> | <p>Date: dd/mm/yyyy</p> |

Committee re-approval and re-certification (only required if the annual return has been amended at audit)

| | |
|---|---|
| <p>Certification by the RFO</p> <p>I certify that the accounting statements contained in this Annual Return presents fairly the financial position of the Harbour Authority, and its income and expenditure, or properly presents receipts and payments, as the case may be, for the year ended 31 March 2018.</p> | <p>Approval by the Audit Committee</p> <p>I confirm that these accounting statements and Annual Governance Statement were approved by the Committee under minute reference:</p> <p style="text-align: center;">Insert minute reference and date of meeting</p> |
| <p>RFO signature: signature required</p> | <p>Chair signature: signature required</p> |
| <p>Name: name required</p> | <p>Name: name required</p> |
| <p>Date: dd/mm/yyyy</p> | <p>Date: dd/mm/yyyy</p> |

Auditor General for Wales' Audit Certificate and report

The external auditor conducts the audit on behalf of, and in accordance with, guidance issued by the Auditor General for Wales. On the basis of their review of the Annual Return and supporting information, they report whether any matters that come to their attention give cause for concern that relevant legislation and regulatory requirements have not been met.

We certify that we have completed the audit of the Annual Return for the year ended 31 March 2018 of:

| |
|--|
| |
|--|

External auditor's report

[Except for the matters reported below]* On the basis of our review, in our opinion, the information contained in the Annual Return is in accordance with proper practices and no matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met.

[[These matters along with]* Other matters not affecting our opinion which we draw to the attention of the body and our recommendations for improvement are included in our report to the body dated _____.]

Other matters and recommendations

On the basis of our review, we draw the Body's attention to the following matters and recommendations which do not affect our audit opinion but should be addressed by the Body.

(Continue on a separate sheet if required.)

External auditor's name:

External auditor's signature:

Date:

For and on behalf of the Auditor General for Wales

* Delete as appropriate.

Annual internal audit report to:

Name of body: Burry Port Harbour Authority

The Council'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 2018.

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 type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Insert text |
| 2. Financial regulations have been met, payments were supported by invoices, expenditure was approved and VAT was appropriately accounted for. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Insert text |
| 3. The body assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Insert text |
| 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="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Insert text |
| 5. Expected income was fully received, based on correct prices, properly recorded and promptly banked, and VAT was appropriately accounted for. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Insert text |
| 6. Petty cash payments were properly supported by receipts, expenditure was approved and VAT appropriately accounted for. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Insert text |
| 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="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Insert text |
| 8. Asset and investment registers were complete, accurate, and properly maintained. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Insert text |

| | 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="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Insert text |
| 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="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Insert text |
| 11. Trust funds (including charitable trusts). The Council has met its responsibilities as a trustee. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Insert text |

For any risk areas identified by the Council/Board/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** | |
| 12. Insert risk area | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Insert text |
| 13. Insert risk area | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Insert text |
| 14. Insert risk area | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 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 Council/Board/Committee are included in my detailed report to the Council/Board/Committee dated _____.] * Delete if no report prepared.

Internal audit confirmation

I confirm that as the Council's internal auditor, I have not been involved in a management or administrative role within the body or as a member of the body during the financial years 2016-17 and 2017-18. I also confirm that there are no conflicts of interest surrounding my appointment.

| |
|---|
| Name of person who carried out the internal audit: name required |
| Signature of person who carried out the internal audit: signature required |
| Date: dd/mm/yyyy |

Guidance notes on completing the Annual Return

1. You must apply proper practices when preparing this annual return. For guidance, please read the Practitioners' Guide (**Governance and accountability for local councils: A Practitioners' Guide (Wales)**) – available from One Voice Wales and SLCC. It contains everything you need for the financial year-end and the statutory audit.
2. The Wales Audit Office Good Practice Exchange (www.audit.wales/good-practice/finance/community-council-money) provides further information on the accounts and audit process along with guidance on governance matters.
3. Make sure that the Annual Return is fully completed ie, no empty red boxes. Please avoid making any amendments to the completed return. If this is unavoidable, cross out the incorrect entries, make sure the amendments are drawn to the attention of the body, properly initialled and an explanation for them is provided to the external auditor. **Please do not use correction fluid.** Annual returns that are incomplete or contain unapproved and/or unexplained amendments or correction fluid will be returned unaudited and may incur additional costs.
4. **There are now two boxes for certification and approval by the Body. The second box is only required if the annual return has to be amended as a result of the audit. You should only complete the top box before sending the form to the auditor.**
5. Use a second pair of eyes, perhaps the Chair or a member, to review your Annual Return for completeness before sending the original form to the auditor.
6. Make sure that your accounting statements add up, that the balance carried forward from the previous year (line 7 of 2017) equals the balance brought forward in the current year (line 1 of 2018). Explain any differences between the 2018 figures on this annual return and the amounts recorded in last year's annual return.
7. Explain fully any significant variances in the accounting statements. Do not just send in a copy of your detailed accounting records instead of this explanation. The external auditor wants to know that you understand the reasons for all variances. Include a detailed analysis to support your explanation and be specific about the values of individual elements making up the variances.
8. Make sure that the copy of the bank reconciliation you send to your auditor with the Annual Return covers **all** your bank accounts and cash balances. If there are no reconciling items, please state this and provide evidence of the bank balances. If your Council holds any short-term investments, please note their value on the bank reconciliation. The auditor should also be able to agree your bank reconciliation to line 9 in section 1. More help on bank reconciliation is available in the Practitioners' Guide*.
9. **Every** small body is now required to send to the external auditor, information to support the assertions made in the Annual Governance Statement. Your auditor will tell you what information you need to provide. Please read the audit notice carefully to ensure you include all the information the auditor has asked for. You should send **copies** of the original records (certified by the Clerk and Chair as accurate copies) to the external auditor and not the original documents themselves.
10. Please do not send the auditor any information that you are not specifically asked for. Doing so is not helpful.
11. If the auditor has to review unsolicited information, repeat a request for information, receives an incomplete bank reconciliation or explanation of variances or receives original documents that must be returned, the auditor will incur additional costs for which they are entitled to charge additional fees.
12. **Do not complete the Auditor General for Wales' Audit Certificate and report.** The external auditor completes this on behalf of the Auditor General for Wales on completion of the audit.
13. **Please deal with all correspondence with the external auditor promptly.** This will help you to meet your statutory obligations and will minimise the cost of the audit.
14. **Please note that if completing the electronic form, you must print the form for it to be certified by the RFO and signed by the Chair before it is sent to the auditor.**

AUDIT COMMITTEE

13TH JULY 2018

| | | |
|---|---|---|
| MINUTES OF RELEVANT GROUPS TO THE AUDIT COMMITTEE | | |
| Recommendations / key decisions required: Minutes to be received | | |
| Reasons: Terms of Reference for the Audit Committee stipulate that minutes of Risk Management Steering Group to be received by the Audit Committee along with information regarding arrangements on Corporate Governance and Financial arrangements | | |
| Relevant scrutiny committee to be consulted: Not Applicable | | |
| Exec Board Decision Required | Not Applicable | |
| Council Decision Required | Not Applicable | |
| EXECUTIVE BOARD MEMBER PORTFOLIO HOLDER:- Cllr D Jenkins - Resources | | |
| Directorate: Corporate Services Name of Head of Service: Helen Pugh Report Author: Helen Pugh | Designations: Head of Revenues and Financial Compliance | Tel No. 01267 246223 E Mail Address: HLPugh@carmarthenshire.gov.uk |

**EXECUTIVE SUMMARY
AUDIT COMMITTEE**

13TH JULY 2018

MINUTES OF RELEVANT GROUPS TO THE AUDIT COMMITTEE

To provide Members with minutes form supporting Governance Groups for information

The following Minutes are attached:

- Grants Panel meeting held on 16th May 2018

DETAILED REPORT ATTACHED?

YES

- Grants Panel meeting held on 16th May 2018

IMPLICATIONS

I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report :

Signed: Helen Pugh Head of Revenues and Financial Compliance

| | | | | | | |
|---|---------------|-----------------|-------------|--------------------------------|-------------------------------|-------------------------|
| Policy, Crime & Disorder and Equalities NONE | Legal NONE | Finance NONE | ICT NONE | Risk Management Issues NONE | Staffing Implications NONE | Physical Assets NONE |
|---|---------------|-----------------|-------------|--------------------------------|-------------------------------|-------------------------|

CONSULTATIONS

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below

Signed: Helen Pugh Head of Revenues and Financial Compliance

1. **Scrutiny Committee** : Not Applicable
2. **Local Member(s)** : Not Applicable
3. **Community / Town Council** : Not Applicable
4. **Relevant Partners** : Not Applicable
5. **Staff Side Representatives and other Organisations** : Not Applicable

Section 100D Local Government Act, 1972 – Access to Information

List of Background Papers used in the preparation of this report:

THERE ARE NONE

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**MINUTES OF THE GRANTS PANEL MEETING HELD ON
16th MAY 2018 IN RESOURCES CONFERENCE ROOM, COUNTY HALL.**

PRESENT: Randal Hemingway, Head of Financial Services
Helen Pugh, Head of Revenues & Financial Compliance
Nia Thomas, Chair of PWG, Education & Children’s Services (Revenue)
Alan Howells, Chair of PWG, Environment
Les James, Chair of PWG, Community Services
Rhian Phillips, Economic Development Area Funding Manager
Delyth Thomas, Grants Compliance Officer (GCO)
Kate Havard, Financial Audit Team Leader, Wales Audit Office (WAO)
Noeline Thomas, Service Manager, Education & Children’s Services
Kay Williams, Business Service Co-ordinator, Education & Children’s Services

APOLOGIES: Stuart Walters, Economic Development Manager
Simon Davies, Chair of PWG, Education & Children’s Services (Capital)
Helen Morgan, Economic Development Manager

| | SUBJECT | ACTION |
|-----|---|---------------|
| 1.0 | <p><u>Minutes of the last meeting</u></p> <ul style="list-style-type: none"> The minutes were agreed. | |
| 2.0 | <p><u>Matters Arising</u></p> <ul style="list-style-type: none"> The audit of the WEFO Article 55 - Revenue Generating Project Statement for Y Ffwrnes is still on hold. WAO are waiting for confirmation from their Central Office that this will proceed. A visit from Wales Audit Office Quality Standards Team has been undertaken on the Major Repairs Allowance project. A compliance document based on the Business Plan has been signed off by the auditor. The Internal Audit report of the Environmental & Sustainable Development Directorate Revenue Grant is at draft stage. | HP |
| 3.0 | <p><u>Flying Start</u></p> <ul style="list-style-type: none"> Service Manager and Business Service Co-ordinator attended the meeting to provide an update on the following: <ul style="list-style-type: none"> issues identified during the 2016/17 audit lessons learnt | |

| | SUBJECT | ACTION |
|-----|--|---------------|
| | <ul style="list-style-type: none"> ○ preparation for the 2017/18 audit ○ arrangements in place for 2018/19 short term & medium term ● Due to staffing issues within the Finance Section of Flying Start there have been delays in providing information to WAO ● A restructure of the Finance element has been actioned and as a result, three posts will now report to the Business Service Co-ordinator. ● Changes to the audit arrangements for 2017/18 will mean that the level of audit on Flying Start will not be as bureaucratic as in previous years. However when the sample is provided there is a requirement to provide the full audit trail to support the element of spend being audited. ● An update on progress will be presented to the Education & Children's Services (Revenue) PWG meeting in July and to the next Grants Panel meeting in September. | NT/NT |
| 4.0 | <p><u>Wales Audit Office - Update</u></p> <ul style="list-style-type: none"> ● The audit of Flying Start (Revenue) for 2016/17 has been completed and is due to be signed by the audit manager. There is no qualification letter to Welsh Government but a certification feedback memo has also been agreed by the respective Head of Service and will be forwarded to the Authority as an internal document. ● An update has been provided to Audit Committee on the 2016/17 audit of claims and returns and there are no issues or concerns identified during the audit process. ● A list of claims and returns for 2017/18 that are required to be audited has been provided by WAO. ● A Summary Statement of Certified Welsh Government Grants will be required to be audited for 2017/18. The summary includes 8 projects some of which have been subject to audit by WAO in | |

| | SUBJECT | ACTION |
|-----|--|---------------|
| | <p>previous years and others that have not been subject to audit by WAO. A meeting is to be set up with the respective project managers, GCO and WAO to discuss the audit requirements for those projects included on the Summary Statement.</p> | DT/KH |
| 5.0 | <p><u>IA Grant (IA)</u></p> <ul style="list-style-type: none"> • IA has audited the Authority's element of the project costs for the Motorway & Trunk Roads Maintenance & Improvement Grant for 2016/17. This grant is managed regionally by Neath Port Talbot. It is expected that the same exercise will be undertaken for 2017/18. • There are a number of grant-funded projects that require an audit certificate by IA and have been submitted late for auditing. The chairpersons of the PWGs have been requested to remind project managers to read the Terms & Conditions and to pay attention to the audit requirements. | |
| 6.0 | <p><u>Project Working Groups – Update</u></p> <ul style="list-style-type: none"> • Minutes of PWG meetings were circulated to Grants Panel members for: <ul style="list-style-type: none"> ○ Education & Children's Services <ul style="list-style-type: none"> ▪ Revenue – 19/1/18 & 16/3/18 ▪ Capital – 28/9/17, 21/11/17, 23/1/18 & 26/3/18 ○ Chief Executives: 20/11/17 ○ Community Services: 26/3/18 | |
| 7.0 | <p><u>New & Proposed Projects</u></p> <ul style="list-style-type: none"> • Walk the Global Walk – funded by the European Commission's DEAR (Development Education Awareness Raising) programme. The main aim of the project is to mobilise young people in support of the Sustainable Development Goals, empowering them to become leaders of change prepared to combat poverty and injustice. Carmarthenshire County Council is one of 22 partners across the EU Countries. | |

| | SUBJECT | ACTION |
|-----|---|---------------|
| | <ul style="list-style-type: none"> • An award of funding of £2.4m has been received for the Crosshands East Strategic Employment Site Carmarthenshire Phase 2. This is part of a regional project led by WG of which the Authority is a joint beneficiary. • An award of funding of £3m has also been received for the Pendine Land Speed Cultural Centre and ECO Resort Complex. The project is part of a National Visitor Attractor project led by Visit Wales and the Authority is a joint beneficiary • The Carmarthenshire Working project is currently in development. It is proposed to be funded by the European Social Fund and its aim is to sustain people in work and provide support. It will work alongside the other employability schemes currently in place in the Authority. | |
| 8.0 | <p><u>AOB</u></p> <ul style="list-style-type: none"> • In a previous meeting, it was agreed that a number of projects supported by the European Structural and Community Initiative Programmes 2000 to 2006 (Objective 1) have been identified where documentation can now be destroyed. However, some of these projects also received funding from the Welsh Government's Local Regeneration Fund as match funding. We have now received confirmation from Welsh Government these records can be destroyed. • Following WEFO's request regarding the Authority's Publicity Policy, clarification is being sought from WEFO's Management Verification Team on what the Authority needs to put in place for publicity to ensure adherence to the WEFO guidelines. • The template of the grants register for 2018/19 was circulated. A request was made that each PWG will co-ordinate its completion within their service area by mid-June 2018. • Concerns were raised that two sets of Terms of Conditions for the same grant were signed and | |

| | SUBJECT | ACTION |
|-----|--|---------------|
| | returned to WG. Project Managers should be reminded that this is not acceptable and does not reflect well on how the Authority manages grants. | |
| 9.0 | Date of next meeting – 10:00am on 19 th September 2018 Resources Conference Room County Hall | |

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AUDIT COMMITTEE

Friday, 23 March 2018

PRESENT: Councillor T.M. Higgins (Chair)

Councillors: H.A.L. Evans, G.H. John, C. Jones, B. Thomas, E.G. Thomas and D.E. Williams

Mrs J. James – External Voting Member

In attendance from the Wales Audit Office:-

Mr J. Garcia, Ms K. Havard, Ms A. Lewis.

The following Officers were in attendance:

R. Hemingway, Head of Financial Services;

I. Jones, Head of Leisure;

H. Pugh, Head of Revenues and Financial Compliance;

N. Thomas, Senior Outdoor Recreation Manager;

J. Owen, Democratic Services Officer.

Chamber, County Hall, Carmarthen – 10:00am - 12:25pm

1. APOLOGIES FOR ABSENCE.

Apologies for absence were received from Councillor G. Morgan.

2. DECLARATIONS OF PERSONAL INTERESTS.

| Councillor | Minute Number | Nature of Interest |
|------------|---|---|
| T. Higgins | 6 – Coastal Facilities Action Plan Update | She holds a Pembrey Country Park season ticket. |

3. INTERNAL AUDIT PLAN.

The Committee considered a report which provided a progress update on the implementation of the Internal Audit Plan 2017/18. It was noted that Part A(i) thereof provided a progress report on the Audit Plan 2017/18 and Part A(ii) provided a recommendations scoring matrix.

Part B provided a summary of completed final reports for 2017/18 relating to key financial systems (April 2017 to date) which included:-

- Payroll
- Teachers' Salaries
- Banking

The Committee noted that with regard to Part C of the report, there were no fundamental issues to report.

The following observations/issues were raised on the report:-

A concern was raised regarding the arrangements with external partners and the possible impact on the daily workload of the internal audit team. The Head of Revenues and Financial Compliance reassured the Committee that whilst the collaboration with Ceredigion County Council was a shared agreement with Service Directors, the work with Swansea Council and Neath & Port Talbot County Borough Council was a one off arrangement. Furthermore, the Head of Revenues and Financial Compliance explained that there had been a slight delay in setting up the collaboration arrangements with the Mid and West Wales Fire and Rescue Service.

UNANIMOUSLY RESOLVED that for monitoring purposes, the 2017/18 Internal Audit Plan update be received.

4. INTERNAL AUDIT PLAN 2018/19 & PLANNED COVERAGE FOR 2019-21.

The Committee considered a report providing details of the Internal Audit Plan for 2018/19 and the planned coverage for 2019/21. The Audit Plan had been compiled using risk assessment principles, taking into account changes in services. The adoption of a three year rolling programme provided assurance of the adequacy of audit coverage and allowed the flexibility to deal with changes to systems within the Authority. The Plan assumed full staffing within the Section of 9.4 FTE staff.

The Head of Revenues and Financial Compliance explained to the Committee that this year it was intended to forward a comprehensive questionnaire to every school in Carmarthenshire seeking information on their current arrangements and to provide evidence. Whilst school visits would continue to take place, the information gathered would enable the Audit team to identify high risk schools and direct their resources accordingly providing a better quality audit. The Head of Revenues and Financial Compliance added that she would welcome the Committee's comments and feedback in relation to this new way of working.

In response to a query regarding support to schools, the Head of Revenues and Financial Compliance stated that the Audit team would be available to provide support to schools and links would be provided containing all necessary information.

UNANIMOUSLY RESOLVED that:-

4.1 the Annual Internal Audit Plan for 2018/19 be approved;

4.2 the planned coverage for 2019/21 be confirmed.

5. FORWARD WORK PROGRAMME 2017/18

The Committee considered the Forward Work Programme for 2017/18 which detailed the items to be presented to Committee at scheduled meetings during the forthcoming year.

The Head of Revenues and Financial Compliance stated that the Audit Development Day held last year was very informative and beneficial to Committee members.

UNANIMOUSLY RESOLVED that the report be received.

6. COASTAL FACILITIES ACTION PLAN UPDATE.

[Note: Councillor T. Higgins declared a personal interest in this item].

The Committee considered a report detailing action taken in implementing the Coastal Facilities Action Plan. The quarterly progress report summarised the work undertaken by the Coastal Facilities Team to continue to improve its processes.

The following observations/issues were raised on the report:-

In response to a query raised in relation to the new barrier system for Pembrey Country Park, the Senior Outdoor Recreation Manager reported that a new and more robust Wi-Fi system was needed to be in place prior to the barrier system being installed. The tender for the WI-FI has now been completed and is currently being installed. As a result of this, the new barrier system will be delayed until later in 2018.

In relation to Recommendation 7, reassurance was sought that unannounced visits to undertake cash ups and other audit functions would continue to take place. The Head of Leisure confirmed that the unannounced visits would continue and that the person handling cash would also be subject to the process.

In addition, the Head of Leisure stated that the contract for the barrier system had been drafted and it was anticipated that it would be signed off by the end of May 2018.

UNANIMOUSLY RESOLVED that:

- 6.1 that the report be received;**
- 6.2 to approve progress and the continued work objectives;**
- 6.3 that the Committee receive a further update in 6 months.**

7. CORPORATE RISK REGISTER.

The Committee received for consideration the Corporate Risk Register, following the Corporate Assessment undertaken by the Wales Audit Office and the recommendation that the Register should be shared with the Audit Committee.

The following observations/issues were raised on the report:-

Reference was made to two risks within the report which had missing information. In order to enable members of the Committee to make informed decisions in relation to risks the information was requested. The Head of Revenues and Financial Compliance agreed that the information was important and in order to enable the Committee to challenge relevant Officers it was suggested that an update on the risks in question be provided to a future meeting.

The Committee agreed that this would be beneficial and therefore requested to receive an update from Officers on the risks relating to 'Delivering Effective Safeguarding arrangements' and 'Effective management of demand for Social Care' be brought to the next Committee meeting.

In addition, the Committee requested that Officers provide updates on the risks relating to the 'Delivery of the Authority's Waste Management Strategy' and 'Ensuring that the Authority effectively manages its financial resources...' to the Committee in 6 months.

In response to a query regarding the reduction in the risk rating for 'ensuring effective people management', the Head of Revenues and Financial Compliance stated that the reduction was attributed to an improved reporting mechanism and that information was actively being pursued through Scrutiny Committee meetings. Furthermore, the Member and Officer Challenge Board which was established in 2017 had also contributed to the reduction in the risk rating.

UNANIMOUSLY RESOLVED that:-

7.1 the report be received;

7.2 the Committee receive an update on the following risks at the next meeting:-

- **CR20170010 – Deliver Effective Safeguarding Arrangements for both vulnerable adults and children;**
- **CR20170017 – Effective management of demand for Social care.**

7.3 the Committee receive an update on the following risks in 6 months:-

- **CR20170004 – Ensuring that the Authority effectively manages its financial resources and response to the challenges of reduced funding;**
- **CR20170016 – Delivery of the Authority's Waste Management Strategy.**

7.4 the Committee receive a further report on the Corporate Risk Register in 6 months.

8. FINANCIAL SERVICES UPDATE.

The Committee received for consideration the financial services update which sets out the changes to the timetable for local government bodies to prepare and publish their Statement of Accounts.

The Committee noted that the period of notice given for this change provided an opportunity to make advanced preparations to meet the deadlines. Although there was no obligation to do so, the council would be working towards completing the 2017/18 Statement of Accounts by 15th June, which was the regulatory deadline for 2018/19 prior to the further revision of 31st May for the 2020/21 accounts.

UNANIMOUSLY RESOLVED that the report be received.

9. TO CONSIDER THE FOLLOWING DOCUMENTS PREPARED BY THE WALES AUDIT OFFICE:-

9.1 CARMARTHENSHIRE COUNTY COUNCIL AUDIT COMMITTEE UPDATE - MARCH 2018.

The Committee considered a report providing an update on the financial audit and performance audit work undertaken/to be undertaken on the Authority by the WAO since the last meeting.

UNANIMOUSLY RESOLVED that the report be received.

9.2 2018 AUDIT PLAN - CARMARTHENSHIRE COUNTY COUNCIL.

The Committee considered the 2018 Audit Plan for Carmarthenshire County Council. The Auditor General, as the Council's external auditor, must discharge his statutory duties and obligations under the Public Audit (Wales) Act 2004 and the plan detailed the work to be carried out in order to discharge those responsibilities.

UNANIMOUSLY RESOLVED that the 2018 Audit Plan for Carmarthenshire County Council be received.

9.3 2018 AUDIT PLAN - DYFED PENSION FUND.

The Committee considered the 2018 Audit Plan for the Dyfed Pension Fund. The Auditor General, as the auditor for the Dyfed Pension Fund, must discharge his statutory duties and obligations under the Public Audit (Wales) Act 2004 and the plan detailed the work to be carried out in order to discharge those responsibilities.

UNANIMOUSLY RESOLVED that the 2018 Audit Plan for the Dyfed Pension Fund be received.

9.4 WALES AUDIT OFFICE NATIONAL REPORTS.

The Committee considered the Wales Audit Office National report which related to How Local Government Manage Demand – Homelessness and Housing Adaptations.

A query was raised on how the improvement progress on the recommendations identified were currently captured and monitored. The Head of Revenues and Financial Compliance confirmed that the performance department currently manage the recording of progress updates. Mr Garcia reassured the Committee that the monitoring of progress was standard practice and that Local Authorities were encouraged to track recommendations, particularly if a risk was identified.

It was suggested that progress on the recommendations for improvement be included on the Forward Work Programme.

UNANIMOUSLY RESOLVED that:-

- 9.4.1 the report on How Local Government manages demand – Homelessness be received;**
- 9.4.2 the report on Housing Adaptions be received;**
- 9.4.3 a progress update on the recommendations identified for improvement be included on the Audit Committee Forward Work Programme.**

10. MINUTES OF RELEVANT GROUPS TO THE AUDIT COMMITTEE.

UNANIMOUSLY RESOLVED that the following minutes be received:-

- 10.1 Risk Management Steering Group - 8th January, 2018;**
- 10.2 Grants Panel - 14th February, 2018;**
- 10.3 Corporate Governance Group held on 14th December, 2017.**

11. TO SIGN AS A CORRECT RECORD THE MINUTES OF THE MEETING OF THE COMMITTEE HELD ON 15TH DECEMBER 2017.

UNANIMOUSLY RESOLVED that the minutes of the meeting of the Audit Committee held on the 15th December, 2017 be signed as a correct record.

CHAIR

DATE