

**MONDAY, 7<sup>TH</sup> SEPTEMBER, 2020**

**TO: ALL MEMBERS OF THE AUDIT COMMITTEE**

I HEREBY SUMMON YOU TO ATTEND A VIRTUAL MEETING OF THE **AUDIT COMMITTEE** WHICH WILL BE HELD AT **2.00 P.M.** ON **FRIDAY, 11TH SEPTEMBER, 2020** FOR THE TRANSACTION OF THE BUSINESS OUTLINED ON THE ATTACHED AGENDA.

*Wendy Walters*

**CHIEF EXECUTIVE**

<b>Democratic Officer:</b>	<b>Michelle Evans Thomas</b>
<b>Telephone (Direct Line):</b>	<b>01267 224470</b>
<b>E-Mail:</b>	<b>MEEvansThomas@carmarthenshire.gov.uk</b>

**NOTE:-**

If you require Welsh to English simultaneous translation during the meeting please telephone 0330 336 4321 Passcode: 86486599#  
(For call charges contact your service provider)

Wendy Walters Prif Weithredwr, *Chief Executive*,  
Neuadd y Sir, Caerfyrddin. SA31 1JP  
*County Hall, Carmarthen. SA31 1JP*

# **AUDIT COMMITTEE**

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

## **PLAID CYMRU GROUP – 4 MEMBERS**

- 1. Councillor Kim Broom**
- 2. Councillor Karen Davies**
- 3. Councillor Gareth John**
- 4. Councillor Elwyn Williams**

## **LABOUR GROUP – 2 MEMBERS**

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

## **INDEPENDENT GROUP – 1 MEMBER**

- 1. Councillor Giles Morgan [Vice-Chair]**

## **NEW INDEPENDENT GROUP – 1 MEMBER**

- 1. Councillor Louvain Roberts**

## **EXTERNAL VOTING MEMBER (1)**

**Mrs. Julie James**

# AGENDA

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2. DECLARATIONS OF PERSONAL INTERESTS.
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5. TO CONSIDER THE FOLLOWING DOCUMENTS PREPARED BY AUDIT WALES:-
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**13. TO SIGN AS A CORRECT RECORD THE MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON THE 29TH JULY, 2020.**

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## Audit Committee 11<sup>th</sup> September 2020

**Subject:**

Carmarthenshire County Council Audit of Financial Statements report.

**Recommendations / key decisions required:**

To receive the Audit Wales Audit of Financial Statements report for Carmarthenshire County Council for 2019/20.

**Reasons:**

The Auditor General is responsible for providing an opinion on whether the financial statements give a true and fair view of the position of Carmarthenshire County Council at 31<sup>st</sup> March 2020.

**Relevant scrutiny committee to be consulted:**

Not Applicable.

**Exec Board Decision Required:** No

**Council Decision Required:** No

**EXECUTIVE BOARD MEMBER PORTFOLIO HOLDER:**

Cllr David Jenkins

Directorate:  
Corporate Services

Name of Director:  
Chris Moore

Report Author:  
Chris Moore

Designations:

Director of Corporate Services

Tel No. 01267 224120

Email Address:

[CMoore@carmarthenshire.gov.uk](mailto:CMoore@carmarthenshire.gov.uk)

**EXECUTIVE SUMMARY**  
**Audit Committee**  
**11<sup>th</sup> September 2020**

**Subject:**

Carmarthenshire County Council Audit of Financial Statements report

**1. Brief Summary of Purpose of Report.**

The Auditor General is responsible for providing an opinion on whether the financial statements give a true and fair view of the position of Carmarthenshire County Council at 31<sup>st</sup> March 2020. This report summarises the findings from the audit undertaken.

**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 Moore**

Director of Corporate Services

Policy, Crime & Disorder and Equalities	Legal	Finance	ICT	Risk Management Issues	Staffing Implications	Physical Assets
<b>None</b>	<b>Yes</b>	<b>None</b>	<b>None</b>	<b>None</b>	<b>None</b>	<b>None</b>

**Legal**

Compliance with the Accounts and Audit (Wales) Regulations 2014 (as amended 2018)

## CONSULTATIONS

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

Signed: C Moore

Director of Corporate 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:**

Title of Document	File Ref No.	Locations that the papers are available for public inspection
<b>Accounts and Audit (Wales) Regulations 2014 (as amended 2018)</b>		<b>Corporate Services Department, County Hall, Carmarthen</b>
<b>Code of Practice on Local Authority Accounting 2019/20</b>		<b>Corporate Services Department, County Hall, Carmarthen</b>

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## **Audit of Accounts Report – Carmarthenshire County Council**

Audit year: 2019-20

Date issued: September 2020

Document reference:

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 [infoofficer@audit.wales](mailto:infoofficer@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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We intend to issue an unqualified audit report on your Accounts. There are some issues to report to you prior to their approval.

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# Audit of Accounts Report

## Introduction

- 1 We summarise the main findings from our audit of your 2019-20 accounts in this report.
- 2 We have already discussed these issues with the Director of Corporate Services and his team.
- 3 Auditors can never give complete assurance that accounts are correctly stated. Instead, we work to a level of 'materiality'. This level of materiality is set to try to identify and correct misstatements that might otherwise cause a user of the accounts into being misled.
- 4 We set this level at £6.9 million for this year's audit.
- 5 There are some areas of the accounts that may be of more importance to the reader and we have set a lower materiality level for these, as follows:
  - Senior Officer pay £1,000
  - Related Parties £10,000
- 6 Although we have completed the majority of our audit work at the time of drafting this report, we have yet to complete:
  - the final review of our audit file; and
  - our final review of the revised 2019-20 financial statements;
- 7 We would also like to draw to the attention of the Council that local government electors may exercise their rights under sections 30 and 31 of the Public Audit (Wales) Act 2004 to question the Auditor General about or make objections to the accounts for the year ended 31 March 2020 any time after 1<sup>st</sup> September 2020 until we formally close the 2019-20 audit. At the time of drafting this report we have received an item of correspondence which we are currently reviewing. This may impact on our ability to certify and close the 2019-20 Council accounts as planned on 14<sup>th</sup> September. We will provide a further update to the Committee at its meeting on 11th September 2020.
- 8 In our professional view, we have complied with the ethical standards that apply to our work; remain independent of yourselves; and, our objectivity has not been compromised in any way. There are no relationships between ourselves and yourselves that we believe could undermine our objectivity and independence.

## Impact of COVID-19 on this Year's Audit

- 9 The COVID-19 pandemic has had a significant impact on all aspects of our society and continues to do so. You were required by law to prepare accounts and it is of testament to the commitment of your accounts team that you have succeeded in doing so this year in the face of the challenges posed by this pandemic. We are extremely grateful for the professionalism of the team in supporting us to complete our audit in such difficult circumstances.

- 10 Due to the impact of the Covid 19 pandemic this year, the Council delivered the draft statement of accounts on 29 June 2020, which was after the original statutory deadline of 15 June 2020. For future years, the statutory deadline will be 31 May.
- 11 The Council is likely to face considerable challenges next year in meeting the earlier deadline for delivery of auditable accounts for:
- Carmarthenshire County Council
  - Wales Pension Partnership joint committee
  - Swansea Bay City Deal joint committee
  - Burry Port Harbour Authority
- 12 In addition, the Council may also need to prepare Group Account as the three companies formed in recent years continue to grow. We will work with officers to learn lessons from the 2019-20 accounts preparation and audit processes to help ensure that the Council delivers high quality financial statements in accordance with future statutory deadlines.
- 13 The pandemic has unsurprisingly affected our audit and we summarise in **Exhibit 1** the main impacts. Other than where we specifically make recommendations, the detail in **Exhibit 1** is provided for information purposes only to help you understand the impact of the COVID-19 pandemic on this year's audit process.

## Exhibit 1 – impact of COVID-19 on this year’s audit

<p><b>Timetable</b></p>	<ul style="list-style-type: none"> <li>• The deadline for the completion of the draft accounts was the 15<sup>th</sup> June.</li> <li>• We received the draft accounts on 29<sup>th</sup> June 2020.</li> <li>• Our deadline for completing our audit was 15<sup>th</sup> September 2020.</li> <li>• Subject to the satisfactory resolution of outstanding correspondence, we will certify your 2019-20 financial statements on 14<sup>th</sup> September 2020.</li> </ul>
<p><b>Electronic signatures</b></p>	<p>The current plan is for the Audit Committee to approve the 2019-20 financial statements at its virtual meeting on 11 September 2020. The Section 151 officer will then arrange for manual signatures to be obtained prior to the audit opinion being issued.</p> <p>There are no current plans to use electronic signatures, however should the Council decide they should proceed on this basis then we can accept the use of electronic signatures and electronic transfer of files during the approval and signing process.</p>
<p><b>Audit evidence</b></p>	<p>As in previous years, we received the majority of audit evidence in electronic format. We have used various techniques to ensure its validity. Where we have been unable to obtain access to paper documents because of COVID-19 restrictions we have devised alternative audit methodologies to obtain sufficient audit evidence. Specifically:</p> <ul style="list-style-type: none"> <li>• officers provided electronic working papers in accordance with our agreed Audit Deliverables Report;</li> <li>• officers provided audit evidence to the audit team via email or the shared folder accessible by auditors through the Council laptops;</li> <li>• officers were available by video conferencing for discussions, and for the sharing of on-screen information/evidence; and</li> <li>• Audit Wales also secured remote read only access to the Agresso ledger, CIPFA Asset Management System and Northgate system which enabled the audit team to run reports and view evidence and hence reduce the burden on officers to provide this information.</li> </ul>
<p><b>Other</b></p>	<ul style="list-style-type: none"> <li>• Video conferencing has enabled the audit team to correspond effectively with officers throughout the audit.</li> <li>• Video conference based Audit Committee meetings have enabled us to proficiently discharge our responsibility for reporting to those charged with governance.</li> </ul>

- 14 We will be reviewing what we have learned for our audit process from the COVID-19 pandemic and whether there are innovative practices that we might adopt in the future to enhance that process.

## Proposed Audit Opinion

- 15 We intend to issue an unqualified audit opinion on this year's accounts once you have provided us with a Letter of Representation based on that set out in **Appendix 1**.
- 16 We issue a 'qualified' audit opinion where we have material concerns about some aspects of your accounts; otherwise we issue an unqualified opinion.
- 17 The Letter of Representation contains certain confirmations we are required to obtain from you under auditing standards.
- 18 Our proposed audit report is set out in **Appendix 2**. This audit report includes two emphasis of matter paragraphs. The aim of these paragraphs is to draw the attention of the reader of the accounts to Notes 6.9 and 6.44 in the financial statements.
- 19 Note 6.9 includes reference to the inclusion of a materiality uncertainty clause in the Council valuer's year-end certificate relating to surplus assets and investment properties.
- 20 Note 6.44 includes reference to a material uncertainty clause disclosed in a year-end valuation report for the Dyfed Pension Fund UK property asset fund. The total value of this fund as at 31<sup>st</sup> March 2020 is £296m and the Council's share of this fund amounts to £128m (43%).
- 21 The audit opinion is not modified in respect of either of these matters.

## Significant Issues arising from the Audit

### Uncorrected misstatements

- 22 There are no misstatements identified in the financial statements which remain uncorrected.

### Corrected misstatements

- 23 There were initially some misstatements in the accounts that have now been corrected by management. The most significant of these amendments are drawn to your attention in **Appendix 3**.

## Other Significant matters encountered and resolved during the Audit

- 24 In the course of the audit, we considered a number of matters relating to the accounts. **Exhibit 2** includes commentary on the more significant matters we encountered and worked with management to resolve.

### Exhibit 2 – Significant matters encountered and resolved during the 2019-20 audit

<p><b>Material uncertainty in relation to pension property assets</b></p>	<p>We have requested that the Council sets out in Note 6.46 additional narrative to disclose the material uncertainty in relation to pension property assets.</p>	<p>The Council has included the additional narrative disclosure.</p> <p>We have also drawn the reader's attention to this disclosure in an emphasis of matter paragraph in my audit report.</p> <p>The audit opinion is not modified in respect of this matter.</p>
<p><b>Estimated returns for the 31 March 2020 pension asset valuations</b></p>	<p>The Council typically uses estimated asset returns to inform the year end pension asset valuations,</p> <p>Given the impact of COVID 19 and the potential of significant market volatility around the year end, we compared the estimated rate of return on Pension Fund investments to the actual rate of return. This allowed us to confirm that the estimate included in the 2019-20 financial statements was reasonable.</p>	<p>No adjustments were required to be made to the 2019-20 financial statements.</p>
<p><b>Impact of McCloud Pension remedy</b></p>	<p>Our audit plan highlighted the impact of the McCloud judgement as a potential audit risk for this year's</p>	<p>We corresponded with management and their actuary to assess whether the estimate for this potential</p>



<p><b>proposals on IAS 19 figures</b></p>	<p>audit. An estimate for this potential liability was compiled prior to the proposed remedy being known and is included in the 2019-20 financial statements.</p> <p>On the 16<sup>th</sup> July 2020 the UK government proposed its remedy, and this had the potential to significantly impact this estimate.</p>	<p>liability was in line with the proposed remedy. We have received confirmation from the actuary that their assumptions were similar to the subsequently proposed remedy. Therefore, we were able to conclude that the estimate included in the 2019-20 financial statements was reasonable.</p>
<p><b>Council property valuations – material uncertainty</b></p>	<p>The Council have disclosed the material uncertainty clause relating to surplus assets and investment properties as identified in the valuer's year-end certificate. This has been included in Note 6.9 in the final statements.</p>	<p>The Council will move the narrative disclosure to the Property, Plant &amp; Equipment note.</p> <p>We have also drawn the reader's attention to this disclosure in an emphasis of matter paragraph in my audit report.</p> <p>The audit opinion is not modified in respect of this matter.</p>
<p><b>Council property valuations – procedures</b></p>	<p>We reported in our 2018-19 audit of accounts report that we could not rely upon the work of the internal property valuer as a management expert. This was due to a significant number of errors being identified in property valuations and weaknesses in quality assurance procedures.</p> <p>Officers have undertaken considerable work to address these weaknesses and as a result we have been able to conclude that</p>	<p>Our valuations testing did not identify any issues.</p> <p>Officers will need to ensure that the procedural improvements are maintained in future years.</p>

	we could rely on the valuer's work for the 2019-20 financial statements.	

# Appendix 1

## Final letter of representation

[Audited body's letterhead]

Auditor General for Wales  
Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ

[Date]

### Representations regarding the 2019-20 financial statements

This letter is provided in connection with your audit of the financial statements of Carmarthenshire County Council for the year ended 31 March 2020 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

### Management representations

#### Responsibilities

We have fulfilled our responsibilities for:

- The preparation of the financial statements in accordance with legislative requirements and CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom UK 2019-20; in particular the financial statements give a true and fair view in accordance therewith.
- The design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

### Information provided

We have provided you with:

- Full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;

- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects the Council and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.

## Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

## Representations by those charged with governance

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Audit Committee on 11 September 2020.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

Director of Corporate Services

Date:

Signed by:

Chair of the Audit Committee

Date:

# Appendix 2

## Proposed Audit Report

### The independent auditor's report of the Auditor General for Wales to the members of Carmarthenshire County Council

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

##### Opinion

I have audited the financial statements of Carmarthenshire County Council for the year ended 31st March 2020 under the Public Audit (Wales) Act 2004.

Carmarthenshire County Council's financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement on the Housing Revenue Account Statement and the Housing Revenue Account Income and Expenditure Statement and the related notes, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Carmarthenshire County Council as at 31 March 2020 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20.

##### Basis for opinion

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

### **Emphasis of matter - effects of the Covid-19 pandemic on the valuation of surplus assets and investment properties**

I draw attention to Note 6.9 of the financial statements, which describes a material uncertainty clause in the valuation report on surplus assets and investment properties arising from circumstances caused by the COVID-19 pandemic.

My opinion is not modified in respect of this matter.

### **Emphasis of matter - effects of the Covid-19 pandemic on the valuation of property fund assets in the pension fund liability**

I draw attention to Note 6.44 of the financial statements, which describes the impact of a material uncertainty disclosed in a pension fund manager's year-end valuation report for the UK property fund they manage on behalf of the Dyfed Pension Fund. The Council has disclosed this material uncertainty and my audit opinion is not modified in respect of this matter.

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

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The responsible financial officer is responsible for the other information in the statement of accounts. The other information comprises the information included in the Narrative Report and Annual Governance Statement. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated later in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

## **Report on other requirements**

### **Opinion on other matters**

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

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20;
- The information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual Governance Statement has been prepared in accordance with guidance.

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

In the light of the knowledge and understanding of the council and the group and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Annual Governance Statement.

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

- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

### **Certificate of completion of audit**

I certify that I have completed the audit of the accounts of Carmarthenshire County Council in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

## **Responsibilities**

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the responsible financial officer is responsible for the preparation of the statement of accounts, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

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



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

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

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

Anthony J Barrett  
For and on behalf of the Auditor General for Wales  
14 September 2020

24 Cathedral Road  
Cardiff  
CF11 9LJ

# Appendix 3

## Summary of Corrections Made

During our audit we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

### Exhibit 3: summary of corrections made

Value of correction	Nature of correction	Reason for correction
£4.25 million	<b>Debtor and creditor balances relating to COVID19 Business Grants</b> Based on technical advice, Central Government Debtors were reduced along with Sundry Creditors to ensure that the statement of accounts only reflected the impact of COVID19 business grants that had been physically paid to businesses on or before 31 March 2020. This adjustment had no impact on the Council's net assets balance as at 31 <sup>st</sup> March 2020.	To ensure the statements excluded the impact of COVID19 business grants that had not been physically paid in 2019-20.
Various (nil net effect on the carrying value of assets)	<b>Note 6.9 Property, Plant and Equipment</b> Note 6.9 splits revaluations into four different categories – revaluation increases recognised in the revaluation reserve, revaluation decreases recognised in the revaluation reserve, revaluation increases recognised in the provision of services and revaluation decreases recognised in the provision of services. The total of these categories gives the net movement on valuation for each year. For 2019-20, the net revaluation loss was £9.22million. However, this was not split out across each of the 4 above categories correctly.	To ensure that the split of gains and losses on asset valuations are accurately classified in the note.

Various	<p><b>Note 6.38 Related parties note Llesiant Delta Wellbeing</b></p> <p>The income and expenditure values and year-end debtor and creditor balances were updated</p>	To ensure that the transactions and balances with the company are accurately stated
Various presentational amendments	Various other minor presentational amendments were made to the narrative report and draft statement of accounts. There was no overall impact on the net expenditure or net reserves of the Council.	To ensure accuracy and completeness of the financial statements.



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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

11<sup>th</sup> September 2020

### Letter of Representation to Audit Wales Carmarthenshire County Council

#### Recommendations / key decisions required:

To acknowledge the Letter of Representation from the Director of Corporate Services and the Chair of the Audit Committee to Audit Wales – Carmarthenshire County Council

#### Reasons:

The Committee's formal acknowledgement of the Director of Corporate Services' response is required by Audit Wales.

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

Directorate:  
Corporate Services

Designation:

Director of Corporate  
Services

Tel No: 01267 224120

E Mail Address:

CMoore@carmarthenshire.gov.uk

Report Author:  
Chris Moore

**EXECUTIVE SUMMARY**  
**Audit Committee**  
**11<sup>th</sup> September 2020**

**Letter of Representation to Audit Wales**  
**Carmarthenshire County Council**

In line with the Statement on Auditing Standards (SAS440 - Management Representations), Audit Wales require a "Letter of Representation" on an Annual Basis from the Director of Corporate Services.

Audit Wales require that the Committee responsible for approving the Accounts under Regulation 8 of the Accounts and Audit Regulations formally acknowledge the Director of Corporate Services' response.

<b>DETAILED REPORT ATTACHED?</b>	<b>YES</b>
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**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 Moore** **Director of Corporate Services**

Policy, Crime & Disorder and Equalities	Legal	Finance	ICT	Risk Management Issues	Staffing Implications	Physical Assets
<b>NONE</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>

**CONSULTATIONS**

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

Signed: **C Moore** **Director of Corporate 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.**

Eich cyf / Your ref:

Gofynner am / Please ask for: Chris Moore

Fy nghyf / My ref:

Linell Uniongyrchol / Direct Line: 01267 224120

Dyddiad / Date: 11<sup>th</sup> September 2020

E-bost / E-mail: CMoore@carmarthenshire.gov.uk

## Final letter of representation

Auditor General for Wales  
Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ

### Representations regarding the 2019-20 financial statements

This letter is provided in connection with your audit of the financial statements of Carmarthenshire County Council for the year ended 31 March 2020 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

### Management representations

#### Responsibilities

We have fulfilled our responsibilities for:

- The preparation of the financial statements in accordance with legislative requirements and CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom UK 2019-20; in particular the financial statements give a true and fair view in accordance therewith.
- The design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

#### Chris Moore FCCA

Cyfarwyddwr y Gwasanaethau Corfforaethol,  
Neuadd y Sir, Caerfyrddin, Sir Gaerfyrddin SA31 1JP

Director of Corporate Services,  
County Hall, Carmarthen Carmarthenshire SA31 1JP



BUDDSODDWR | INVESTORS  
MEWN POBL | IN PEOPLE

Mae croeso i chi gysylltu â mi yn y Gymraeg neu'r Saesneg

You are welcome to contact me in Welsh or English

## Information provided

We have provided you with:

- Full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
  - additional information that you have requested from us for the purpose of the audit; and
  - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects the Council and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.

## Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.



## Representations by those charged with governance

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Audit Committee on 11 September 2020.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

Director of Corporate Services - signed on behalf of management

Date:

Signed by:

Chair of the Audit Committee - signed on behalf of those charged with governance

Date:

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## Audit Committee 11<sup>th</sup> September 2020

### Audit enquiries to those charged with governance and management

#### Recommendations / key decisions required:

1. To approve the responses to the requests made of both management and the Audit Committee as detailed in the report.

#### Reasons:

To give Audit Wales assurance on a number of governance areas that impact on their audit of the financial statements.

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

Directorate:  
Corporate Services

Designation:

Director of Corporate  
Services

Tel No: 01267 224120

E Mail Addresses:

[CMoore@carmarthenshire.gov.uk](mailto:CMoore@carmarthenshire.gov.uk)

Report Author:  
Chris Moore

# EXECUTIVE SUMMARY

## Audit Committee

11<sup>th</sup> September 2020

### Audit enquiries to those charged with governance and management

Audit Wales is required to conduct their financial audit in accordance with the requirements set out in International Standards on Auditing (ISAs). As part of the requirements of the ISAs they are required to formally seek the Authority's documented consideration and understanding on a number of governance areas that impact on the audit of the financial statements. These considerations are relevant to both the Council's management and 'those charged with governance' (the Audit Committee).

The areas of governance on which they are seeking views:

1. Management processes in relation to:

- undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud;
- identifying and responding to risks of fraud in the organisation;
- communication to employees of views on business practice and ethical behaviour; and
- communication to those charged with governance the processes for identifying and responding to fraud.

2. Management's awareness of any actual or alleged instances of fraud.

3. How management gain assurance that all relevant laws and regulations have been complied with.

4. Whether there is any potential litigation or claims that would affect the financial statements.

5. Management processes to identify, authorise, approve, account for and disclose related party transactions and relationships.

The information provided informs their understanding of the Council and its business processes and supports their work in providing an audit opinion on the 2019/20 financial statements.

**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 Moore**

Director of Corporate Services

Policy, Crime & Disorder and Equalities	Legal	Finance	ICT	Risk Management Issues	Staffing Implications	Physical Assets
<b>NONE</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>

## CONSULTATIONS

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

Signed: **C Moore**

Director of Corporate 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:

2019/20 accounts closure working papers

Corporate and HR Policies

Title of Document	File Ref No.	Locations that the papers are available for public inspection
2019/20 accounts working papers		County Hall, Carmarthen

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24 Cathedral Road / 24 Heol y Gadeirlan  
Cardiff / Caerdydd  
CF11 9LJ  
Tel / Ffôn: 029 2032 0500  
Fax / Ffacs: 029 2032 0600  
Textphone / Ffôn testun: 029 2032 0660  
[info@audit.wales](mailto:info@audit.wales) / [post@archwilio.cymru](mailto:post@archwilio.cymru)  
[www.audit.wales](http://www.audit.wales) / [www.archwilio.cymru](http://www.archwilio.cymru)

Mr Chris Moore  
Director of Corporate Services  
Carmarthenshire County Council  
County Hall  
Carmarthen  
SA31 1JP

Dear Chris

### **Carmarthenshire County Council 2019-20**

#### **Audit enquiries to those charged with governance and management**

As you will be aware I am required to conduct my financial audit in accordance with the requirements set out in International Standards on Auditing (ISAs). As part of the requirements of the ISAs I am writing to you to formally seek your documented consideration and understanding on a number of governance areas that impact on my audit of your financial statements. These considerations are relevant to both the Council's management and 'those charged with governance'

I have set out below the areas of governance on which I am seeking your views.

1. Management processes in relation to:
  - undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud;
  - identifying and responding to risks of fraud in the organisation;
  - communication to employees of views on business practice and ethical behaviour; and
  - communication to those charged with governance the processes for identifying and responding to fraud.
2. Management's awareness of any actual or alleged instances of fraud.
3. How management gain assurance that all relevant laws and regulations have been complied with.
4. Whether there is any potential litigation or claims that would affect the financial statements.

5. Management processes to identify, authorise, approve, account for and disclose related party transactions and relationships.

The information you provide will inform our understanding of the Council and its business processes and support our work in providing an audit opinion on your 2019-20 financial statements.

I have included your responses for 2018-19 in Appendix 1 and would be grateful if you could update these to reflect your current arrangements. Could you please provide this information on behalf of both management and those charged with governance by 24 July 2020. In the meantime, if you have queries, please contact me on 07792 015416.

Yours sincerely

Jason Garcia  
Audit Manager



## Appendix A

### International Standard for Auditing (UK and Ireland) 240 – The auditor’s responsibilities relating to fraud in an audit of financial statements

#### Background

Under the ISA, the primary responsibility for preventing and detecting fraud rests with both management and ‘those charged with governance’, which for the Council is the Audit Committee. This includes fraud that could impact on the accuracy of the annual accounts. The ISA requires us, as external auditors, to obtain an understanding of how the Council exercises oversight of management’s processes for identifying and responding to the risks of fraud and the internal controls established to mitigate them.

What is ‘fraud’ in the context of the ISA? The ISA views fraud as either:

- the intentional misappropriation of the Council’s assets (cash, property, etc); or
- the intentional manipulation or misstatement of the financial statements.

#### What are we required to do?

We have to obtain evidence of how management and those charged with governance are discharging their responsibilities if we are to properly discharge our responsibilities under ISA240. We are therefore making requests from both management and the Audit Committee:

Enquiries of management		
Question	2018-19 Response	2019-20 Response
1) What is management’s assessment of the risk that the financial statements may be materially misstated due to	It is management’s opinion that the risk of material misstatement of the financial	It is management’s opinion that the risk of material misstatement of the financial

<p>fraud and what are the principle reasons?</p>	<p>statements due to fraud are low due to the checks and controls that are in place. The Authority has an adequate and effective control environment in operation. There are clear Governance arrangements with defined Management responsibilities and Committee Structures in place. Risk Management and the Control Framework are sound and operated 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</p> <p>The Authority has an Internal Audit team with responsibility for providing ongoing fraud detection and prevention service covers all areas with the exception of "Benefit Fraud", which is a specialist Unit in the Revenues Unit of the Financial Services Division dealing with all Benefit Fraud. The Authority's Anti Fraud and Anti Corruption Strategy 2011/2015 was approved by Audit Committee in 30<sup>th</sup> September 2011 and is available on the Authority's Intranet. 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.</p> <p>The Authority participates in the <b>"National Fraud Initiative"</b>, where data on Payroll,</p>	<p>statements due to fraud are low due to the checks and controls that are in place. The Authority has an adequate and effective control environment in operation. There are clear Governance arrangements with defined Management responsibilities and Committee Structures in place. Risk Management and the Control Framework are sound and operated 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</p> <p>The Authority has an Internal Audit team with responsibility for providing ongoing fraud detection and prevention service covers all areas with the exception of "Benefit Fraud", which is a specialist Unit in the Revenues Unit of the Financial Services Division dealing with all Benefit Fraud. The Authority's Anti Fraud and Anti Corruption Strategy was approved by Audit Committee in September 2011 and is available on the Authority's Intranet. The strategy will be updated and renewed in the next financial year. 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.</p>
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	<p>Creditors, Housing Benefit, Pensions, Insurance Claims, Blue Badges and VAT issues are matched nationally to identify potential individual frauds. The exercise reviewing data nationally across Local Authorities and other Public Sector Organisations was undertaken during 2016/2017.</p> <p>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.</p> <p>Internal Audit plan their work using risk assessment principles and taking into account changes in services. The adoption of a three year rolling programme provides assurance of the adequacy of audit coverage and allows the flexibility to deal with changes to systems within the Authority.</p> <p>Internal Audit continues to provide training to a range of staff. Fraud awareness is a key area covered as part of the training.</p> <p>We are aware of a small number of either attempted/perpetrated fraud incidents. These are all of values below trivial and would not lead to misstatement.</p>	<p>The Authority participates in the <b>"National Fraud Initiative"</b>, where data on Payroll, Creditors, Housing Benefit, Pensions, Insurance Claims, Blue Badges and VAT issues are matched nationally to identify potential individual frauds. The exercise reviewing data nationally across Local Authorities and other Public Sector Organisations was undertaken during 2018/2019.</p> <p>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.</p> <p>Internal Audit plan their work using risk assessment principles and taking into account changes in services. The adoption of a three year rolling programme provides assurance of the adequacy of audit coverage and allows the flexibility to deal with changes to systems within the Authority.</p> <p>Internal Audit continues to provide training to a range of staff. Fraud awareness is a key area covered as part of the training.</p> <p>Due to the Covid-19 lockdown, a number of processes had to be changed to enable remote working. Internal Audit was engaged to provide support and advice to ensure the controls remain appropriate.</p>
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		<p>We are aware of a small number of either attempted/perpetrated fraud incidents. These are all of values below trivial and would not lead to misstatement.</p>
<p>2) How can management assure the Audit Committee that it has not been inappropriately influenced by external pressures?</p>	<p>There are clear Governance arrangements with defined Management responsibilities and Committee Structures in place. Risk Management and the Control Framework are sound and operated 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.</p> <p>The committee have received training as well as sessions conducted by the Wales Audit Office too.</p>	<p>There are clear Governance arrangements with defined Management responsibilities and Committee Structures in place. Risk Management and the Control Framework are sound and operated 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.</p> <p>The committee have received training as well as sessions conducted by the Wales Audit Office too.</p>
<p>3) Are management aware of any organisational pressure to meet revenue and capital budgets or other financial constraints?</p>	<p>Public Services in Wales continue to face unprecedented reductions in government settlements which have obviously made the budget process extremely difficult. It is a key requirement of the Section 151 Officer to put forward a balanced budget for approval by County Council. Leading up to his Report to County Council, there is significant consultation with Elected Members, Officers and the public to set</p>	<p>Public Services in Wales continue to face unprecedented reductions in government settlements which have obviously made the budget process extremely difficult. It is a key requirement of the Section 151 Officer to put forward a balanced budget for approval by County Council. Leading up to his Report to County Council, there is significant consultation with Elected Members, Officers and the public to set</p>

	<p>priorities and cost the implications of any proposals. Elected Members, staff and the public have been kept fully abreast of the developments on the financial position of the Authority throughout the budget setting process, and established reporting systems are in place to ensure that budgets are monitored during the year. Decisions have had to be made in respect of prioritisation of services and the inclusion of substantial budget reductions in order to achieve a balanced budget with an acceptable Council Tax increase.</p> <p>There is now the added pressure that there appears to be an increasing uncertainty beyond one year budgets – both for RSG as well as specific grants from Welsh Government in response to structural recurrent pressures (eg. Teachers pensions).</p>	<p>priorities and cost the implications of any proposals. Elected Members, staff and the public have been kept fully abreast of the developments on the financial position of the Authority throughout the budget setting process, and established reporting systems are in place to ensure that budgets are monitored during the year. Decisions have had to be made in respect of prioritisation of services and the inclusion of substantial budget reductions in order to achieve a balanced budget with an acceptable Council Tax increase.</p> <p>The uncertainty of one year budgets remains and has clearly been exacerbated by Covid-19 pressures. Whilst WG have provided additional funding on an evidenced basis to councils, it is not clear how long this can continue. Likewise no mechanism is yet in place to address the significant loss of income.</p>
<p>4) What processes are employed to identify and respond to the risks of fraud more generally and specific risks of misstatement in the financial statements?</p>	<p>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. The Authority has an Internal Audit team with responsibility for providing ongoing fraud detection and prevention service</p>	<p>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. The Authority has an Internal Audit team with responsibility for providing ongoing fraud detection and prevention service</p>

	<p>covers all areas with the exception of “Benefit Fraud”, which is a specialist Unit in the Revenues Unit of the Financial Services Division dealing with all Benefit Fraud.</p> <p>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.</p> <p>Due to the change in structure effected within corporate services, a new Principal auditor was appointed in Summer 2018.</p>	<p>covers all areas with the exception of “Benefit Fraud”, which is a specialist Unit in the Revenues Unit of the Financial Services Division dealing with all Benefit Fraud.</p> <p>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.</p> <p>Due to the change in structure effected within corporate services, a new Principal auditor was appointed in Summer 2018.</p>
5) How has management communicated expectations of ethical governance and standards of conduct and behaviour to all relevant parties, and when?	<p>The Authority’s Anti Fraud and Anti Corruption Strategy was approved by Audit Committee in September 2011 and is available on the Authority’s Intranet</p> <p>The Authority has an established Code of Conduct for Members and Staff, and a whistleblowing policy.</p> <p>All staff are required to make an annual declaration of personal interests and are reminded of the Officers code of Conduct</p>	<p>The Authority’s Anti Fraud and Anti Corruption Strategy was approved by Audit Committee in September 2011 and is due to be updated in the next financial year.</p> <p>The Authority has an established Code of Conduct for Members and Staff, and a whistleblowing policy.</p> <p>All staff are required to make an annual declaration of personal interests and are reminded of the Officers code of Conduct</p>
6) What arrangements are in place to report about fraud to those charged with governance?	<p>The Annual Report from the designated Head of Audit to Audit Committee provides an opportunity to summarise issues relating to fraud or to report any individual cases which have reached a conclusion. Any significant case of fraud concluding during the year could form a separate Agenda Item</p>	<p>The Annual Report from the designated Head of Audit to Audit Committee provides an opportunity to summarise issues relating to fraud or to report any individual cases which have reached a conclusion. Any significant case of fraud concluding during the year could form a separate Agenda Item</p>

	to appraise the Committee of the facts of the individual case and advise of the control measures either already put in place or to be put in place to minimise the risk of any recurrence.	to appraise the Committee of the facts of the individual case and advise of the control measures either already put in place or to be put in place to minimise the risk of any recurrence.
<b>Enquiries of those charged with governance</b>		
<b>Question</b>	<b>2018-19 Response</b>	<b>2019-20 Response</b>
1) How do those charged with governance, exercise oversight of management's processes for identifying and responding to the risks of fraud within the Council and the internal control that management has established to mitigate those risks?	Approval of the Anti Fraud and Anti Corruption Strategy 2011-2015 approved by Audit Committee in 30 <sup>th</sup> September 2011 The Strategy sets out the Framework for detecting and dealing with fraud matters within the Council. Regular Audit Plan updates to Audit Committee, and reports on control issue identified during audits.	Approval of the Anti Fraud and Anti Corruption Strategy 2011-2015 approved by Audit Committee in 30 <sup>th</sup> September 2011 and is due to be updated in the next financial year. The Strategy sets out the Framework for detecting and dealing with fraud matters within the Council. Regular Audit Plan updates to Audit Committee, and reports on control issue identified during audits.
2) Have those charged with governance knowledge of any actual, suspected or alleged fraud since 1 April 2019?	Audit Committee is a public meeting so individual cases of "suspected fraud" cannot be discussed in such a forum. The Chair and Vice Chair of Audit Committee are provided with greater detail and day to day access to the Internal Audit Management Team. Details of suspected fraud would be shared "informally" with the Chair and Vice Chair i.e. outside of the Formal Committee Meeting.	Audit Committee is a public meeting so individual cases of "suspected fraud" cannot be discussed in such a forum. The Chair and Vice Chair of Audit Committee are provided with greater detail and day to day access to the Internal Audit Management Team. Details of suspected fraud would be shared "informally" with the Chair and Vice Chair i.e. outside of the Formal Committee Meeting.

3) Have those charged with governance any suspicion that fraud may be occurring within the organisation?	All Members and employees have a responsibility to report Fraud and Corruption when they become aware of it. Under Financial Procedure Rules any suspected case of fraud or corruption by any officer or member must be reported to the Head of Audit, Risk and Procurement. Carmarthenshire County Council has a "Whistleblowing policy", managed by the Monitoring officer. This policy enables employees to raise concerns and also safeguard their interests in line with the Public Interest Disclosure Act 1998. Staff and the public are able to report suspected Benefit Fraud including Housing and Council Tax Benefit fraud through the dedicated "Fraud Hotline".	All Members and employees have a responsibility to report Fraud and Corruption when they become aware of it. Under Financial Procedure Rules any suspected case of fraud or corruption by any officer or member must be reported to the Head of Audit, Risk and Procurement. Carmarthenshire County Council has a "Whistleblowing policy", managed by the Monitoring officer. This policy enables employees to raise concerns and also safeguard their interests in line with the Public Interest Disclosure Act 1998. Staff and the public are able to report suspected Benefit Fraud including Housing and Council Tax Benefit fraud through the dedicated "Fraud Hotline".
4) Are those charged with governance satisfied that internal controls, including segregation of duties, exist and work effectively? If 'yes', please provide details. If 'no' what are the risk areas?	Yes Regular Audit Plan updates to Audit Committee, and proposed coverage for coming financial years. Reports on control issue identified during audits	Yes Regular Audit Plan updates to Audit Committee, and proposed coverage for coming financial years. Reports on control issue identified during audits.
5) How do you encourage staff to report their concerns about fraud and what concerns about fraud are staff expected to report?	The Authority's Whistleblowing policy sets out a working environment where Staff can feel confident to raise any concerns about malpractice within the Council. Malpractice can include fraud, corruption, bribery, dishonesty, financial irregularities, serious maladministration because of deliberate and improper conduct, unethical activities (which may be of a criminal nature) and dangerous acts or omissions which create a risk to	The Authority's Whistleblowing policy sets out a working environment where Staff can feel confident to raise any concerns about malpractice within the Council. Malpractice can include fraud, corruption, bribery, dishonesty, financial irregularities, serious maladministration because of deliberate and improper conduct, unethical activities (which may be of a criminal nature) and dangerous acts or omissions which create a risk to



	<p>health, safety or the environment, criminal offences, or failure to comply with a legal or regulatory obligation.</p> <p>The Whistleblowing Procedure is regularly monitored by a Whistleblowing Group and annual reports regarding whistleblowing are submitted to Standards Committee</p>	<p>health, safety or the environment, criminal offences, or failure to comply with a legal or regulatory obligation.</p> <p>The Whistleblowing Procedure is regularly monitored by a Whistleblowing Group and annual reports regarding whistleblowing are submitted to Standards Committee</p>
6) From a fraud and corruption perspective, what are considered by those charged with governance to be high risk posts within the organisation and how are the risks relating to these posts identified, assessed and managed?	<p>The Audit Committee rely on both Internal Audit and External Audit to undertake an ongoing comprehensive review of the Authority. Individuals controlling large amounts of money / cash or managing high value or attractive assets will naturally be seen as higher risk albeit controls should be more secure to prevent any abuse. The Internal Audit Plan is compiled using a Risk Based Approach which takes in to account issues such as value, nature of transaction, past problems etc</p>	<p>The Audit Committee rely on both Internal Audit and External Audit to undertake an ongoing comprehensive review of the Authority. Individuals controlling large amounts of money / cash or managing high value or attractive assets will naturally be seen as higher risk albeit controls should be more secure to prevent any abuse. The Internal Audit Plan is compiled using a Risk Based Approach which takes in to account issues such as value, nature of transaction, past problems etc</p>
7) Are those charged with governance aware of any related party relationships or transactions that could give rise to instances of fraud and how does they mitigate the risks associated with fraud related to related party relationships and transactions?	<p>All Related Party Transactions are disclosed in the statement of Accounts as confirmed in the letter of representation.</p>	<p>All Related Party Transactions are disclosed in the statement of Accounts as confirmed in the letter of representation.</p>
8) Are those charged with governance aware of any entries made in the accounting records of the	<p>No – the Letter of representation confirms that the financial statements are free of material misstatements, including omissions</p>	<p>No – the Letter of representation confirms that the financial statements are free of material misstatements, including omissions</p>

<p>organisation that it believes or suspects are false or intentionally misleading?·</p>		
<p>9) Are those charged with governance aware of any organisational, or management pressure to meet revenue and capital budgets or other financial constraints?</p>	<p>All Elected Members sit on Full Council and various scrutiny committees and have been kept abreast of, and consulted upon the financial outlook and budget setting. Extensive public consultation undertaken during the budget setting and specifically on the budget Savings proposals. In addition the External Voting Member is fully aware of the need to meet revenue and capital budgets or other constraints.</p>	<p>All Elected Members sit on Full Council and various scrutiny committees and have been kept abreast of, and consulted upon the financial outlook and budget setting. Extensive public consultation undertaken during the budget setting and specifically on the budget Savings proposals. In addition the External Voting Member is fully aware of the need to meet revenue and capital budgets or other constraints.</p>

**International Standard for Auditing (UK and Ireland) 250 – Consideration of laws and regulations in an audit of financial statements**

**Background**

Under the ISA, in the UK and Ireland, the primary responsibility for ensuring that the entity's operations are conducted in accordance with laws and regulations and the responsibility for the prevention and detection of non compliance rests with management and ‘those charged with governance’, which for the Council is the Audit Committee. The ISA requires us, as external auditors, to obtain an understanding of how the Committee gains assurance that all relevant laws and regulations have been complied with.

**What are we required to do?**

We have to obtain evidence of how management and those charged with governance are discharging their responsibilities, if we are to properly discharge our responsibilities under ISA 250. We are therefore making requests from both management and the Audit Committee:

<b>Enquiries of management</b>		
<b>Question</b>	<b>2018-19 Response</b>	<b>2019-20 Response</b>
1) How have you gained assurance that all relevant laws and regulations have been complied with?	Code of Practice on Local Authority Accounting 2018/19, LAAP Bulletins reviewed, CIPFA/IPF training Courses. WAO findings, Wales Chief Accountants Working Group, Specialist advice from Treasury Management Advisors	Code of Practice on Local Authority Accounting 2019/20, LAAP Bulletins reviewed, CIPFA/IPF training Courses. WAO findings, Wales Chief Accountants Working Group, Specialist advice from Treasury Management Advisors
2) Are there any potential litigations or claims that would affect the financial statements?	No – covered in the letter of representation. Enquiries are made of the Assistant Chief Executive (HR) and the Monitoring Officer at year end, and again pre-publication of the statement to identify any potential post balance sheet date events. All known actual	Yes – a small number of employment tribunal cases as included in the Contingent liability note included in the statement of accounts

	or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.	
<b>Enquiries of those charged with governance</b>		
<b>Question</b>	<b>2018-19 Response</b>	<b>2019-20 Response</b>
1) Have those charged with governance, exercise oversight of management's processes to ensure that all relevant laws and regulations have been complied with?	Reliance on Internal Audit, Monitoring Officer, Section 151 Officer, Letter of representation and WAO feedback	Reliance on Internal Audit, Monitoring Officer, Section 151 Officer, Letter of representation and WAO feedback
2) Are those charged with governance aware of any non-compliance with relevant laws and regulations?	No	No
3) If there have been instances of non-compliance what are they, and what oversight have those charged with governance had to ensure that action taken by management to address and gaps in control?	No.	No

## International Standard for Auditing (UK and Ireland) 550 – Related parties

### Background

The nature of related party relationships and transactions may, in some circumstances, give rise to higher risks of material misstatement of the financial statements than transactions with unrelated parties. For example:

- Related parties may operate through an extensive and complex range of relationships and structures, with a corresponding increase in the complexity of related party transactions.
- Information systems may be ineffective at identifying or summarising transactions and outstanding balances between an entity and its related parties.
- Related party transactions may not be conducted under normal market terms and conditions; for example, some related party transactions may be conducted with no exchange of consideration.

As related parties are not independent of each other, many financial reporting frameworks establish specific accounting and disclosure requirements for related party relationships, transactions and balances to enable users of the financial statements to understand their nature and actual or potential effects on the financial statements. An understanding of the entity's related party relationships and transactions is relevant to the auditor's evaluation of whether one or more fraud risk factors are present as required by ISA (UK and Ireland) 240, because fraud may be more easily committed through related parties.

### What are we required to do?

Where the applicable financial reporting framework establishes requirements for related parties, the auditor has a responsibility to perform audit procedures to identify, assess and respond to the risks of material misstatement arising from the entity's failure to appropriately account for or disclose related party relationships, transactions or balances in accordance with the requirements of the framework. We are therefore making requests from both management and the Audit Committee:

Enquiries of management		
Question	2018-19 Response	2019-20 Response
1) What controls are in place to identify, authorise, approve, account for and disclose	Enquires made of relevant officers and members for details of any potential related	Enquires made of relevant officers and members for details of any potential related

<p>related party transactions and relationships?</p>	<p>party transactions. Evidence subjected to audit by WAO. Confirmation given in the Letter of Representation that related party relationships and transactions have been appropriately accounted for and disclosed. The guidance note issued has been updated to provide greater clarity.</p>	<p>party transactions. Evidence subjected to audit by WAO. Confirmation given in the Letter of Representation that related party relationships and transactions have been appropriately accounted for and disclosed.</p>
<p>2) Confirm that you have:</p> <ul style="list-style-type: none"> <li>• disclosed to the auditor the identity of the entity's related parties and all the related party relationships and transactions of which you are aware; and</li> <li>• appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the framework.</li> </ul>	<p>Confirmation given in the Letter of Representation that related party relationships and transactions have been appropriately accounted for and disclosed</p>	<p>Confirmation given in the Letter of Representation that related party relationships and transactions have been appropriately accounted for and disclosed</p>
<p><b>Enquiries of those charged with governance</b></p>		
<p><b>Question</b></p>	<p><b>2018-19 Response</b></p>	<p><b>2019-20 Response</b></p>
<p>1) How do those charged with governance exercise oversight of management's processes to identify, authorise, approve, account for and disclose related party transactions and relationships?</p>	<p>Disclosure made in the statement of Accounts which is approved by the Audit Committee, Letter of Representations and feedback from WAO.</p>	<p>Disclosure made in the statement of Accounts which is approved by the Audit Committee, Letter of Representations and feedback from WAO.</p>

## Audit Committee 11<sup>th</sup> September 2020

<b>Statement of Accounts 2019/20</b>		
<b>Recommendations / key decisions required:</b>		
To approve the Statement of Accounts 2019/20 for Carmarthenshire County Council post audit.		
<b>Reasons:</b>		
The Council is required to approve its 2019/20 accounts by 15 <sup>th</sup> September 2020 to comply with the Accounts and Audit (Wales) Regulations 2014 (as amended 2018).		
Audit Committee have delegated power to approve the Accounts in line with the Local Government Measure.		
Relevant scrutiny committee to be consulted: NA		
Exec Board Decision Required	NO	
Council Decision Required	NO	
<b>EXECUTIVE BOARD MEMBER PORTFOLIO HOLDER:-</b>		
Cllr. David Jenkins		
Directorate: Corporate Services	Designation:  Director of Corporate Services	Tel No. 01267 224120  E Mail Addresses: <a href="mailto:CMoore@carmarthenshire.gov.uk">CMoore@carmarthenshire.gov.uk</a>
Report Author: Chris Moore		

**EXECUTIVE SUMMARY**  
**Audit Committee**  
**11<sup>th</sup> September 2020**

**Statement of Accounts 2019/20**

In line with the Accounts and Audit (Wales) Regulations 2014 (as amended 2018), the Statement of Accounts is now presented to Audit Committee for approval.

As noted in the earlier agenda item (Audit Wales report) a number of amendments have been made to the accounts, including clarification in some disclosure notes.

For the Council Fund, there has been no change to the balances on general or earmarked reserves for the year, and similarly no change to the Housing Revenue Account balance at year end.

All changes agreed with Audit Wales have been reflected in the Statement of Accounts presented for approval.

**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: **Chris Moore**

**Director of Corporate Services**

Policy, Crime & Disorder and Equalities	Legal	Finance	ICT	Risk Management Issues	Staffing Implications	Physical Assets
<b>NONE</b>	<b>YES</b>	<b>YES</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>

## 1. Legal

Compliance with the Accounts and Audit (Wales) Regulations 2014 (as amended 2018).

## 2. Finance:

Overall the Authority's Council Fund net expenditure for the year was below the original budget, resulting in a transfer of £844k to balances on the Council Fund. A transfer of £6.9m from Housing Revenue Account balances occurred during the year.

At the balance sheet date, the Council Fund General Balances stood at £11.2m, the Housing Revenue Account £21.3m and the balances held by schools under LMS was in deficit by £2.0m.

## CONSULTATIONS

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

Signed: Chris Moore

Director of Corporate 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 (as amended 2018)		Corporate Services Department, County Hall, Carmarthen
Code of Practice on Local Authority Accounting 2019/20		Corporate Services Department, County Hall, Carmarthen

# Statement of Accounts

2019 - 2020

[carmarthenshire.gov.wales](http://carmarthenshire.gov.wales)

Cyngor **Sir Gâr**  
**Carmarthenshire**  
County Council



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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 2019/20.

The Authority's Accounts for the year 2019/20 are set out on the following pages of this report and have been produced in line with the 2019/20 Code of Practice on Local Authority Accounting (the Code).

### 1.1 The accounts consist of the following financial statements:

#### **Expenditure and Funding Analysis**

#### **Comprehensive Income and Expenditure Statement (CIES)**

#### **Movement in Reserves Statement**

#### **Balance Sheet**

#### **Cash Flow Statement**

Detail on each of these financial statements can be found in Section 5.

#### **Housing Revenue Account Income and Expenditure Statement and Movement on the Housing Revenue Account Statement**

Detail on these financial statements can be found in Sections 7 and 8.

#### **Dyfed Welsh Church Fund and Other Trust Funds**

Detail on these Funds can be found in Sections 9 to 11

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 2019/20 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	32,050	(13,930)	(3,052)	15,068	32,249	(14,743)	(3,052)	14,454	(614)
Communities	152,349	(64,245)	17,961	106,065	154,503	(65,412)	17,961	107,052	987
Corporate Services	85,370	(51,147)	(2,682)	31,541	83,508	(50,217)	(2,682)	30,608	(932)
Education & Children	173,655	(32,802)	45,721	186,574	193,278	(52,047)	45,721	186,951	378
Environment	116,427	(75,312)	18,386	59,501	118,862	(78,012)	18,386	59,236	(265)
<b>Departmental Expenditure</b>	<b>559,850</b>	<b>(237,435)</b>	<b>76,334</b>	<b>398,748</b>	<b>582,400</b>	<b>(260,431)</b>	<b>76,334</b>	<b>398,301</b>	<b>(447)</b>
Net Interest & Capital									
Accounting Adjustments				(30,821)				(32,427)	(1,606)
Pension Reserve Adjustment				(25,995)				(25,995)	0
Accumulated Leave				(596)				(596)	0
<b>Levies and Contributions:</b>									
Brecon Beacon Nat Parks				138				138	0
Fire Authority				9,838				9,838	0
<b>Net Expenditure</b>				<b>351,313</b>				<b>349,260</b>	<b>(2,054)</b>
Contribution to/(from) General Balances				0				844	844
To/(from) Departmental Reserves				0				906	906
Transfer to City Deal Reserve				0				1,500	1,500
<b>Net Budget</b>				<b>351,313</b>				<b>352,510</b>	<b>1,196</b>
Revenue Support Grant				(200,096)				(200,096)	0
Non Domestic Rates				(60,293)				(60,293)	0
Council Tax				(90,925)				(92,122)	(1,196)
				0				0	0

The financial position at year end showed an underspend at department level of £447k. This does not include the overspend on schools as this is captured in the LMS reserve movement (See note 6.22).

The Chief Executive department reported a £614k underspend. Undelivered efficiencies were off-set against underspends due to staff vacancies, high occupancy of Industrial Premises & Commercial properties and general savings over a number of different sections.

The Communities Department experienced pressures on services supporting Older People and the Physical Disabilities service which, after offsetting underspends elsewhere within the department resulted in a net overspend of £987k.

Savings from staff vacancies, low take up of Council tax reduction scheme and rates relief and efficient recovery of rent allowances resulted in a net underspend for the Corporate Services department of £932k.

The Education department was £378k over budget. This was after offsetting underspends due to staff vacancies and the utilisation of additional grants to support core spend against increased demand for Special Educational Needs provision within County; School based EVR and redundancy costs; Education Other Than at School; School Modernisation property decommissioning costs and the School Meals service suffering a loss of income in March due to COVID-19 school closures; Music Service expenditure (mainly staffing) exceeding the SLA income from schools, an increase in demand for Direct Payments and ongoing costs associated with Garreglwyd Residential Unit.

Other underspends, plus the savings on capital financing costs and a higher than estimated collection level on Council Tax means that the Authority transferred £844k to general reserves for the 2019/20 financial year.

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	36,761	(42,862)	(6,101)	36,135	(43,073)	(6,938)	(837)
Transfers to/(from) HRA balances	0	0	6,101	0	0	6,938	837

The Housing Revenue Account (HRA) reported an underspend of £837k for the year.

The main variances were:

- decreased Repairs and Maintenance of £184k due to a reduction in minor works and voids, offset by an increased spend on servicing and responsive maintenance.
- capital financing costs of £230k less than budgeted due to a reduction in interest rates.
- reduced requirement on bad debt provision of £202k.
- rental income lower due to increased number of voids and the increased time to turnaround major voids £248k.
- increased income for insurance claims, service charges and other income £460k.

### 1.3 Reserves

In the changeable and challenging environment 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)	(2,001)	
Generally available for new expenditure	11,221	9,220
Housing Revenue Account		21,252
		<u>30,472</u>

In addition to general reserves the Authority holds earmarked reserves of £91.617m for specific purposes.

#### **1.4 Borrowing**

£25.0m new borrowing was taken from the Public Works Loans Board (PWLB) in 2019/20.

As at the 31<sup>st</sup> March 2020 the Authority's total borrowing stood at £433m, which was within the Authority's authorised limit of £588m. Further detail is included in Note 6.46 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 £527m 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 accounting statements are required to reflect the conditions applying at the end of the year. The final weeks of the financial year were dominated by UK wide preparations and response to the COVID-19 pandemic, though the timing of the lockdown announcement on the 23<sup>rd</sup> March 2020 meant the financial impact on the 2019/20 expenditure was not material. It is too early to reliably estimate the economic impact of the pandemic, however it is certain that the impact of the virus will be a significant worsening in public sector finances than would otherwise be the case, which will take years or perhaps decades to recover from. Over the first few months of the 2020/21 financial year, the Authority has incurred significant additional expenditure towards supporting Carmarthenshire's residents and businesses, whilst at the same time commercial income has reduced significantly during the lockdown period and council tax collected has also reduced. Additional financial support has been provided by Welsh Government in respect of the majority of additional costs and Welsh Government have now indicated that there will be support for the income, whilst the level of support still remains unclear at this time. Added to this, there remains uncertainty over the impact of the UK's withdrawal from the European Union (Brexit), with current EU trade arrangements due to cease on 31<sup>st</sup> December 2020.

Against this backdrop, our overall financial standing has been maintained at a prudent level, with a small increase in the level of general balances at the year end. The Authority also holds earmarked reserves which are held for specific purposes, whether this is to address liabilities now or in the future e.g. insurance reserves or for financing specific capital schemes. As the scale and severity of impact on the Authority's finances becomes clearer, the use of general balances will need to be considered and earmarked reserves may need to be reviewed and reprioritised according to need.



**1.7 Capital**

In 2019/20 the Authority spent some £76.4m on capital projects. This expenditure was financed by a combination of borrowing, useable capital receipts, government grants, contributions, reserves and direct revenue financing.

£30.3m 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	£28.0m
---	--------

**Private Sector**

Disability Facility Grants	£1.9m
Other Improvements	£0.4m

The major areas of expenditure on non-housing services were as follows:

	<b>£'m</b>	
Education & Childrens Services	10.7	New Schools, Renovations and Improvements to existing Schools & Children & Family Services Projects
Leisure	4.0	Rights of Way, Sports & Leisure, Arts & Culture and Libraries
Infrastructure	11.8	Roads, Bridges, Cycle Paths, Road Safety, Car Parks, & Coast & Flood Defence
Fleet	0.6	New Vehicles
Economic Development	11.4	Physical Regeneration Projects County Wide, Community Development, Joint Ventures and Swansea Bay City/Regional Deal projects
Social Services	0.6	Care Homes and Learning Disability Developments
Corporate	5.2	Capital Minor Works and ICT Strategy Developments
Covid-19 Hospital	1.8	Rainbow Hospitals County Wide

**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.

### **Audit Committee Approval**

Approval of Statement of Accounts post audit.

Chair of Audit Committee

Dated: 11 September 2020

### **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 38 to 124 gives a true and fair view of the financial position of Carmarthenshire County Council at 31<sup>st</sup> March 2020 and its income and expenditure for the year ended 31<sup>st</sup> March 2020.

Chris Moore FCCA  
Director of Corporate Services

Dated: 7 September 2020

### 3 ANNUAL GOVERNANCE STATEMENT

#### Assurance Executive Summary

*The Corporate Governance arrangements of the Council are acceptable.*

*It is important that a Governance Statement includes an evaluation and conclusion and provides a clear judgement on whether the governance arrangements outlined are fit for purpose.*

*To enable this judgement the Council's Internal Audit service conducted a review of our arrangements against the adopted standards (see 3.3 below)*

#### Table - Internal Audit Report extract:

Findings of Carmarthenshire County Council's - Internal Audit review of AGS and Corporate Governance	
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
Internal Audit found no fundamental control issues to be addressed as a high priority. Although there are some control issues required to strengthen existing procedures.	

#### Summary of Issues

	Findings	Action
1	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	Code to be updated

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.

The emerging Draft Guidance on Self-Assessment Provisions in Local Government and Elections (Wales) Bill expects the Council to have regard to these principles when considering the effectiveness of its governance arrangements.

#### 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.*

During 2018/19 the Council 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.

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. The Chair of Standards Committee presents an annual report to full Council on the Standards Committee's activities.

The Public Services Ombudsman for Wales did not refer any complaints alleging breach of the Code of Conduct against any Carmarthenshire County Councillor during 2019/20 to the Adjudication Panel for Wales nor to the Standards Committee.

This Committee also has oversight of the Whistleblowing Policy and Procedure.

**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 continues to be 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 1<sup>st</sup> 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. No major amendments were made to the Constitution during the year.

### 3.3.1.4 Corporate Governance Group

As stated in Section 3.1, a Corporate Governance Group has been established to co-ordinate, 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
- Head of IT and Corporate Policy
- Corporate Policy Manager
- Assistant Chief Executive (People Management)
- Head of Revenues and Financial Compliance
- People Services Manager
- Nominated substitutes allowable

The Group are responsible for updating the Code of Governance and developing the Annual Governance Statement, for the approval by:

- the Leader
- the Chief Executive
- the Audit Committee in compliance with the requirements of The Local Government (Wales) Measure 2011

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 **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 annually to the Policy & Resources Scrutiny 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 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 912 complaints during 2019/20 compared to 758 during 2018/19 (the higher figure in 2019/20 being largely attributable to issues regarding policy changes relating to Waste Services). A further 666 enquiries and requests for assistance were addressed as redirected communications.

#### **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 2019/20 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.

On average 5104 people visited the Authority's website daily in 2019/20. Since the introduction of My Hwb account, 29,531 residents have signed up for the service. On average 330 residents ask a question online which allows us to continually improve 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.

The Hwb in Ammanford, Carmarthen and Llanelli offer pre-booked appointments and drop-in advice to an average 8,000 residents per month, as well as providing advice and access to training and employment support. The increasing use of Social Media with more than 13,000 followers on the main Facebook page and in the region of 9,500 following our main Twitter account allows open engagement and conversations with members of the public. In addition to this Social Media is an excellent tool for promoting council services.

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](http://www.thecarmarthenshirewewant.wales)

- In May 2018 the PSB published 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 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 2018/19 we set a New Corporate Strategy that consolidated four plans into one.

- It superseded the 2015-20 Corporate Strategy
- It incorporated our Improvement Objectives as required by the Local Government Measure 2009
- It set 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
- It included 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*'

### 3.3.3.2 Well-being of Future Generations Act (Wales) 2015

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 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 2019/20:

1. Help to give every child the best start in life and improve their early life experiences
2. Help children live healthy lifestyles (Childhood Obesity)

3. Continue to improve learner attainment for all.
4. Reduce the number of young adults that are Not in Education, Employment or Training (NEET)
5. Tackle poverty by doing all we can to prevent it, helping people into work and improving the lives of those living in poverty
6. Create more jobs and growth throughout the county
7. Increase the availability of rented and affordable homes
8. Help people live healthy lives (Tackling risky behaviour and Adult obesity)
9. Support good connections with friends, family and safer communities
10. Support the growing numbers of older people to maintain dignity and independence in their later years
11. A Council wide approach to supporting Ageing Well in Carmarthenshire
12. Look after the environment now and for the future
13. Improve the highway and transport infrastructure and connectivity
14. Promote Welsh Language and Culture
15. Building a Better Council and Making Better use of Resources

We included our Statutory Well-being Statement in the New Corporate Strategy. 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 24<sup>th</sup> May 2017.

The Authority's Administration is a Coalition between Plaid Cymru and the Independents with the 10 member strong Executive Board comprising of 7 Plaid and 3 Independents, with Plaid holding the Leader's post and the Deputy Leader being from 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 Corporate Strategy incorporates the key projects and programmes within this plan.

#### **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 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.

Approved minutes from PSB meetings are presented to the Policy and Resources Scrutiny Committee for their consideration and comments are reported back to 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. Member development and training programme is refreshed on an annual basis.

#### **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.

#### **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 & Behavioural Standards Guidance
- 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

The management of attendance and supporting the wellbeing of staff a high priority for the Council. A robust attendance management framework and policy is in place and the Occupational Health function offers wellbeing support and advice with the aim of keeping people in work, providing advice and guidance on healthy living, stress management and mental health in the workplace.

Following the implementation of the Single Status Agreement in 2011/12, the Pay and Reward function within People Management Division maintains an overview of the pay and grading structure and provides advice to managers on job evaluation and reward as well as undertaking an equal pay audit every year 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.

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.

A new pay model was introduced on 1<sup>st</sup> April 2019 which provided significant increases in pay to our lowest paid employees as well as meeting the equivalent of the Foundation Living Wage rate thus removing the need to pay a Living Wage Supplement.

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.

This is an ongoing strategy which will continue to evolve over the next few years and replicates what is happening within many forward looking organisations.

Our Whistleblowing Policy is being used by employees to report serious concerns which may be in the public interest. Online learning, promotion of the policy and monitoring of whistleblowing complaints continues to ensure that employees are aware of it. An online induction system will provide this information to new employees more quickly and effectively. This is being introduced from early 2020. Most employees now have access

to online information so the communication of these types of key policies will become more inclusive as more people use the online intranet.

### **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. Significant executive decisions by officers are 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. A Review of Risk Management Arrangements was carried out by Wales Audit Office during 2018/19, where proposals for improvements were made to strengthen the arrangements in place. An action plan has been completed to implement the improvements.

#### **3.3.6.2 Risk Management Steering Group**

The Risk Management Steering Group examines 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, 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 formula set out in the Local Government Measure 2011, the Chairs of two out of the Authority's 5 Scrutiny Committees are allocated to the Opposition.

#### **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 Committee**

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 2019/20 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 2019/20 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**

On the 29<sup>th</sup> August 2018 Carmarthenshire County Council, Neath Port Talbot County Borough Council, Pembrokeshire County Council and the Council of the City and County of Swansea signed an Agreement for the establishment of a Joint Committee for the Swansea Bay City Region. The first meeting of the Joint Committee was held on the 30<sup>th</sup> August 2018. Carmarthenshire is the Accountable Body for the City Deal function.

The Joint Committee is made up of the Leaders of the four regional Authorities and one non-voting, co-opted member each from the Hywel Dda University Health Board, Swansea Bay University Health Board, Swansea University and the University of Wales Trinity Saint David.

A Joint Scrutiny Committee has also been formed, with the scrutiny function being administered by Neath Port Talbot County Borough Council.

A programme of projects has been approved for the purposes of the City Deal – three of which are regional. Carmarthenshire leads the Life Science and Well-being development proposed for Llanelli, the Yr Egin creative and digital cluster, the regional Skills and Talent initiative, and the regional Digital Infrastructure project.

An independent, external review into the City Deal – as well as an internal review – were carried out in early 2019. All recommendations arising from these reviews are being implemented, after being accepted by 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 'Acceptable' 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.

During 2017/18 the Head of Audit was re-designated as Head of Revenues and Financial Compliance which increased the responsibilities and were revised to include the operational management of Revenues and Benefits, as well as Internal Audit, Risk and

Procurement. To ensure there is no conflict of interest in the audit reviews for the operational areas a protocol has been prepared and was approved by the Audit Committee in September 2018.

The Public Sector Internal Audit Standard (PSIAS) became effective from 1<sup>st</sup> 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.

Action plan responses to Internal Audit reviews are entered into the Council's Performance Information Monitoring System (PIMS) and progress is updated quarterly by responsible officers.

### **3.3.7.3 External Regulators**

Services are reviewed during the year by external regulators, such as Estyn, CIW and Wales Audit Office (now known as Audit Wales). The subsequent reports are actioned accordingly.

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.

We also maintain a log of regulatory reports and recommendations. The external regulatory reviews recommendations or proposals for improvement are entered into the Council's Performance Information Monitoring System and progress is reported quarterly to CMT and PEB on dashboards. An Annual Report is issued to Audit Committee.

For the 2018/19 Corporate Plan and subsequent Annual Report on that year Wales Audit Office issued Certificates of Compliance under the 2009 Measure for Planning and Reporting requirements.

The Future Generations Commissioner for Wales issued Self Reflection Feedback for Carmarthenshire – overall concluding we had a positive and honest approach to self-reflection. As found across local government in Wales there is room for improvement in implementing the Act.

### 3.3.7.4 Information Assets

The Council's Head of ICT & 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 relevant policies and procedures which are communicated to staff, encryption of laptops, memory storage media and other devices. The Authority employs:

- A Digital 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 handling personal data on the requirements of the General Data Protection Regulation (GDPR).

### 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. That work includes continuous challenge of the governance framework. The AGS is the framework that is used to seek these assurances, through continuous monitoring of actions in the AGS.

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.

As from the 1<sup>st</sup> September 2019 all the Authority's democratic meetings are paperless.

### **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).

The Authority meets with Town and Community Councils twice yearly in a formal Forum.

During 2019/20 the Executive Board introduced the new "mini" Executive Board made up of 10 local schoolchildren who would be shadowing their "senior" counterparts, an initiative aimed at ensuring that future generations had good work opportunities, supportive communities and great places to enjoy as they grew up and raised their own families.

### **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).

### **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 Corporate Governance during the COVID-19 Pandemic**

Normally the Council holds physical meetings, including those of the Full Council, the Executive Board, individual Executive Board members and other committees, to make key decisions. Although the Local Government (Wales) Measure 2011 made provision for remote attendance at such meetings at least 30% of members are currently still required to be physically present in person at the meeting.

Following the announcement of the first Coronavirus case in Wales on the 28<sup>th</sup> February 2020, physical meetings continued until the 16<sup>th</sup> March by which time two cases had been confirmed in Carmarthenshire. On the 18<sup>th</sup> March a decision was taken to suspend most democratic meetings in order to protect members and staff and on the 19<sup>th</sup> March a decision was taken to close all Council buildings to the public for the same reason.

Following the announcement by the Prime Minister of the nationwide 'lockdown' on the 23<sup>rd</sup> March, all remaining democratic meetings were suspended.

Alongside these developments, on the 12<sup>th</sup> March 2020 the growing pandemic resulted in the senior officers of the authority adopting the Gold/Silver Command structure under the Civil Contingencies Act 2004.

In the absence of any formal meetings of the Executive Board and Full Council, senior officers have exercised the powers granted to them in Part 3.2 of the Council's Constitution (Scheme of Delegation to Officers) under section 100G Local Government Act 1972 to make such decisions as are necessary for the functioning of the Council and its response to the pandemic.

These delegated powers are broad in scope and cover day to day operational decision making by the authority. However, the scheme of delegation also provides that the Chief Executive and Directors have the power to make;

"Determination of any urgent matter in the purview of the Council, the Executive Board or any committee where it is impractical to convene a meeting of that body to consider the matter."

As it was impractical to convene meetings of Full Council and Executive Board due to the ongoing pandemic these powers have been utilised to make any necessary urgent decisions falling outside the normal delegated authority of officers. Records have been kept of urgent decisions made under these powers and following a change in legislation by Welsh Government permitting virtual democratic meetings, these were reported at the virtual meeting of the Executive Board held on 1<sup>st</sup> June 2020.

The requirement to work from home during lockdown has been enabled by existing ICT capabilities but has inevitably meant some changes to working practices, control mechanisms and authorisation methods. These have been made with approval of the relevant senior manager or directors and consultation/advice from Internal Audit where appropriate. Internal Auditors have been redeployed during lockdown as the team were unable to commence the annual work programme due to the disruption caused by the pandemic. The programme has been redesigned to achieve control assurances remotely and is due to recommence soon.

A key area of uncertainty is expenditure for 2020/21 and beyond. Full council approved the Medium Term Financial Plan when the scale of COVID-19 impact was not clear. Not only will expenditure vary significantly from budget, but income levels are significantly reduced and it is likely that a significant number of planned budget savings will be undeliverable in part or in full.

Due to the council's response to the pandemic and the consequent availability of officers, the preparation of this statement of accounts has taken longer than planned, however the processes involved have been largely unchanged. Face to face reviews have been replaced with virtual meetings and electronic files and screen sharing technology have replaced physical documents where needed.

### **3.5 Governance issues to be addressed**

The following additional Governance issues need to be considered and addressed during the next 12 months:

#### **For 2020/21**

- To publish a Corporate Strategy update for 2019/20
- To publish an Annual Report for 2019/20
- To publish a Corporate Strategy update for 2020/21
- To keep the same Wellbeing Objectives in the Corporate Strategy and refresh the action plans for 2020/21
- To publish an Annual Report on 2019/20 performance. To also include:
  - A fundamental review of Wellbeing Objectives for 2021/22
  - Identifying improvements and priorities for 2021/22 to inform the budget
- To consider the implications of the requirements of the Local Government and Elections (Wales) Bill
- To monitor the outputs of the Swansea bay City Deal project – Yr Egin
- To ensure appropriate governance arrangements are in place to assess impact and use of resources with partners to deliver the Wellness project.
- Ensure Employment Policies reflect any new legislation such as exit payment cap, reclaiming exit payments etc
- Pay Policy publication in line with Localism Act
- Safe recruitment – ensure pre-employment checks and re-checks are completed and kept up to date
- Provide wellbeing support to staff via Occupational Health and employment policy and advice and provide mental health training to managers
- Ensure Payroll processes and handling of data are managed securely and in accordance with data protection principles
- Implement appropriate changes in respect of the governance arrangements of the Local Authority Companies in response to the Governance Review Report.

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.

**Approved**

**7 September 2020**

**Leader of Council**

**Chief Executive**

**APPENDIX 1****UPDATE ON OUTSTANDING GOVERNANCE ISSUES IDENTIFIED IN PREVIOUS ANNUAL GOVERNANCE STATEMENTS**

<b>SOURCE</b>	<b>ISSUES</b>	<b>RESPONSIBLE OFFICER</b>	<b>ACTIONS/PROGRESS</b>	<b>STATUS</b>
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.	CMT - March 2020 Audit Committee – Sept 2020
AGS 2014/15 No. 6	Responding to the EU General Data Protection Regulation (GDPR) (as a replacement to the Data Protection Act 1998).	Head of ICT and Policy	The Authority's Data Protection Officer has worked closely with ICT Services and other relevant services and departments to assess requirements and prepared for and introduced the new regulations which took effect in May 2018. Training and support is being provided to staff as required.  (New regulations came into effect during May 2018)	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 6 monthly reporting to the Audit Committee. Progress has been positive, and changes have been implemented. Audit Committee now have requested 6 monthly reports.	Completed
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.	Head of ICT and Policy	(A dashboard / PIMS function has been developed to enable actions to be monitored by departments)	Completed - Dashboard monitored quarterly at CMT and PEB. Annual Report to Audit Committee



**UPDATE ON OUTSTANDING GOVERNANCE ISSUES IDENTIFIED IN  
PREVIOUS ANNUAL GOVERNANCE STATEMENTS**

<b>SOURCE</b>	<b>ISSUES</b>	<b>RESPONSIBLE OFFICER</b>	<b>ACTIONS/PROGRESS</b>		<b>STATUS</b>
AGS 2016/17 No.6	Review and monitor employment safeguarding processes in relation to: <ul style="list-style-type: none"> <li>• HR Record keeping in relation to safeguarding complaints and investigations relating to staff;</li> <li>• Provision of references for posts involved in regulated activity;</li> </ul> Pre-employment checks for posts involved in regulated activity.	Director of Communities	Key performance measures considered quarterly. IA reviews arrangement again this year and identified improvement in the processes.		Ongoing
AGS 2017/18 No.3	To ensure our Well-being Objectives inform the budget setting process.	Head of ICT and Policy. Head of Financial Services.	December 2018	To undertake an exercise producing a Simplified Guide for budget setting and to continue for future years	Completed
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 2020	As part of the PSGB, work streams have commenced	On going
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	To be discussed and agreed at the next Corporate Governance Group meeting	22 May 2020

**UPDATE ON OUTSTANDING GOVERNANCE ISSUES IDENTIFIED IN  
PREVIOUS ANNUAL GOVERNANCE STATEMENTS**

<b>SOURCE</b>	<b>ISSUES</b>	<b>RESPONSIBLE OFFICER</b>	<b>ACTIONS/PROGRESS</b>		<b>STATUS</b>
AGS 2017/18 No.9	City Deal – monitor and assess the impact of the City Deal.	Head of Regeneration Director of Corporate Services.	March 2019	This action was in relation to setting up arrangements when the City Deal was in Shadow form. Governance structure has now been established.	Completed
AGS 2017/18 No.10	Post balance sheet date three companies have been formed to support the service delivery for Carmarthenshire CC which are subject to clear governance structures defined in the agreed shareholders agreements.	Corporate Management Team	March 2019	Governance arrangements put in place. Boards have been set up	Completed
AGS 2018/19 No.1	<b>For 2018/19</b> - To publish an Annual Report on 2018/19 performance against our Well-being Objectives.	Head of ICT and Policy.	31 October 2019		Completed

**UPDATE ON OUTSTANDING GOVERNANCE ISSUES IDENTIFIED IN  
PREVIOUS ANNUAL GOVERNANCE STATEMENTS**

SOURCE	ISSUES	RESPONSIBLE OFFICER	ACTIONS/PROGRESS		STATUS
AGS 2018/19 No.2	<p><b>For 2018/19</b> To publish an update to our Corporate Strategy and refresh the action plans supporting it.</p> <p>1. It supersedes the 2015-20 Corporate Strategy.</p> <p>2. It incorporates our Improvement Objectives as required by the Local Government Measure 2009.</p> <p>3. It includes our Well-being Objectives as required by the Well-being of Future Generations (Wales) Act 2015.</p> <p>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'.</p>	Head of ICT and Policy.	June 2019		Completed  WAO Certifies for compliance under 2009 Act
AGS 2018/19 No.3	To ensure our Well-being Objectives inform the budget setting process.	Head of ICT and Policy.	December 2019		Completed
AGS 2018/19 No.4	Pay Policy to be implemented, updated and published	Assistant Chief Executive People Management	April 2020		Completed

**UPDATE ON OUTSTANDING GOVERNANCE ISSUES IDENTIFIED IN  
PREVIOUS ANNUAL GOVERNANCE STATEMENTS**

<b>SOURCE</b>	<b>ISSUES</b>	<b>RESPONSIBLE OFFICER</b>	<b>ACTIONS/PROGRESS</b>		<b>STATUS</b>
AGS 2018/19 No.6	Review right to work checks and impact of new immigration process arising from Brexit on recruitment process.	Assistant Chief Executive People Management	March 2020		Ongoing
AGS 2018/19 No.7	Complete and publish equal pay audit for 2018/19	Assistant Chief Executive People Management	March 2020		Ongoing
AGS 2018/19 No.8	Jointly with the other City Deal partner Authorities to revise the Swansea Bay City Region Joint Committee Agreement so as to reflect the changes required arising from the Welsh Government's commissioned review of governance and the Joint Committee's own commissioned review of governance.	Revised agreement to be presented to Executive Board	September 2019	All four authorities have signed and entered into the Joint Working Committee Agreement.	Completed
AGS 2018/19 No.9	To ensure appropriate governance arrangements are in place with current partners to deliver the Wellness project.	Head of Regeneration / Director of Corporate Services	March 2020		Replaced by Action AGS 2019/20 No.7
AGS 2018/19 No.10	To review the governance of its three local authority companies	Director of Corporate Services	March 2020	Review completed and report presented to CMT.	Completed

**APPENDIX 2****GOVERNANCE ISSUES ACTION PLAN**

<b>NEW GOVERNANCE ISSUES IDENTIFIED IN THIS YEAR'S ANNUAL GOVERNANCE STATEMENT</b>			
<b>ISSUE REF</b>	<b>ACTION</b>	<b>RESPONSIBLE OFFICER</b>	<b>TARGET DATE</b>
AGS 2019/20 No.1	To publish a Corporate Strategy update for 2019/20  To publish an Annual Report on 2018/19	Head of ICT & Policy	June 2019 Completed  Oct 2019 Completed
AGS 2019/20 No.2	To publish a Corporate Strategy update for 2020/21	Head of ICT & Policy	June 2020
AGS 2019/20 No.3	To keep the same Wellbeing Objectives in the Corporate Strategy and refresh the action plans for 2020/21	Head of ICT & Policy	June 2020
AGS 2019/20 No.4	To publish an Annual Report on 2019/20 performance. To also include: - <ul style="list-style-type: none"> <li>• A fundamental review of Wellbeing Objectives for 2021/22</li> </ul> Identifying improvements and priorities for 21/22 to inform the budget	Head of ICT & Policy	Oct 2020
AGS 2019/20 No.5	To consider the implications of the requirements of the Local Government and Elections (Wales) Bill	All Corporate	March 2021
AGS 2019/20 No.6	To monitor the outputs of the Swansea bay City Deal project – Yr Egin	Director of Corporate Services / Head of Regeneration	March 2021
AGS 2019/20 No.7	To ensure appropriate governance arrangements are in place to assess impact and use of resources with partners to deliver the Wellness project.	Head of Regeneration / Director of Corporate Services	March 2021
AGS 2019/20 No.8	Ensure Employment Policies reflect any new legislation such as exit payment cap, reclaiming exit payments etc	Alison Wood	March 2021

<b>GOVERNANCE ISSUES ACTION PLAN</b>			
<b>NEW GOVERNANCE ISSUES IDENTIFIED IN THIS YEAR'S ANNUAL GOVERNANCE STATEMENT</b>			
<b>ISSUE REF</b>	<b>ACTION</b>	<b>RESPONSIBLE OFFICER</b>	<b>TARGET DATE</b>
AGS 2019/20 No.9	Pay Policy publication in line with Localism Act	Alison Wood	March 2021
AGS 2019/20 No.10	Safe recruitment – ensure pre-employment checks and re-checks are completed and kept up to date	Alison Wood	Ongoing
AGS 2019/20 No.11	Provide wellbeing support to staff via Occupational Health and employment policy and advice and provide mental health training to managers	Paul R Thomas	Ongoing
AGS 2019/20 No.12	Ensure Payroll processes and handling of data are managed securely and in accordance with data protection principles	Alison Wood	Ongoing
AGS 2019/20 No.13	Implement appropriate changes in respect of the governance arrangements of the Local Authority Companies in response to the Governance Review Report	Corporate Management Team	June 2021

#### 4 THE INDEPENDENT AUDITOR'S REPORT OF THE AUDITOR GENERAL FOR WALES TO THE MEMBERS OF CARMARTHENSHIRE COUNTY COUNCIL

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

##### Opinion

I have audited the financial statements of Carmarthenshire County Council for the year ended 31st March 2020 under the Public Audit (Wales) Act 2004.

Carmarthenshire County Council's financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement on the Housing Revenue Account Statement and the Housing Revenue Account Income and Expenditure Statement and the related notes, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Carmarthenshire County Council as at 31 March 2020 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20.

##### Basis for opinion

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

##### Emphasis of matter - effects of the Covid-19 pandemic on the valuation of surplus assets and investment properties

I draw attention to Note 6.9 of the financial statements, which describes a material uncertainty clause in the valuation report on surplus assets and investment properties arising from circumstances caused by the COVID-19 pandemic. My opinion is not modified in respect of this matter.

##### Emphasis of matter - effects of the Covid-19 pandemic on the valuation of property fund assets in the pension fund liability

I draw attention to Note 6.44 of the financial statements, which describes the impact of a material uncertainty disclosed in a pension fund manager's year-end valuation report for the UK property fund they manage on behalf of the Dyfed Pension Fund. The Council has disclosed this material uncertainty and my audit opinion is not modified in respect of this matter.

**Conclusions relating to going concern**

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**Other information**

The responsible financial officer is responsible for the other information in the statement of accounts. The other information comprises the information included in the Narrative Report and Annual Governance Statement. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated later in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

**Report on other requirements****Opinion on other matters**

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

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20;
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual Governance Statement has been prepared in accordance with guidance.

**Matters on which I report by exception**

In the light of the knowledge and understanding of the council and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Annual Governance Statement.

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

- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.



**Certificate of completion of audit**

I certify that I have completed the audit of the accounts of Carmarthenshire County Council in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the responsible financial officer is responsible for the preparation of the statement of accounts, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

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

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

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

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

Anthony J Barrett  
For and on behalf of the  
Auditor General for Wales  
24 Cathedral Road  
Cardiff  
CF11 9LJ

**Date: 14 September 2020**

## **5 FINANCIAL STATEMENTS**

The financial statements comprise 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.

**5.1 EXPENDITURE AND FUNDING ANALYSIS (EFA)**

2019-20	Difference between Council Fund (CF) and Housing Revenue Account (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
<b>Department</b>			
Chief Executive	6,865	7,825	14,690
Education & Children	148,339	40,273	188,612
Corporate Services	19,392	5,675	25,067
Communities	96,050	11,362	107,412
Environment	47,868	10,283	58,151
Housing Revenue Account	(21,187)	17,821	(3,366)
Insurance & Corporate	3,685	(2,934)	751
<b>Net Cost of Services</b>	<u>301,012</u>	<u>90,305</u>	<u>391,317</u>
Other Income & Expenditure	(314,889)	(33,341)	(348,230)
<b>(Surplus)/Deficit before transfers to/(from) earmarked reserves</b>	<u><b>(13,877)</b></u>	<u><b>56,964</b></u>	<u><b>43,087</b></u>
Transfers to/(from) earmarked reserves	6,094		
<b>(Surplus)/Deficit after transfers to/(from) earmarked reserves</b>	<u><b>(7,783)</b></u>		
CF & HRA Balance at 31st March 2019: (Surplus)/Deficit	(24,690) (7,783)		
CF & HRA Balance at 31st March 2020:	<u><b>(32,473)</b></u>		
<b>2018-19</b>	(Restated)	(Restated)	(Restated)
<b>Department</b>			
Chief Executive	8,147	3,673	11,820
Education & Children	147,097	25,946	173,043
Corporate Services	19,913	20,399	40,312
Communities	95,409	13,434	108,843
Environment	45,418	13,317	58,735
Housing Revenue Account	(8,174)	3,593	(4,581)
Insurance & Corporate	6,299	(5,771)	528
<b>Net Cost of Services</b>	<u>314,109</u>	<u>74,591</u>	<u>388,700</u>
Other Income & Expenditure	(309,769)	(31,111)	(340,880)
<b>(Surplus)/Deficit before transfers to/(from) earmarked reserves</b>	<u><b>4,340</b></u>	<u><b>43,480</b></u>	<u><b>47,820</b></u>
Transfers to/(from) earmarked reserves	867		
<b>(Surplus)/Deficit after transfers to/(from) earmarked reserves</b>	<u><b>5,207</b></u>		
CF & HRA Balance at 31st March 2018: (Surplus)/Deficit	(29,897) 5,207		
CF & HRA Balance at 31st March 2019:	<u><b>(24,690)</b></u>		

See note 6.5 for Explanation of adjustments between Net expenditure chargeable to the CF and HRA and Net expenditure in the CIES.

2018/19 figures have been restated to reflect the movement of £722k trading activities (See note 6.6).

**5.2 COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)**

2018-19	2018-19	2018-19		2019-20	2019-20	2019-20
Total Gross Expenditure	Total Gross Income	Total Net Expenditure		Total Gross Expenditure	Total Gross Income	Total Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
(Restated)	(Restated)	(Restated)				
17,908	(6,088)	11,820	<b>Department</b>			
214,710	(41,667)	173,043	Chief Executive	23,882	(9,192)	14,690
92,696	(52,384)	40,312	Education and Children	235,061	(46,449)	188,612
165,363	(56,520)	108,843	Corporate Services	73,435	(48,368)	25,067
80,656	(21,921)	58,735	Communities	174,877	(67,465)	107,412
36,110	(40,691)	(4,581)	Environment	78,668	(20,517)	58,151
530	(2)	528	Housing Revenue Account	39,342	(42,708)	(3,366)
			Insurance & Corporate	751	0	751
<b>607,973</b>	<b>(219,273)</b>	<b>388,700</b>	<b>Net Cost of Services</b>	<b>626,016</b>	<b>(234,699)</b>	<b>391,317</b>
			Precepts and Levies:			
		131	Brecon Beacons National Park			138
		9,600	Mid & West Wales Fire Authority			9,838
		5,714	Community Councils			6,082
		16,203	Dyfed Powys Police Authority			18,006
		(184)	(Gains)/losses on the disposal of non-current assets			(259)
		0	(Surpluses)/Deficits on Trading Activities not included in Net Cost of Services		Note 6.6	(279)
		<b>31,464</b>	<b>Other Operating Expenditure</b>			<b>33,526</b>
		17,443	Interest Payable and Similar Charges			17,625
		8,597	Net interest on the net defined benefit liability (asset)			9,939
		(465)	Interest and Investment Income			(679)
		317	Income and expenditure in relation to investment properties and changes in their fair value		Note 6.11	(1,004)
		(234)	Other income			(284)
		<b>25,658</b>	<b>Financing and Investment Income and Expenditure</b>			<b>25,597</b>
		(199,828)	Revenue Support Grant		Note 6.37	(200,096)
		(25)	General Government Grants		Note 6.37	0
		(109,583)	Council Tax		Note 6.7	(116,209)
		(59,612)	Net Proceeds of Non-Domestic Rates		Note 6.8	(60,293)
		(28,954)	Capital Grants and Contributions		Note 6.37	(30,755)
		<b>(398,002)</b>	<b>Taxation and Non-specific Grant Income</b>			<b>(407,353)</b>
		<b>47,820</b>	<b>(Surplus)/Deficit on Provision of Services</b>			<b>43,087</b>
		7,933	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets			(17,060)
		40,972	Remeasurement of the net defined benefit liability/(asset)			85,316
		<b>48,905</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>68,256</b>
		<b>96,725</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>111,343</b>

Figures have been restated to reflect the movement of £722k trading activities from Other Operating Expenditure to the Net Cost of Services. (See Note 6.6).

**5.3 MOVEMENT IN RESERVES STATEMENT**

	Council Fund Balance £'000	Earmarked Council Fund Reserves £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	TOTAL USABLE RESERVES £'000	Unusable Reserves £'000	TOTAL AUTHORITY RESERVES £'000
<b>Balance at 31 March 2018</b>	<b>(9,783)</b>	<b>(82,655)</b>	<b>(20,114)</b>	<b>(8,617)</b>	<b>(564)</b>	<b>(121,733)</b>	<b>(572,616)</b>	<b>(694,349)</b>
<b>Movement in reserves during 2018/19</b>								
(Surplus) or deficit on the provision of services	49,052	0	(1,232)	0	0	47,820	0	<b>47,820</b>
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	48,905	<b>48,905</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>49,052</b>	<b>0</b>	<b>(1,232)</b>	<b>0</b>	<b>0</b>	<b>47,820</b>	<b>48,905</b>	<b>96,725</b>
Adjustments between accounting basis and funding basis under regulations(Note 6.4)	(50,484)	0	7,004	2,659	(4,989)	(45,810)	45,810	<b>0</b>
<b>Net (Increase)/Decrease before Transfers to/from Earmarked Reserves</b>	<b>(1,432)</b>	<b>0</b>	<b>5,772</b>	<b>2,659</b>	<b>(4,989)</b>	<b>2,010</b>	<b>94,715</b>	<b>96,725</b>
Transfers to/(from) Earmarked Reserves(Note 6.22)	839	(867)	28	0	0	0	0	<b>0</b>
<b>(Increase)/Decrease in Year</b>	<b>(593)</b>	<b>(867)</b>	<b>5,800</b>	<b>2,659</b>	<b>(4,989)</b>	<b>2,010</b>	<b>94,715</b>	<b>96,725</b>
<b>Balance at 31 March 2019</b>	<b>(10,376)</b>	<b>(83,522)</b>	<b>(14,314)</b>	<b>(5,958)</b>	<b>(5,553)</b>	<b>(119,723)</b>	<b>(477,901)</b>	<b>(597,624)</b>
<b>Movement in reserves during 2019/20</b>								
(Surplus) or deficit on the provision of services	42,956	0	131	0	0	43,087	0	<b>43,087</b>
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	68,256	<b>68,256</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>42,956</b>	<b>0</b>	<b>131</b>	<b>0</b>	<b>0</b>	<b>43,087</b>	<b>68,256</b>	<b>111,343</b>
Adjustments between accounting basis and funding basis under regulations(Note 6.4)	(49,791)	0	(7,173)	(1,954)	2,639	(56,279)	56,279	<b>0</b>
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>(6,835)</b>	<b>0</b>	<b>(7,042)</b>	<b>(1,954)</b>	<b>2,639</b>	<b>(13,192)</b>	<b>124,535</b>	<b>111,343</b>
Transfers to/(from) Earmarked Reserves(Note 6.22)	5,990	(6,094)	104	0	0	0	0	<b>0</b>
<b>(Increase)/Decrease in Year</b>	<b>(845)</b>	<b>(6,094)</b>	<b>(6,938)</b>	<b>(1,954)</b>	<b>2,639</b>	<b>(13,192)</b>	<b>124,535</b>	<b>111,343</b>
<b>Balance at 31 March 2020</b>	<b>(11,221)</b>	<b>(89,616)</b>	<b>(21,252)</b>	<b>(7,912)</b>	<b>(2,914)</b>	<b>(132,915)</b>	<b>(353,366)</b>	<b>(486,281)</b>

**5.4 BALANCE SHEET**

31/03/19 £'000		<i>Notes</i>	£'000	31/03/20 £'000
1,341,962	Property, Plant & Equipment	6.9	1,354,708	
2,282	Heritage Assets	6.10	2,282	
22,035	Investment Property	6.11	23,152	
1,929	Long Term Investments	6.12	1,848	
7,297	Long Term Debtors	6.13	8,300	
<u>1,375,505</u>	<b>Long Term Assets</b>			<u>1,390,290</u>
27,204	Short Term Investments	6.14	12,093	
1,039	Inventories	6.15	1,217	
50,460	Short Term Debtors	6.16	67,770	
26,877	Cash and Cash Equivalents	6.17	42,081	
<u>105,580</u>	<b>Current Assets</b>			<u>123,161</u>
(8,444)	Short Term Borrowing	6.18	(25,691)	
(57,663)	Short Term Creditors	6.19	(60,563)	
(1,372)	Provisions	6.20	(1,108)	
<u>(67,479)</u>	<b>Current Liabilities</b>			<u>(87,362)</u>
(2,701)	Provisions	6.20	(2,497)	
(407,644)	Long Term Borrowing	6.21	(409,849)	
(405,637)	Other Long Term Liabilities	6.44	(527,462)	
<u>(815,982)</u>	<b>Long Term Liabilities</b>			<u>(939,808)</u>
<u><b>597,624</b></u>	<b>Net Assets</b>			<u><b>486,281</b></u>
10,376	Council Fund		11,221	
14,314	Housing Revenue Account	7.2	21,252	
83,915	Earmarked Council Fund Reserves	6.22	91,617	
(393)	Council Fund Reserves Held by Schools under LMS	6.22	(2,001)	
5,958	Capital Receipts Reserve	6.23	7,912	
5,553	Capital Grants Unapplied	6.24	2,914	
<u>119,723</u>	<b>Usable Reserves</b>			<u>132,915</u>
324,681	Revaluation Reserve	6.25	331,684	
563,014	Capital Adjustment Account	6.26	553,740	
(834)	Financial Instruments Adjustment Account	6.27	(674)	
332	Deferred Capital Receipts Reserve	6.28	332	
(405,637)	Pensions Reserve	6.29	(527,462)	
(3,655)	Accumulated Absences Account	6.30	(4,254)	
<u>477,901</u>	<b>Unusable Reserves</b>			<u>353,366</u>
<u><b>597,624</b></u>	<b>Total Reserves</b>			<u><b>486,281</b></u>

**5.5 CASH FLOW STATEMENT**

2018-19 £'000	Reconciliation of Comprehensive Income and Expenditure Statement to Net Revenue Cash Flow	Note	2019-20 £'000
47,820	<b>Net (Surplus)/Deficit on the provision of services</b>	5.2	43,087
	<b>Adjustments to net surplus or deficit on the provision of services for non-cash movements</b>		
(46,189)	Depreciation		(43,985)
(16,133)	Impairment & downward valuations		(26,460)
(785)	Movement in market value of investment properties		1,014
(43,961)	Pension fund adjustments		(36,509)
1,199	Movement in provisions		468
(1,709)	Carrying amount of non-current assets sold		(2,883)
22	Other non cash movement		86
(1,362)	Movements in revenue debtors, creditors, inventories etc.		13,596
	<b>Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities</b>		
1,952	Proceeds from sale of property, plant and equipment, investment property and intangible assets		3,181
28,954	Capital Grants		30,754
<b>(30,192)</b>	<b>Net cash flow from operating activities</b>		<b>(17,651)</b>
	<b>INVESTING ACTIVITIES</b>		
57,275	Purchase of property, plant & equipment, investment property & intangible assets		63,462
370,300	Purchase of short term & long term investments		610,800
4,172	Other payments for investing activities		5,860
(2,015)	Proceeds from the sale of property, plant & equipment, investment property & intangible assets		(3,219)
(365,304)	Proceeds from short term & long term investments		(625,938)
(29,196)	Capital grants received		(29,066)
<b>35,232</b>	<b>Net cash flow from investing activities</b>		<b>21,899</b>
	<b>FINANCING ACTIVITIES</b>		
(20,000)	Cash receipts of short-term & long-term borrowing		(25,000)
6,865	Repayments of short-term & long-term borrowing		5,548
<b>(13,135)</b>	<b>Net cash flow from financing activities</b>		<b>(19,452)</b>
<b>(8,095)</b>	<b>NET (INCREASE)/DECREASE IN CASH &amp; CASH EQUIVALENTS</b>		<b>(15,204)</b>
18,782	Cash & cash equivalents at the beginning of reporting period	6.17	26,877
26,877	Cash & cash equivalents at the end of reporting period		42,081
<b>8,095</b>	<b>INCREASE/(DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>		<b>15,204</b>

The cash flows for operating activities include the following items:

2018-19 £'000		2019-20 £'000
17,279	Interest Paid	17,881
(444)	Interest Received	(725)

## 6 NOTES TO THE ACCOUNTS

### 6.1 Statement of Accounting Policies

#### General

The Statement of Accounts summarises the transactions of Carmarthenshire County Council for the 2019/20 financial year and its position at the year ended 31<sup>st</sup> March 2020.

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 2019/20 and the Service Reporting Code of Practice 2019/20, 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

#### **Revaluations**

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.

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.

The in-house valuations are carried out by the Authority's Valuers who are Fellows of the Royal Institute of Chartered Surveyors.

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 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).

The following useful lives and depreciation rates have been used in the calculation of straight-line depreciation:

Asset	Life (Years)
Council Dwellings	30
Land <i>(including Community Assets and Investment Properties)</i>	999
Buildings <i>(including Community Assets and Investment Properties)</i>	30
Vehicles Plant & Equipment	1 to 10
Infrastructure	40

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.

#### **Fair Value Measurement**

The Authority measures its investment properties at fair value at each reporting date. Fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Measurement will be at highest and best use from the perspective of a market participant.

It is assumed that any fair value measurement of an asset or liability uses the same assumptions that market participants acting in their economic best interest would use and that the transaction takes place in the principal market or failing that in the most advantageous market for the asset or liability.

Appropriate valuation techniques are used for which sufficient data is available. Inputs to the techniques are categorised within the fair value hierarchy that consists of three levels as follows:

- Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that are accessible by the Authority at the measurement date.
- Level 2 inputs are quoted prices other than quoted prices within Level 1 that are observable either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

#### 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 Authority 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.

The Authority adopted IFRS 9 Financial Instruments in 2019/20. Classification of financial assets are now based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

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



### 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 who 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.

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**

The council has material interests in a number of companies that have the nature of subsidiaries 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.

##### CWM Environmental

Carmarthenshire County Council is sole shareholder of CWM Environmental. Historically, the company has been operated as an arms length trading company, however from 2018/19, the Authority has chosen to make use of the Teckal Exemption, as more than 80% of the company's activity is transacted with the Authority. Further information is provided at note 6.12 (Long Term Investments) and note 6.38 (Related Party Transactions).

##### Llesiant Delta Wellbeing Ltd

Carmarthenshire County Council is sole shareholder of Llesiant Delta Wellbeing Ltd. The company was created to transfer and grow the Careline service as agreed by the Council's Executive Board in January 2018. Further information is provided at note 6.12 (Long Term Investments) and note 6.38 (Related Party Transactions).

##### Egni Sir Gar Cyfyngedig

Carmarthenshire County Council is the registered Custodian Trustee of Egni Sir Gar Cyfyngedig and the Executive Board Member for Resources is Chair of the board. Further information is provided at note 6.12 (Long Term Investments).

### Cartrefi Croeso Cyfyngedig

Carmarthenshire County Council is sole shareholder of Cartrefi Croeso. The company was created to develop housing developments on a commercial basis in Carmarthenshire as agreed by the Council's Executive Board. Further information is provided at note 6.12 (Long Term Investments) and note 6.38 (Related Party Transactions).

#### 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 Education through Regional Working (ERW), Wales Pension Partnership and Swansea Bay City Region that could fall within the above definition for accounting purposes. Further information is provided at note 6.39 (Jointly Controlled Operations).

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.

## **6.2 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.

Voluntary Controlled and Voluntary Aided schools are currently excluded from the Authority's balance sheet 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 only items in the Authority's Balance Sheet for which there is a significant risk of material adjustment in the forthcoming financial year is the 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.

As a result of COVID-19 the Authority is faced with an unprecedented set of circumstances on which to base a valuation judgement for surplus assets and investment properties. See note 6.9 for more information.

#### 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	Capital Grants Unapplied	
2019-20	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>					
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>					
Charges for depreciation and impairment of non-current assets	(31,476)	(12,508)	0	0	43,984
Revaluation gains/(losses) on Property Plant and Equipment	(21,725)	(4,734)	0	0	26,459
Movements in the market value of Investment Properties	1,013	0	0	0	(1,013)
Capital grants and contributions applied	21,896	6,453	0	0	(28,349)
Revenue expenditure funded from capital under statute	(735)	(1)	0	0	736
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	(2,872)	(11)	0	0	2,883
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>					
Statutory provision for the financing of capital investment	9,927	4,374	0	0	(14,301)
Capital expenditure charged against the Council Fund and HRA balances	4,796	0	0	0	(4,796)

	Usable Reserves				
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
2019-20	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>					
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	2,406	0	0	(2,406)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	5,045	(5,045)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	3,066	77	(3,242)	0	99
Statutory Capital Receipts	38	0	(38)	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	1,325	0	(1,325)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	0	1	0	(1)
Capital Receipts Set Aside	0	0	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0	0



	Usable Reserves				Movement in Unusable Reserves
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	
2019-20	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>					
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	160	0	0	0	(160)
<b>Adjustments primarily involving the Pensions Reserve:</b>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 6.44)	(61,062)	(1,362)	0	0	62,424
Employer's pensions contributions and direct payments to pensioners payable in the year	25,373	542	0	0	(25,915)
<b>Adjustment primarily involving the Accumulated Absences Account:</b>					
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	(596)	(3)	0	0	599
<b>Total Adjustments</b>	<b>(49,791)</b>	<b>(7,173)</b>	<b>(1,954)</b>	<b>2,639</b>	<b>56,279</b>

	Usable Reserves				Movement in Unusable Reserves
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	
2018-19	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>					
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>					
Charges for depreciation and impairment of non-current assets	(34,236)	(11,953)	0	0	46,189
Revaluation gains/(losses) on Property Plant and Equipment	(12,154)	(3,979)	0	0	16,133
Movements in the market value of Investment Properties	(785)	0	0	0	785
Capital grants and contributions applied	16,748	6,367	0	0	(23,115)
Revenue expenditure funded from capital under statute	(2,222)	0	0	0	2,222
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	(1,682)	(27)	0	0	1,709
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>					
Statutory provision for the financing of capital investment	9,537	4,416	0	0	(13,953)
Capital expenditure charged against the Council Fund and HRA balances	8,330	12,731	0	0	(21,061)

	Usable Reserves				Movement in Unusable Reserves
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	
2018-19	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>					
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	5,839	0	0	(5,839)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	850	(850)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,785	108	(1,893)	0	0
Statutory Capital Receipts	59	0	(63)	0	4
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	4,615	0	(4,615)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	0	0	0	0
Capital Receipts Set Aside	0	0	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0	0

	Usable Reserves				Movement in Unusable Reserves
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	
2018-19	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Financial Instruments</b>					
<b>Adjustment Account:</b>					
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	(51)	0	0	(103)
<b>Adjustments primarily involving the Pensions Reserve:</b>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 6.44)	(67,168)	(1,187)	0	0	68,355
Employer's pensions contributions and direct payments to pensioners payable in the year	23,816	578	0	0	(24,394)
<b>Adjustment primarily involving the Accumulated Absences</b>					
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	1,495	1	0	0	(1,496)
<b>Total Adjustments</b>	<b>(50,484)</b>	<b>7,004</b>	<b>2,659</b>	<b>(4,989)</b>	<b>45,810</b>

**6.5 Note to the Expenditure and Funding Analysis**

2019-20	Adjustments between Funding and Accounting Basis			
	Adjustments for Capital Purposes £'000	Net Changes for Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000
<b>Department</b>				
Chief Executive	5,472	2,344	9	7,825
Education & Children	32,864	6,863	546	40,273
Corporate Services	(171)	5,845	1	5,675
Communities	4,921	6,418	23	11,362
Environment	7,304	2,978	1	10,283
Housing Revenue Account	17,243	575	3	17,821
Insurance & Corporate	(2,934)	0	0	(2,934)
<b>Net Cost of Services</b>	<b>64,699</b>	<b>25,023</b>	<b>583</b>	<b>90,305</b>
Other Income & Expenditure	(44,683)	11,486	(144)	(33,341)
<b>Difference between CF &amp; HRA (Surplus)/Deficit and CIES (Surplus)/Deficit on Provision of Services</b>	<b>20,016</b>	<b>36,509</b>	<b>439</b>	<b>56,964</b>
<b>2018-19</b>	(Restated)	(Restated)		(Restated)
<b>Department</b>				
Chief Executive	2,017	1,666	(10)	3,673
Education & Children	22,783	4,594	(1,431)	25,946
Corporate Services	(363)	20,764	(2)	20,399
Communities	8,876	4,571	(13)	13,434
Environment	11,071	2,258	(12)	13,317
Housing Revenue Account	3,202	392	(1)	3,593
Insurance & Corporate	(5,771)	0	0	(5,771)
<b>Net Cost of Services</b>	<b>41,815</b>	<b>34,245</b>	<b>(1,469)</b>	<b>74,591</b>
Other Income & Expenditure	(40,695)	9,716	(132)	(31,111)
<b>Difference between CF &amp; HRA (Surplus)/Deficit and CIES (Surplus)/Deficit on Provision of Services</b>	<b>1,120</b>	<b>43,961</b>	<b>(1,601)</b>	<b>43,480</b>

**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 the following trading operations that make up the Surpluses/Deficits on Trading Activities in the Comprehensive Income and Expenditure Statement: Property Services, Vehicle Repair & Maintenance, Building Cleaning, Fleet Management and Civil Design.

Rural Estates, Provision Markets and Industrial Sites that were previously included in this category have been moved to Net Cost of Services and 2018/19 figures have been restated accordingly.

**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 2019/20 was 72,440.46 (72,153.24 for 2018/19).

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	22	4,885	15,920	14,023	12,707	14,320	8,485	3,293	537	107

Analysis of the net proceeds from Council Tax:

	2018-19 £'000	2019-20 £'000
Council Tax Collectable	110,190	116,781
Movement in Impairment Allowance	(607)	(572)
<b>Net Proceeds from Council Tax (including Precepts)</b>	<b>109,583</b>	<b>116,209</b>

**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 (52.6p for 2019/20, 51.4p for 2018/19).

The total non-domestic rateable value at 31st March 2020 was £120,494,173 (£120,025,177 at 31st March 2019).

**6.9 Property, Plant & Equipment**

Movements in 2019-20	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
<b>Gross Book Value 01/04/19</b>	<b>368,061</b>	<b>778,871</b>	<b>25,836</b>	<b>309,471</b>	<b>5,611</b>	<b>24,980</b>	<b>25,260</b>	<b>1,538,090</b>
Additions	21,205	11,015	2,098	6,450	43	79	28,178	<b>69,068</b>
Revaluation Increases Recognised in the Revaluation Reserve	51	53,571	0	0	68	5,708	0	<b>59,398</b>
Revaluation Losses Recognised in the Revaluation Reserve	(24)	(35,226)	0	0	0	(6,912)	0	<b>(42,162)</b>
Revaluation Increases Recognised in the Provision of Services	0	13,333	0	0	0	100	0	<b>13,433</b>
Revaluation Losses Recognised in the Provision of Services	(4,714)	(30,142)	(1)	(1)	(42)	(4,993)	0	<b>(39,893)</b>
Derecognition of Disposals	0	(1,120)	(332)	0	0	(1,140)	0	<b>(2,592)</b>
Reclassifications: to & from Assets Held for Sale	(11)	0	0	0	0	(602)	0	<b>(613)</b>
Reclassifications: to & from Investment Properties	0	0	0	(308)	0	45	0	<b>(263)</b>
Reclassifications: from Assets Under Construction	0	794	8	38	0	0	(840)	<b>0</b>
Reclassifications: PPE	(40)	(3,034)	0	0	(68)	3,142	0	<b>0</b>
Write back of Dep'n to the Gross Carrying Amount on Revaluation	0	(61,709)	(420)	0	0	(801)	0	<b>(62,930)</b>
<b>Gross Book Value 31/03/20</b>	<b>384,528</b>	<b>726,353</b>	<b>27,189</b>	<b>315,650</b>	<b>5,612</b>	<b>19,606</b>	<b>52,598</b>	<b>1,531,536</b>
<b>Accumulated Depreciation and Impairment at 01/04/19</b>	<b>(34,347)</b>	<b>(62,323)</b>	<b>(10,377)</b>	<b>(88,496)</b>	<b>(529)</b>	<b>(56)</b>	<b>0</b>	<b>(196,128)</b>
Depreciation Charge	(12,508)	(21,008)	(2,948)	(7,022)	(33)	(463)	0	<b>(43,982)</b>
Depreciation Written Out to Revaluation Reserve	0	61,709	420	0	0	801	0	<b>62,930</b>
Derecognition of Disposals	0	27	300	0	0	0	0	<b>327</b>
Other Movements in Depreciation and Impairments	0	393	0	0	0	(368)	0	<b>25</b>
<b>Cumulative Depreciation to 31/03/20</b>	<b>(46,855)</b>	<b>(21,202)</b>	<b>(12,605)</b>	<b>(95,518)</b>	<b>(562)</b>	<b>(86)</b>	<b>0</b>	<b>(176,828)</b>
<b>Net Book Value at 31/03/20</b>	<b>337,673</b>	<b>705,151</b>	<b>14,584</b>	<b>220,132</b>	<b>5,050</b>	<b>19,520</b>	<b>52,598</b>	<b>1,354,708</b>



Movements in 2018-19	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
<b>Gross Book Value 01/04/18</b>	<b>350,999</b>	<b>791,873</b>	<b>22,682</b>	<b>295,232</b>	<b>5,037</b>	<b>27,503</b>	<b>27,595</b>	<b>1,520,921</b>
Additions	21,071	12,050	3,924	9,297	112	2	14,167	<b>60,623</b>
Revaluation Increases Recognised in the Revaluation Reserve	42	13,097	40	0	0	453	0	<b>13,632</b>
Revaluation Losses Recognised in the Revaluation Reserve	(32)	(29,187)	0	0	0	(1,576)	0	<b>(30,795)</b>
Revaluation Increases Recognised in the Provision of Services	0	10,201	0	0	0	0	0	<b>10,201</b>
Revaluation Losses Recognised in the Provision of Services	(3,979)	(12,171)	(100)	0	(121)	(733)	0	<b>(17,104)</b>
Derecognition of Disposals	0	(189)	(238)	0	0	0	0	<b>(427)</b>
Reclassifications: to & from Assets Held for Sale	(27)	(199)	0	0	0	(1,260)	0	<b>(1,486)</b>
Reclassifications: to & from Investment Properties	0	813	0	0	10	266	0	<b>1,089</b>
Reclassifications: from Assets Under Construction to Investment Properties	0	0	0	0	0	0	(36)	<b>(36)</b>
Reclassifications: from Assets Under Construction	(13)	10,366	0	4,942	573	598	(16,466)	<b>0</b>
Write back of Dep'n to the Gross Carrying Amount on Revaluation	0	(17,783)	(472)	0	0	(273)	0	<b>(18,528)</b>
<b>Gross Book Value 31/03/19</b>	<b>368,061</b>	<b>778,871</b>	<b>25,836</b>	<b>309,471</b>	<b>5,611</b>	<b>24,980</b>	<b>25,260</b>	<b>1,538,090</b>
<b>Accumulated Depreciation and Impairment at 01/04/18</b>	<b>(22,394)</b>	<b>(55,580)</b>	<b>(8,350)</b>	<b>(81,651)</b>	<b>(440)</b>	<b>(271)</b>	<b>0</b>	<b>(168,686)</b>
Depreciation Charge	(11,953)	(24,597)	(2,704)	(6,845)	(32)	(58)	0	<b>(46,189)</b>
Depreciation Written Out to Revaluation Reserve	0	17,783	472	0	0	273	0	<b>18,528</b>
Derecognition of Disposals	0	0	205	0	0	0	0	<b>205</b>
Other Movements in Depreciation and Impairments	0	71	0	0	(57)	0	0	<b>14</b>
<b>Cumulative Depreciation to 31/03/19</b>	<b>(34,347)</b>	<b>(62,323)</b>	<b>(10,377)</b>	<b>(88,496)</b>	<b>(529)</b>	<b>(56)</b>	<b>0</b>	<b>(196,128)</b>
<b>Net Book Value at 31/03/19</b>	<b>333,714</b>	<b>716,548</b>	<b>15,459</b>	<b>220,975</b>	<b>5,082</b>	<b>24,924</b>	<b>25,260</b>	<b>1,341,962</b>

**All assets reclassified as Held for Sale were sold during the year.**

### Statement of Non-Current Assets Carried at Current Value 2019/20

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.

	<b>Council Dwellings £'000</b>	<b>Other Land &amp; Buildings £'000</b>	<b>Vehicles Plant &amp; Equipment £'000</b>	<b>Surplus Assets £'000</b>	<b>TOTAL £'000</b>
Movement in fair value as at:					
Previous Years	562,449	657,411	17,547	19,673	1,257,080
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	50,250	1,553	(7,470)	59,208
31 March 2019	17,062	(27,710)	3,154	(2,105)	(9,599)
31 March 2020	16,467	(52,518)	1,353	(5,374)	(40,072)
<b>Gross Book Value at 31/03/20</b>	<b>384,528</b>	<b>726,353</b>	<b>27,189</b>	<b>19,606</b>	<b>1,157,676</b>

### Capital Commitments

As at 31<sup>st</sup> March 2020 the Council was contractually committed to outstanding capital works which amounted to approximately £55.0 million (£29.0 million as at 31<sup>st</sup> March 2019).

	<b>£'000</b>
<b>Council Dwellings</b>	<b>9,819</b>
<b>Schools</b>	<b>27,693</b>
<i>The main contracts include:</i>	
<i>New Pembrey C P</i>	<i>6,373</i>
<i>Ysgol y Castell</i>	<i>6,104</i>
<i>Ysgol Rhys Pritchard</i>	<i>1,994</i>
<i>Ysgol Gorslas</i>	<i>5,849</i>
<i>Welsh Language Immersion Centre</i>	<i>1,510</i>
<b>Culture, Sport and Tourism</b>	<b>2,470</b>
<b>Regeneration / Economic Development</b>	<b>15,054</b>
<i>The main contracts include:</i>	
<i>Pendine Attractor Project</i>	<i>3,552</i>
<i>Former YMCA Building, Llanelli</i>	<i>3,880</i>
<i>Market Street - North, Llanelli</i>	<i>3,833</i>
<i>Cross Hands East Phase 2</i>	<i>3,394</i>
<b>Total</b>	<b>55,036</b>

**COVID-19**

As a result of COVID-19 the Authority is faced with an unprecedented set of circumstances on which to base a valuation judgement. Valuations in respect of surplus assets and investment properties are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Given the unknown future impact that COVID-19 might have on the real estate market the valuation of properties will be kept under review.

**6.10 Heritage Assets**

Heritage Assets with a net carrying amount of £2,282k were held for 2018/19 and 2019/20. Further details of the Council's Heritage Assets can be obtained from the Museums Curator at Carmarthenshire County Council.

**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:

	<b>2018-19</b>	<b>2019-20</b>
	<b>£'000</b>	<b>£'000</b>
Rental income from investment properties	(1,143)	(767)
Direct operating expenses arising from investment property	388	489
Net (gain)/loss	<u>(755)</u>	<u>(278)</u>
Indirect Expenditure	287	287
Net (Gains)/Losses from Fair Value Adjustments	785	(1,013)
Income and Expenditure in relation to Investment Properties and Changes in their Fair Value	<u><u>317</u></u>	<u><u>(1,004)</u></u>

The following table summarises the movement in the fair value of investment properties over the year:

	<b>2018-19</b>	<b>2019-20</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at start of year</b>	23,243	22,035
Additions:		
Enhancements	644	48
Disposals:	0	(5)
Net Gains/(Losses) from fair value adjustments	(785)	1,013
Revaluation Losses Recognised in the Revaluation Reserve	0	(177)
(To)/From Property, Plant and Equipment	(1,067)	238
	<u><u>22,035</u></u>	<u><u>23,152</u></u>

### Fair Value Measurement of Investment Properties

Details of the Council's investments properties and information about the fair value hierarchy are as follows:

Recurring fair value measurements using:	31st March 2019		31st March 2020	
	Significant unobservable inputs (level 3)	Fair Value	Significant unobservable inputs (level 3)	Fair Value
Commercial Properties	3,129	<b>3,129</b>	627	<b>627</b>
Garages	40	<b>40</b>	0	<b>0</b>
Land Assets	18,810	<b>18,810</b>	22,525	<b>22,525</b>
Offices	41	<b>41</b>	0	<b>0</b>
Residential Properties	15	<b>15</b>	0	<b>0</b>
<b>Total</b>	<b>22,035</b>	<b>22,035</b>	<b>23,152</b>	<b>23,152</b>

### 6.12 Long Term Investments

	31 March 2019 £'000	31 March 2020 £'000
Cwm Environmental Ltd.	329	329
Egni Sir Gar Cyfyngedig	900	846
Banks and 100% Wholly Owned Subsidiaries	700	673
	<b>1,929</b>	<b>1,848</b>

Whilst CWM Environmental, Llesiant Delta Wellbeing Ltd and Cartrefi Croeso have 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.

#### CWM Environmental Ltd

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<sup>st</sup> March 2020:

	£'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 draft accounts for the fifteen months ended 31<sup>st</sup> March 2020. Detailed below is a summary of the trading results for the period and net assets as at 31<sup>st</sup> March 2020:

	<b>15 month period ended 31 March 2020</b>
	<b>£'000</b>
Turnover	16,574
Less: Cost of Sales	<u>(12,539)</u>
<b>Gross Profit</b>	<b>4,035</b>
Overheads	<u>(4,453)</u>
<b>Net Profit/(Loss) before taxation</b>	<b>(418)</b>
Taxation on loss / profit	<u>0</u>
<b>Retained Profit/(Loss)</b>	<b><u>(418)</u></b>
Net Assets as at 31 March 2020	<b><u><u>3,899</u></u></b>

A copy of the Annual Report can be obtained from the Registered Office at the following address:

Head Office,  
Nantycaws Recycling Centre  
Llanddarog Road,  
Carmarthen,  
SA32 8BG

#### Llesiant Delta Wellbeing Ltd

Llesiant Delta Wellbeing Ltd is a wholly owned subsidiary of the Authority. The total value of the share capital is £1. The investment is 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.

The company is required to produce audited accounts for the year ended 31<sup>st</sup> March 2020 which are submitted to Companies House. Detailed below is a summary of the trading results for the year and net assets as at 31<sup>st</sup> March 2020.

	Year ended 31 March 2020
	£'000
Turnover	3,486
Less: Cost of Sales	<u>(2,653)</u>
<b>Gross Profit</b>	<b>833</b>
Overheads	<u>(689)</u>
<b>Net Profit/(Loss) before taxation</b>	<b>144</b>
Taxation on loss / profit	<u>(27)</u>
<b>Retained Profit/(Loss)</b>	<b>117</b>
Net Assets as at 31 March 2020	<u><u>117</u></u>

### Cartrefi Croeso

Cartrefi Croeso is a wholly owned subsidiary of the Authority. The total value of the share capital is £100. The investment is 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.

The company is required to produce audited accounts for the year ended 31<sup>st</sup> March 2020 which are submitted to Companies House. Detailed below is a summary of the trading results for the year and net assets as at 31<sup>st</sup> March 2020.

	Year ended 31 March 2020
	£'000
Turnover	639
Less: Cost of Sales	<u>(218)</u>
<b>Gross Profit</b>	<b>421</b>
Overheads	<u>(240)</u>
<b>Net Profit/(Loss) before taxation</b>	<b>181</b>
Taxation on loss / profit	<u>0</u>
<b>Retained Profit/(Loss)</b>	<b>181</b>
Net Assets/(Liabilities) as at 31 March 2020	<u><u>2</u></u>

### Egni Sir Gar

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. Carmarthenshire County Council are 100% shareholders of Egni Sir Gar Cyfyngedig.

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.

A Share Purchase Agreement was set up between Carmarthenshire County Council and Egni Sir Gâr Cyfyngedig.

There was a 6% capital repayment (ordinary 'B' shares) of £54k made during the year.

	£'000
Ordinary 'A' Shares	100
Ordinary 'B' Shares	746
<b>Total Share Capital</b>	<b>846</b>

Each share has a nominal value of £1.00 each.

### 6.13 Long Term Debtors

	31 March 2019 £'000	31 March 2020 £'000
Home Improvement Loans Longer than One Year	680	738
Charges against estates of persons in residential homes (Carmarthenshire County Council)	828	786
Charges against estates of persons in residential homes (External Providers)	1,721	1,819
Capital Contribution to the loans of 1st time homebuyers	1,098	1,053
Car Loans	68	57
Loan Scarlets	2,616	2,616
Loan Towy Community Church	172	154
Loan Llesiant Delta Wellbeing	5	5
Loan Cartrefi Croeso	0	2
Loan Town and Community Councils	0	490
Loan Cwm Environmental	0	321
Other	109	259
	<b>7,297</b>	<b>8,300</b>

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.

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 0.75%) 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 0.75%) was entered into with the Towy Community Church in December 2012 to assist in the implementation of the Xcel project.

A 10 year loan of £321k at a fixed interest rate of 3.38% was entered into with CWM Environmental Limited in February 2020 for the purpose of acquiring land adjoining the Nantycaws Site.

Loans to Town and Community Councils are for the replacement of ageing lighting columns with energy efficient LEDs. This is an Invest to save Initiative.

#### 6.14 Short Term Investments

This represents investments repayable within twelve months and is analysed as follows:

	<b>31 March 2019 £'000</b>	<b>31 March 2020 £'000</b>
Banks	12,154	12,093
Local Authorities	15,050	0
	<b>27,204</b>	<b>12,093</b>

#### 6.15 Inventories

	<b>2018-19 £'000</b>	<b>2019-20 £'000</b>
<b>Balance at start of year</b>	1,030	1,039
Purchases	5,221	5,670
Recognised as an expense in the year	(5,210)	(5,490)
Written off balances	(2)	(2)
Other net movements in year	0	1
<b>Balance at year end</b>	<b>1,039</b>	<b>1,217</b>

#### 6.16 Short Term Debtors

	<b>31 March 2019 £'000</b>	<b>31 March 2020 £'000</b>
HM Revenue & Customs	3,009	1,900
Central Government	16,836	24,367
Police, Fire, National Park and Local Authorities	4,284	5,286
NHS Bodies	3,400	9,437
Council Tax Payers	3,640	3,817
Housing Tenants	2,271	2,858
Other*	17,020	20,105
	<b>50,460</b>	<b>67,770</b>

\* Included in Other is an interest free loan of £1.35m to the National Botanic Garden which was due to be repaid by 31st March 2020. Discussions have been developing with the Welsh Government over the funding of the National Botanic Gardens but due to COVID-19 they have not been completed and have delayed the conclusion of the repayment plan.



**6.17 Cash and Cash Equivalents**

The balance of Cash and Cash Equivalents is made up of the following elements:

<b>2018-19</b>		<b>2019-20</b>
<b>£'000</b>		<b>£'000</b>
88	Cash held by the Authority	83
(1,734)	Bank current accounts	(863)
	Short-term deposits with banks, money market funds and debt management account deposit facility	
28,523		21,851
0	Short-term deposits with Local Authorities	21,010
<b>26,877</b>	<b>Total Cash and Cash Equivalents</b>	<b>42,081</b>

**6.18 Short Term Borrowing**

This represents borrowing repayable within twelve months and is analysed as follows:

	<b>31 March</b>	<b>31 March</b>
	<b>2019</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Public Works Loan Board	8,090	24,877
Market Loan	63	64
Salix & Invest 2 Save	291	750
	<b>8,444</b>	<b>25,691</b>

**6.19 Short Term Creditors**

	<b>31 March 2019</b>	<b>31 March 2020</b>
	<b>£'000</b>	<b>£'000</b>
HM Revenue & Customs	(4,518)	(4,521)
Central Government	(3,078)	(6,368)
Police, Fire, National Park and Local Authorities	(1,720)	(2,911)
NHS Bodies	(776)	(657)
Housing Tenants	(500)	(561)
Council Tax Payers	(1,967)	(2,430)
Employee Related	(5,190)	(5,928)
Other	(39,914)	(37,187)
	<b>(57,663)</b>	<b>(60,563)</b>

**6.20 Provisions**

The summary below shows the movement in the level of provisions during 2019/20:

	<b>1 April</b>				<b>31 March</b>
	<b>2019</b>	<b>Reversal</b>	<b>Addition</b>	<b>Utilisation</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Corporate Services Department	216	(175)	40	0	81
Environment Department	518	0	0	(280)	238
Education & Children	121	0	0	(121)	0
Chief Executive Department	88	(88)	0	0	0
Communities Department	966	(753)	981	(18)	1,176
Losses on Investments	717	(39)	0	0	678
Municipal Mutual Insurance (MMI)	152	0	(9)	(1)	142
Landfill Site - Aftercare Provision	735	0	0	(117)	618
Insurance	560	0	112	0	672
	<b>4,073</b>	<b>(1,055)</b>	<b>1,124</b>	<b>(537)</b>	<b>3,605</b>

	<b>Current</b>	<b>Long</b>	
	<b>Liabilites</b>	<b>Term</b>	
	<b>(&lt; 1 year)</b>	<b>Liabilites</b>	<b>Total</b>
	<b>£'000</b>	<b>(&gt; 1 year)</b>	<b>£'000</b>
Balances as at 31 March 2020			
Corporate Services Department	81	0	81
Environment Department	184	54	238
Communities Department	50	1,126	1,176
Losses on Investments	6	672	678
Municipal Mutual Insurance (MMI)	7	135	142
Landfill Site - Aftercare Provision	108	510	618
Insurance	672	0	672
	<b>1,108</b>	<b>2,497</b>	<b>3,605</b>

**Purpose of Main Provisions****Corporate Services Department**

Provision for money due to HMRC relating to a prior year payroll adjustment £41k. There is also a provision for overtime relating to the closure of the accounts.

**Environment Department**

The total includes £14k for remedial works due to subsidence in Crown Park, £69k bad debts – trade waste, £113k for approved asset transfer payments and £41k for a Software Contract entered into for a 3 year period.

**Communities Department**

Provision of £966k is made for the potential write off of residents' contribution debt, £100k for legal/barristers costs for prosecutions relating to trading standards & animal health and £60k in respect of unrecoverable debts on rental income from properties. A Bad Debt

provision of £34k exists regarding outstanding income in respect of 2018/19 and 2019/20. A £17k provision remains for outstanding maintenance work to be undertaken in respect of the damage to infrastructure at the Llandysul Paddlers site as a result of Storm Callum.

### 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.

### 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.

## 6.21 Long Term Borrowing

Total Outstanding as at	31st March	31st March	Maturity Dates
	2019	2020	
	£'000	£'000	
<b>Sources of Borrowing</b>			
Public Works Loan Board	400,421	403,377	2020-2069
Market Loans (Note i)	3,114	3,114	2020-2055
Interest Free Loans (Note ii)	4,109	3,358	2020-2033
	<b>407,644</b>	<b>409,849</b>	

- (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**

<b>Total Outstanding as at</b>	<b>31st March 2019 £'000</b>	<b>31st March 2020 £'000</b>
SALIX	7	3
Invest-2-Save	747	0
Home Improvement Loans Scheme	1,292	1,292
Town Centre Loans	2,063	2,063
	<b>4,109</b>	<b>3,358</b>

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.

**6.22 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 2018	Transfers In	Transfers Out	31 March 2019	Transfers In	Transfers Out	31 March 2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Insurance	10,741	1,566	(906)	11,401	1,925	(1,132)	12,194
Major Development Fund	38,718	250	(3,356)	35,612	2,964	(252)	38,324
Capital Investment Fund	86	0	0	86	0	(86)	0
MEP Capital Funding Development Fund	3,940	2,927	(194)	6,673	2,728	(493)	8,908
Schools Development Fund	1,627	140	(631)	1,136	509	(239)	1,406
City Deal	0	500	(127)	373	32	(174)	231
Public Lighting Invest 2 Save	2,000	2,100	(973)	3,127	1,500	(2,079)	2,548
Salix Fund	1,850	0	(549)	1,301	0	0	1,301
Corporate Retirement Fund	134	68	(83)	119	46	(84)	81
Job Evaluation	2,959	743	(17)	3,685	665	(50)	4,300
Redundancy	403	0	0	403	0	(403)	0
IT Infrastructure	884	43	(174)	753	40	0	793
Financial Management System	921	60	(132)	849	0	(408)	441
Parc Dewi Sant/St David's Park	117	200	0	317	0	0	317
Joint Ventures	468	0	(468)	0	0	0	0
Externally Funded Schemes	1,248	179	(247)	1,180	202	(75)	1,307
Support Carmarthenshire Business	2,034	1,275	(775)	2,534	519	(903)	2,150
Llanelly House	267	0	(88)	179	86	(265)	0
National Botanic Garden	77	120	0	197	0	(55)	142
Community Asset Transfer Fund	35	0	(35)	0	0	0	0
Fleet Management	180	0	(56)	124	7	(51)	80
Highways Capital Funding	1,951	232	(251)	1,932	77	(123)	1,886
Council Tax/Housing Benefit	978	87	0	1,065	58	0	1,123
Housing Services Schemes	1,631	0	0	1,631	0	(751)	880
Employee Development	1,624	1,607	(1,300)	1,931	1,303	(1,382)	1,852
Brexit	465	100	(230)	335	403	(201)	537
Tour of Britain	0	200	0	200	0	0	200
Departmental Reserves	0	525	0	525	0	(175)	350
Resetting Services (Post COVID-19)	5,673	2,229	(1,855)	6,047	2,856	(812)	8,091
Other	0	0	0	0	2,000	0	2,000
	129	123	(52)	200	15	(40)	175
	<b>81,140</b>			<b>83,915</b>			<b>91,617</b>
<b>Held by Schools under LMS</b>	1,515	1,045	(2,953)	(393)	1,439	(3,047)	(2,001)
	<b>1,515</b>			<b>(393)</b>			<b>(2,001)</b>

**Insurance**

Funds have been set aside to meet the cost of claims and other losses that could fall on the Authority

**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.

**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 CO<sub>2</sub>, 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.

**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. This has been increased due to the need to improve the operational robustness and resilience of the system.

**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.

**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.

**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 Authority 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.

**BREXIT**

This fund has been established to deal with any potential costs associated with Brexit.

**Tour of Britain**

This fund has been established to deal with costs of hosting the Men's and Women's Tour of Britain over the coming years.

**Resetting Services (Post COVID-19)**

Funding set aside to meet any one-off costs of resetting or realigning services during the recovery phase of the COVID-19 pandemic.

**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.

**Held by Schools under LMS**

This represents the net position of the balances of all schools. While some schools have a surplus balance, others are in deficit. It is recognised that in many cases it will take time to effect the changes necessary to balance individual school budgets, and therefore deficit recovery plans will be agreed on a school by school basis.

**6.23 Capital Receipts Reserve**

	2018-19 £'000	2019-20 £'000
Opening Balance	8,617	5,958
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,893	3,242
Statutory Capital Receipts	63	38
	<u>10,573</u>	<u>9,238</u>
Use of the Capital Receipts Reserve to finance new capital expenditure	(4,615)	(1,325)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	(1)
<b>Closing Balance</b>	<u><u>5,958</u></u>	<u><u>7,912</u></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.

**6.24 Capital Grants Unapplied**

	2018-19 £'000	2019-20 £'000
Opening Balance	564	5,553
Additions	5,839	2,406
	<u>6,403</u>	<u>7,959</u>
Grants and Contributions applied	(850)	(5,045)
<b>Closing Balance</b>	<u><u>5,553</u></u>	<u><u>2,914</u></u>



**6.25 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.

<b>2018-19</b>		<b>2019-20</b>
<b>£'000</b>		<b>£'000</b>
<b>343,509</b>	<b>Balance at 1 April</b>	<b>324,681</b>
22,862	Upward revaluation of assets	59,398
	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the	
<u>(30,795)</u>	Provision of Services	<u>(42,338)</u>
	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision	
(7,933)	of Services	17,060
(10,331)	Difference between fair value depreciation and	
(564)	historical cost depreciation	(8,165)
<u>(10,895)</u>	Accumulated gains on assets sold or scrapped	<u>(1,892)</u>
	Amount written off to the Capital Adjustment Account	(10,057)
<b><u>324,681</u></b>	<b>Balance at 31 March</b>	<b><u>331,684</u></b>

**6.26 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.

<b>2018-19</b>		<b>2019-20</b>
<b>£'000</b>		<b>£'000</b>
<b>555,567</b>	<b>Balance at 1 April</b>	<b>563,014</b>
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>	
(35,858)	Charges for depreciation and impairment of non-current assets	(35,819)
(16,133)	Revaluation losses on Property, Plant and Equipment	(26,459)
(2,222)	Revenue expenditure funded from capital under statute	(736)
	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	
(1,709)		(2,883)
<u>499,645</u>		<u>497,117</u>
564	Adjusting amounts written out of the Revaluation Reserve	1,892
	Net written out amount of the cost of non-current assets consumed in the year	
500,209		499,009
(4)	Additional in Year Movements	(99)
4,615	Use of the Capital Receipts Reserve to finance new capital expenditure	1,325
0	Use of Capital Receipts to finance Cost of Sales	1
23,115	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	28,349
	Application of grants to capital financing from the Capital Grants Unapplied Account	
850		5,045
	Statutory provision for the financing of capital investment charged against the Council Fund and HRA balances	
13,953		14,301
	Capital expenditure charged against the General Fund and HRA balances	
21,061		4,796
<u>563,799</u>		<u>552,727</u>
	Movements in the market value of Investment Properties (debited) or credited to the Comprehensive Income and Expenditure Statement	
(785)		1,013
<u><u>563,014</u></u>	<b>Balance at 31 March</b>	<u><u>553,740</u></u>

## 6.27 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.

**6.28 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.

**6.29 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.

<b>2018-19</b>		<b>2019-20</b>
<b>£'000</b>		<b>£'000</b>
<b>(320,704)</b>	<b>Balance at 1 April</b>	<b>(405,637)</b>
(40,972)	Remeasurements of the net defined benefit liability/(asset)	(85,316)
	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services	
(68,355)	in the Comprehensive Income and Expenditure Statement	(62,424)
	Employer's pensions contributions and direct payments to pensioners payable in the year	
24,394		25,915
<b><u>(405,637)</u></b>	<b>Balance at 31 March</b>	<b><u>(527,462)</u></b>

**6.30 Accumulated Absences Account**

This account represents the cost of paid absence entitlement due but not taken at 31<sup>st</sup> March which is charged to the cost of services in the Comprehensive Income and Expenditure Statement and is reversed out in the Movement of Reserves Statement and charged to this account to comply with statutory requirements.

	<b>2018-19</b>	<b>2019-20</b>
	<b>£000</b>	<b>£000</b>
Balance 1st April	(5,151)	(3,655)
Settlement or cancellation of preceding year's accrual	5,151	3,655
Accrual for current year	(3,655)	(4,254)
<b>Balance 31st March</b>	<b><u>(3,655)</u></b>	<b><u>(4,254)</u></b>

**6.31 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.

<b>2018-19</b>		<b>2019-20</b>
<b>£'000</b>		<b>£'000</b>
	<b>Expenditure</b>	
289,418	Employee Expenses	294,680
262,770	Other Service Expenses	268,389
30,031	Support Service Recharges	29,933
62,322	Depreciation & Similar Charges	70,444
52,946	Interest Payable & Similar Charges	53,926
31,648	Precepts & Levies	34,064
(184)	Gains/Losses on Disposal of Non Current Assets	(259)
<b>728,951</b>	<b>Total Expenditure</b>	<b>751,177</b>
	<b>Income</b>	
(150,497)	Fees, Charges & Other Service Income	(156,977)
(27,288)	Interest and Investment Income	(28,329)
(169,195)	Income from Council Tax & Net Proceeds from Non Domestic Rates	(176,502)
(334,151)	Grants and Contributions	(346,282)
<b>(681,131)</b>	<b>Total Income</b>	<b>(708,090)</b>
<b>47,820</b>	<b>(Surplus)/deficit on the provision of services</b>	<b>43,087</b>

**6.32 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.

**6.33 Members Allowances**

The Authority paid the following amounts to Members of the Council during the year:

	<b>2018-19</b>	<b>2019-20</b>
	£	£
Allowances	1,265,185	1,292,580
Expenses	56,586	57,774
<b>Total</b>	<b>1,321,771</b>	<b>1,350,354</b>

Further information on Members Allowances is available on the Authority's website [www.carmarthenshire.gov.wales](http://www.carmarthenshire.gov.wales) under Councillors Allowances.

**6.34 Employee Emoluments**

The numbers of employees whose remuneration excluding pension contributions was £60,000 or more were:

<b>Remuneration Band</b>	<b>No. of Employees 2018-19</b>	<b>No. of Employees 2019-20</b>	<b>Left During 2019-20</b>
60,000 to 64,999	38	45	0
65,000 to 69,999	23	23	1
70,000 to 74,999	3	12	1
75,000 to 79,999	7	9	2
80,000 to 84,999	3	4	0
85,000 to 89,999	6	4	0
90,000 to 94,999	10	14	0
95,000 to 99,999	3	3	1
100,000 to 104,999	3	2	0
105,000 to 109,999	2	2	0
110,000 to 114,999	0	1	0
115,000 to 119,999	0	1	0
<b>Total No. of Employees</b>	<b>98</b>	<b>120</b>	<b>5</b>

Remuneration value includes redundancy/termination payments.

Included in the bandings above are five 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, including pension contributions or equivalent payments, where salary is £150,000 or more.

Post		Salary (including fees & allowances)	Pension contributions	Expense Allowances
Mr M V James	18/19	176,177	0	218
Chief Executive & Returning Officer (i)	19/20	35,014	0	70

- (i) In June 2019, Mr M V James retired and the Director of Regeneration & Policy was appointed to the post of Chief Executive.

**Senior Officers emoluments where salary is between £60,000 & £150,000 per year**

Post		Salary (including fees & allowances)	Pension contributions
Chief Executive & Returning Officer (ii)	19/20	120,183	18,052
Director of Regeneration & Policy (ii)	18/19	121,250	18,412
	19/20	24,138	3,645
Director of Environment	18/19	125,202	19,085
	19/20	128,196	19,358
Director of Communities	18/19	138,250	20,994
	19/20	141,016	21,293
Director of Corporate Services	18/19	125,682	19,085
	19/20	128,196	19,358
Director of Education & Children's Services	18/19	123,466	18,749
	19/20	128,196	19,358

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.

Senior Officers' salary figures include Returning Officer fees in respect of County Council and Town & Community Council elections.

For the purpose of putting a value on the pension contributions relating to senior officers, the Common Contribution Rate of 15.1% for 2019/20 (15.1% for 2018/19) 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.

- (ii) The post of Director of Regeneration & Policy was deleted in June 2019 when the Director was appointed to the post of Chief Executive.

The ratio of the Chief Executive's remuneration to the median remuneration in Carmarthenshire County Council was as follows:

	<b>2018/19</b>	<b>2019/20</b>
Chief Executive's remuneration	£176,395	£147,900
Median remuneration of all employees	£22,561	£23,360
Ratio of the remuneration of the Chief Executive to the median remuneration of all employees	7.82 : 1	6.33 : 1

### 6.35 Exit Packages

During 2019/20 the Authority incurred 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.

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	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19 £	2019/20 £
£0 - £20,000	29	56	20	19	49	75	<b>348,396</b>	<b>417,584</b>
£20,000 - £40,000	0	4	7	9	7	13	<b>170,721</b>	<b>375,536</b>
£40,000 - £60,000	1	0	3	5	4	5	<b>202,989</b>	<b>261,634</b>
£60,000 - £80,000	0	0	2	1	2	1	<b>129,854</b>	<b>78,255</b>
£80,000 - £100,000	1	0	0	1	1	1	<b>90,538</b>	<b>99,823</b>
£100,000 - £150,000	0	1	0	1	0	2	<b>0</b>	<b>224,304</b>
<b>Total</b>	<b>31</b>	<b>61</b>	<b>32</b>	<b>36</b>	<b>63</b>	<b>97</b>	<b>942,498</b>	<b>1,457,136</b>

### 6.36 Audit Costs

In 2019/20 Carmarthenshire County Council incurred the following fees relating to financial audit and inspection, payable to the Wales Audit Office:

	<b>2018-19</b>	<b>2019-20</b>
	<b>£'000</b>	<b>£'000</b>
Financial Audit Services	184	184
Local Government Measure	100	100
Certification of Grant Claims & Returns	41	59
Burry Port Harbour Inspection	1	1
<b>Total</b>	<b>326</b>	<b>344</b>

**6.37 Grant Income**

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement.

	2018-19 £'000 (Restated)	2019-20 £'000
<b>Credited to Services</b>		
<b>Education &amp; Children's Services:</b>		
DCELLS Post 16 & ACL Funding	5,896	6,272
Children and Communities Grant*	6,332	5,906
Regional Consortia School Improvement Grant (RCSIG)	7,133	6,975
Pupil Development Grant (PDG)	4,885	5,062
LA Education Grant	1,203	5,449
European Social Fund	769	796
Youth Services Grant	183	539
<b>Adult Social Services:</b>		
Supporting People	6,589	6,467
Continuing Health Care Grant	812	812
Intermediate Care Fund	1,168	805
Wanless Grant	876	0
General Capital Grant	2,346	3,914
Regional Transformation Fund	0	3,634
Workforce and Sustainability Grant	0	1,833
<b>Highways &amp; Transport Services:</b>		
Concessionary Fares Subsidy	1,985	1,960
Local Transport Services Grant	972	760
Rural Development Plan	589	442
<b>Cultural, Environmental, Regulatory &amp; Planning Services:</b>		
Sustainable Waste Management Grant	1,222	1,110
European Regional Development Fund (ERDF)	331	682
European Social Fund	587	619
Rural Development Plan	657	840
Sports Council for Wales	491	424
Children and Communities Grant	280	322
Storm Callum Grant	597	500
<b>Central Services to the Public:</b>		
Housing Benefit	50,857	45,604
Other Grants - WG funded **	3,743	5,588
Other Grants***	4,841	8,116
Total	<b>105,344</b>	<b>115,431</b>

\*2018/19 Children & Communities Grant previously Flying Start and Cymorth

\*\*The following have been restated from Other Grants WG funded in 2018/19: Children & Communities £670k, LA Education Grant £664k, Storm Callum £597k, Youth Services grant £183k

\*\*\*The following have been restated from Other Grants in 2018/19: £539k LA Education Grant.



	2018-19 £'000	2019-20 £'000
<b>Revenue Support Grant</b>	<b>199,828</b>	<b>200,096</b>
<b>General Government Grants</b>	<b>25</b>	<b>0</b>
<b>Capital Grants and Contributions</b>		
21st Century Schools Grant/School Building Improvement Grant	3,435	4,359
Major Repairs Allowance	6,209	6,210
Transport Grants	6,598	4,531
Highways Improvement Fund	1,493	1,501
General Capital Grant	4,517	1,639
Intermediate Care Fund	1,939	0
Schools Maintenance Capital Grant	2,535	2,648
ERDF	0	3,224
Tourism Grant	11	1,236
Other Grants & Contributions *	2,217	5,407
<b>Total</b>	<b>28,954</b>	<b>30,755</b>

\*2018/19 Other Grants & Contributions restated for £11k Tourism Grant.

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 2019 £'000	31 March 2020 £'000
<b>Revenue Grants Receipts in Advance</b>		
Communities various	65	532
Environment various	86	1883
Education various	523	1346
Chief Executive various	75	215
	<b>749</b>	<b>3,976</b>

### 6.38 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 6.37.

### Mid and West Wales Fire and Rescue Authority

Carmarthenshire County Council's Director of Corporate Services fulfils the Section 151 Officer duties for Mid and West Wales Fire and Rescue Authority under a Service Level Agreement (payable to Carmarthenshire). In addition, the Council provided a number of other financial and ICT support services. Mid and West Wales Fire and Rescue Authority charged a levy of £9.8m (£9.6m in 18/19) on Carmarthenshire as one of six Unitary County Authorities (See Note 5.2).

A summary of Carmarthenshire County Council's transactions with Mid and West Wales Fire and Rescue Authority is set out below:

	<b>2018-19</b>	<b>2019-20</b>
	<b>£'000</b>	<b>£'000</b>
Income	285	346
	<b>2019</b>	<b>2020</b>
Balances outstanding at 31st March:	<b>£'000</b>	<b>£'000</b>
Debtor	160	185

### Dyfed Pension Fund

The Dyfed Pension Fund is administered by Carmarthenshire County Council. The Fund is overseen by a committee, membership of which is drawn from Carmarthenshire County Councillors, advised by an independent advisor. The Director of Corporate Services is also the Responsible Finance Officer of the Dyfed Pension Fund. Similarly, the Council's Monitoring Officer is also the Monitoring Officer of the Pension Fund.

Transactions between the two bodies are detailed in Note 6.44. The Council charged the Pension Fund an amount of £1.1m (£1.0m in 2018/19) in respect of administration and support during 2019/20. Short Term Creditors (Note 6.19) includes an amount of £4.9m owed to the Dyfed Pension Fund at 31st March 2020 (£5.2m at 31st March 2019).

### 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. Following governance changes as outlined in Note 6.1.18, the Director of Environment was appointed as a company director of CWM Environmental. Furthermore, the Council's interest as shareholder is managed through a Shareholder Board, which comprises members of the Corporate Management Team as well as the Executive Board Member for Environment.

CWM Environmental charged the Council an amount of £8.70m (£9.16m in 2018/19) in respect of waste services 2019/20. Short Term Creditors (Note 6.19) includes an amount of £0.64m owed to CWM Environmental at 31<sup>st</sup> March 2020 (£1.24m at 31<sup>st</sup> March 2019).

Details of a loan between the Authority and CWM Environmental Ltd are included in note 6.13 under Long Term Debtors.

### Egni Sir Gar Cyfyngedig

Carmarthenshire County Council is the registered Custodian Trustee of Egni Sir Gar Cyfyngedig and the Executive Board Member for Resources is Chair of the board. Details of investments are included in Note 6.12 under Long Term Investments.

### National Botanic Garden of Wales

During 2019/20, the Executive Board Member for Resources continued his role as a trustee of the National Botanic Garden of Wales. Details of the loan is set out in Note 6.16. During the year, the council made externally funded grant payments of £43k and payments of £29k for educational visits and other activities to the National Botanic Garden of Wales.

### Cartrefi Croeso Cyfyngedig

Cartrefi Croeso Cyfyngedig is a housing company wholly owned by Carmarthenshire County Council. At the start of the year, the company directors included the Director of Communities, the Director of Regeneration & Policy and one Councillor. During the year, both the Director of Communities and the Director of Regeneration & Policy resigned their company directorships. Shareholder reserved matters are exercised by the Chief Executive in consultation with the Director of Corporate Services. During the year, the company transferred one social housing project (consented but unconstructed) to the Council, for which the company was reimbursed by the council for its development costs incurred.

The total expenditure since the formation of the company funded by the council was £829k and the balance outstanding to the council at 31<sup>st</sup> March was £829k.

### Llesiant Delta Wellbeing

Llesiant Delta Wellbeing is a company set up in 2017/18 to expand and grow the Careline service which is wholly owned by Carmarthenshire County Council. The council exercises shareholder reserved matters through a shareholder governance group, which includes members of the Corporate Management Team, Executive Board Members and other Councillors. The council's Careline service was transferred to the company during the year.

A summary of Carmarthenshire County Council's transactions with Llesiant Delta Wellbeing is set out below:

	<b>2018-19</b>	<b>2019-20</b>
	<b>£'000</b>	<b>£'000</b>
Expenditure	1,680	3,791
Income	221	815
	<b>2019</b>	<b>2020</b>
Balances outstanding at 31st March:	<b>£'000</b>	<b>£'000</b>
Creditor	132	454
Debtor	103	482

Expenditure includes payment to Llesiant Delta Wellbeing for the provision of Careline Services to the Council, both for its own citizens and in fulfilment of contractual obligations which the Council has with third party customers

Income includes the agreed cost of support services provided to Llesiant Delta Wellbeing provided by council employees.

During the year, the company grew its Delta Connect activity which is grant funded via the West Wales Care Partnership hosted by the council.

### 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 2019/20 is shown in Note 6.33.

The Authority paid grants totalling £56k to organisations in which eight 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 (in addition to those above)

#### Outgoing Chief Executive

Prior to his retirement, the outgoing Chief Executive continued his role as a member of the Council of the University of Wales Trinity St David (UWTSD), which is the governing body of the university.

A summary of Carmarthenshire County Council's transactions with UWTSD is set out below:

	<b>2018-19</b>	<b>2019-20</b>
	<b>£'000</b>	<b>£'000</b>
Expenditure	83	71
Income	124	77
	<b>2019</b>	<b>2020</b>
Balances outstanding at 31st March:	<b>£'000</b>	<b>£'000</b>
Creditor	39	13
Debtor	72	6

Expenditure includes payments to UWTSD for staff training and course fees.

Income includes a contribution to the City Deal Partnership

#### Incoming Chief Executive

During 2019/20, a close family member of the incoming Chief Executive commenced employment at W B Griffiths & Sons, a building contractor. During 2019/20, the Authority spent a total of £188k with the contractor (£290k in 2018/19). As at 31<sup>st</sup> March 2020 the outstanding creditor balance was £0k (£213k as at 31<sup>st</sup> March 2019).

**6.39 Jointly Controlled Operations****Wales Pension Partnership (WPP)**

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 eight 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. The Director of Corporate Services is also the Responsible Finance Officer of the Wales Pension Partnership. Similarly, the Council's Monitoring Officer is also the Monitoring Officer of the Wales Pension Partnership.

The Council charged the Wales Pension Partnership an amount of £133k (£129k in 2018/19) in respect of administration and support during 2019/20.

	<b>WPP</b>
	<b>2019-20</b>
	<b>Total</b>
	<b>£'000</b>
Expenditure	299 *
Income	(299)
(Surplus)/Deficit for the year	<u>0</u>
Current Assets	367
Current Liabilities	(367)
Total assets less liabilities	<u><u>0</u></u>

\* Expenditure is shared equally between the eight LGPS Funds. The exception is when an External Advisor provides a service for specific LGPS Funds within the pool, these additional costs are shared equally between the respective Funds. The eight LGPS funds are:

Cardiff & Vale of Glamorgan Pension Fund  
 City and County of Swansea Pension Fund  
 Clwyd Pension Fund  
 Dyfed Pension Fund  
 Greater Gwent Pension Fund  
 Gwynedd Pension Fund  
 Powys Pension Fund  
 Rhondda Cynon Taf Pension Fund

**Education through Regional Working (ERW)**

ERW is an alliance of six local authorities in South West and Mid Wales working to improve the standards of education of children and young people within the region. The Authority's share of the Joint Arrangement Income and Expenditure Account and Balance Sheet are shown in the table below:

	<b>ERW</b>	
	<b>2019-20</b>	
	<b>Total</b>	<b>CCC Share</b>
	<b>£'000</b>	<b>£'000</b>
Expenditure	645	137
Income	(574)	(122)
Net Pensions Interest	20	4
(Surplus)/Deficit for the year	91	19
Current Assets	2,883	614
Current Liabilities	(2,461)	(524)
Long Term Liabilities	(407)	(87)
Total assets less liabilities	15	3
Reserves	15	3
Total Financing	15	3

### Swansea Bay City Region (SBCR)

The Swansea Bay City Deal is a £1.3bn investment in 11 major projects across the Swansea Bay City Region.

The Swansea Bay City Deal is being led by the four regional local authorities - Carmarthenshire Council, Swansea Council, Neath Port Talbot Council and Pembrokeshire Council - together with the Abertawe Bro Morgannwg and Hywel Dda University Health Boards, Swansea University, the University of Wales Trinity Saint David, and private sector partners. Carmarthenshire County Council's Director of Corporate Services fulfils the Section 151 Officer duties for Swansea Bay City Region.

Detailed below is a draft summary of the Income and Expenditure Account and Balance Sheet for the year ended 31<sup>st</sup> March 2020:

	<b>SBCR</b>
	<b>2019-20</b>
	<b>Total</b>
	<b>£'000</b>
Expenditure	271
Income	(444)
(Surplus)/Deficit for the year	(173)
Current Assets	18,302
Current Liabilities	(29)
Total assets less liabilities	18,273
Reserves	18,273
Total Financing	18,273

As per the Agreement the Council contributes £50k per annum to support the central and administrative functions of the programme.

**6.40 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.

	<b>2018-19</b>	<b>2019-20</b>
	<b>£'000</b>	<b>£'000</b>
<b>Capital Investment</b>		
Property, Plant and Equipment	60,623	69,068
Investment Properties	644	48
Heritage Assets	36	0
Long Term Loans	33	961
Revenue Expenditure Funded from Capital under Statute	4,984	6,337
	<u>66,320</u>	<u>76,414</u>
<b>Sources of Finance</b>		
Capital Receipts	4,615	1,326
Government grants and other contributions	25,876	33,951
Sums set aside from revenue	6,957	8,453
Direct revenue contributions	14,954	1,388
Borrowing	13,918	31,296
	<u>66,320</u>	<u>76,414</u>
<b>Opening Capital Financing Requirement</b>	<b>484,445</b>	<b>484,384</b>
<b>Explanation of Movements in Year</b>		
Increase in underlying need to borrow (supported by government financial assistance)	3,440	3,303
Increase in underlying need to borrow (unsupported by government financial assistance)	(3,501)	13,691
Increase/(decrease) in Capital Financing Requirement	(61)	16,994
<b>Closing Capital Financing Requirement</b>	<b>484,384</b>	<b>501,378</b>

**6.41 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:-

	<b>2018-19</b> <b>£'000</b>	<b>2019-20</b> <b>£'000</b>
Not later than one year	723	639
Later than one year and not later than five years	1,688	1,532
Later than five years	3,906	4,343
	<u><b>6,317</b></u>	<u><b>6,514</b></u>

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

	<b>2018-19</b> <b>£'000</b>	<b>2019-20</b> <b>£'000</b>
Minimum Lease payments	979	1,165

**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:

	<b>2018-19</b> <b>£'000</b>	<b>2019-20</b> <b>£'000</b>
Not later than one year	1,158	1,111
Later than one year and not later than five years	3,775	3,559
Later than five years	26,803	23,985
	<u><b>31,736</b></u>	<u><b>28,655</b></u>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into.

In 2019/20 £98,314 contingent rents were receivable by the Authority (£108,165 in 2018/19).

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.

#### **6.42 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.

#### **6.43 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 2019/20 Carmarthenshire County Council paid £12.9m to the Department for Education in respect of teachers' pension costs, which represents 16.48% of teachers and lecturers pensionable pay for the first 5 months and 23.68% from September 2019. The figures for 2018/19 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 £14.9m.

In addition, the County Council is responsible for all pension payments relating to added years it has awarded together with the related increases. In 2019/20 these amounted to £0.380m.

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.

#### **6.44 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 (i.e. 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:

	<b>2018-19</b> <b>£'000</b>	<b>2019-20</b> <b>£'000</b>
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services:</b>		
Current Service Cost	38,539	46,741
Past Service Costs	21,521	4,518
Settlements and Curtailments	(302)	1,226
<b>Financing and Investment Income and Expenditure</b>		
Net Interest Expense	8,597	9,939
<b>Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>68,355</b>	<b>62,424</b>
<b>Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement</b>		
Remeasurement of the net defined benefit liability comprising:		
Return on plan assets	(38,694)	112,500
Experience gain on liabilities	0	43,121
Actuarial gains and losses arising on changes in demographic assumptions	0	(42,370)
Actuarial gains and losses arising on changes in financial assumptions	79,666	(27,935)
<b>Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>109,327</b>	<b>147,740</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit for Provision of Services for Post Employment Benefits in the accordance with the code	(68,355)	(62,424)
<b>Actual amount charged against the Council Fund Balance for pensions in the year:</b>		
Employers' Contributions payable to Scheme	24,394	25,915

**Assets and Liabilities in Relation to Post-employment Benefits****Carmarthenshire County Council**

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets:

	<b>2018-19</b>	<b>2019-20</b>
	<b>£'000</b>	<b>£'000</b>
Balance as at 1 April	1,062,305	1,121,653
Interest on plan assets	27,510	26,876
Experience gain on assets	38,694	(112,500)
Administration expenses	(604)	(515)
Settlements	(2,536)	0
Employer contributions	24,394	25,915
Contributions by scheme participants	7,655	8,149
Benefits paid	(35,765)	(37,689)
Balance as at 31 March	<u>1,121,653</u>	<u>1,031,889</u>

Reconciliation of Present Value of the Scheme Liabilities:

	<b>2018-19</b>	<b>2019-20</b>
	<b>£'000</b>	<b>£'000</b>
Balance as at 1 April	(1,383,009)	(1,527,290)
Current Service Cost	(38,539)	(46,741)
Interest cost	(35,503)	(36,300)
Contributions by scheme participants	(7,655)	(8,149)
Experience gain on liabilities	0	(43,121)
Actuarial gains and losses arising on changes in demographic assumptions	0	42,370
Actuarial gains and losses arising on changes in financial assumptions	(79,666)	27,935
Curtailments	(855)	(1,226)
Settlements	3,693	0
Benefits paid	35,765	37,689
Past service costs	(21,521)	(4,518)
Balance as at 31 March	<u>(1,527,290)</u>	<u>(1,559,351)</u>
<b>Net Scheme Liabilities</b>	<u><b>(405,637)</b></u>	<u><b>(527,462)</b></u>

The Dyfed Pension Fund assets comprised:

		<u>Quoted</u>	<b>31 March 2019</b>	<b>31 March 2020</b>
			<b>£'000</b>	<b>£'000</b>
Equities	UK	Yes	218,722	240,637
	Overseas Pooled Funds	No	252,372	245,280
	US	Yes	120,017	115,881
	Canada	Yes	4,487	4,644
	Japan	Yes	37,015	34,568
	Pacific Rim	No	12,338	10,628
	Emerging Markets	No	98,705	75,741
	European ex UK	Yes	31,406	28,067
Bonds	UK Index linked	Yes	68,421	40,656
	UK Corporate	No	118,895	104,118
Property	Property Funds	No	152,545	126,510
Cash	Cash accounts	Yes	6,730	5,159
<b>Total</b>			<b><u>1,121,653</u></b>	<b><u>1,031,889</u></b>

The outbreak of Coronavirus (COVID-19) has impacted global financial and property markets. Due to these market conditions, a material valuation uncertainty has been included in a year end valuation report for the Dyfed Pension Fund's property investment fund. The specific wording included in the report is "As at 31st March 2020, RICS (Royal Institute of Chartered Surveyors) have advised there is currently material valuation uncertainty of UK Real Estate Funds due to market conditions."

The total value of this fund as at 31st March 2020 is £296.4m and the Council's share of this fund amounts to £127m (43%).

### Scheme History

	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Present value of liabilities in the Local Government Pension Scheme	(1,103,940)	(1,391,448)	(1,383,009)	(1,527,290)	(1,559,351)
Fair value of assets in the Local Government Pension Scheme	839,426	1,030,154	1,062,305	1,121,653	1,031,889
<b>Surplus/(deficit) in the scheme</b>	<b><u>(264,514)</u></b>	<b><u>(361,294)</u></b>	<b><u>(320,704)</u></b>	<b><u>(405,637)</u></b>	<b><u>(527,462)</u></b>

The liabilities show the underlying commitments that the Authority has in the long-run to pay post-employment benefits. The total net liability of £527m 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<sup>st</sup> March 2021 is £26.2m.

### **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<sup>st</sup> March 2019.

The main assumptions used in its calculations are shown below:

	<b>2018-19</b>	<b>2019-20</b>
	%	%
<b>Financial Assumptions:</b>		
Rate of CPI inflation	2.2	2.1
Rate of increase in salaries	3.70	3.60
Rate of increase in pensions	2.3	2.2
Rate for discounting Fund liabilities	2.4	2.4
	<b>2018-19</b>	<b>2019-20</b>
	%	%
<b>Mortality assumptions:</b>		
Longevity at 65 for current pensioners:		
Men	23.0	23.0
Women	25.7	24.9
Longevity at 65 for future pensioners:		
Men	25.2	24.5
Women	28.1	27.1

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. 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**

	<b>Increase in assumption £'000</b>	<b>Decrease in assumption £'000</b>
Longevity (increase or decrease of 1 year)	41,897	(41,897)
Rate of inflation (increase or decrease by 0.1% p.a.)	28,147	(28,147)
Rate of increase in salaries (increase or decrease by 0.1% p.a.)	4,631	(4,631)
Rate of increase in pensions (increase or decrease by 0.1% p.a.)	28,147	(28,147)
Rate for discounting scheme liabilities (increase or decrease by 0.1% p.a.)	(27,648)	27,648

The net pension liability reported in the accounts includes a potential liability related to the McCloud judgement. In July 2020, the UK Government published proposals for consultation on a remedy to address the McCloud issue. The pension fund actuary has based the estimate on the major provisions of the remedy, however there remains some uncertainty over the final outcome.

#### **6.45 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 31<sup>st</sup> March 2020 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 Authority has entered 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 through the acceptance of "Policy Excesses" and 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. The Indemnity Limit is set by the Insurer and is the maximum exposure that they are contracted to cover.

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 6.20). 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 6.22) for this purpose.

During the year, there were a small number of claims made to Employment Tribunal against the authority. It is not possible to reliably estimate either the likelihood or value to

the authority if the Tribunal rules in the claimants' favour. No provision has therefore been made in these financial statements.

#### 6.46 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 2019 £'000	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000
Financial liabilities (principal amount)	407,529	409,735	5,292	22,794
Accrued Interest	0	0	3,153	2,897
Other accounting adjustments	114	114	0	0
Financial liabilities at amortised cost	<b>407,643</b>	<b>409,849</b>	<b>8,445</b>	<b>25,691</b>
<b>Total borrowings</b>				
Loans and receivables (principal amount)	554	528	27,016	12,005
Accrued Interest	146	145	188	88
Investments at amortised cost	700	673	27,204	12,093
Equity at Fair Value through other comprehensive income				
Unquoted equity investment at cost	1,229	1,175	0	0
<b>Total investments</b>	<b>1,929</b>	<b>1,848</b>	<b>27,204</b>	<b>12,093</b>



### 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 at amortised cost			
	2018-19 £'000	2019-20 £'000	2018-19 £'000	2019-20 £'000	2018-19 £'000	2019-20 £'000
Interest expense	(17,443)	(17,625)	0	0	(17,443)	(17,625)
Impairment Losses	0	0	0	0	0	0
<b>Interest payable and similar charges</b>	<b>(17,443)</b>	<b>(17,625)</b>	<b>0</b>	<b>0</b>	<b>(17,443)</b>	<b>(17,625)</b>
Interest Income	0	0	465	679	465	679
<b>Interest and investment income</b>	<b>0</b>	<b>0</b>	<b>465</b>	<b>679</b>	<b>465</b>	<b>679</b>
<b>Net gain/(loss) for the year</b>	<b>(17,443)</b>	<b>(17,625)</b>	<b>465</b>	<b>679</b>	<b>(16,978)</b>	<b>(16,946)</b>

### Employee Car Loans

The authority makes loans for car purchase to employees in the authority who are in posts that require them to drive regularly on the authority's business. Interest is charged at 1% above base rate on the loans.

Employee Car Loans	31 March	31 March
	2019 £'000	2020 £'000
Opening Balance	71	68
New Loans	39	31
Loans repaid	(42)	(42)
<b>Closing Balance</b>	<b>68</b>	<b>57</b>

### 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 2019		31 March 2020	
	Carrying amount	Fair Value	Carrying amount	Fair Value
PWLB Debt	408,511	631,675	428,253	739,310
Non - PWLB debt	7,578	14,708	7,287	10,992
<b>Total Financial Liabilities</b>	<b>416,089</b>	<b>646,383</b>	<b>435,540</b>	<b>750,302</b>

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 2019		31 March 2020	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Money market loans < 1year	27,204	27,204	12,093	12,093
Money market loans > 1year	700	700	673	673
Total investments	27,904	27,904	12,766	12,766
Trade Debtors	14,130	14,130	19,369	19,369
<b>Total Loans and Receivables</b>	<b>42,034</b>	<b>42,034</b>	<b>32,135</b>	<b>32,135</b>

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 £739.310m 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 £428.254m would be valued at £533.602m.

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

#### Fair Value of Financial Assets

Some of the authority's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

#### Financial assets measured at fair value

Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	31 March 2019	31 March 2020
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#### Fair Value through Other Comprehensive Income

Equity shareholding in CWM Environmental Ltd	Level 3	At cost	329	329
Equity shareholding in Egni Sir Gar Cyfyngedig	Level 3	At cost	900	846
<b>Total</b>			<b>1,229</b>	<b>1,175</b>

Fair value hierarchy for financial assets and financial liabilities that are not measured at fair value.

Recurring fair value measurements using:	31 March 2019		31 March 2020	
	Other significant observable inputs (Level 2) £'000	Total £'000	Other significant observable inputs (Level 2) £'000	Total £'000
<b>Financial Liabilities</b>				
<b>Financial liabilities held at amortised cost:</b>				
PWLB	631,675	631,675	739,310	739,310
NON PWLB	14,708	14,708	10,992	10,992
<b>Total</b>	<b>646,383</b>	<b>646,383</b>	<b>750,302</b>	<b>750,302</b>
<b>Financial assets</b>				
Loans and Receivables	27,904	27,904	12,766	12,766
<b>Total</b>	<b>27,904</b>	<b>27,904</b>	<b>12,766</b>	<b>12,766</b>

## 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 20<sup>th</sup> February 2019 and is available on the Authority website. The Authority stayed within the Authorised Limit and Operational Boundary during the year.

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 annual Treasury Management Strategy sets out the Counterparty list and limits. 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 £20k 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.

The following analysis summarises the Council's maximum exposure to credit risk on other financial assets, based on experience of default.

	Amount at 31 March 2020 £'000	Historical Experience of default %	Estimated maximum exposure to default £'000
<u>Deposits with banks and financial institutions</u>			
AAA rated counterparties	12,000	0.04	4.8
AA rated counterparties	20,785	0.02	4.2
A rated counterparties	22,000	0.05	11.0
BBB rated counterparties	0	0.15	0.0
Trade debtors	19,369	3.50	677.9
	<u>74,154</u>		<u>697.9</u>

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 £19.369m shown above includes £10.607m which is past its due date for payment. The past due amount can be analysed by age as follows:

	31st March 2019 £'000	31st March 2020 £'000
Less than three months	1,734	2,500
Three to six months	874	943
Six months to one year	1,060	1,158
More than one year	5,597	6,006
	<u>9,265</u>	<u>10,607</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 31<sup>st</sup> March 2020 was £1.08m.

### 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.

	2018-19			2019-20		
	Approved Maximum Limit	Approved Minimum Limit	31st March 2019	Approved Maximum Limit	Approved Minimum Limit	31st March 2020
	%	%	£'000	%	%	£'000
Less than one year	15	0	8,444	15	0	25,691
Between one and two years	25	0	12,794	15	0	15,771
Between two and five years	50	0	25,930	50	0	29,161
Between five and ten years	50	0	40,793	50	0	39,929
More than ten years	100	25	328,127	100	25	324,988
			<b>416,088</b>			<b>435,540</b>

The maturity analysis of financial assets is as follows:

	2018-19 £'000	2019-20 £'000
Less than one year	27,204	12,093
Greater than one year	700	673
	<b>27,904</b>	<b>12,766</b>

All trade and other payables are due to be paid in less than one year and trade debtors of £19.369m 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:



	<b>£'000</b>
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	(402)
Increase in Government grant receivable for financing costs	159
Impact on Surplus or Deficit on the Provision of Services	(243)
Share of overall impact debited to the HRA*	236
Decrease in fair value of fixed rate investment assets	0
Impact on Other Comprehensive Income and Expenditure	<u>(7)</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)	 <b>121,736</b>

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.

#### **6.47 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.

- IFRS 16 – leases – A new leasing standard was issued on 1st January 2018, 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. The implementation of this standard for local government was deferred until 1<sup>st</sup> April 2021 by CIPFA/LASAAC.

At the balance sheet date, there are no new standards or amendments to existing standards that have been published but not yet adopted by the Code, that would have a material impact on the Authority's accounts.

**7 HOUSING REVENUE ACCOUNT (HRA)****7.1 HRA Income and Expenditure Statement**

2018-19 £'000		Note	2019-20 £'000
	<b>Expenditure</b>		
	Repairs and Maintenance		
1,969	- Responsive		2,798
5,652	- Planned/Cyclical		5,323
2,690	- Voids		3,595
8,081	Supervision and Management		8,439
1,336	Central Support Charges		1,363
264	Rents, Rates Taxes and other charges		470
293	Movement in the allowance for Bad Debts		302
15,933	Depreciation and Impairment of non current assets	8.7	17,242
	Revenue Expenditure funded from Capital under		
0	Statute		1
36	Debt Management Costs		36
<u>36,254</u>	<b>Total Expenditure</b>		<u>39,569</u>
	<b>Income</b>		
(39,156)	Dwelling rents	8.1	(40,819)
(123)	Non-Dwelling Rents		(131)
(29)	Leaseholders		(29)
(680)	Service Fees	8.2	(746)
(374)	Grants		(374)
(395)	Other Income		(782)
(361)	Commission - Water Rates	8.5	(343)
<u>(41,118)</u>	<b>Total Income</b>		<u>(43,224)</u>
<b>(4,864)</b>	<b>Net cost of HRA Services as included in the Comprehensive Income &amp; Expenditure Statement</b>		<b>(3,655)</b>
283	HRA services' share of Corporate and Democratic Core		289
<b>(4,581)</b>	<b>Net (Income)/cost for HRA Services</b>		<b>(3,366)</b>
	<b>HRA Share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement</b>		
(82)	(Gain) or loss on the sale of HRA Non Current Assets		(65)
9,698	Interest Payable and similar charges		9,901
(117)	Interest and Investment Income		(131)
217	Net interest on the net defined benefit liability (asset)		245
<u>(6,367)</u>	Capital grants and contributions receivable		<u>(6,453)</u>
<u><b>(1,232)</b></u>	<b>(Surplus) or Deficit for the year on HRA Services</b>		<u><b>131</b></u>

**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.

2018-19 £'000		Note	2019-20 £'000	2019-20 £'000
(20,114)	Balance on the HRA at the end of the previous year			(14,314)
(1,232)	(Surplus) or deficit for the year on the HRA Income and Expenditure Account		131	
7,004	Adjustments between accounting basis and funding basis under statute	7.3	(7,173)	
5,772	Net Increase or (decrease) before transfers to or from reserves		(7,042)	
28	Transfers (to) or from reserves	7.4	104	
5,800	(Increase) or decrease in year on the HRA			(6,938)
<b>(14,314)</b>	<b>Balance on the HRA at the end of the current year</b>			<b>(21,252)</b>

**7.3 Adjustments between accounting basis and funding basis under statute**

2018-19 £'000		2019-20 £'000
(52)	Amortisation of Premiums and Discounts	0
1	Transfers to / (from) Accumulated Absences Account	(3)
82	Gain or loss on sale of HRA noncurrent assets	66
(609)	HRA share of contributions to or from the Pensions Reserve	(821)
12,731	Capital expenditure funded by the HRA	0
(5,149)	Transfer to / from the Capital Adjustment Account	(6,415)
<b>7,004</b>		<b>(7,173)</b>

**7.4 Transfers to or (from) Earmarked Reserves**

2018-19				2019-20		
£'000	£'000	£'000		£'000	£'000	£'000
Trfs from	Trfs to	Net		Trfs from	Trfs to	Net
203	(154)	49	Insurance Reserve	203	(83)	120
0	(22)	(22)	Employee Developmental	0	(16)	(16)
1	0	1	Salix	0	0	0
<b>204</b>	<b>(176)</b>	<b>28</b>		<b>203</b>	<b>(99)</b>	<b>104</b>

**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 2019/20 this totalled £40.8m (£39.1m for 2018/19). At the 31<sup>st</sup> March 2020 3.77% of lettable properties were vacant (3.02% at 31<sup>st</sup> March 2019). Average rents were £86.94 a week in 2019/20 (£84.83 in 2018/19).

**8.2 Charges for Services & Facilities**

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 account.

**8.3 Housing Stock**

The Council was responsible for managing on average 9,161 dwellings during 2019/20 (9,126 in 2018/19). The stock at 31<sup>st</sup> March was as follows:

	<b>2018-19</b>	<b>2019-20</b>
Houses	4,987	5,030
Flats / Maisonettes / Bedsits	1,992	1,949
Bungalows	2,181	2,183
	<b>9,160</b>	<b>9,162</b>

The change in stock can be summarised as follows:

	<b>2018-19</b>	<b>2019-20</b>
Opening Stock as at 1 April	9,091	9,160
Sales	0	0
Demolitions/Deactivated	0	(46)
New Building/Acquisitions/Conversions	69	48
Closing Stock as at 31 March	<b>9,160</b>	<b>9,162</b>

**8.4 Rent Arrears**

	<b>As at 31 March 2019 £'000</b>	<b>As at 31 March 2020 £'000</b>
Arrears	1,883	2,111
Arrears as a Percentage of Gross Rent Income	4.67%	5.00%

There is a 0.4% year on year increase 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 2.77%. There is a 0.07% year on year decrease in former tenants rent arrears as a percentage of gross collectable rent debit. This is 0.18% increase after allowing for the £238k write-offs.

Provision for Bad Debts at 31<sup>st</sup> March 2020 was £1,002,661 for rent (£1,079,523 inclusive of water rates). The comparative figures for 2018/19 are £967,211 for rent (£1,060,771 inclusive of water rates).

### 8.5 Commission

The Authority collects water rates on behalf of Dwr Cymru Welsh Water and receives commission on the monies due. In 2019/20 this amounted to £343k (£361k in 2018/19) net of void loss on properties. The value of water rates was £3.4m in 2019/20 (£3.3m in 2018/19).

### 8.6 Capital Expenditure

Capital Expenditure in 2019/20 on HRA land and dwellings totalled £28.027m (£21.591m in 2018/19).

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). We were notified of the intention to terminate this agreement in 2018/19 but formal sign off is not complete.

	<b>2018-19</b>	<b>2019-20</b>
	<b>£'000</b>	<b>£'000</b>
<b>Funded by :</b>		
Major Repairs Allowance	6,209	6,210
Borrowing	2,334	21,497
Capital Receipts - Sales of Dwellings/Land	165	76
External Funding	0	13
Section 106 Income	158	231
Direct Revenue Financing	12,725	0
	<b>21,591</b>	<b>28,027</b>
<b>Spent on:</b>		
Dwellings	21,178	27,666
Land	0	0
Other	413	361
	<b>21,591</b>	<b>28,027</b>

### 8.7 Depreciation

Depreciation and Impairment losses have 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:

	<b>2018-19</b>	<b>2019-20</b>
	<b>£'000</b>	<b>£'000</b>
Depreciation on dwellings	11,954	12,508
Revaluation losses & impairments	3,979	4,734
	<u><b>15,933</b></u>	<u><b>17,242</b></u>

Revaluation losses and impairments were incurred on:

	<b>2018-19</b>	<b>2019-20</b>
	<b>£'000</b>	<b>£'000</b>
	<b>(Restated)</b>	
Dwellings	3,597	1,221
Land	41	0
Other	341	3,513
	<u><b>3,979</b></u>	<u><b>4,734</b></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.

Carmarthenshire's balance of the fund as at 31<sup>st</sup> March 2020 was £1.769m (£1.967m as at 31<sup>st</sup> March 2019).

## 10 TRUST FUNDS 2019/20

The Authority operates trust funds for Education Services, Cultural Services and Social Services. These represent total net assets of £741k as at 31<sup>st</sup> March 2020 (£764k as at 31<sup>st</sup> March 2019).

**11 SOCIAL CARE / CHILDREN'S SERVICES – SAFEKEEPING, SAFE CUSTODY, AMENITY FUNDS & STAFF BENEFIT ACCOUNTS****11.1 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 31<sup>st</sup> March 2020 was £523,044 (£693,723 as at 31<sup>st</sup> March 2019) and this reflects the amount of personal allowances held by the Authority on behalf of its residents.

**11.2 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 31<sup>st</sup> March 2020 was £1,188,324 (£971,728 as at 31<sup>st</sup> March 2019) and this reflects the amount of money held by the Authority on behalf of its service users.

**11.3 Amenity Funds & Staff Benefit Accounts**

Amenity funds represent funds held on behalf of establishments such as day centres, residential homes and 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.

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 on these accounts at 31<sup>st</sup> March 2020 was £100,800 (£108,061 at 31<sup>st</sup> March 2019).



## 12 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 the Authority to use in the following accounting year.

**Current Liabilities**

These are short-term liabilities that are due for payment by the Authority in the following accounting year.

**Debtor**

A debtor is someone who owes money to the Authority at the 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<sup>st</sup> March in the following year.

**Finance Leases**

A means by which capital items are bought. (When the Authority uses finance leases it takes 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 the Authority has 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 the Authority 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 11<sup>th</sup> September 2020

**Subject: Burry Port Harbour Financial Statement 2019-20**

**Purpose:** To present the audited Accounting Statement for 2019-20

### Recommendations / key decisions required:

To receive and approve the audited Accounting Statement for Burry Port Harbour Authority for 2019-20.

### Reasons:

The Council is required to approve the 2019-20 post-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 NA

Exec. Board Decision Required NA

Council Decision Required NA

EXECUTIVE BOARD MEMBER PORTFOLIO HOLDER:- Cllr D Jenkins

Directorate: Corporate Services

Name of Head of Service:  
Randal Hemingway

Report Author: Randal Hemingway

Designations:

Head of Financial Services

Tel: 01267 224886

Email addresses:  
RHemingway@carmarthenshire.gov.uk

**EXECUTIVE SUMMARY**  
**Audit Committee**  
**11<sup>th</sup> September 2020**

**Burry Port Harbour Financial Statement 2019-20**

**1. 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.

From 1<sup>st</sup> April 2018, the Authority granted a long-term lease to The Marine & Property Group Ltd, who took over the running and management of Burry Port Harbour and consequently the activity on the statement is much reduced.

The net cost of the harbour activities in 2019-20 was £76k, (2018-19 £533k), and all activities are fully funded by Carmarthenshire County Council. Fixed assets held at 31<sup>st</sup> March 2020 total £950k. The decrease in costs year on year of £457k mainly consists of a decrease in capital expenditure £545k, a decrease of £5k in operating costs offset by a £83k decrease in income.

**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	Legal	Finance	ICT	Risk Management Issues	Staffing Implications	Physical Assets
<b>NONE</b>	<b>YES</b>	<b>YES</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>

## **Legal**

Compliance with the Accounts and Audit (Wales) Regulations 2014

## **Finance**

The net cost of the Harbour activities in 2019-20 was £76k, which has been fully funded by Carmarthenshire County Council. Fixed assets held at 31<sup>st</sup> March 2020 total £950k.

# 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

EXECUTIVE BOARD PORTFOLIO  
HOLDER(S) AWARE/CONSULTED

NO

**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.

24 Cathedral Road / 24 Heol y Gadeirlan  
Cardiff / Caerdydd  
CF11 9LJ  
Tel / Ffôn: 029 2032 0500  
Fax / Ffacs: 029 2032 0600  
Textphone / Ffôn testun: 029 2032 0660  
[info@audit.wales](mailto:info@audit.wales) / [post@archwilio.cymru](mailto:post@archwilio.cymru)  
[www.audit.wales](http://www.audit.wales) / [www.archwilio.cymru](http://www.archwilio.cymru)

Mr Chris Moore  
Director of Corporate Services  
Carmarthenshire County Council County Hall  
Carmarthen  
SA31 1JP

**Reference:** BPH-19/20  
**Date issued:** 07/09/2020

Dear Chris,

### **Burry Port Harbour Authority 2019-20 Annual Return**

In accordance with the requirements of Section 42 of the Harbours Act 1964 I am giving my report on the annual statement of accounts relating to harbour activities that you have prepared in relation to Burry Port Harbour Authority for the year ending 31 March 2020.

I have undertaken our work in accordance with the specified procedures issued by the Auditor General for Wales. In summary these procedures require us to consider whether the annual statement of accounts relating to harbour activities:

- has been prepared on a reasonable basis (for example, the figures agree to the underlying records upon which they have been prepared and are consistent with transactions recorded in the statutory accounts of the local authority for the same reporting period); and
- casts correctly.

Under Section 42(5) of the Harbours Act 1964 you are required to submit this report along with the copy of the annual statement of accounts relating to harbour activities on which it has been given to the Secretary of State for Transport.

### **Audit report on the annual statement of accounts relating to the harbour activities of Burry Port Harbour for the year ending 31 March 2020:**

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.

I have completed our responsibilities in respect of the annual statement of accounts relating to harbour activities for Burry Port Harbour Authority for the year ending 31 March 2020 under the requirements of Harbours Act 1964 and the Public Audit (Wales) Act 2004.

**Ann Marie Harkin**

**for and on behalf of Adrian Crompton, Auditor General for Wales**

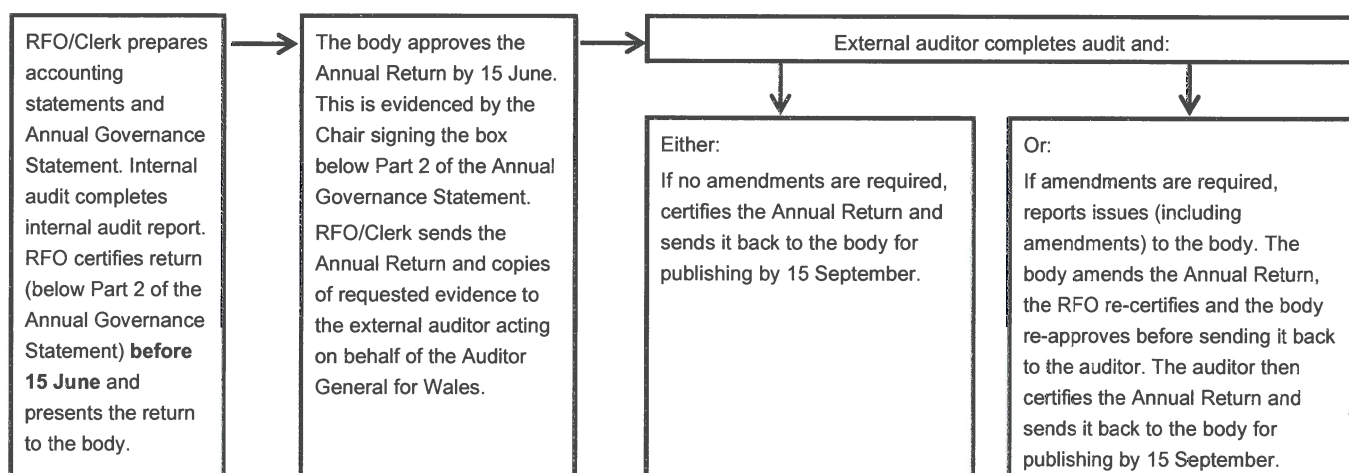
# Smaller relevant local government bodies in Wales Annual Return for the Year Ended 31 March 2020

## THE ACCOUNTS AND AUDIT PROCESS

Section 12 of the Public Audit (Wales) Act 2004 requires local government bodies in Wales to make up their accounts each year to 31 March and to have those accounts audited by the Auditor General for Wales. Regulation 14 of the Accounts and Audit (Wales) Regulations 2014 states that smaller local government bodies i.e. those with annual income and expenditure below £2.5 million must prepare their accounts in accordance with proper practices.

For minor joint committees with income and expenditure below £2.5 million, proper practices are set out in the One Voice Wales/Society of Local Council Clerks publication 'Governance and accountability for local councils in Wales – A Practitioners' Guide' (the Practitioners' Guide). The Practitioners' Guide requires that they prepare their accounts in the form of an annual return. This annual return meets the requirements of the Practitioners' Guide.

The accounts and audit arrangements follow the process as set out below.



**Please read the guidance on completing this Annual Return and complete all sections highlighted in red including the Annual Governance Statement.**

### APPROVING THE ANNUAL RETURN

**There are 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.**

**The committee must approve the annual return BEFORE the accounts and supporting documents are made available for public inspection under section 30 of the Public Audit (Wales) Act 2004.**

**The Auditor General for Wales' Audit Certificate and report is to be completed by the auditor acting on behalf of the Auditor General. It MUST NOT be completed by the Clerk/RFO, the Chair or the internal auditor.**

Audited and certified returns are sent back to the body for publication and display of the accounting statements, Annual Governance Statement and the Auditor General for Wales' certificate and report.

## Accounting statements 2019-20 for:

Name of body:

	Year ending		Notes and guidance for compilers
	31 March 2019 (£)	31 March 2020 (£)	
<b>Statement of income and expenditure/receipts and payments</b>			
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	533,302	75,977	Total amount of income received/receivable in the year from local taxation (precept) or levy/contribution from principal bodies.
3. (+) Total other receipts	97613	14,280	Total income or receipts recorded in the cashbook minus amounts included in line 2. Includes support, discretionary and revenue grants.
4. (-) Staff costs	0	616	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	614,099	68,644	Total expenditure or payments of capital and interest made during the year on external borrowing (if any).
6. (-) Total other payments	16,816	20,997	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).
<b>Statement of balances</b>			
8. (+) Debtors and stock balances	40,700	114,593	<b>Income and expenditure accounts only:</b> Enter the value of debts owed to the body and stock balances held at the year-end.
9. (+) Total cash and investments	(33,595)	(112,833)	<b>All accounts:</b> The sum of all current and deposit bank accounts, cash holdings and investments held at 31 March. This must agree with the reconciled cashbook balance as per the bank reconciliation.
10. (-) Creditors	7,105	1,760	<b>Income and expenditure accounts only:</b> Enter the value of monies owed by the body (except borrowing) at the year-end.
11. (=) Balances carried forward	0	0	<b>Total balances should equal line 7 above:</b> Enter the total of (8+9-10).
12. Total fixed assets and long-term assets	975,150	950,300	The asset and investment register value of all fixed assets and any other long-term assets held as at 31 March.
13. Total borrowing	0	0	The outstanding capital balance as at 31 March of all loans from third parties (including PWLB).

## Annual Governance Statement

We acknowledge as the members of the 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 2020, that:

	Agreed?		'YES' means that the Committee:	PG Ref
	Yes	No*		
<p>1. We have put in place arrangements for:</p> <ul style="list-style-type: none"> <li>• effective financial management during the year; and</li> <li>• the preparation and approval of the accounting statements.</li> </ul>	<input checked="" type="radio"/>	<input type="radio"/>	Properly sets its budget and manages its money and prepares and approves its accounting statements as prescribed by law.	6, 12
<p>2. We have maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption, and reviewed its effectiveness.</p>	<input checked="" type="radio"/>	<input type="radio"/>	Made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.	6, 7
<p>3. We have taken all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and codes of practice that could have a significant financial effect on the ability of the Committee to conduct its business or on its finances.</p>	<input checked="" type="radio"/>	<input type="radio"/>	Has only done things that it has the legal power to do and has conformed to codes of practice and standards in the way it has done so.	6
<p>4. We have provided proper opportunity for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014.</p>	<input checked="" type="radio"/>	<input type="radio"/>	Has given all persons interested the opportunity to inspect the body's accounts as set out in the notice of audit.	6, 23
<p>5. We have carried out an assessment of the risks facing the Harbour Authority and taken appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.</p>	<input checked="" type="radio"/>	<input type="radio"/>	Considered the financial and other risks it faces in the operation of the body and has dealt with them properly.	6, 9
<p>6. We have maintained an adequate and effective system of internal audit of the accounting records and control systems throughout the year and have received a report from the internal auditor.</p>	<input checked="" type="radio"/>	<input type="radio"/>	Arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether these meet the needs of the body.	6, 8
<p>7. We have considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on the Council and, where appropriate, have included them on the accounting statements.</p>	<input checked="" type="radio"/>	<input type="radio"/>	Disclosed everything it should have about its business during the year including events taking place after the year-end if relevant.	6
<p>8. We have taken appropriate action on all matters raised in previous reports from internal and external audit.</p>	<input checked="" type="radio"/>	<input type="radio"/>	Considered and taken appropriate action to address issues/weaknesses brought to its attention by both the internal and external auditors.	6, 8, 23

\* Please provide explanations to the external auditor on a separate sheet for each 'no' response given; and describe what action is being taken to address the weaknesses identified.

## 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><b>Certification by the RFO</b></p> <p>I certify that the accounting statements contained in this Annual Return presents fairly the financial position of the Committee and its income and expenditure, or properly presents receipts and payments, as the case may be, for the year ended 31 March 2020.</p>	<p><b>Approval by the Audit Committee</b></p> <p>I confirm that these accounting statements and Annual Governance Statement were approved by the Committee under minute reference:</p>
	Insert minute reference and date of meeting
<b>RFO signature: signature required</b>	<b>Chair of meeting signature: signature required</b>
<b>Name: name required</b>	<b>Name: name required</b>
<b>Date: dd/mm/yyyy</b>	<b>Date: dd/mm/yyyy</b>

## Committee re-approval and re-certification (only required if the annual return has been amended at audit)

<p><b>Certification by the RFO</b></p> <p>I certify that the accounting statements contained in this Annual Return presents fairly the financial position of the Committee, and its income and expenditure, or properly presents receipts and payments, as the case may be, for the year ended 31 March 2020.</p>	<p><b>Approval by the Committee</b></p> <p>I confirm that these accounting statements and Annual Governance Statement were approved by the Committee under minute reference:</p>
	Insert minute reference and date of meeting
<b>RFO signature: signature required</b>	<b>Chair of meeting signature: signature required</b>
<b>Name: name required</b>	<b>Name: name required</b>
<b>Date: dd/mm/yyyy</b>	<b>Date: dd/mm/yyyy</b>



## 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 2020 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 Committee's internal audit, acting independently and on the basis of an assessment of risk, has included carrying out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year ending 31 March 2020.

The internal audit has been carried out in accordance with the Committee's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and the internal audit conclusions on whether, in all significant respects, the following control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of the Committee.

	Agreed?				Outline of work undertaken as part of the internal audit (NB not required if detailed internal audit report presented to body)
	Yes	No*	N/A	Not covered**	
1. Appropriate books of account have been properly kept throughout the year.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	BPH Authority was a service within Carmarthenshire CC, however from 1/4/2018 Burry Port Harbour was leased to Burry Port Marina LTD and The Marine & Property Group Limited.
2. Financial regulations have been met, payments were supported by invoices, expenditure was approved and VAT was appropriately accounted for.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Testing of individual transactions concluded that all payments tested were accounted for in the correct period and were supported by documentations. Some issues were identified and will be reported to the Service Manager.
3. The body assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	As a service within Carmarthenshire CC, BPH Authority prepared and monitored business plans and included identified risks within the Authority's risk register. As from 1/4/2018 the Harbour has been leased to Burry Port Marina LTD.
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 checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	There is a budget monitoring process within Carmarthenshire CC in relation to the BPH LA Accounts. A review of this process and of the individual returns submitted for BPH Authority has identified that overall it is operating satisfactorily.
5. Expected income was fully received, based on correct prices, properly recorded and promptly banked, and VAT was appropriately accounted for.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	The authority has not received a copy of the Burry port Marina LTD accounts for 19/20 and therefore an estimate of £10k has been entered in the statement as in previous year.

	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**	
6. Petty cash payments were properly supported by receipts, expenditure was approved and VAT appropriately accounted for.	<input checked="" type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	There is no petty cash advance in relation to Burry Port Harbour.
7. Salaries to employees and allowances to members were paid in accordance with minuted approvals, and PAYE and NI requirements were properly applied.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Burry Port harbour has been leased to Burry Port Marina Ltd, therefore there are no employees employed at the Harbour by Carmarthenshire County Council. However CCC are currently paying 2 members of staff until TUPE agreements are resolved and quarterly debtors invoices are raised to recover the costs.
8. Asset and investment registers were complete, accurate, and properly maintained.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Burry Port harbour has been leased to Burry Port Marina Ltd. There is no specific investment programme for BPH Authority. The Harbour is included on the Authority's Asset Manager system.

	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 checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	BPH Authority was a service within CCC. A review of the bank reconciliations for CCC was undertaken and procedures were found to be satisfactory. The Harbour has now been leased to Burry Port Marina LTD
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 checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Accounting Statements are prepared in line with the 2014 Code of Practice of Local Authority Accounting.

For any risk areas identified by the Committee (list any other risk areas below or on separate sheets if needed) adequate controls existed:

	Agreed?				Outline of work undertaken as part of the internal audit (NB not required if detailed internal audit report presented to body)
	Yes	No*	N/A	Not covered**	
11. Insert risk area	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	Insert text
12. Insert risk area	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	Insert text
13. Insert risk area	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	Insert text

\* If the response is 'no', please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

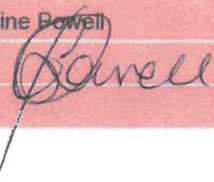
\*\* If the response is 'not covered', please state when the most recent internal audit work was done in this area and when it is next planned, or if coverage is not required, internal audit must explain why not.

### Internal audit confirmation

I/we confirm that as the Committee's internal auditor, I/we have not been involved in a management or administrative role within the body (including preparation of the accounts) or as a member of the body during the financial years 2018-19 and 2019-20. I also confirm that there are no conflicts of interest surrounding my appointment.

Name of person who carried out the internal audit: Caroline Powell

Signature of person who carried out the internal audit:



Date: 10/08/2020

## Guidance notes on completing the Annual Return

1. You must apply proper practices when preparing this annual return. Proper practices are set out in the Practitioners' Guide.
2. 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. Ask your auditor for an electronic copy of the form if required.
3. 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.
4. Make sure that your accounting statements add up, that the balance carried forward from the previous year (line 7 of 2019) equals the balance brought forward in the current year (line 1 of 2020). Explain any differences between the 2019 figures on this annual return and the amounts recorded in last year's annual return.
5. 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.
6. 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 Committee 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 the accounting statements. More help on bank reconciliations is available in the Practitioners' Guide.
7. **Every committee must send to the external auditor, information to support the assertions made in the Annual Governance Statement even if you have not done so before.** 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.
8. Please do not send the auditor any information that you are not specifically asked for. Doing so is not helpful.
9. 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.
10. **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.
11. **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.**

Completion checklist – 'No' answers mean that you may not have met requirements		Done?	
Initial submission to the external auditor		Yes	No
<b>Accounts</b>	Do the papers to be sent to the external auditor include an explanation of significant variations from last year to this year?		
	Does the bank reconciliation as at 31 March 2020 agree to Line 9?		
<b>Approval</b>	Has the RFO certified the accounting statements and Annual Governance Statement (Regulation 15 (1)) no later than 15 June 2020?		
	Has the body approved the accounting statements before 15 June 2020 and has Section 3 been signed and dated by the person presiding at the meeting at which approval was given?		
<b>All sections</b>	Have all pink boxes in the accounting statements and Annual Governance Statement been completed and explanations provided where needed?		
	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.		

If accounts are amended after receipt of the Auditor General's report on matters arising		Yes	No
<b>Accounts</b>	Have the amended accounting statements been approved and Section 3 re-signed and re-dated as evidence of the Committee's approval of the amendments before re-submission to the auditor?		

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## Audit Committee 11<sup>th</sup> September 2020

<b>Audit Wales Local Reports</b>	
<b>Recommendations / key decisions required:</b> To receive and note the Audit Wales report.	
<b>Reasons:</b> To receive the Audit Wales report.	
<b>Relevant scrutiny committee to be consulted:</b>	N/A
<b>Exec. Board Decision Required:</b>	NO
<b>Council Decision Required:</b>	NO
<b>EXECUTIVE BOARD MEMBER PORTFOLIO HOLDER:</b> Cllr David Jenkins	
<b>Directorate:</b> Corporate Services	
<b>Report Author:</b> Audit Wales	

**Audit Committee  
11<sup>th</sup> September 2020**

**Audit Wales Local Reports**

**1. BRIEF SUMMARY OF PURPOSE OF REPORT.**

To receive the Audit Wales Local report relating to:

Financial Sustainability Assessment – Carmarthenshire County Council

**DETAILED REPORT ATTACHED?**

**YES**

**IMPLICATIONS**

**The report is an Audit Wales Report and any implications are detailed within the report.**





WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru  
Auditor General for Wales

# Financial Sustainability Assessment – Carmarthenshire County Council

Audit year: 2019-20

Date issued: August 2020

Document reference: 1974A2020-21

This document has been prepared as part of work performed in accordance with Section 17 of the Public Audit (Wales) Act 2004 and section 18 of the Local Government Wales Measure 2009.

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[info.officer@audit.wales](mailto:info.officer@audit.wales).

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

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

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# Summary report

## Summary

### What we reviewed and why

- 1 The project sought to assess the sustainability of councils' short to medium-term financial position.
- 2 This included a focus on the financial strategy of each council as well as reviewing financial 'indicators' of each council's financial position in relation to:
  - performance against budget;
  - delivery of savings plans;
  - use of reserves;
  - council tax; and
  - borrowing.

#### Exhibit 1: about the Council

This exhibit sets out some background information on the Council's net revenue budget, the number of staff it employs and the value of its fixed assets.



**The Council's net revenue budget for 2019-20 was £351m**



**The Council employs around 9,000 people**



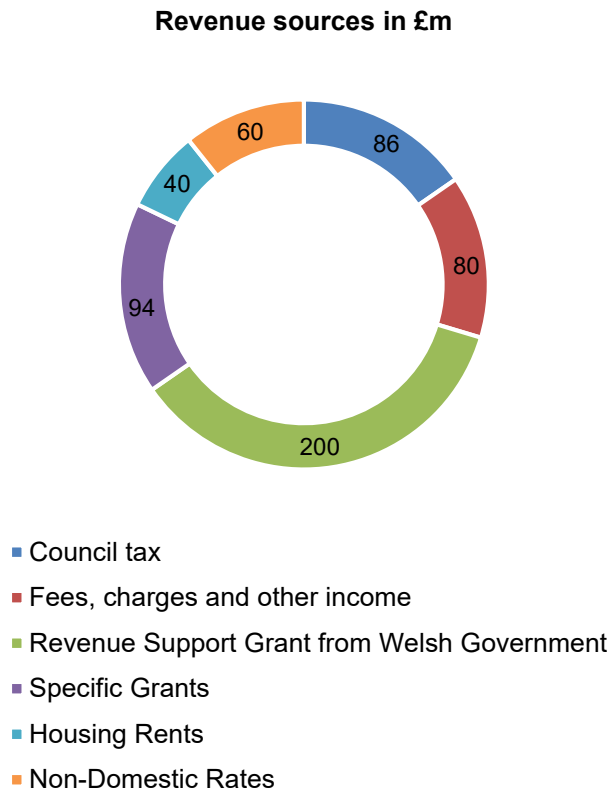
**The Council's fixed assets as at 31 March 2019 were £1,366m**

Source: Carmarthenshire County Council website

- 3 We undertook this assessment because we identified financial sustainability as a risk to councils putting in place proper arrangements to secure value for money in the use of resources. In part, this was informed by the recent experiences of some councils in England, our knowledge of the financial situation in councils in Wales, and the general trend of decreasing resources for local government combined with rising demand for some services.

## Exhibit 2: The Council's sources of revenue

The pie chart below shows how much money the Council received from different funding sources during 2018-19.



Source: Carmarthenshire County Council

4 We undertook the review during the period July 2019 to January 2020.

## What we found

- 5 Overall we found that: **The Council has maintained a sustainable financial position to date but will need to continue to develop its approach to delivering savings in light of anticipated budget pressures.** We reached this conclusion because:
- the Council's strategy has helped it to maintain a strong financial position to date;
  - in recent years the Council has reported overspends in some departments and schools which have been addressed through the use of departmental reserves but in 2019-20 is predicting a significant overspend against its overall net revenue budget;

- the Council delivered most of its planned savings for 2017-18 and 2018-19 but is projected to deliver less of its planned savings for 2019-20;
- the Council has a high level of useable reserves that have increased in recent years but it plans to reduce these significantly over the next two years to fund its capital programme;
- council tax collection rates have improved and council tax as a percentage of gross revenue budget has generally increased in recent years; and
- the Council's capital interest costs as a percentage of net revenue budget are predicted to increase as the Council plans to borrow funds to support its capital programme.

# Detailed report

**The Council has maintained a sustainable financial position to date but will need to continue to develop its approach to delivering savings in light of anticipated budget pressures**

**The Council's strategy has helped it to maintain a strong financial position to date**

## Why strategic financial planning is important

- 6 A clear and robust financial strategy is important to identify the likely level of funding available to a council, as well as the anticipated level of demand for, and cost of, providing services. Given the recent and anticipated funding pressures facing all councils it is also important to identify how it intends to respond to those pressures, and particularly how they will meet projected funding gaps.

## What we found

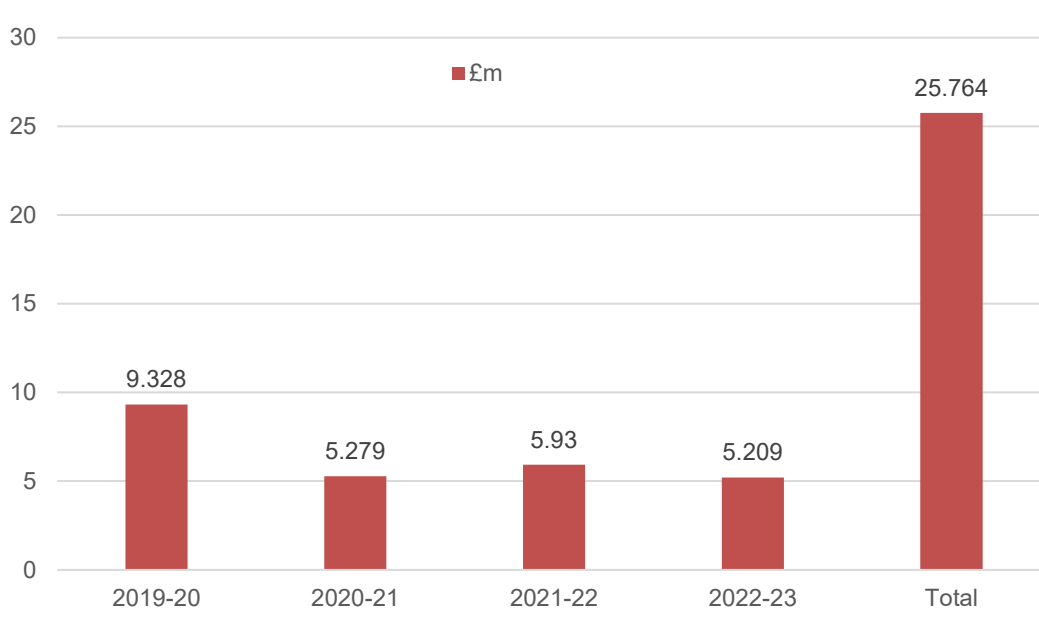
- 7 We found that the Council's strategy has helped it to maintain a strong financial position to date. We reached this conclusion because:
- the Council's budget strategy is to allow for funding of necessary pressures/forecast changes in demand to develop a 'budget gap' which is then addressed through a mix of efficiencies, service reductions/closures, income generation or increases in council tax.
  - in December 2019 the Welsh Government announced a 4.4% increase to the Council's revenue support grant for 2020-21. The Council updated its Medium Term Financial Plan in January 2020 to take account of this improved settlement.
  - the Council has identified a funding gap of £16.4 million up until 2022-23. This gap assumes an annual increase in Welsh Government Funding of 2% per annum from 2021-22. This has reduced by £8.7 million from previous predictions as a result of the improved settlement received for 2020-21.
  - the 2020-21 proposed budget includes £7.4 million for departmental growth bids. However, as at January 2020 departments have submitted growth bids amounting to £12 million. The Council will need to prioritise the bids received in allocating the available funding to departments.
  - in common with other councils some service areas have seen significant real-terms reduction in their budget in recent years. The capacity of these service areas to continue to make year-on-year savings in real terms whilst

continuing to deliver services is likely to be a major challenge for the Council.

- the Council allows individual departments to keep 50% of any in-year underspends to encourage prudent financial management.

### Exhibit 3: projected funding gap

The following graph shows the funding gap that the Council has identified for this year, and the following three years.



Source: Carmarthenshire County Council.

2019-20 figures from Report to Council, 20 February 2019 – Revenue Budget Strategy 2019-20 to 2021-22.

2020-21 figures from report to Executive Board 6 January 2020 – Revenue Budget Strategy 2020-21 to 2022-23.



## In recent years the Council has reported overspends in some departments and schools which have been addressed through the use of departmental reserves but in 2019-20 is predicting a significant overspend against its overall net revenue budget

### Why accurately forecasting expenditure is important

- 8 It is important that overspending and underspending are kept under control and that actual expenditure is as close to the levels planned as possible. A council that is unable to accurately forecast and plan expenditure runs the risk of creating unforeseen financial pressures that may compromise the ability to set a balanced budget. Significant patterns of underspending may be reducing the ability of a council to deliver its key objectives or meet its statutory responsibilities.

### What we found

- 9 We found that in recent years the Council has reported overspends in some departments and schools which have been addressed through the use of departmental reserves but in 2019-20 is predicting a significant overspend against its overall net revenue budget. We reached this conclusion because:
- in 2017-18 and 2018-19 the Council has reported small underspends against its overall net revenue budget.
  - there have been overspends in some departments which have used departmental reserves to address them.
  - generally overspends have been seen in some demand led services.
  - in 2019-20 the Council is currently predicting a departmental expenditure deficit of £5 million. £4 million of this deficit relates to Education and Children's services with schools' delegated budgets due to overspend by £3 million. The Council is currently working with many schools in an attempt to identify the root causes of predicted overspends and developing financial recovery plans for individual schools where needed.

#### Exhibit 4: amount of overspend/underspend relative to total net revenue budget

The following exhibit shows the amount of overspend or underspend for the Council's overall net revenue budget for the last two years and also the year to date as at 30 September 2019.

	Original Budget net revenue budget	Actual Outturn net revenue budget	Amount of overall surplus/overspend	Percentage difference from net revenue budget
2017-18	£334.2m	£333.5m	£0.7m underspend	0.2% underspend
2018-19	£345.8m	£345.2m	£0.6m underspend	0.08% underspend
2019-20	£351.3m	£355.0m	£3.7m overspend	1.0% overspend

Source: Carmarthenshire County Council – Budget monitoring reports

## The Council delivered most of its planned savings for 2017-18 and 2018-19 but is projected to deliver less of its planned savings for 2019-20

### Why the ability to identify and deliver savings plans is important

- 10 The ability to identify areas where specific financial savings can be made, and to subsequently make those savings, is a key aspect of ensuring ongoing financial sustainability against a backdrop of increasing financial pressures. Where savings plans are not delivered this can result in overspends that require the use of limited reserves whilst increasing the level of savings required in future years to compensate for this. Where savings plans are not delivered and service areas are required to make unplanned savings, this increases the risk either of savings not being aligned to the Council's priorities, or of 'short-term' solutions that are not sustainable over the medium term.

#### What we found

- 11 The Council delivered most of its planned savings for 2017-18 and 2018-19 but is projected to deliver less of its planned savings for 2019-20. We reached this conclusion because:
- in 2017-18 the Council delivered £5.6 million of savings against a target of £6.9 million.

- in 2018-19 the Council delivered £7.392 million of savings against a target of £8.046 million.
- the Council is predicting that it will achieve £5.8 million of savings against a target of £8.9 million. Of the projected undelivered savings £2.1 million are from the schools delegated budget and £391,000 are from the Communities Directorate budget.

#### Exhibit 5: savings delivered during 2018-19 as a percentage of planned savings

The following exhibit sets how much money the Council intended to save through planned savings during 2018-19 and how much of this it actually saved.

<b>£8.046m</b>	<b>£7.392m</b>	<b>£0.654m</b>	<b>91.8%</b>
Total planned savings	Planned savings delivered	Planned savings not delivered	Percentage savings achieved

Source: Carmarthenshire County Council Financial Sustainability Self-Assessment

**The Council has a high level of useable reserves that have increased in recent years but it plans to reduce these significantly over the next two years to fund its capital programme**

#### Why sustainable management of reserves is important

- 12 Healthy levels of useable reserves are an important safety net to support financial sustainability. As well as being available to fund unexpected funding pressures, useable reserves can also be an important funding source to support 'invest to save' initiatives designed to reduce the ongoing cost of providing services. Councils that show a pattern of unplanned use of reserves to plug gaps in their revenue budget that result in reductions of reserve balances reduce their resilience to fund unforeseen budget pressures in future years.

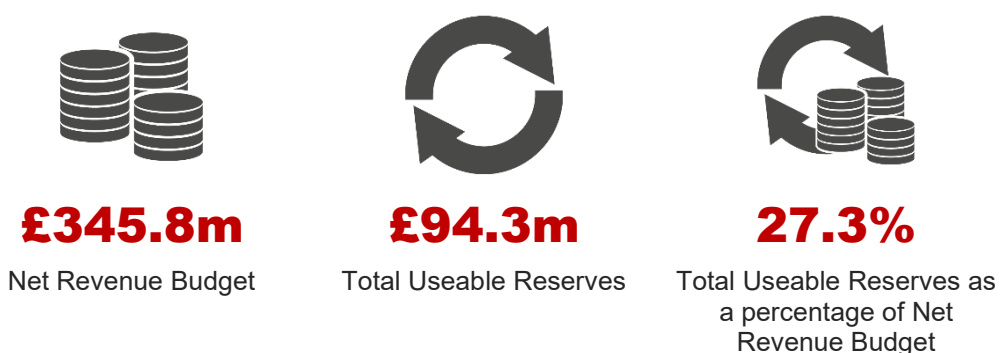
#### What we found

- 13 We found that the Council has a high level of useable reserves that have increased in recent years, but it plans to reduce these significantly over the next two years to fund its capital programme. We reached this conclusion because:
- the Council has £94.3 million of useable reserves including a General Fund Reserve of £10.4 million as at 31 March 2019.

- the Council's useable reserves, including its General Fund Reserve, have increased from £74.9 million to £94.3 million between 1 April 2016 and 1 April 2019.
- the Council's general reserve fund was £8.8 million as at 31 March 2016. Between 1 April 2016 and 31 March 2019 this has increased to £10.4 million although it is expected to reduce to £9.9 million as at 31 March 2020. It is planned that this reserve will remain at this level for the next two years.
- School Balances amounted to £3.7 million as at 31 March 2016. Between 1 April 2016 and 31 March 2019 this has reduced to a deficit position of £400,000 because of the need to fund unplanned overspends on the delegated schools' budget. A further deterioration of £3 million is expected in this reserve by 31 March 2020. The Council plans to reduce the expected deficit reserves by £1 million in 2020-21 and 2021-22.
- the Council plans to use a high percentage of its earmarked reserves to help fund its capital programme. The Council is predicting that earmarked reserves will reduce to £20.6 million by 31 March 2022.
- the Council does not have a track record overall of making unplanned use of reserves to fund revenue expenditure.
- the Council allows departments to keep 50% of any departmental underspends in a departmental reserve. Some services have used departmental reserves to balance their budgets in 2018-19.

**Exhibit 6: amount of reserves vs annual budget, 2018-19**

This exhibit shows the amount of usable reserves the Council had during 2018-19 compared with its net revenue budget for the same year.



Source: Carmarthenshire County Council Financial Sustainability Self-Assessment

## Council tax collection rates have improved and council tax as a percentage of gross revenue budget has generally increased in recent years

### Why council tax collection rates are important

- 14 Failure to collect the amount of council tax due to the Council will result in less income. This in turn may increase the financial pressures on the Council and require it to make additional savings. Whilst council tax is not the biggest source of funding for councils in Wales, it remains a key income source.

### What we found

- 15 Council tax collection rates have improved and council tax as a percentage of gross revenue budget has generally increased in recent years. We reached this conclusion because:
- council tax collection rates for the Council have improved from 97.1% in 2016-17 to 97.6% in 2018-19;
  - council tax as a proportion of gross revenue budget was 16.02% in 2017-18, 16.82% in 2018-19 and 17.3% in 2019-20; and
  - Revenue Support Grant as a proportion of gross revenue budget was 49.2% in 2017-18, 50.7% in 2018-19 and 49.7% in 2019-20.

### Exhibit 7: council tax collection rates

This exhibit shows the percentage of council tax due that the Council collected during 2018-19.



Cash collected from council tax at 31 March 2019 was **£93.128m** (97.6%) against a collectable debit of **£95.375m**

Source: Council Tax Collection Rates in Wales: 2018-19, Statistics for Wales, Welsh Government, 11 June 2019

## The Council's capital interest costs as a percentage of net revenue budget are predicted to increase as the Council plans to borrow funds to support its capital programme

### Why maintaining sustainable levels of borrowing is important

- 16 Borrowing can be a valuable source of funding, for example to fund large scale capital projects such as new schools or leisure centres. However, the cost of repaying borrowing including interest costs can have a long-term impact on ongoing revenue budgets. Councils that fail to properly balance the benefits and costs of borrowing with their current and predicted revenue budgets risk reducing the amount of funding available for service delivery. Borrowing to fund commercial activity has the potential to generate additional income to fund council services, however, it can also bring significant risks that would be associated with any commercial activity.

### What we found

- 17 We found that the Council's capital interest costs as a percentage of net revenue budget are predicted to increase as the Council plans to borrow funds to support its capital programme. We reached this conclusion because:
- total borrowing for the Council amounted to £416.1 million of which £8.4 million has less than one year to be repaid at 31 March 2019;
  - during 2018-19 the Council took out £20 million of new borrowing: 98.2% of total borrowing is at a fixed rate;
  - the Council's authorised borrowing limit stands at £536 million, as at 31 March 2019 the Council had borrowed a total of 77.6% of its borrowing limit;
  - the Council's Capital Programme includes plans to borrow a further £77.3 million over the period 2019-20 to 2021-22; and
  - the Council predicts that its capital interest costs as a proportion of its Net Revenue Budget are predicted to rise from 5.1% in 2019-20 to 6.3% by 2021-22.

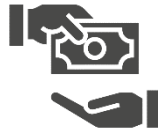
### Exhibit 8: Council borrowing

The exhibit below shows the cost of all the borrowing that the Council has as a proportion of its net revenue budget.



**£0m**

Amount of borrowing to fund commercial investments



**5.15%**

Cost of total borrowing as a proportion of net revenue budget 2018-19

Source: Carmarthenshire County Council Treasury Management Policy and Strategy 2019-20, Report to Council 21 February 2018, Appendix D.

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## Audit Committee 11<sup>th</sup> September 2020

<b>Audit Wales National Reports</b>	
<b>Recommendations / key decisions required:</b> To note the Audit Wales reports.	
<b>Reasons:</b> To note the Audit Wales reports.	
<b>Relevant scrutiny committee to be consulted:</b>	N/A
<b>Exec. Board Decision Required:</b>	NO
<b>Council Decision Required:</b>	NO
<b>EXECUTIVE BOARD MEMBER PORTFOLIO HOLDER:</b> Cllr David Jenkins	
<b>Directorate:</b> Corporate Services	
<b>Report Author:</b> Audit Wales	

**Audit Committee  
11<sup>th</sup> September 2020**

**Audit Wales National Reports**

**1. BRIEF SUMMARY OF PURPOSE OF REPORT.**

To note the following recently published Audit Wales National reports:

'Raising Our Game' - Tackling Fraud in Wales

July 2020

<https://www.audit.wales/system/files/publications/counter-fraud-report-english.pdf>

Rough Sleeping in Wales – Everyone's Problem; No One's Responsibility

July 2020

[https://www.audit.wales/system/files/publications/Rough-sleeping-Eng\\_0.pdf](https://www.audit.wales/system/files/publications/Rough-sleeping-Eng_0.pdf)

Findings from the Auditor General's Sustainable Development Principle Examinations

May 2020

<https://www.audit.wales/system/files/publications/Well-being-of-Future-Generations-report-eng.pdf>

**DETAILED REPORT ATTACHED?**

**YES**

**IMPLICATIONS**

**The report is an Audit Wales Report and any implications are detailed within the report.**

## Audit Committee 11<sup>th</sup> September 2020

<b>Subject and Purpose:</b> <b>Internal Audit Plan 2020/21 Update</b>		
<b>Recommendations / key decisions required:</b> To receive the report.		
<b>Reasons:</b> Regular progress report to be presented to each Audit Committee meeting.		
<b>Relevant scrutiny committee to be consulted:</b> N/A		
<b>Exec. Board Decision Required:</b> N/A		
<b>Council Decision Required:</b> N/A		
EXECUTIVE BOARD MEMBER PORTFOLIO HOLDER: Cllr D Jenkins		
<b>Directorate:</b> Corporate Services  <b>Name of Head of Service:</b> Helen Pugh  <b>Report Author:</b> Helen Pugh	<b>Designation:</b>  Head of Revenues and Financial Compliance	<b>Tel No.:</b> 01267 246223  <b>E Mail Address:</b> HLPugh@carmarthenshire.gov.uk

**Audit Committee**  
**11<sup>th</sup> September 2020**

**Internal Audit Plan 2020/21 Update**

**1. BRIEF SUMMARY OF PURPOSE OF REPORT.**

To provide Members with progress of the Internal Audit Plan. The following Report is attached:

**Internal Audit Plan 2020/21 Progress Report**

**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: H L Pugh – Head of Revenues and Financial Compliance

Policy, Crime & Disorder and Equalities	Legal	Finance	ICT	Risk Management Issues	Staffing Implications	Physical Assets
<b>NONE</b>	<b>NONE</b>	<b>YES</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>

### 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: H L 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:

Title of Document	File Ref No.	Locations that the papers are available for public inspection
Strategic Audit Plan 2020-23	AC 29-07-20	Internal Audit Unit

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INTERNAL AUDIT PLAN 2020/21										
2020/21		% Plan Completion to Date		26.1%						
Job No	Departments	Days Planned	Pre-Audit Meeting	Terms of Reference Issued	Commenced	Field Work Complete	Draft Report Issued	Complete / Final Report Issued	Status	Assurance Rating / Engagement Type
<b>Fundamentals</b>										
1120002	Council Tax	15								
1120003	Creditors	40								
1120004	Income	20	*						Pre Audit Meeting	
1120005	Main Accounting	20								
1120006	National Fraud Initiative (NFI) - Mortality Screening	10								
5120007	Payroll	40	*						Pre Audit Meeting	
1120008	Treasury Management - Loans & Investments (CCC and DPF)	15	*	*					Terms of Reference Issued	
	<b>Total Audit Days for Fundamentals</b>	<b>160</b>								
<b>Corporate Governance Assurance</b>										
2120001	Annual Governance Statement/Corp Gov Arrangements	20								
2120002	Performance Management	20								
2120003	Risk Management Arrangements	15								
2120004	Wellbeing of Future Generations Act	20								
2120005	Whistleblowing	15								
	<b>Total Audit Days for Corporate Governance Assurance</b>	<b>90</b>								
<b>COVID-19</b>										
3120001	COVID-19 Emergency Response Arrangements	20	*	*					Terms of Reference Issued	
3120002	COVID-19 Expenditure	20								
5420002	COVID-19 Systems and Processes (advice and support)	50	N/A	N/A	*	*	/	*	Complete	Consultation
3120003	COVID-19 Systems and Processes (Evaluation and recs)	40	*	*	*				Commenced	
5420001	COVID-19: Free School Meals Payment Process	20	N/A	N/A	*	*	/	*	Complete	Consultation
	<b>Total Audit Days for COVID-19</b>	<b>150</b>								
<b>Corporate Review Work</b>										
4120005	Local Authority Trading Companies	20								
4120006	Procurement	30	*						Pre Audit Meeting	
4120007	Safeguarding	20								
4120008	Staffing Matters (e.g. DBS   Overtime   Flexi   Leave)	20	*						Pre Audit Meeting	
	<b>Total Audit Days for Corporate Review Work</b>	<b>90</b>								
<b>Counter Fraud</b>										
1120007	National Fraud Initiative (NNDI) - review of COVID-19 Grants	20	*	N/A					Terms of Reference Issued	
1120009	Proactive Fraud Testing	20								
1120010	Fraud Prevention, Detection and Investigation	30	N/A	N/A	*				Commenced	
	<b>Total Audit Days for Counter Fraud Work</b>	<b>70</b>								
<b>Grants &amp; Certification</b>										
5120005	Burry Port Harbour	10	*	*	*	*	/	*	Complete	Accounts Return
5220001	Children & Communities Grant	25	*	N/A	*	*	/	*	Complete	Grant Certification
4120003	Education Improvement Grant - EOY	10	*	*	*				Commenced	
5220003	Education Improvement Grant - Q3	10								
5220004	Education Improvement Grant - Q4	10								

6120005	Enable Grant	10	*	N/A	*	*	*	*	Complete	Grant Certificate
6120004	HSG - Homelessness	12	*	N/A	*	*	*	*	Complete	Grant Certificate
6120004	HSG - Rent Smart Wales	10	*	N/A	*	*	*	*	Complete	Grant Certificate
6120004	HSG - Supporting People	13	*	N/A	*	*	*	*	Complete	Grant Certificate
5220005	Local Authority Education Grant	20	*	N/A	*				Commenced	
5220006	Other Grants (where assurance is required for sign-off)	20								
5220007	Post 16 Grant	10								
4120004	Pupil Deprivation Grant - EOY	10	*	*	*				Commenced	
5220008	Pupil Deprivation Grant - Q3	10								
5220009	Pupil Deprivation Grant - Q4	10								
5120002	Trust Funds - Arbour Stephens	5	*	*					Terms of Reference Issued	
5120004	Trust Funds - Dyfed Welsh Church Fund	5	*	*	*	*			Field Work Complete	
5120003	Trust Funds - Minnie Morgan	5	*	*	*	*			Field Work Complete	
5120001	Trust Funds - Oriol Myrddin	5	*	*	*				Commenced	
5220002	Wales Pension Partnership	5	*	N/A	*	*	*	*	Complete	Accounts Return
5220010	Regional Development Co-ordinator Grant	5	*	N/A	*	*	*	*	Complete	Grant Certificate
	<b>Total Audit Days for Grants &amp; Certification</b>	<b>220</b>								
<b>Chief Executive's Department (not incl IT)</b>										
8120001	Property Management (Follow Up)	10								
1120001	Departmental Expenditure (CEX)	10	*	*	*	*			Field Work Complete	
8120002	Pentre Awel	10								
8120003	Net Zero Carbon	10								
8120004	Regeneration Strand	10								
	<b>Total Audit Days for Chief Executive's Department (not incl IT)</b>	<b>50</b>								
<b>Chief Executive's Department: IT</b>										
4120001	Covid-19 CAATS Analysis (FSM)	10	*	*	*	*	*		Draft Report Issued	
8220001	Office 365, including TEAMS and Sharepoint	15	*	*					Terms of Reference Issued	
8220002	Bring Your Own Device	10								
8220003	Cyber Security	15								
	<b>Total Audit Days for Chief Executive's Department: IT</b>	<b>50</b>								
<b>Communities</b>										
6120001	Departmental Expenditure: Leisure	15	*	*	*	*			Field Work Complete	
6120002	Departmental Expenditure: Housing	10	*	*	*	*			Field Work Complete	
6120003	Departmental Expenditure: Social Care	10	*	*	*	*			Field Work Complete	
8320001	Sport Wales/Active Communities	10								
8320002	Ski Centre Follow Up	5	*	*	*				Commenced	
8320003	Financial Assessments & Collections	10	*	*	*				Commenced	
	<b>Total Audit Days for Communities</b>	<b>60</b>								
<b>Corporate Services</b>										
5120006	Departmental Expenditure (Corp Serv)	10	*	*	*	*			Field Work Complete	
8420001	Financial Management Other	10								
	<b>Total Audit Days for Corporate Services</b>	<b>20</b>								
<b>Education &amp; Children</b>										
4120002	Departmental Expenditure (Education)	10	*	*	*	*			Field Work Complete	
8520001	Fostering	10								
8520002	School Meals/ParentPay	10								
8520003	Schools (incl School Questionnaires)	40								



8520004	Specialist Provision Units	10	*						Pre Audit Meeting
	<b>Total Audit Days for Education &amp; Children</b>	<b>80</b>							
<b>Environment</b>									
8620001	Ash Dieback	10							
7120001	Departmental Expenditure (Environment)	20	*	*	*	*			Field Work Complete
8620002	Flood Defence & Coastal Protection	10							
8620003	Property Maintenance	10							
8620004	Waste Management & Recycling Obligations	10							
	<b>Total Audit Days for Environment</b>	<b>60</b>							
	<b>Total Approved Plan Days</b>	<b>1100</b>							

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## Audit Committee 11<sup>th</sup> September 2020

<b>Subject and Purpose:</b> <b>Audit Committee Forward Work Programme</b>		
<b>Recommendations / key decisions required:</b> To receive the report.		
<b>Reasons:</b> Annual Forward Work Programme to inform Members of the expected Agenda Items for the 2020/21 Audit Committee Cycle.		
<b>Relevant scrutiny committee to be consulted:</b> N/A		
<b>Exec. Board Decision Required:</b> N/A  <b>Council Decision Required:</b> N/A		
EXECUTIVE BOARD MEMBER PORTFOLIO HOLDER: Cllr D Jenkins		
<b>Directorate:</b> Corporate Services  <b>Name of Head of Service:</b> Helen Pugh  <b>Report Author:</b> Helen Pugh	<b>Designation:</b> Head of Revenues and Financial Compliance	<b>Tel No.:</b> 01267 246223  <b>E Mail Address:</b> HLPugh@carmarthenshire.gov.uk

## Audit Committee 11<sup>th</sup> September 2020

### Audit Committee Forward Work Programme

To provide Members with a Forward Work Programme for the 2020/21 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:  
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: H L Pugh – Head of Revenues and Financial Compliance

Policy, Crime & Disorder and Equalities	Legal	Finance	ICT	Risk Management Issues	Staffing Implications	Physical Assets
<b>NONE</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>

## CONSULTATIONS

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

Signed: H L 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**

Title of Document	File Ref No.	Locations that the papers are available for public inspection

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Subject area and brief description of nature of report	Lead Department	Responsible Officer	Sep-20	Oct-20	Dec-20	Mar-21	Jun-21
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	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	ICT & Policy	Performance Planning Section			✓		
Progress Report - Delivery of Internal Audit Recommendations	Corporate Services	Head of Revenues and Financial Compliance				✓	
Internal Audit Progress Updates requested by Audit Committee: - Pembrey Ski Centre	Corporate Services	Head of Revenues and Financial Compliance		✓			
Progress reports as requested by Audit Committee - Strategic Commissioning of Accommodation Services for Adults with Learning Disabilities - Museums - Llanelli Leisure Centre - Property Management - Schools' Deficits and Surpluses - People Performance Management Review (2017)	Communities  Chief Executives Education & Children Chief Executives	Head of Mental Health and Learning Disabilities Head of Leisure Head of Leisure Head of Regeneration Head of Education and Inclusion Services Assistant Chief Executive			✓		
Approval of Audit Charter	Corporate Services	Head of Revenues and Financial Compliance	As required				
Approval of Strategies / Rules & Regulations	Corporate Services	Head of Revenues and Financial Compliance	As required				
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	Corporate Services	Risk owners	✓			✓	
Statement of Accounts including Annual Governance Statement for Carmarthenshire CC - To be received - To be approved	Corporate Services	Head of Financial Services	✓				✓
Statement of Accounts including Annual Governance Statement for Dyfed Pension Fund - To be received - To be approved	Corporate Services	Head of Financial Services		✓			✓
Burry Port Harbour Accounting Statement - To be received - To be approved	Corporate Services	Head of Financial Services	✓				✓
Audit enquiries to those charged with governance and management for: - Carmarthenshire CC - Dyfed Pension Fund	Corporate Services	Head of Financial Services	✓	✓			
Single Tender Action	Corporate Services	Director of Corporate Services	As required				
Minutes for noting: - Grants Panel - Corporate Governance Group - Risk Management Steering Group	Corporate Services	Head of Revenues and Financial Compliance Head of Financial Services	✓	✓	✓	✓	✓
Audit Wales: - Audit Plan Update	Corporate Services	Audit Wales	✓	✓	✓	✓	✓
- 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						✓	
- 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(s)	Dates														
			Jul-17	Dec-17	Mar-18	Jul-18	Sep-18	Dec-18	Mar-19	Jul-19	Sep-19	Jan-20	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Audit Committee - Self Assessment	Corporate Services	Director Corporate Services Head of Revenues and Financial Compliance	✓														
Meeting with Auditors	Corporate Services	Director Corporate Services Head of Revenues and Financial Compliance		✓		✓		✓			✓		✓		✓		✓
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					✓										
Fraud Awareness	Corporate Services	Director Corporate Services Head of Revenues and Financial Compliance													✓		
Category Management	Corporate Services	Director Corporate Services Head of Revenues and Financial Compliance	✓														
Local Authority Trading Companies	Corporate Services	Director Corporate Services Head of Revenues and Financial Compliance													✓		

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# Audit Committee

## 11<sup>th</sup> September 2020

### Carmarthenshire County Council's Corporate Risk Register 2020/21

**Recommendations / key decisions required:**

- To receive the Corporate Risk Register.

**Reasons:**

- To ensure that the Audit Committee are made aware of the Corporate Risks

**Relevant scrutiny committee to be consulted:** Audit Committee  
(11<sup>th</sup> September 2020)

**Executive Board decision required:** No

**Council Decision required:** No

**Executive Board Member Portfolio Holder:** Cllr. David Jenkins (Resources)

<p><b>Directorate:</b> Corporate Services</p> <p><b>Name of Director:</b> Chris Moore</p> <p><b>Report Authors:</b> Helen Pugh</p>	<p><b>Designations:</b></p> <p>Director of Corporate Services</p> <p>Head of Revenues &amp; Financial Compliance</p>	<p><b>Tel Nos. / E-Mail Addresses:</b></p> <p>01267 224120 <a href="mailto:cmoore@carmarthenshire.gov.uk">cmoore@carmarthenshire.gov.uk</a></p> <p>01267 246223 <a href="mailto:hlpugh@carmarthenshire.gov.uk">hlpugh@carmarthenshire.gov.uk</a></p>
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## EXECUTIVE SUMMARY

# Audit Committee 11<sup>th</sup> September 2020

## Carmarthenshire County Council's Corporate Risk Register 2020/21

The Authority maintains a Corporate Risk Register to evaluate its exposure to key strategic risks. The Corporate Assessment recommended that the Corporate Risk Register as agreed by CMT should be shared with the Audit Committee. Review and monitoring of the Corporate Risk Register is delegated to Audit Committee in line with the Terms of Reference of the Audit Committee. The Register will be reviewed by the Audit Committee at its September 2020 meeting.

### Removal of risks from the Corporate Risk Register

– removal of one part of Risk CRR190021 – Planning Local Enforcement

### Addition of risks to the Corporate Risk Register:

- No additional risks proposed

<b>DETAILED REPORT ATTACHED?</b>	<b>YES</b>
----------------------------------	------------

## 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.

<b>Signed:</b>	<b>Chris Moore – Director of Corporate Services</b>
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Policy, Crime & Disorder and Equalities	Legal	Finance	ICT	Risk Management Issues	Staffing Implications	Physical Assets
None	None	None	None	Yes	None	None

**4. Risk** Aims of the Corporate Risk Register to collate strategic risks facing the Authority.

## CONSULTATIONS

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

Signed:	Chris Moore – Director of Corporate Services
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- 1. Scrutiny Committee** – Audit Committee will be required to receive the Corporate Risk Register at its meeting scheduled for Friday 22<sup>nd</sup> March 2019.
- 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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2020/21 Corporate Risk Register

Corporate Management Team

Risk (Threat to achievement of business objective)	Assessment of Uncontrolled Risk (Assume NO controls in place)			Risk Control Measures	Assigned To	Assessment of Current Risk			Updated Risk - @ July 2020			Update / New Risk Control Measures	Change
	Impact	Probability	Risk Rating			Impact	Probability	Risk Rating	Impact	Probability	Risk Rating		
CRR190004 - Ensuring that the Authority effectively manages its financial resources and responds to the challenges of reduced funding	Catastrophic 5	Likely 4	Significant 20	<ul style="list-style-type: none"> <li>Medium Term Financial Strategy - 5 Year Plan (including efficiency targets)</li> <li>Full County Council Elected Member Engagement on an annual basis to set priorities and allocate the Budget</li> <li>Challenge from Scrutiny Committees</li> <li>Public Consultation regarding budget priorities on an Annual Basis</li> <li>Engagement with Welsh Government via WLGA to ensure Carmarthenshire County Council receives fair funding from Welsh Government Ongoing (0% complete)</li> <li>TIC Programme to identify efficiencies and promote alternative methods of service delivery</li> <li>Workforce Planning to ensure staff resources are planned to match demand</li> <li>Wales Audit Office external challenge and assessment</li> </ul>	<p>Director of Corporate Services / Head of Financial Services</p> <p>Head of Administration &amp; Law</p> <p>Director of Corporate Services / Head of Financial Services</p> <p>Assistant Chief Executive</p> <p>Director of Corporate Services / Head of Financial Services</p>	Catastrophic 5	Possible 3	High 15	Catastrophic 5	Likely 4	Significant 20	<p>The impact of Covid, recession and prior year's austerity will have a significant impact on services and how we manage within the funding made available to us as an authority.</p> <p>The impact of austerity and reducing budgets across the public sector, requires the Council to be a learning organisation so that it is able to reflect, adapt and implement new and better ways of working.</p> <p>Budget monitoring shows unprecedented overspend position at Q1 with significant external risk factors including Covid second wave / local lockdown. Uncertainty on WG hardship funding / income loss recompense and Brexit arrangements</p>	↑
CRR190005 - Ensuring effective management of Grant Funding (including accessing Grant Funding) Threat of having to repay significant Grant monies.	Substantial 4	Likely 4	Significant 16	<ul style="list-style-type: none"> <li>Project Management Training</li> <li>Grant Funding Bodies Guidance Briefings and Training</li> <li>Grants Panel</li> <li>Grants Manual / CPRs / FPRs</li> </ul>	Director of Corporate Services	Substantial 4	Possible 3	Medium 12	Substantial 4	Likely 4	High 16	<p>Internal Audit plan includes a sample of grants for review annually in addition to those requiring a certificate.</p> <p>Audit Wales Grants Review work is reducing but over the past few years they have identified less issues than in previous years, giving some assurance that for those grants scrutinised externally there are satisfactory procedures in place.</p> <p>Grants panel continue to meet on a quarterly basis and minutes reported to Audit Committee</p> <p>Carmarthenshire CC continue to attract more funding through grants, which requires detailed administration, with same level of work and evidence for all levels of grant - risk reputationally and financially.</p> <p>Additional grant arrangements have had to be put in place at short notice under significant pressure to address Covid related schemes</p>	↑

Risk (What to achievement of business objective)	Assessment of Uncontrolled Risk (Assume NO controls in place)			Risk Control Measures	Assigned To	Assessment of Current Risk			Updated Risk - @ July 2020			Update / New Risk Control Measures	Change
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<b>CRR19006 - Ensuring effective People Management</b> (including capacity and compliance with Employment Law and Health & Safety Legislation)	Substantial 4	Likely 4	Significant 16	<ul style="list-style-type: none"> <li>Competence based recruitment, assessment centres for recruitment of key roles, induction training, coaching and mentoring, appraisals and supervision, probationary policy</li> <li>Development of Employment Policies and briefings and training, audit and monitoring</li> </ul>	Assistant Chief Executive	Substantial 4	Unlikely 2	Medium 8	Substantial 4	Unlikely 2	Medium 8	OD has commenced a programme of work to modernise the Councils approach to learning and therefore support effective People Management. Examples of this include: <ol style="list-style-type: none"> <li>A revised Leadership &amp; Management Development Framework (<i>awaiting CMT endorsement</i>) has built on the outcomes of 'Evaluation of the Council's review of people performance management 2017 – Carmarthenshire County Council', Welsh Audit Office (April 2018) and the Investors in People review (May 2018). It is aimed at building capacity at potential 3<sup>rd</sup>/4<sup>th</sup> tier managers with project work as a central focus supported by targeted development, either through OD or Departmental Programmes. It also maps out the expected Leadership Journey based around leadership and management behaviours.</li> <li>Leading on the all Wales Health and Social Care Induction Framework (H&amp;SCIF) a key objective of this project is to prepare new workers in the domiciliary care sector for registration with Social Care Wales by completing the Social Care Wales Principles and Values Award and the All Wales Induction Framework for health and social care (AWIF). Project which covers the region is has already established different methods of good quality learning delivery to meet the needs of</li> <li>The Learning Management System Project (funded jointly by Chief Executives department and the Digital Transformation Fund) will provide a new and improved learning environment of which one aspect will be the provision of updated essential e-learning (a priority for the purposes corporate and service based requirements e.g. statutory and employment obligations). The project aims to ensure that it supports the organisations learning culture, and the application of different tools and styles of learning will be critical. It will need to include those that support mobile learning, video learning, micro-learning, social eLearning, as well as the necessary learning analytics to collect, measure and analyse the learning habits and performance levels of employees and effective people management.</li> </ol> <p>A forward work programme for employment policy updates and development is in place which tracks changes to employment legislation and ensures that Council policies are updated to reflect current legislation</p> <p>HR Advisors and H&amp;S Advisors provide advice to managers across the authority and in schools to ensure consistency and compliance with policies and legislation.</p>	↔
<b>CRR19007 - Ensuring effective management of Procurement / Contract Management and Partnership arrangements</b>	Substantial 4	Likely 4	Significant 16	Participation in the National Procurement Service <ul style="list-style-type: none"> <li>New Procurement Strategy developed and approved in April 2018</li> <li>Expenditure Stream</li> </ul>	Head of Revenues & Financial Compliance	Substantial 4	Unlikely 2	Medium 8	Substantial 4	Unlikely 2	Medium 8	Category Management approach introduced which means Procurement continue to work with departments to review and challenge current service delivery, and to consider the options for service delivery . Carmarthenshire member of the WLGA group set up to consider the approach for procuring for Wales moving forward.	↔



Risk (Threat to achievement of business objective)	Assessment of Uncontrolled Risk (Assume NO controls in place)			Risk Control Measures	Assigned To	Assessment of Current Risk			Updated Risk - @ July 2020			Update / New Risk Control Measures	Change
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CRR190009 - Deliver Effective Safeguarding Arrangements - Children (Detail in separate Safeguarding Risk Register)	Catastrophic 5	Probable 5	Significant 25	<p>Develop implement and regularly monitor effective safeguarding policies and procedures for Children's Services</p> <ul style="list-style-type: none"> <li>To have a sound procedure for professional abuse allegations effectively promptly and correctly</li> <li>To respond appropriately to Regulators reports and recommendations</li> <li>To proactively monitor adequate procedures are being effectively operated by third party providers</li> <li>Ensure sexual exploitation Risk Assessments (SERAFs) and Missing Persons Risk Assessments are completed as required</li> <li>New arrangements implemented for our leaving care services in accordance with the Social and Well-being Act 2014</li> </ul>	Head of Children Services	Catastrophic 5	Unlikely 2	High 10	Catastrophic 5	Unlikely 2	High 10	<p>Service Managers carry out monthly audits of assessments, plans and reviews. Internal Inspection is carried out within the Internal Audit and Evaluation sub group of the Safeguarding Board.</p> <p>A Regional Joint Safeguarding Board (adults and children) is well established along with the Local Operational Group (LOG) combined for adults and children. Meetings take place quarterly and include members from Health, education, Police, probation, Coleg Sir Gar, plus MWW Regional Safeguarding board members. We are developing a shared vision across the region for children and young people with complex needs with partners in education, health and social care services. Service manager to attend the IEG (Executive Group of the Regional Partnership Board) with a proposal to hold a workshop within 4th Quarter between Hywel Dda Health Board and the 3 Local Authorities to evaluate and bring together the existing complex needs panels.</p> <p>All regulatory reports and recommendations are included in business planning and monitored quarterly.</p> <p>Appropriate Safeguarding measures are included in all Third Party contracts.</p> <p>This is regularly monitored via the Children's Safeguarding Audit and Evaluation Group and the Multi Agency Operational Group.</p> <p>This is part of the new revised Corporate Parenting Strategy monitored via the Corporate Parenting Panel, ensuring the council fulfils its Corporate Parenting role and that our looked after children and care leavers have the opportunity to reach their full potential.</p>	↔
CRR190010 - Safeguarding Arrangements - Vulnerable Adults	Catastrophic 5	Probable 5	Significant 25	<ul style="list-style-type: none"> <li>Representation at the Regional Board</li> <li>Implementing effective safeguarding policies and procedures for vulnerable adults</li> <li>Monitoring the performance of safeguarding within adult services</li> <li>Responding to regulators reviews and recommendations</li> <li>Monitoring of third party providers to ensure safeguarding procedures are being effectively operated</li> </ul>	Director of Communities	Substantial 4	Unlikely 2	Medium 8	Substantial 4	Unlikely 2	Medium 8	<p>The Regional Safeguarding Board is well established, Carmarthenshire is well represented on the Board and sub groups. The Carmarthenshire multi agency Local Operational Group is also well established with good collaborative relationships. There is evidence of the dissemination of multi-agency learning via the infrastructure for Adult Practice and Child Practice reviews.</p> <p>Two Safeguarding officers are now placed in IAA which has improved initial responses and led to a reduction in referrals coming directly to the Safeguarding team.</p> <p>Carmarthenshire led the development of a Threshold Document which is well understood by all partners. Timescales for responding to safeguarding referrals has improved significantly with performance in Carmarthenshire achieving above 95% for enquiries being completed within 7 days.</p> <p>Systems for collecting performance data is much improved</p> <p>A collaborative consistent approach for responding to professional concerns has been agreed.</p> <p>The following comments are from a recent CIW review:</p> <ul style="list-style-type: none"> <li>"Safeguarding practice is well led by Senior Managers and Operationally supported by the Safeguarding Team "</li> <li>"Good multi-agency working relationships at strategic and operational levels "</li> </ul>	↔

Risk (What to achievement of business objective)	Assessment of Uncontrolled Risk (Assume NO controls in place)			Risk Control Measures	Assigned To	Assessment of Current Risk			Updated Risk - @ July 2020			Update / New Risk Control Measures	Change
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CRR190011 - Develop and Deliver the Improvement Plan / Corporate Performance Plans	Substantial 4	Likely 4	Significant 16	<ul style="list-style-type: none"> <li>Undertake detailed analysis of all lower quartile Performance Indicators to develop action plans.</li> <li>Address underperformance via Business Planning process</li> <li>Monitoring progress via Performance and Improvement Monitoring System (PIMS) and dashboards</li> </ul>	Head of ICT & Policy	Substantial 4	Unlikely 2	Medium 8	Substantial 4	Unlikely 2	Medium 8	The Well-being plan and the Corporate Plan are now consolidated and incorporated into the Corporate Strategy. PIMS continues to be used to monitor performance indicators and reported regularly to scrutiny committees. This information also forms part of the business planning and financial planning process.	↔
CRR190012 - Failure to adhere to an effective Corporate Governance Framework	Substantial 4	Likely 4	Significant 16	<ul style="list-style-type: none"> <li>Corporate Governance Group</li> <li>Implementation of the WLGA Review of Governance</li> <li>Annual Governance Statement</li> </ul>	Head of Revenues & Financial Compliance  Head of ICT & Policy  Head of Revenues & Financial Compliance	Substantial 4	Unlikely 2	Medium 8	Substantial 4	Unlikely 2	Medium 8	Wales Audit Office Corporate Assessment Action Plan delivered  Governance arrangements have had to be changed due to Emergency measures due to Covid - Gold and Silver have met regularly with actions logged and reasons for actions noted. These have been reported to PEB on a regular basis.  Better use of Resources and Building a Better Council are aligned to the AGS which are structured based on the seven CIPFA principles of Good Governance	↔
CRR190013 - Delivery of the City Deal (Outcomes / Budget)	Substantial 4	Likely 4	Significant 16	<ul style="list-style-type: none"> <li>Establishment of Swansea Bay City Region Board</li> <li>Development of Regional Joint Committees</li> <li>An agreement between the UK and Welsh Governments and 4 local authorities (Carmarthenshire, Swansea, Neath &amp; Port Talbot and Pembrokeshire) and successful private and public collaboration will address the economic underperformance of the region, with emphasis on uplifting productivity, skills, employment and prosperity.</li> <li>Financial Planning</li> </ul>	Head of ICT & Policy  Director of Corporate Services	Substantial 4	Possible 3	High 12	Substantial 4	Possible 3	High 12	Two separate reviews completed. Reviews looked into the governance arrangements of the Swansea Bay City Deal. One commissioned by Westminster and Welsh Government, the other internal review commissioned by the Joint Committee. The outcomes of these reviews have been issued and considered by the Joint Committee  Carmarthenshire are host for the Programme office and maintenance of harmonious relations from collaborative working	↔
CRR190014 - Delivery of the Wellness Project (Outcomes / Budget)	Substantial 4	Likely 4	Significant 16	<ul style="list-style-type: none"> <li>Membership of Project Board</li> <li>Development of Life Science and Well-being network of campuses and villages, consisting of primary / community care facility, an Institute of Life Science and an educational and skill development capability.</li> <li>Financial Planning</li> </ul>	Chief Executive  Chief Executive  Director of Corporate Services	Substantial 4	Possible 3	High 12	Substantial 4	Possible 3	High 12	Two independent reviews commissioned by Carmarthenshire CC with regard to the project WAO concluded that 'Carmarthenshire County Council has followed appropriate processes and effectively managed risk to protect public money in its actions relating to the Wellbeing and Life Science Village' and Acuity concluded that Council Officers have taken prudent steps to manage the project in a safe and well considered legal and financial environment."	↔

Risk (Threat to achievement of business objective)	Assessment of Uncontrolled Risk (Assume NO controls in place)			Risk Control Measures	Assigned To	Assessment of Current Risk			Updated Risk - @ July 2020			Update / New Risk Control Measures	Change
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CRR190015 - Delivery of the Approved Capital Programme (Outcomes / Budget)	Substantial 4	Likely 4	Significant 16	<ul style="list-style-type: none"> <li>Strategic Asset Steering Group</li> <li>Project Management Tool Kit</li> <li>Project Management Training</li> <li>Long term Treasury management / loan funding</li> </ul>	Head of Financial Services  Head of Regeneration  Assistant Chief Executive  Director of Corporate Services	Substantial 4	Improbable 1	Low 4	Substantial 4	Possible 3	High 12	<p>SASG continues to meet regularly and has well established procedures in place to develop and oversee implementation of the capital programme but due to Covid schemes have been delayed.</p> <p>Existing schemes are being delivered but there is significant impact on cost inflation on newly tendered schemes. Delays on delivery on existing schemes due to contractors removing form site as well as delays in procuring for new schemes.</p> <p>the level of training and oversight remains satisfactory and all training is now accessible on the intranet.</p>	↑
CRR190016 - Delivery of the Authority's waste management and recycling obligations (including meeting Landfill Targets)	Substantial 4	Likely 4	Significant 16	<ul style="list-style-type: none"> <li>Maintain current provision and infrastructure for recycling</li> <li>Continue education and awareness activity to improve participation</li> </ul>	Head of Waste & Environmental Services	Substantial 4	Likely 4	High 16	Substantial 4	Likely 4	High 16	<p>Established RDF (black bag waste) outlets now in place. Restrictions on waste entering our in household waste recycling centres have been affected in April 2019. Further restrictions on black bags limit (4 to 3) introduced at the kerbside in November 2019 together with targeted advisor programme.</p> <p>These have had the combined effect of improving our recycling performance, but we remain close to the statutory target of 64%. The effects of Covid-19 in terms of the temporary closure of our household waste recycling centres, the suspension of our waste education and awareness programme and the resultant effect of potential increase in contamination of our kerbside collected recycling materials could place the Council at further risk. However, this is countered to a point by an increase in the weight/volume of blue bags, food and garden waste collected at the kerbside during lockdown; the situation will be monitored.</p>	↔

Risk that to achievement of business objective	Assessment of Uncontrolled Risk (Assume NO controls in place)			Risk Control Measures	Assigned To	Assessment of Current Risk			Updated Risk - @ July 2020			Update / New Risk Control Measures	Change
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<p>CP130017 - Effective Management of demand for Social Care (Adult &amp; Children)</p>	<p>Significant 3</p>	<p>Likely 4</p>	<p>High 12</p>	<ul style="list-style-type: none"> <li>Establish effective systems to ensure thresholds for access and eligibility criteria are understood and consistently applied by staff and partners</li> <li>Deliver implementation plan for Social Services and Wellbeing Act</li> <li>Collaborate with partners to deliver information, advice, assistance and preventive services</li> <li>Work with partners, local community action groups and local people to build resilient communities and community models of support</li> <li>Promote and develop social enterprises and cooperatives to provide preventative services, care and support</li> </ul> <p>To introduce a range of initiatives to manage and/or reduce demand</p> <p>To commission an effective, efficient and economical model for the provision of domiciliary care</p> <p>To focus on positive recruitment and retention practices to motivate and sustain the workforce in order that we maintain a sufficient workforce and one that is equipped to perform their work requirements Promote and develop social enterprises and cooperatives to provide preventative services, care and support</p> <ul style="list-style-type: none"> <li>We will monitor and report on Social Worker Vacancies and Caseloads quarterly</li> </ul>	<p>Head of Adult Social Care / Head of Integrated Services</p> <p>Head of Adult Social Care / Head of Integrated Services / Head of Children Services</p> <p>Head of Adult Social Care / Head of Integrated Services / Head of Children Services</p> <p>Head of Adult Social Care / Head of Integrated Services / Head of Children Services</p> <p>Head of Adult Social Care</p> <p>Head of Adult Social Care / Head of Integrated Services / Head of Children Services</p>	<p>Significant 3</p>	<p>Possible 3</p>	<p>Medium 9</p>	<p>Significant 3</p>	<p>Possible 3</p>	<p>Medium 9</p>	<p>Families First and Flying Start programmes to deliver early intervention with children and families</p> <p>Further control measures put in place: During Covid we have been proactively contacting those who are shielding to provide information, advice and early preventive intervention. Reviewing our " front door" arrangements to ensure that information advice an early intervention is offered . Establishing a robust multidisciplinary team within IAA. To introduce a range of initiatives to predict, manage and/or reduce demand To commission an effective, efficient and economical model for the provision of domiciliary care To focus on positive recruitment and retention practices to motivate and sustain the workforce in order that we maintain a sufficient workforce and one that is equipped to perform their work requirements Promote and develop social enterprises and cooperatives to provide preventative services, care and support.</p> <p>Families First and Flying Start programmes to deliver early intervention with children and families</p> <p>Children's Social Worker caseloads and vacancies are monitored on a regular basis at senior management level. At the end of December '19 there were 2 social work vacancies (1.3%). At the end of March 2020 (pre-covid) there were 3 social work vacancies (2%)</p> <p>Communities department is progressing a Workforce Strategy which will include strategies to improve recruitment and retention.</p>	

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CRR190018 - Failure to deliver a quality Education Service	Substantial 4	Possible 3	High 12	<ul style="list-style-type: none"> <li>Raise standards at each key stage</li> <li>Support schools to develop and deliver new curriculum.</li> <li>Support schools to implement ALN reform</li> <li>Deliver the Welsh in Education Strategic Plan (WESP) and the recommendations of the Welsh Language Carmarthenshire Report</li> <li>Provide appropriate support for vulnerable learners - ALN, LAC, EAL, Travellers, e-FSM</li> <li>Manage the 21st Century School Programme and reduce the number of surplus places with the schools system</li> </ul>	Director of Education & Children Services	Substantial 4	Unlikely 2	Medium 8	Substantial 4	Unlikely 2	Medium 8	<p>We continue to:</p> <p>Improve the proportion of schools with a Green or Yellow categorisation in the National School Categorisation System, improving the number in Green at the last categorisation process;</p> <p>We will support schools, in tandem with ERW (Education through Regional Learning), to further improve outcomes for all pupils outcomes at the end of the Foundation Phase, Key Stage 2, Key Stage 3 and Key Stage 4 but with a particular emphasis on raising the achievements of pupils entitled to free school meals and looked after children, improving our outcomes in summer 2019;</p> <p>We shall continuing to promote regular school attendance to maximise educational opportunities and child welfare, robustly challenging poor attendance and persistent absenteeism;</p> <p>We will implement the Attendance Forward Working Plan; Continue to hold all schools and ERW to account for further improving standards and outcomes for learners, intervening in schools where performance is not satisfactory;</p> <p>We will continue to support, challenge and improve the quality of leadership and its impact on improving provision and outcomes in collaboration with senior school leaders e.g. provision of Leadership Seminars and Networks.</p> <p>We will continue with the design of the Carmarthenshire Curriculum in partnership with Education through Regional Working (ERW), schools and other providers, framed within the national context. Pursue opportunities to link corporate and economic strategy with the design of the new curriculum.</p> <p>We are dovetailing local opportunities for curriculum enrichment and extension with the national architecture with a view towards developing a Carmarthenshire Learner Offer.</p> <p>Inclusion Officers continue to support the 10 priorities outlined in the Regional Additional Learning Needs (ALN) Transformation Implementation Plan and are involved in delivering outcomes in each priority delivery schedule. Progress monitoring is on-going with a review of priorities scheduled during the Spring Term.</p> <p>The current WESP document is now in it's final year, with the next 10 year strategy being produced. We will continue to ensure that the key messages are adhered to and that specific changes in school provision continue to progress.</p> <p>The AGGaD service continue work within schools in accordance to need and effectiveness regarding moving all schools along the language continuum.</p> <p>On-going collaboration and partnership working between Rhysygors and our services continues to support integrated approaches effectively. This continues to be enhanced by additional inter-departmental collaboration that will continue throughout the Spring Term, providing a positive platform for continued development and improvement.</p> <p>Continue to work with partnership with specialist setting staff to share expertise to support low incidence high complexity needs in mainstream settings.</p> <p>The majority of projects within the Band A Programme have been completed, with schemes being progressed for the remaining projects, including Ysgol Rhys Prichard and Ysgol Llangadog (on site) and Ysgol Gorslas (expected to start on site in March 2020) With regards to the Band B Programme, the project for Five Roads has commenced on site and the scheme for Ysgol Pembrey has also been approved by Welsh Government. The scheme for Ysgol y Castell has been approved with an on site target date of March 2020.</p>	↔
CRR190019 - Failure to ensure that schools effectively manage their resources and respond to challenges	Substantial 4	Likely 4	Significant 16	<ul style="list-style-type: none"> <li>Lead the TIC Schools project, working with colleagues and schools to identify significant savings as set by the County Council through the budget efficiency programme</li> </ul>	Director of Education & Children Services	Substantial 4	Likely 4	Significant 16	Substantial 4	Likely 4	Significant 16	<p>Levels of risk continue to be monitored via a detailed focus on individual school budget performance. Analyses are ongoing throughout the financial year. Progress updates and ensuing actions are monitored closely by a range of officers / groups, including the Schools Budget Forum, Educations Services Forum, DMT, ECS Scrutiny. The Federation agenda analyses and seeks to improve the viability of smaller schools. The Change Review Panel challenges schools in deficit on budget and business management. Business Management within schools is currently being evaluated.</p> <p>Schools surplus spaces review to be carried out</p>	↔

Risk (What is at risk of not achieving business objective)	Assessment of Uncontrolled Risk (Assume NO controls in place)			Risk Control Measures	Assigned To	Assessment of Current Risk			Updated Risk - @ July 2020			Update / New Risk Control Measures	Change
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CR19/20021 - Maintain and develop effective Planning Policies (including delivering effective enforcement)	Substantial 4	Possible 3	High 12	<ul style="list-style-type: none"> <li>Local Development Plan (LDP)</li> <li>Local Enforcement</li> </ul>	Head of Planning  Head of Planning	Substantial 4	Possible 3	High 12	Substantial 4	Likely 4	Significant 16	<p>LDP Review is well underway. Timetable approved by WG. Preferred Strategy consulted upon on time early 2019. Deposit Consultation closed unfortunately during covid 19. Although 6 out of the 8 weeks were outside of Covid, the final 2 weeks were within and with libraries closed it means that we could not fully comply with our delivery Agreement. To reduce the potential for challenge, a short focussed consultation will take place late August/September for 3 weeks. Covid has also disrupted evidence gathering (where site visits required) and introduced a concern regarding the validity of our evidence going forward – Covid impact. As a result a new Delivery Agreement needs to be submitted and approved to WG extending the period by 7 months. This puts the Authority in a no-plan situation post December 2021 until the plan is adopted which should now be July 2021.</p> <p>Recommended to delete from Corporate Risk Register and just keep in the Departmental Risk Register.</p>	↑
CRR190022 - Manage and Develop new external arrangements	Substantial 4	Likely 4	Significant 16	<ul style="list-style-type: none"> <li>Governance arrangements incl management and Councillor representation on Boards</li> <li>Compliance with Companies Act and relevant legislation</li> <li>Financial Planning Financial Reporting arrangements Audit programme</li> <li>Training - arranged for Directors</li> </ul>	Corporate Management Team  Corporate Management Team  Corporate Management Team  Corporate Management Team	Substantial 4	Possible 3	High 12	Substantial 4	Possible 3	High 12	<p>All proposals and initiatives must be considered by CMT, this ensures moderating and consistency in approach.</p> <p>WAO review programmed for 2019/20</p>	↔
CRR190023 - No Deal Brexit	Substantial 4	Likely 4	Significant 16	<ul style="list-style-type: none"> <li>Officer/Member Working Group with representations from all council services</li> <li>Review all services/plan contingencies</li> <li>Follow advice from Welsh Government and WLGA</li> <li>Communications with residents and businesses</li> </ul>	Economic Development Manager	Substantial 4	Possible 3	High 12	Substantial 4	Possible 3	High 12	<p>Risk and Opportunities registers continuously reviewed</p> <p>Officer / Member working group meet as and when appropriate. When deadlines have been approaching regular meetings held, and dedicated officers nominated to feed into the LRF updates.</p>	↔
CR19/20022 Schools do not undertake routine property repair and maintenance using delegated funding or undertake work that is not compliant	Catastrophic 5	Probable 5	Significant 25	<ul style="list-style-type: none"> <li>Building condition surveys and reports to be reinstated</li> <li>Risk Management bid to be considered to fund urgent building condition surveys</li> </ul>	Head of Access to Education	Catastrophic 5	Possible 3	High 15	Catastrophic 5	Possible 3	High 15	<p>Inspections to ensure that all schools were in good condition to re-open on 29th June 2019</p>	↔

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	Impact	Probability	Risk Rating			Impact	Probability	Risk Rating	Impact	Probability	Risk Rating		
<b>CR19/20023 Ash die back and the risk to public safety</b>	Substantial 4	Probable 5	Significant 20	Officers developing strategy for managing risk for ash die back for trees adjacent to the highway. Identification and consideration of risk where Ash trees are located on Council land. Pilot survey proposed for Highways Inspectors to establish the extent of Ash tree adjacent to the highway.  Chainsaw training for Council operatives, specific to Ash die back	Head of Planning	Substantial 4	Probable 5	Significant 20	Substantial 4	Likely 4	Significant 16	Further work has occurred as follows which marginally reduces some of the risk identified:  Some tree felling now underway, e.g. A & B roads  A and B roads now surveyed (October 2019)  Procurement being undertaken for tree felling works, specific to Ash Dieback  Survey for 2020/21 being scheduled  Member training scheduled for the Autumn  Ash Dieback Officer in post and support officer being recruited.  Surveys at schools also ongoing	↓
<b>CR19/20024 Fraud &amp; Corruption</b>  The cost of fraud to the Welsh public sector is estimated to be in the region of between £100 million and £1 billion annually (as reported by the WAO).	Catastrophic 5	Likely 4	Significant 20	Anti-Fraud & Anti-Corruption Strategy  Whistleblowing Policy  Financial Procedure Rules  Code of Conduct - Members & Officers  Participation in the National Fraud Initiative Exercise  Dedicated Fraud Investigation Officer dealing with Revenue and Benefit Frauds  Counter Fraud proficiency within the Internal Audit team  Effective relations with Dyfed Powys Police	Head of Revenues & Financial Compliance / Director of Corporate Services	Catastrophic 5	Possible 3	High 15	Catastrophic 5	Possible 3	High 15	Anti-fraud and corruption strategy currently being reviewed and updated, has been presented to CMT. Will now be taken to PEB and Audit Committee  MoU drafted and agreed with Dyfed Powys Police, to support the way forward and working together.  Training programme being discussed and developed in conjunction with Dyfed Powys Police - they will facilitate a workshop session on Fraud and Corruption for Members and officers  Financial Procedure Rules updated and presented to Audit Committee - Sept 2020	↔
<b>CR19/20025 - School Leadership</b> Our ability to recruit and retain high quality and resilient school leaders who can respond to and deal with the transformation of education in Wales.	Substantial 4	Likely 4	Significant 16	Develop and use a more robust competency based process to recruit school leaders.  Provide each new school leader with a mentor who's an experienced and successful school leader.  Encourage leaders and prospective leaders to enrol on ERW's leadership courses/programmes.  Provide Challenge Adviser support for all new school leaders and provide a bespoke induction/mentoring programme.  Use the Headteacher Performance Management process effectively to challenge, develop and support school leaders.	Director of Education & Children's Services	Substantial 4	Possible 3	High 12	Substantial 4	Possible 3	High 12	The Control Measures for this new Risk for 2020 are in the process of being developed with assistance from HR.	↔
<b>NEW: Net zero Carbon</b> Failure to deliver the Council's commitment to become a net zero carbon local by 2030	Substantial 4	Probable 5	Significant 20	The Council has adopted a realistic, pragmatic and achievable approach in its Net Zero Carbon Plan.	Director of Environment / Head of Regeneration	Substantial 4	Unlikely 2	Medium 8	Substantial 4	Unlikely 2	Medium 8	Careful prior evaluation will be required before extending the scope and/or pace of the Council's commitments to ensure that implications are fully appreciated and matched by appropriate staff and financial resources	↔

Risk (What to achievement of business objective)	Assessment of Uncontrolled Risk (Assume NO controls in place)			Risk Control Measures	Assigned To	Assessment of Current Risk			Updated Risk - @ July 2020			Update / New Risk Control Measures	Change
	Impact	Probability	Risk Rating			Impact	Probability	Risk Rating	Impact	Probability	Risk Rating		
<p><b>New: Coronavirus - Risk to business continuity, system failure and service delivery as currently its predicted that this will be an issue through to May / June 2020</b></p>	Catastrophic 5	Likely 4	Significant 20	<p>Services are updating their business continuity plans, with ongoing review carried out.</p> <p>Regional planning group in place with other public sector organisations</p> <p>Risks will be managed service by service Daily monitoring</p> <p>Service specific plans prepared - assessing impact of 10% / 20% / 30% staff sickness</p> <p>Identify where there may be potential to free up capacity in some areas, so that resources can be released to assist with the essential services</p>	Director of Community Services	Catastrophic 5	Likely 4	Significant 20	Catastrophic 5	Likely 4	Significant 20	<p>Regular Gold and Silver meetings held to review and manage</p> <p>All actions logged with rational for actions noted</p> <p>Regular reporting to PEB</p> <p>Process in place to ensure resources can be released to critical service delivery areas through staff redeployment</p> <p>Daily monitoring of front line service needs in Social Care - staff resources / PPE</p>	↔
<p><b>New: Failure to comply with the requirements of the Local Government and Elections (Wales) Bill</b></p>	Substantial 4	Possible 3	High 12	<p>Public participation strategy being produced</p> <p>Petition scheme being developed</p> <p>In discussions with WG on proposal in the Bill for webcasting formal meetings</p> <p>Remote attendance of members being discussed with WG and Public-i</p> <p>Collaborative working with Principal councils - awaiting further guidance from WG</p> <p>Corporate Joint Committees - Guidance awaiting from WG - LG engagement will be expected in developing regulation</p>	CMT	Substantial 4	Possible 3	High 12	Substantial 4	Possible 3	High 12	<p>Due to Covid restrictions - remote attendance of Members to meetings has had to be developed and has been implemented.</p>	↔



Risk (Threat to achievement of business objective)	Assessment of Uncontrolled Risk (Assume NO controls in place)			Risk Control Measures	Assigned To	Assessment of Current Risk			Updated Risk - @ July 2020			Update / New Risk Control Measures	Change
	Impact	Probability	Risk Rating			Impact	Probability	Risk Rating	Impact	Probability	Risk Rating		
NEW: Flood - Strategic risk: The effects of more frequent and intense storm conditions that compromise homes, businesses, essential infrastructure and services.	Substantial 4	Probable 5	Significant 20	Flood Risk Strategy and FRMPs Community plans in terms of self-help where practicable. Continue to work with our professional partners (as a LLFA). S19 Reports and action plans. Pro-active maintenance programme for flood assets. Making more use of contemporary flood data and information from partner agencies. SAB for future development and TAN 15 compliance. Effective communication strategy.	Director of Environment	Substantial 4	Probable 5	Significant 20	Substantial 4	Probable 5	Significant 20	Flood Risk Strategy and FRMPs  Community plans in terms of self-help where practicable.  Continue to work with our professional partners (as a LLFA).  S19 Reports and action plans.  Pro-active maintenance programme for flood assets.  Making more use of contemporary flood data and information from partner agencies.  In effect, the measures highlighted are about management and mitigation to a point but not elimination, hence the risk remains as per the original scoring.	
NEW: Flood - Operational risk: The effects of more frequent and intense storm conditions that compromise our operational ability to respond to widespread and prolonged emergencies both in the immediate response phase and recovery phase of an incident.	Substantial 4	Probable 5	Significant 20	WG grants are available to assist with funding of investigation work and capital works	Director of Environment	Substantial 4	Probable 5	Significant 20	Substantial 4	Possible 3	High 15	There is the potential that storm conditions resulting in widespread prolonged, and/or heavy rainfall, could result in our operational workforce resource being placed under extreme pressure and will not therefore be physically able to respond to every call or request to prevent or alleviate flooding. This was experienced during Storm Callum in particular. Response in terms of resourcing will need to be prioritised for the highest risk areas. Community self help will be promoted. Where possible, wider teams within the Department and help from external contractors and consultants will be sought.	
NEW: Cyber risk such as: - Ransomware or malware infection - Denial of Service Attack (DOS) - Unauthorised network access (hacking) - External and Internal - Phishing Email Attack - staff approach	Catastrophic 5	Likely 4	Significant 20	Cyber incident response plan  Staff awareness training  Firewalls  Application control on servers	Head of ICT & Policy	Catastrophic 5	Possible 3	High 15	Catastrophic 5	Possible 3	High 15	Cyber response plan in place. Early warning for any known hoax or phishing emails in place. The core firewalls are due to be replaced. Cyber elearning modules developed.	

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**CORPORATE RISK REGISTER IMPACT GRID**

<b>Risk classes / Impact</b>	<b>Minor 1</b>	<b>Moderate 2</b>	<b>Significant 3</b>	<b>Substantial 4</b>	<b>Catastrophic 5</b>
<b>Reputation</b> Adverse / critical comment Ombudsman Investigation	<i>Ward / village</i>	<i>Local media</i>	<i>Welsh media</i>	<i>National media</i>	<i>Welsh Government Intervention</i>
<b>Service Delivery</b> Health / Education / Leisure Facility Support / Admin Facility	<i>Internal disruption only – no loss of service</i>	<i>Short Term disruption to service</i>	<i>Action required to overcome short-term difficulties</i>	Key targets missed Some services compromised	<i>Prolonged interruption to core services</i>
<b>Environmental impairment</b> Recovery / remediation time <b>People / Casualty</b> Employee accidents	No lasting detrimental effect on the environment or the community Minor injuries	Short-term, local environmental or social impact Ill health	Medium-term environmental or social impact Multiple ill health Disabling injury	Major public health / environmental incident or loss of significant community facility Serious disabling injuries	Recovery impossible or extremely long term Fatalities
<b>Financial Implication</b>	<i>Less than £5k</i>	<i>£5k - £50k</i>	<i>£50k - £500k</i>	<i>£500k - £2m</i>	<i>More than £2m</i>

**STRATEGIC RISK REGISTER PROBABILITY GRID**

<b>Improbable</b> <b>Lowest Probability</b> <b>1</b>	<b>Unlikely</b> <b>2</b>	<b>Possible</b> <b>Median Probability</b> <b>3</b>	<b>Likely</b> <b>4</b>	<b>Probable</b> <b>Highest Probability</b> <b>5</b>
<i>Circumstances rarely encountered / Unlikely to occur</i>	⇒	<i>Circumstances occasionally encountered / medium likelihood of occurrence</i>	⇒	<i>Very likely to occur</i>

**Probability - Impact Grid for Project, Strategic, & Service Risks**

Probability	Probable (5)	Low (5)	High (10)	High (15)	Significant (20)	Catastrophic (25)
	Likely (4)	Low (4)	Medium (8)	High (12)	Significant (16)	Significant (20)
	Possible (3)	Very Low (3)	Medium (6)	Medium (9)	High (12)	High (15)
	Unlikely (2)	Very Low (2)	Low (4)	Medium (6)	Medium (8)	High (10)
	Improbable (1)	Negligible (1)	Very Low (2)	Very Low (3)	Low (4)	Low (5)
		Minor (1)	Moderate (2)	Significant (3)	Substantial (4)	Catastrophic (5)
Impact						

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## Audit Committee 11<sup>th</sup> September 2020

Wales Audit Office Report Evaluation of the Council's Review of People Performance Management Progress Update– September 2020	
<b>Recommendations / key decisions required:</b> To receive report and note the progress being made.	
<b>Reasons:</b> At its last meeting the Committee requested an update on the progress being made in relation to implementing the recommendations emerging from the Council's Review of People Performance Management.	
Relevant scrutiny committee to be consulted  No	
Exec Board Decision Required	NO
Council Decision Required	NO

EXECUTIVE BOARD MEMBER PORTFOLIO HOLDER:- Cllr. Mair Stephens		
Directorate  Education & Children Services  Name of Head of Service:  Gareth Morgans	Designations: Director for Education & Children (Chair of the People Strategy Governance Board)	01267 246522  <a href="mailto:Edgmorgans@sirgar.gov.uk">Edgmorgans@sirgar.gov.uk</a>
Report Author:  Paul Thomas	Assistant Chief Executive (People Management)	01267 246123  <a href="mailto:PRThomas@sirgar.gov.uk">PRThomas@sirgar.gov.uk</a>

# EXECUTIVE SUMMARY

## Audit Committee

11<sup>th</sup> September 2020

Wales Audit Office Report Evaluation of the Council's Review of People Performance Management Progress Report – September 2020
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### Background

During 2017, as a result of concerns highlighted by the Council's Internal Audit team, the Council's Corporate People Performance Management Review Working Group undertook a review of the Council's People Performance Management Framework and presented its findings to the Council's Corporate Management Team on 10 October 2017.

The findings were subsequently formally handed over to the People Strategy Governance Board (PSGB) in February 2018 – Chaired by Gareth Morgans (Director of Education & Children); the PSGB has been charged with developing a detailed action plan. The attached report provides Members with an update on the progress being made in terms of addressing the review's recommendations and confirms that all the recommendations have now been completed.

The report also comments on the impact of COVID-19 particularly in relation to the requirement to be working more agilely and flexibly, thereby conforming to the Welsh Parliament's legislative requirements on Social Distancing.

DETAILED REPORT ATTACHED ?
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Yes
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## 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: G Morgans – Director of Education & Children (Chair of the People Strategy Governance Board)**

Policy, Crime & Disorder and Equalities	Legal	Finance	ICT	Risk Management Issues	Staffing Implications	Physical Assets
<b>NONE</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>

## CONSULTATIONS

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

**Signed: G Morgans – Director of Education & Children (Chair of the People Strategy Governance Board)**

- 1. Scrutiny Committee NONE**
- 2. Local Member(s) NONE**
- 3. Community / Town Council NONE**
- 4. Relevant Partners NONE**
- 5. Staff Side Representatives and other Organisations NONE**

**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 Report  
Evaluation of the Council's Review of People Performance Management

**Progress Update – 11 September 2020**

## **Background**

This report will be the third annual update provided to the Audit Committee since the Council's Corporate People Performance Management Review Working Group undertook a review of the Council's People Performance Management Framework and presented its findings to the Council's Corporate Management Team in October 2017.

The attached report provides Members with an update on the work that has been undertaken and comments on the impact of the COVID-19 pandemic, which has required the authority to be more flexible and place greater reliance on I.T. solutions to effectively deliver its services without compromise.

In respect of the above, the updates to each of original recommendations will take into account what actions have been required by the authority accordingly:

**Recommendation 1** 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.

**Status:** Complete

**Actions undertaken:** Under the Delegated Powers set out in the Council's Constitution, the Chief Executive and Directors have specific responsibility in determining all matters related to staffing and structures. The Corporate Management Team has considered & discussed the recommendations highlighted by the report and has ongoing input into the development of re-structuring or realignment as appropriate. This is an ongoing process to respond to service needs including the delivery of significant PBB savings. The Corporate Management Team is satisfied that the current structures are appropriate to deliver the Council's services.

Since the review, work has been undertaken to prioritise those services areas that had been highlighted e.g. Waste and Leisure. Both these areas have been, or are in the process of being realigned. This work was ongoing before being highlighted during the Review and is being monitored by HR Business Partners at the relevant Departmental Management Teams.

A high-level review of the how the Council responded to COVID-19 is underway, and the TIC team has a programme of work that supports Service Managers in challenging existing processes,

systems and staffing structures. In addition, a “New Ways of Working” framework is being developed in response to our COVID-19 experiences, which will present further opportunities for managers to re-examine their staffing structures to ensure they are fit for purpose moving forward.

**Recommendation 2** 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 (i.e. Families First) to identify potential risks of disconnection from the corporate organisation.

**Status:** Complete

**Actions undertaken:** The Leadership & Management Development Framework has been developed and there are various tools and resources available to support capacity and capability when managers have remotely located teams. In terms of agile working, the Learning and Development team now provides a programme of development aimed at supporting managers to manage an agile workforce which includes tips on how to maintain good communication when managing dispersed teams.

In addition IT colleagues are providing relevant IT solutions that ensure managers are able to keep in touch with staff that are working from dispersed locations e.g. Microsoft Teams.

As a result of COVID-19 a New Ways of Working framework is being developed that will build on the successes already achieved through agile working. To support the New Ways of Working the Managers Toolkit for remote working is being further developed to support managers to lead and manage remote teams effectively.

**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

**Status:** Complete

**Actions undertaken:** The Heads of Service Forum has been engaged to support the development of a framework, and an evaluation has been undertaken of the Future Leaders Programme with a view to making it available across a wider organisational base. A range of tools and resources are currently available to underpin the new leadership and management behaviours and the recent Investors in People Review supports the approach for extending leadership and management competencies at all levels. This work will continue to be overseen by the PSGB.

The Induction process is currently under review in light of the New Ways of Working in response to Covid-19. This includes an induction for new managers. Our Recruitment Strategy will be now be reviewed in light of Covid-19 and the move to remote working.

**Recommendation 3a** Ensure that managerial training needs identified at induction stage are streamlined into, and reviewed during, the appraisal process.

**Status:** Complete

**Actions undertaken:** Funding was identified in March 2018 to allow the Council to develop a new "on-boarding" system to be accessed via its HR system, which will allow for customised induction and support for new managers. This piece of work has now been developed and has been presented to senior managers within People Management for their input. The system will provide the ability for staff development to be monitored alongside appraisal discussions.

A new, updated Appraisal Process has been developed, which will enable managers to build on the strengths of employees and develop skills required.

**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.

**Status:** Complete

**Actions undertaken:** Workforce planning is an integral element of the business planning process. HR Business Partners have been working with Departmental Management Teams to provide comprehensive workforce data to assist with business and workforce planning. A Toolkit for Managers has previously been developed and briefing sessions for managers have been provided.

**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.

**Status:** Complete

**Actions undertaken:** A Leadership and Development Framework has been developed and various tools and resources are available to support capacity and capability in this area. This includes service areas adopting a leadership and management academy for those aspiring to become leaders and managers. Further work will now be undertaken to extend the organisation's competency framework across all levels, reflecting the outcomes of the recent Investors in People Review.

The Heads of Service Forum has been engaged to support the development of the framework, and an evaluation has been undertaken of the Future Leaders Programme with a view to making it available across a wider organisational base. A range of tools and resources are currently available to underpin the new leadership and management behaviours and the recent Investors in People Review supports the approach for extending leadership and management competencies at all levels. This work will continue to be overseen by the PSGB. This can be evidenced by the Evaluation of Future Leaders Programme Development Programme for Heads of Service and the Investors in People Review 2018.

Additionally, the Leadership & Management Development Framework has been developed and various tools and resources are available to support capacity and capability in this area. This includes Service areas adopting a Leadership & Management Academy for those aspiring to become leaders/managers. Further work will now be undertaken to extend the organisations competency framework across all levels reflecting the outcomes of the recent Investors in People Review. Again, this can be evidenced by the Leadership & Management Behaviours Competency Framework (UCF), Future Leaders Programme Evaluation and the Investors in People Review 2018.

In addition, a more streamlined electronic job profile template has been introduced and guidance for managers has been produced.

A draft competency framework applicable to all levels of the organisation has been developed via a cross-divisional working group. Work is now underway to integrate this into the recruitment, development and appraisal processes.

**Recommendation 6** 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.

**Status:** Complete

**Actions undertaken:** There has been a focus on the delivery of skills-based development for managers/supervisors in conducting appraisals, supporting individual performance and development. Service and professional occupational groups have been a priority and the evaluation of this will be measured in the forthcoming post IiP Review. The outcomes and the skills gap to support this measure will be evaluated/monitored through the Investors in People review and the People Strategy Work Stream. This is evidenced by the In-House and commissioned learning and development

modules. In addition, the Council's HR system has been further developed to provide managers with an online appraisal tool, which automates the process.

A new appraisal process has been developed and is currently being piloted in two areas of the Authority. Feedback to date has been positive. The new process focusses on the strengths of employees and encourages managers to ensure that they have a meaningful conversation with staff to support their development and performance.

**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.

**Status:** Complete

**Actions undertaken:** Since the Review, consideration has been given to best practice across Public Sector in Wales and as a result a new Employee Code of Conduct Guide has been developed along with an online declaration process so that employees can declare any relevant interests, gifts or hospitality. The online process will allow declarations to be actively monitored. Once agreed by the Corporate Management Team, briefing sessions linked to our core values will be held with managers to explain why the process is important.

**Recommendation 8** All internal audit recommendations to be monitored via PIMS, subject to successful system testing.

**Status:** Complete

**Actions undertaken:** All Internal Audit recommendations are now on PIMS and are monitored using this system.

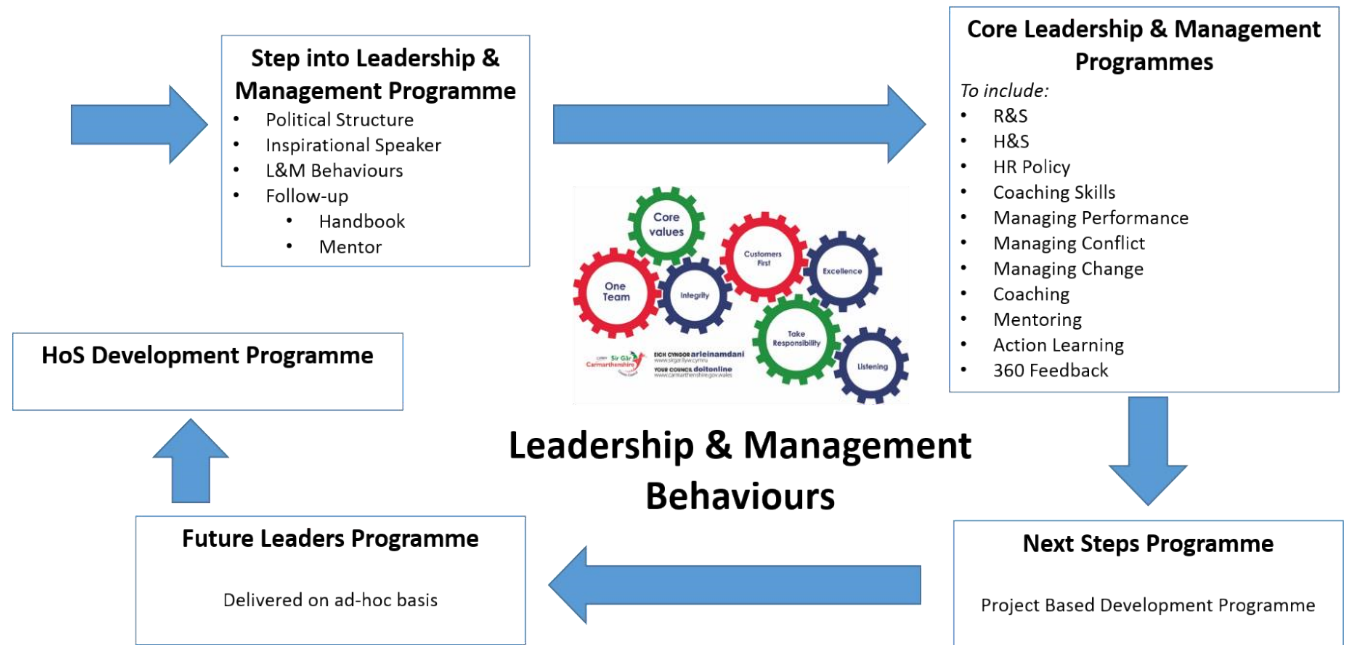
**Recommendation 9** A risk register to be developed by the People Strategy Group based upon the recommendations made in the report.

**Status:** Complete

**Actions undertaken:** The PSGB has incorporated this into their work programme for consideration and, as it is now being recorded on PIMS, there is no requirement for a bespoke Risk Register (See above). Workstreams were established to progress the highest priority areas and have reported back to the PSGB.



# Your Leadership Journey





## Audit Committee 11<sup>th</sup> September 2020

<b>Subject and Purpose:</b> <b>Property Management Review – Progress Update</b>		
<b>Recommendations / key decisions required:</b> To receive the report.		
<b>Reasons:</b> A progress update was requested at the Audit Committee meeting on 24 <sup>th</sup> January 2020.		
<b>Relevant scrutiny committee to be consulted:</b> N/A		
<b>Exec. Board Decision Required:</b> N/A <b>Council Decision Required:</b> N/A		
EXECUTIVE BOARD MEMBER PORTFOLIO HOLDER: Cllr D Jenkins		
<b>Directorate:</b> Chief Executives  <b>Name of Head of Service:</b> Jason Jones  <b>Report Author:</b> Peter Edwards	<b>Designations:</b> Head of Regeneration  Valuations Manager	<b>Tel No.:</b> 01267 246254  <b>E Mail Address:</b> <a href="mailto:JaJones@carmarthenshire.gov.uk">JaJones@carmarthenshire.gov.uk</a>

**Audit Committee**  
**11<sup>th</sup> September 2020**

**Property Management Review – Progress Update**

**1. BRIEF SUMMARY OF PURPOSE OF REPORT.**

Further to an Internal Audit on the Property Management function within the Chief Executive's Department a report was presented to the Audit Committee on the 24th January 2020, which identified a number of concerns regarding the management and administration of the Authority's leased properties.

The Audit Committee requested a progress update be provided.

**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: Jason Jones - Head of Regeneration

Policy, Crime & Disorder and Equalities	Legal	Finance	ICT	Risk Management Issues	Staffing Implications	Physical Assets
<b>NONE</b>	<b>NONE</b>	<b>YES</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>

### Finance

Actions contained within the report include those related to financial processes and procedures.

## CONSULTATIONS

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

Signed: Jason Jones – Head of Regeneration

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:

Title of Document	File Ref No.	Locations that the papers are available for public inspection
Internal Audit Report	3118004	Internal Audit Unit

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# Property Management Review – Progress Update

11<sup>th</sup> September 2020

Further to an internal Audit on the Property Management function within the Chief Executive's Department a report was presented to the Audit Committee on the 24<sup>th</sup> January 2020, which identified a number of concerns regarding the management and administration of the Authority's leased properties.

An action plan was prepared to address these concerns and the purpose of this report is as an update to Committee on the present position in relation to the planned actions. The summary report is appended, and a column has been added to confirm the specific actions undertaken for each identified action.

As previously reported, a new Acquisition and Disposal Policy has been formulated and as specified in the action plan it is confirmed that Officers have been reminded to consistently follow these procedures and this message is reaffirmed at every opportunity.

The report identified a lack of clarity in the procedure for acceptance of late bids and possible conflict with procurement rules and therefore to address this point the policy has been amended and now includes the following statement:

**“ If the proposed transaction is likely to be captured by Public Contracts Regulations 2015 then the above late bids procedures will not apply and the Council's Contract Procedure Rules will be applicable. Advice should be sought from the Corporate Procurement Unit before action is taken (Reference section 4.1 below – Public Procurement). ”**

In instances where the Public Contracts Regulations 2015 do not apply the Authority still has to consider late bids based upon case law and statutory legislation however the amendment provides the required clarity in relation to the previous anomaly with public procurement rules .

As part of the Acquisition and Disposal Policy a checklist has been formulated for all new transactions to follow. It should, however, be recognised that this checklist will not apply where tenants have statutory rights to renew their leases and in such circumstances the process will have to follow statutory guidelines which are in place for secured tenancies.

In addition, now with home working of staff due to the COVID 19 pandemic there may be a need to refine some aspects of the disposal policy, particularly in terms of sign off and whether this can be done on an electronic basis. Any changes will need close liaison with the Audit section to ensure that they are in agreement with our proposals.

In accordance with the action plan, a definitive schedule of the commercial portfolio has been prepared and this list has been reconciled against the commercial budget code to ensure accuracy. Since the original Property Management Audit was undertaken rent reviews have been carried out on 31 properties some with multiple reviews. In the majority of cases, however, these were recorded at nil increase due to market conditions. We have also completed two statutory lease renewals which were outstanding at the time of the Audit.

This review and the schedules prepared have identified any pending lease renewals and outstanding rent reviews. We can confirm that all historic rent review and lease renewal transactions have been actioned with only 7 ongoing lease renewal cases at differing stages of negotiations and a further 14

rent reviews ongoing. Some of these are governed by statutory guidelines in terms of timeframes. Through this review process there is also a clear understanding of future workload in terms of lease renewals and reviews. Clearly going forward the COVID 19 pandemic may have a significant negative effect on rental levels and accordingly rent increases through reviews or renewals are unlikely to happen in the short term.

A separate schedule has also been prepared of leased Leisure properties and it is proposed that discussions are held with the Audit section to refine the definition of the commercial property's category on Asset Manager.

In the agreed actions it also identified the need to establish and implement a procedure for verification and challenge of figures submitted by tenants where rental could be based on rents received or turnover. As a result of this issue being raised in a previous audit a more robust approach is now in place and an example of such is where a rent is based on a percentage of income received we now ask for copies of the individual licence agreements of tenants where previously we relied upon the figures provided by the head leaseholder.

The review of the commercial portfolio has also enabled us to identify and quantify any additional costs for services which can be collected from the tenant and processes have been put in place to take this forward. In addition review of the leases has identified specific requirements in terms of tenants insuring arrangements and to this end a total of 73 letters were sent out to the affected tenants requesting evidence of insurance, to date there are circa 13 which are outstanding and an action plan is in place to resolve these .

An agreed action was that Debtors should be consulted on any potential new tenant and this is a protocol we now follow to ensure that we are fully aware of their payment history and any debts they may have outstanding.

We have endeavoured to implement all the agreed actions from the previous Audit in a timely manner and we would hope to work closely with the Audit section to ensure that our management and administrative procedures are fit for purpose and with their assistance refine any aspect of the process which may need improvement .

DEPARTMENT	AUDIT REVIEW	AUDIT REF
Chief Executives	Property Management	3118004

## BACKGROUND

Carmarthenshire County Council has a number of properties for which the Authority has arranged with organisations 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.

## SCOPE

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

- Recommendations in the previous Internal Audit report have been addressed;
- 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 previous Internal Audit report identified significant concerns relating to the management and administration of the Authority's leased properties; it is disappointing to report that a number of these issues remain outstanding.

Work has been undertaken to develop an up to date 'Acquisition & Disposal Policy' and to identify all leased properties/properties with agreements, in order to facilitate effective management of properties. However, actions to resolve the specific issues previously identified are yet to be completed. It is acknowledged, however, that a commitment has been made to address all actions identified.

Audit testing was undertaken on a sample of newly leased properties, following the introduction of the new policy; it is concerning to note that testing identified instances where this policy and related procedures were not being fully complied with and many expected key controls relating to the leasing of the Authority's properties are still not operating to an acceptable standard.

Two fundamental weaknesses were identified during the current review; these are detailed in the attached action plan, along with the actions agreed to be implemented by management.

The remainder of the issues identified were three '*Priority 2*' issues; summarised details are as follows:

- Whilst an 'Acquisition and Disposal of Property Policy' has been formulated, there are areas within the policy which lack clarity such as the procedures for the acceptance of late bids.
- An exercise has been undertaken to produce a comprehensive record, in the form of a tenancy schedule, of all commercial properties that are subject to lease or agreement.

A review of the tenancy schedule identified that it was not fully accurate and did not include all relevant properties.

- The information held on the paper and digital files was often incomplete, not up to date, with relevant information often not being held in the files or unable to be provided at the time of the Audit review. This issue was also identified during the previous review.

<b>NUMBER OF RECOMMENDATIONS</b>		<b>OVERALL ASSURANCE</b>
Priority 1 - Fundamental Weaknesses	<b>2</b>	<b>Low</b>
Priority 2 – Strengthen Existing Controls	<b>3</b>	
Priority 3 – Minor Issues	<b>0</b>	



## Internal Audit review of Property Management 2018/19

### Action Plan relating to 3\* Issues identified

Ref	Summary of Issue Identified	Recommendation	Planned Action	Specific Action Taken – Audit Committee 11/9/20 update	Responsible officer Agreed Target Date for completion of actions
1	<p>Testing of a sample of 4 properties that have been newly leased since the last Internal Audit review, continues to identify concerns in the management and administration of the Authority's assets.</p> <p>Of particular concern was:</p> <ul style="list-style-type: none"> <li>- The newly formulated procedures were not always being fully complied with;</li> <li>- Evidence that documentation was received by the specified deadlines was not always available;</li> <li>- Evidence of the decision-making process including an evaluation of Expressions of Interest / Tenders was not always available to demonstrate that the best terms had been obtained, and there had been impartiality;</li> <li>- Where early possession of a property had been requested, testing identified that appropriate authorisation had not always been sought;</li> </ul>	<p>It is imperative that processes for the management and administration of the Authority's leased properties are reviewed and significantly 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>	<p>Procedures do not require review. Officers will be reminded to consistently follow the newly formulated procedures.</p> <p>The tenancy schedule will be reviewed and updated, where appropriate, to ensure that it is accurate and up to date. All relevant staff will be reminded of the procedures for updating the Asset Manager system. Reconciliation of the tenancy schedule and Asset Manager records will be implemented and completed.</p> <p>Completion of these actions will ensure that records, including lease</p>	<p>Officers have been advised that it is imperative that the processes within the new policy are followed rigidly and this message is consistently reaffirmed.</p> <p>The tenancy schedule has been reviewed and this has been reconciled against the commercial portfolio budget code to ensure accuracy. All relevant staff are fully aware of the process for updating the Asset Manager system.</p> <p>The information held on Asset Manager accords with the schedule for the commercial portfolio however there may be need to refine the specific categorisation of some properties. The completion of the actions has certainly provided an accurate position for the commercial portfolio which has ensured that we have been able to action all reviews and renewals promptly. In addition, we have a detailed action plan going forward for future reviews and lease renewals.</p>	<p>Valuations Manager</p> <p>31/03/2020</p>

	Summary of Issue Identified	Recommendation	Planned Action	Specific Action Taken – Audit Committee 11/9/20 update	Responsible officer Agreed Target Date for completion of actions
	<p>- Testing identified that completed agreements were not always available to support leased properties.</p> <p>Detailed testing of existing leased properties was not undertaken as Internal Audit had been advised that recommendations previously made, following the 2017/18 audit review, were yet to be actioned. Internal Audit have been given an assurance that these will be addressed.</p>		<p>terms and conditions, are accurate. Appropriate action to ensure that lease terms are being adhered to, and rent reviews and renewals actioned promptly, will be undertaken.</p>		
2	<p>Testing identified that adequate monitoring of properties with agreements/leases is not always undertaken. In particular, the finance element of leased properties is not being managed appropriately which could result in a loss of income for the Authority.</p>	<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> <p>Procedures for income collection should fully comply with the requirements of the Authority's Financial Procedure Rules.</p>	<p>TIC review of debtors processes will result in improved procedures being established.</p> <p>Procedures will be established and implemented to ensure where income needs to be verified with tenants that figures submitted by tenants are not accepted without challenge. Supporting evidence will be requested to support income figures and</p>	<p>The TIC review has resulted in an improvement in the debtor process and liaison between sections.</p> <p>This issue was highlighted in the original Property Management Audit and as a result of advice from the Audit Section we have set up a far more robust process to verify and challenge income figures, an example of this is that we now ask for copies of relevant licence agreements where the Authority's rental is based upon rent received by the head leaseholder.</p>	<p>Valuations Manager</p> <p>31/03/2020</p>

Ref	Summary of Issue Identified	Recommendation	Planned Action	Specific Action Taken – Audit Committee 11/9/20 update	Responsible officer Agreed Target Date for completion of actions
			<p>records retained in full to evidence this.</p> <p>Procedures will be established and implemented to ensure that additional charges specified in agreements are being collected.</p> <p>Point 12 in our checklist includes a requirement to liaise with finance on any debt and to undertake the necessary references.</p>	<p>Processes have been put in place to collect any additional charges specified in agreements for current and future years. Furthermore, information has been sought from tenants to confirm insurance arrangements to accord with lease requirements.</p> <p>Officers have been reminded of these requirements in our policy and the necessity to follow this process for any new lettings / assignments.</p>	

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## Audit Committee 11<sup>th</sup> September 2020

<b>Subject and Purpose:</b> <b>Financial Procedure Rules</b>		
<b>Recommendations / key decisions required:</b> To consider and approve the Financial Procedure Rules.		
<b>Reasons:</b> The Audit Committee has delegated authority, as part of the Council's Constitution, to consider and approve amendments to the Financial Procedure Rules.		
<b>Relevant scrutiny committee to be consulted:</b> Audit Committee		
<b>Exec. Board Decision Required:</b> N/A		
<b>Council Decision Required:</b> N/A		
EXECUTIVE BOARD MEMBER PORTFOLIO HOLDER: Cllr D Jenkins		
<b>Directorate:</b> Corporate Services	<b>Designation:</b> Head of Revenues and Financial Compliance	<b>Tel No.:</b> 01267 246223  <b>E Mail Address:</b> HLPugh@carmarthenshire.gov.uk
<b>Name of Head of Service:</b> Helen Pugh		
<b>Report Author:</b> Helen Pugh		

## Audit Committee 11<sup>th</sup> September 2020

### Financial Procedure Rules

#### 1. BRIEF SUMMARY OF PURPOSE OF REPORT.

The existing Financial Procedure Rules document has now been reviewed and revised to ensure the information contained within is current and appropriate. The review of the document has been facilitated by the Internal Audit Unit, through liaison with relevant officers within the Authority to ensure their specific areas have been considered and appropriately updated.

#### The need for Financial Procedure Rules

Financial Procedure Rules explain the procedures which officers must follow to ensure high standards of financial management. They tell us the things we cannot do, but also tell us the things we can do whilst keeping within the rules.

Whilst the Chief Officers are accountable for the deployment of the resources for which they have been given responsibility, they will delegate functions of a financial nature to individual officers, e.g. budgetary control, ordering of goods and services, payment of accounts and the certification of time sheets.

If officers undertake an activity which affects the Council's finances, they should ensure that they understand the requirements of the Financial Procedure Rules so that they can comply with the approved arrangements.

These Financial Procedure Rules have been produced to provide a structure for officers and Members to follow, allowing the Section 151 Officer to fulfil his statutory duty under the Local Government Finance Act 1972 (Section 151) for the "proper administration of the financial affairs of the Council".

The Audit Committee has delegated authority, as part of the Council's Constitution, to consider and approve amendments to the Financial Procedure Rules.

**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: H L Pugh – Head of Revenues and Financial Compliance

Policy, Crime & Disorder and Equalities	Legal	Finance	ICT	Risk Management Issues	Staffing Implications	Physical Assets
<b>NONE</b>	<b>YES</b>	<b>YES</b>	<b>NONE</b>	<b>YES</b>	<b>NONE</b>	<b>NONE</b>

### Legal

The Director of Corporate Services has the statutory responsibility for the "proper administration of the financial affairs of the Council" (Local Government Finance Act 1972, section 151).

The Director of Corporate Services also has the duty to report to Members and the Appointed Auditor on unlawful expenditure and over-commitment of resources (Local Government Finance Act 1988).

### Finance

Financial Procedures Rules explain the procedures which officers must follow to ensure high standards of financial management.

### Risk Management Issues

Ensuring that the Authority effectively manages its financial resources.

## CONSULTATIONS

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

Signed: H L 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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Carmarthenshire County Council

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# Financial Procedure Rules



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# 1 Introduction

## 1.1 The Need for Financial Procedure Rules

Financial Procedure Rules explain the procedures which officers must follow to ensure high standards of financial management. They tell us the things we cannot do, but also tell us the things we can do whilst keeping within the rules.

Whilst the Chief Officers are accountable for the deployment of the resources for which they have been given responsibility, they will delegate functions of a financial nature to individual officers, e.g. budgetary control, ordering of goods and services, payment of accounts and the certification of time sheets.

If officers undertake an activity which affects the Council's finances, they should ensure that they understand the requirements of this document so that they can comply with the approved arrangements.

## 1.2 Executive Board

The Executive Board has overall responsibility for regulating and controlling the Council's finances, but responsibility also rests with Chief Officers, Heads of Service and Executive Board Members.

## 1.3 Role of the Director of Corporate Services

The Director of Corporate Services is the person who has the statutory responsibility for the "proper administration of the financial affairs of the Council" (Local Government Finance Act 1972, section 151).

The specific duties of the Director of Corporate Services include:

- Prescribing the accounting systems.
- Prescribing the form of accounts.
- Prescribing the form of financial records.
- Ensuring the approved accounting systems are observed.
- Ensuring the accounts and supporting records are kept up to date.
- On behalf of the Authority, maintaining an adequate and effective internal audit in accordance with the Accounts and Audit Regulations 1996.

The Director of Corporate Services also has the duty to report to Members and the Appointed Auditor (Wales Audit Office) on unlawful expenditure and over-commitment of resources (Local Government Finance Act 1988).

The Audit Committee has delegated authority, as part of the Council's Constitution, to consider and approve amendments to the Financial Procedure Rules.

## 1.4 Corporate Services Department Structure

The Director of Corporate Services prefers to put the emphasis on assisting



## **Financial Procedure Rules**

departments to achieve the delivery of cost-effective quality services rather than on the enforcement of his legal powers.

In order to deliver high quality financial services, the Department is organised into two Divisions, each under the control of a Head of Service:

- Head of Financial Services
- Head of Revenues & Financial Compliance

### **1.5 Emergencies**

In the event of an Emergency (as defined in Section 138 of the Local Government Act 1972), Chief Officers will be empowered to incur expenditure which is essential to meet any urgent needs created by the individual situation subject to such action being subsequently reported to the Executive Board.

### **1.6 Accounting Instructions**

The Director of Corporate Services is empowered to supplement these Financial Procedure Rules with Accounting Instructions. Accounting Instructions may be issued for general distribution or to a particular Department or establishment. Such instructions fall within the powers of the Director of Corporate Services as set out in Section 1.3 and compliance with Accounting Instructions will be required where specified by the Director of Corporate Services.

### **1.7 Relationship of Financial Procedure Rules and Other Corporate Documents**

The following corporate documents are to be treated as if they form part of the Financial Procedure Rules:

- Budget Manual
- Capital Guidance
- Income and Charging Policy
- Contract Procedure Rules
- Grants Manual
- Anti-Fraud and Anti-Corruption Strategy
- Travel and Associated Expenses Policy

Amendments to the above documents will be approved by the Audit Committee or appropriate Scrutiny Committee.

### **1.8 Internal Audit Reports on Breaches of Financial Procedure Rules**

Internal Audit will report significant breaches of the Financial Procedure Rules to the Chief Executive, Director of Corporate Services, relevant Executive Board Members and the Audit Committee.

### **1.9 Compliance with Financial Procedure Rules**

Each Employee is required to understand and comply with these Financial Procedure Rules.

Failure to comply may result in disciplinary action against the individual(s)/line manager responsible.

## **Financial Procedure Rules**

Employees must ensure that they use public funds entrusted to them in a responsible and lawful manner and must not utilise property, vehicles or other facilities of the Authority for personal use unless authorised to do so. They should strive to ensure value for money to the local community and to avoid legal challenge to the Authority.

### **1.10 Chief Officers and Heads of Service**

Any reference to Chief Officers will include the Chief Executive and Directors who are responsible for the strategic direction of the Authority and for the activities of their individual Departments.

Heads of Service under the Authority's management arrangements are responsible for the proper management of the services assigned to them.

### **1.11 Items not covered by the Financial Procedure Rules**

From time to time issues will arise which were not foreseen when these Procedure Rules were drawn up. Officers are required to act prudently in such cases and where there is any doubt over the propriety of an action relating to a financial matter, the officer should seek guidance from the Director of Corporate Services prior to committing the Authority to the action.

### **1.12 Partnering with other Organisations**

Where the Council enters into a formal partnership agreement with another organisation, it must be made clear from the outset which organisation's Financial Procedure Rules will apply to the partnership. Where the Financial Procedure Rules adopted are not those of Carmarthenshire County Council, any variances should be brought to the attention of the Director of Corporate Services who should consider whether the lesser standards are acceptable.

### **1.13 Subsidiary Companies**

Where the Council sets up subsidiary companies, those companies must develop, and have appropriately approved, a set of financial procedure rules upon which to abide by.

## **2 Revenue Budget**

Officers are required to fully comply with the provisions of the Budget Manual. The document assists staff in understanding their responsibilities for sound and effective budgetary control.

## **3 Capital Budget**

Officers are required to fully comply with by the provisions of the Managing Capital document, which is to be treated as if it formed part of these Financial Procedure Rules. The document assists managers by setting out the roles and responsibilities for

sound and effective budgetary control in relation to the Capital Programme.

## 4 Income

### 4.1 Introduction

The Director of Corporate Services is responsible for ensuring suitable arrangements are in place for the receipt of money.

Directors and Heads of Service must ensure that:

- Income and Charging Policy is adhered to and that charges for Council services are reviewed annually, in consultation with the Director of Corporate Services.
- Any new income collection arrangements are discussed and agreed with Head of Revenues & Financial Compliance.

Budget Holders are responsible for ensuring that there are adequate procedures within their areas of responsibility to ensure that the requirements of the Director of Corporate Services are met for the collection and banking of cash income and for the prompt raising of sundry debtor accounts.

### 4.2 Receipts

A receipt must be offered whenever cash is received, unless a specific dispensation has been agreed in writing by the Director of Corporate Services. Such dispensation will normally be given for systems where receipts would be inappropriate, but alternative recording arrangements will be required for control purposes.

Receipts will be in a form approved and controlled by the Director of Corporate Services.

Receipts may be electronically generated receipts, tickets, hand-written receipts, till receipts or other devices approved by the Director of Corporate Services.

All points at which cash income is taken by the Council should clearly display a notice advising payers that a receipt should be obtained for their payment.

Receipts will not normally be dispatched to debtors sending payment through the post unless requested.

Stocks of blank/unused receipts must be stored securely, and appropriate records maintained to account for their use. A receipt which has been removed but is not accounted for in the relevant income system may be an indication that money received has not been processed into the County's funds.

In circumstances where money is taken in advance for the sale of tickets (e.g. a show), the tickets should be pre-numbered or uniquely referenced, adequately controlled and reconciled.

### 4.3 Electronic Banking / Online Payments / Internet / Standing Orders / BACS

Payment advice and documentation must always include a reference number which must be quoted by the customer on all payments. This reference number should relate to the charging document (e.g. invoice number) or other reference to identify the debt raising department.

Where ParentPay is used to pay for school meals and other school-related payments, each parent/guardian must have a unique username and password to access the system.

Income collected via ParentPay must be regularly reconciled to the Authority's ledger, to ensure that all income due to the Authority has been received.

### 4.4 Cash Tills

Where cash tills are operating, all income received should be registered through the till. Keys to cash tills should be held securely.

Operators should not have access to keys/ facilities which 'zeroise' the till readings and reconcile the till records to cash received.

Operators should take till readings at prescribed times and record them.

Periodically (e.g. daily), an officer other than the till operator should 'zeroise' the till readings and reconcile the till records to cash received.

Managers responsible for the supervision of staff who operate cash tills are required to carry out periodic unannounced cash ups of the tills concerned. At least one cash up should be performed on each operator in each financial year.

Due to the higher volume and value of transactions, main cash offices should be subject to more frequent and random, unannounced cash-ups at least quarterly.

Departments may make their own arrangements for independent staff to carry out the inspections where appropriate. Evidence of cash ups must be maintained.

### 4.5 Manual Registers

In some circumstances it is effective to use a manual register (e.g. Primary School Meals) to record and control income.

Where a manual register is used, the following principles should be followed:

- Only officially approved registers should be used.
- Separate registers should be used for different income collection responsibilities.
- When money is received, the register should be fully updated to show clearly the amount of cash collected and the person from whom it was received.
- At appropriate periods the amount recorded should be totalled and noted on the register.
- Bankings should be recorded and independently reconciled to the register.
- Arrangements for the reconciliation or comparison of anticipated income and actual income. Such reconciliation should be periodically checked and certified by a senior member of staff independent of the collecting officer.

### 4.6 Cash Holdings

Cash held at individual establishments should preferably be banked daily but at least weekly in order to minimise risk. Where cash is to be left on Council premises overnight the following action is required:

- Sums in excess of £300 to be locked in a suitable safe on the premises.
- Sums up to £300 may be retained on the premises but they must be adequately secured in a locked receptacle.

### 4.7 Vending Machines and other Cash-collecting Apparatus

Where a Department/establishment has vending machines, payphones or any other apparatus which collects money automatically, the appropriate Budget Holder must ensure that adequate controls operate to secure monies collected. Such instructions should include the following:

- Two members of staff should be present to empty and count the cash collected. Where this is not feasible, the specific approval of the Director of Corporate Services for alternative arrangements must be obtained. This approval may be conditional upon adequate compensating controls.
- Maintenance of a permanent record which should include the date the cash is collected, the amount collected, the signatures of both of the staff involved, and where appropriate meter readings.
- The frequency of emptying cash should be related to the amount of cash taken by the machine; it should be ensured that no more than £300 is held in the machine at any one time.
- Procedures for ensuring the prompt and secure banking of all amounts collected.
- Arrangements for the reconciliation or comparison of anticipated income (e.g. calculated using meter readings or through examining stock records) and actual income. Such reconciliation should be periodically checked and certified by a senior member of staff independent of the collecting officer.

Departments responsible for operating other, more secure, self-service payment facilities, such as car parking Pay and Display Machines, or Self Service Payment kiosks which supplement cash offices, should ensure that collection and income recording arrangements are appropriate to the value and location of the machines.

### 4.8 Change Floats

Where a Department/establishment requires a change float, the Director of Corporate Services will arrange for an advance of cash to the collecting officer. Such a cash float should be adequate to provide for the normal requirements for change but not so large as to be unnecessary or to create a security problem.

When paying in cash takings to the Council's bank account, the amount advanced as the change float should be retained by the collecting officer for future change requirements.

#### **4.9 Personal Cashing of Cheques**

Under no circumstances should any Council monies be used to cash personal or third-party cheques.

#### **4.10 Personal Borrowing of Monies**

Under no circumstances should any employee borrow money from cash income collected; doing so would constitute a disciplinary offence.

#### **4.11 Shortages and Surpluses**

Any shortages or surpluses arising when reconciling the cash collected with receipts, till readings etc. should be clearly noted in the appropriate control record e.g. "Collections and Deposit Book". Shortages and surpluses must be reported exactly as they occur and not used to balance each other out.

Staff will not normally be expected to make good shortages due to error. If errors are frequent or significant in value, disciplinary action may be appropriate regardless of whether the individual has offered to make good the value of the shortages.

#### **4.12 Transfer of Monies between Officers**

Where monies are transferred between officers for accounting or paying-in, the transfer of money should normally be acknowledged in a permanent written record a copy of which is to be retained by both the individual/establishment handing over the money and the receiving officer. Where this is impractical, the Head of Revenues & Financial Compliance should be advised and alternative procedures agreed.

#### **4.13 Paying-in to the Council's Bank Account**

All money collected must be paid in promptly to the Council's bank account. Subject to the limits for cash held on premises not being exceeded (see section 4.6), a maximum of 5 working days should apply. Money can be paid in via branches of the Council's appointed bankers, via Post Offices (Giro System) or any of the Cashiers Offices currently located at the following Council offices:

- Spilman Street, Carmarthen
- Yr Hwb, Llanelli
- Yr Hwb, Ammanford

The Director of Corporate Services may in exceptional circumstances authorise the paying in of money via a branch of a Bank other than the Council's appointed Bankers where it can be clearly demonstrated that such an arrangement would be more economical.

In order to minimise the risks to staff and cash, banking of cash should be carried out as safely as possible. Issues for consideration include:

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- Regular banking reduces the amount of cash being carried at any one time. Varying the banking arrangements (e.g. time, people involved) can help reduce the risk.
- Collection services are available for a charge and may be more appropriate.

### 4.14 Completion of Bank Paying-in Slips

Bank paying-in slips must be completed showing separate totals for cash and cheques. All E>Returns must be fully completed, reconciled and submitted to the Cashiering Service within 2 working days of the income being banked, to ensure compliance with VAT and accounting requirements.

Each cheque must be individually listed on the paying-in slip clearly showing the drawer, the account and sufficient information, such as receipt number or description to identify the cheque and the debt to which it relates.

Income relating to invoiced accounts should not be paid in directly to income codes as this will cause difficulty in reconciliation and arrears recovery.

The need to complete and submit all required reconciliation records to Cashiering Service must be within the timescales specified by the Corporate Services Department.

### 4.15 Credit Income

Sums due to the Authority will be recorded on the sundry debtor system administered by the Director of Corporate Services unless an individual Chief Officer has obtained specific approval from the Director of Corporate Services to record and pursue individual debts via a suitable alternative system.

### 4.16 Credit Income – Small Amounts

To avoid the uneconomic use of the sundry debtor system, small sums (below £30) should, wherever possible, be collected in advance or at the time of receipt of the service. Where this is not possible, or practicable, the sundry debtors system should be utilised.

### 4.17 Credit Income – Prompt Raising of Accounts

Budget Holders have the responsibility to ensure that sundry debtor accounts are raised promptly. All income due to the Authority should be processed through the debtors system.

Debt raising Departments should raise debts via the Financial Management System or in exceptional circumstances by dispatching a Debtors Invoice Request Form to Debtors. Debts should be raised within a maximum of ten working days from the incurring of the debt. The debtors invoice request form and hence the debtors invoice should be sufficiently detailed to fully identify the exact nature of the debt.

Where for valid reasons this target cannot be complied with, specific approval of

## Financial Procedure Rules

alternative arrangements should be obtained from the Director of Corporate Services.

### **4.18 Cancellations, Write-Off Procedures & Non-Recovery of Debts**

The Director of Corporate Services is authorised to cancel debts where the debt has been raised in error. Where a Department/establishment requests the cancellation of a debt raised in error, the Director of Corporate Services will require a submission from the budget holder and a written explanation of the reasons for the cancellation.

Where the Director of Corporate Services is satisfied that a properly raised debt is irrecoverable/uneconomic to pursue, consideration will need to be given to writing off the amount concerned.

The Council operates the following write-off policy (values per Debtor)

- Up to £1,500: Director of Corporate Services
- £1,500 or over: Executive Board Member decision

In cases where it is not considered appropriate to recover an overpayment of Housing Benefit or Council Tax Reduction (Benefit) i.e. where it is due to "official error", the Revenues Manager is authorised to approve non-recovery.

### **4.19 Suspension of Recovery Action**

Where the Department which was responsible for raising a debt wishes to suspend recovery action on the debt, the Corporate Services Department shall have authority to determine the level of authorisation and explanation required. All disputes should be resolved within 30 days and suspended debts will be reviewed on a regular basis. The Corporate Services Department will consider the viability of these debts with reference to S4.18 above and whether any extensions will be permitted.

### **4.20 Debit / Credit Card Income Systems**

Officers responsible for taking payments by credit or debit cards must be mindful of, and ensure compliance with, the Payment Card Industry Data Security Standard and the Council's guidance in this respect. Particularly but not exclusively, the directive not to record or retain in any format (paper or electronic) the customers' card details.

In compliance with the General Data Protection Register (GDPR), data will be *"processed in a manner that ensures appropriate security of the personal data, including protection against unauthorised or unlawful processing and against accidental loss, destruction or damage, using appropriate technical or organisational measures"*

### **4.21 Direct Debit Income Facilities**

Direct debit income facilities may only be set up by the Director of Corporate Services; who may specify procedural requirements for such a scheme to be



implemented.

### 4.22 Companies Holding Money on Behalf of the Authority

Where a company is in a position of holding money on behalf of the Authority, e.g. where they have been appointed as agents for the disposal of surplus equipment, adequate checks should be undertaken prior to the arrangement taking place in order to ensure that the company is financially sound.

Officers should contact the Director of Corporate Services for guidance on the appropriate checks.

### 4.23 Internal Recharges

The sundry debtors system should not be used for internal recharges. This also applies for recharges involving schools. Accountancy sections should be contacted for clarification of the appropriate and most efficient method for recharging, whether occurring on a regular or ad hoc basis. VAT should not be charged on any internal transactions.

## 5 Purchasing

### 5.1 Introduction

Officers are required to abide by the Authority's [Contract Procedure Rules](#).

### 5.2 IT Hardware and Software

Purchases of I.T. equipment must comply with [I.T. requirements](#). The purchasing of I.T. hardware and software must be discussed and agreed with the I.T. section prior to being procured.

### 5.3 Inducements

All offers of gifts and hospitality (whether accepted or not) with a value estimated to exceed £25.00, which arise as a direct result from your duties must be formally declared. Employees must be aware that it may be an offence for them to receive or give any gift, loan, fee, rewards or advantages for doing or not doing anything or showing favour, or disfavour, to any person in their official capacity. Employees must not benefit personally from any customer loyalty schemes offered by suppliers. Where such schemes are available, they must either not be used or with the Head of Service's approval they should be applied to the Authority's benefit. Section 28 of this Document deals with the procedures for Employee Declarations.

### 5.4 Staff Sales - Private or Personal Consumption

The Authority's purchasing arrangements must not be used under any circumstances to obtain goods or services for the personal use of individual employees regardless of whether the employee concerned intends fully reimbursing the Authority all costs incurred.

## 5.5 Leasing - Compliance with Finance Regulations

Complex rules exist to govern the classification of Local Authority capital expenditure in relation to leasing arrangements.

In order to ensure that arrangements are treated correctly, all leasing, rental, hire purchase agreements, deferred purchase agreements and other arrangements where the use of an asset is acquired without the ownership of it being acquired must be referred to the Technical Accountancy section within Corporate Services.

## 6 Imprest Accounts

### 6.1 Introduction

The Director of Corporate Services shall be empowered to establish such imprest accounts as appropriate for the purpose of defraying petty cash and other expenses.

Heads of Service will designate an individual member of staff to be responsible for each imprest account.

Official Purchase Orders should be raised wherever possible, however in the case of some minor purchases petty cash may be used up to £75.

An appropriate separation of duties is required, with the officer holding the cash and carrying out the day to day maintenance and record keeping of the account being separate from the officer responsible for the account (i.e. monitoring, authorising claims and expenditure).

### 6.2 Claims for Reimbursement

Claims should be made monthly (or more frequently if appropriate) on a petty cash claim form. Claims must receive final approval from an officer designated as an authorised signatory for creditor payments, normally the responsible officer for the account.

Claims must be supported by receipts, or other relevant vouchers together with adequate reason why receipts were not available.

At the time of each claim the responsible officer for the account must ensure that the expenditure and the balance remaining are correct and fully accounted for. This control should be formally evidenced. In addition the responsible officer should carry out a spot check on the account without warning at not more than six monthly intervals. A record should also be kept of this procedure.

In order to allow the Authority to recover VAT paid, invoices including VAT must be retained and provide details of the supplier's VAT registration number.

### 6.3 Annual Petty Cash Certification Exercise

All petty cash floats must be reconciled at financial year end and the certificates

must be completed within 10 working days and returned to the Director of Corporate Services.

## 7 Orders for Goods, Services and Works

### 7.1 Introduction

Purchase Orders (PO) must be issued for all goods, services and works to be supplied to the Council unless the Director of Corporate Services has specifically and formally approved alternative arrangements.

Purchase Orders are not required for electricity, gas, water, rates, rents or for items acquired using petty cash imprest systems.

The Authority is currently working towards a no PO no Pay Policy (with exceptions). Invoices submitted without a valid order number may experience a delay in being paid.

### 7.2 Authorisation of Orders

#### P2P Orders

Where Purchase to Pay (P2P) is used, a requisition must be completed on the Financial Management System which will be workflowed to the Authorising officer who must be an authorised signatory for both ordering goods and invoice payment. Once authorised, the requisition is converted to a purchase order.

#### Other Orders

Where P2P is not in use all orders must be issued in writing and signed by an authorised signatory.

A copy of the order must be retained, showing the authorisation.

The order must be sufficiently detailed to fully identify the exact item being ordered.

Where as a matter of urgency orders have been placed verbally, an Official Purchase Order shall be issued in confirmation. This must be clearly marked as a confirmation and a copy of the confirmatory Official Purchase Order must be retained.

Orders must NOT be raised after invoice has been received.

### 7.3 Authorised Signatories

Chief Officers will determine those staff who have authority to certify Purchase Orders within their respective Departments. These must be notified to the Director of Corporate Services.

Details of Authorised Signatories should be made available to all staff within the Department who are responsible for exercising the control of checking that the document is authorised. This is an addition to the requirement to provide the details to the Director of Corporate Services.

### 7.4 Budget Provision

Orders must be based on the actual price (excluding VAT) which is to be paid. This must be clear at the time of ordering and be noted or entered on the Purchase Order.

Prior to placing an order, the officer authorising the order must ensure that sufficient funds are available to meet payment.

### 7.5 Orders for Property-Related Works

Actions carried out on buildings can lead to problems (such as leaving the building in a dangerous condition or the release of hazards such as asbestos, for example) and these have serious implications for the Authority and for the individual responsible for placing the order (who may be held personally liable to civil or criminal action).

In order to minimise the exposure of the Authority and its officers to these risks, all orders for property-related works must be subject to prior consultation with the Property Division who will provide advice on the works and the selection of an appropriate contractor.

***Under no circumstances shall works be undertaken to the fabric of land and buildings without prior consultation regarding the legal and safety issues with the Property Division of the Environment Department. This requirement relates to minor works such as drilling holes in walls, painting, digging for the erection of fencing etc., as well as more major exercises such as removing partitions, new building work and so on. Managers must ensure that adequate notice is given to the Property Division in order that the assessment can be carried out in time for the work to commence as planned. The required notice will be longer for larger projects.***

All requests for new property maintenance work to be initially directed via the Contact Centre 01267 234567/ [direct@cararthenshire.gov.uk](mailto:direct@cararthenshire.gov.uk)

## 8 Payment of Accounts

### 8.1 Introduction

The Director of Corporate Services shall establish appropriate systems of control to ensure the proper payment of accounts.

Each Budget Holder is responsible for ensuring compliance with the budget manual and the system controls and procedures laid down for the purpose of paying invoices.

### 8.2 Passing Invoices for Payment

P2P Invoices

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For P2P purchase order payments, goods receipting must be carried out on the Financial Management System **prior** to the original invoice being submitted to the central accounts payable team for scanning and payment via scheduled payment runs. To prevent delay in payment, the goods receipt/delivery note must be registered on the system as soon as the goods are received, staff should not wait for the invoice before carrying out this task.

For P2P non order payments, such as utility payments, the supply of the service must be verified and recorded as received prior to the original invoice being submitted to the central accounts payable section for scanning through to payment.

Staff are required to:

- Save PDF invoices received electronically, directly from suppliers, in agreed areas on the council file plan, where agreement with the central accounts payable section has been reached. **In these cases, the original email must be retained by the department in accordance with invoice retention regulations.**
- Date stamp all paper invoices with the date of receipt.
- Submit the invoices to the central accounts payable section within 5 working days of receipt.

### Other invoices

Where P2P is not in use, prior to obtaining final approval (Regulation 8.3), appropriate checks must be undertaken and each relevant item on the certification grid should be initialled separately by the person responsible for each check and finally authorised by the approving officer.

Staff must ensure:

- Each invoice has been checked against an Official Purchase Order (where appropriate).
- The goods have been received, the work carried out or the service rendered satisfactorily.
- The prices are correct and appropriate discounts have been deducted. The inventory / stores records have been updated (where appropriate).
- Payment has not been made previously.
- The arithmetic has been checked.
- The officer undertaking the checks for completion of the grid stamp should not also give final approval for the invoice.

### **8.3 Final Approval - Authorised Signatories**

Department Directors will determine those Staff who have authority to certify invoices for payment within their respective Departments. These officers must be notified to the Director of Corporate Services.

For P2P purchase order payments, provided the amount of the invoice is within a set tolerance level, authorisation for payment of the invoice has already taken place at the requisition authorisation stage. In this case, invoices are scanned, matched to the order and paid without further authorisation.

For P2P non order payments and order invoices outside of the tolerance, the

## Financial Procedure Rules

invoice is scanned and then workflowed on the Financial Management System to the relevant authorised signatory before it can be paid.

Where input is carried out on-line through the Financial Management System Back Office within the Department, details of Authorised Signatories should be made available to all staff within the Department who are responsible for exercising the control of checking that the document is authorised. This is an addition to the requirement to provide the details to the Director of Corporate Services.

Where a certification grid stamp is completed, invoices must be given final approval by the full signature of an authorised signatory.

Where an authorised signatory is responsible for raising/approving orders for goods/services, a separate authorised signatory must give final approval for the payment of the invoices, ensuring segregation of duties is maintained.

### 8.4 Timeliness of Processing Creditor Payments

In order to ensure that the Authority complies with the requirements of:

- the Late Payment of Commercial Debts (Interest) Act 1998;
- Late Payment of Commercial Debts Regulations 2002, 2013 and 2018 and
- the Authority's Performance Indicator for the prompt payment of undisputed invoices within 30 days.

Staff must:

- Pay non-P2P invoices promptly.
- Register goods received on the system as soon as the goods are received, staff should not wait for the invoice before carrying out this task.
- submit P2P invoices to the central accounts payable section within 5 working days of receipt.
- Where a dispute has occurred with the supplier regarding the invoice, this must be highlighted clearly on the invoice.
- All paper invoices should be date stamped at the point of initial receipt and at each internal point where any part of the processing takes place. After invoices have been batched it is sufficient to date stamp the batch header only.
- The actual date of submission should be recorded on the batch header.

Any claims for interest on overdue accounts must be referred to the central accounts payable section (Corporate Services Department) for investigation.

### 8.5 VAT

For the Council to reclaim VAT on individual payments, the Council is required under VAT Regulations to obtain the supplier's VAT registration number and invoice to be addressed to Carmarthenshire County Council.

### 8.6 Return of Cheques to Originating Officer

Where a cheque is to be returned to the originating Department for dispatch, this action must be authorised in writing on the form available from the Accounts

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Payable Section, Corporate Services Department, St David's Park,  
Carmarthen.

### 8.7 Copy Invoices

If an account is alleged not to have been paid, full enquiries, including checking on the Financial Management System, must be made prior to processing the copy invoice for payment to ensure that the original invoice has not been paid.

Where a copy invoice is passed for payment following sufficient checking, the copy invoice shall be clearly marked to indicate that it is a copy.

### 8.8 Statements of Account

Under no circumstances should statements be approved and processed for payment.

### 8.9 Construction Industry Scheme (CIS) - Tax Deduction

For certain types of construction work, the Authority is obliged under HMRC's Construction Industry Scheme Regulations to deduct tax at source from sub-contractor payments, at the appropriate rate, from the invoiced amount. Those CIS sub-contractors paid under deduction must have the labour/material split shown on the invoice and entered onto the Financial Management System. Further guidance can be obtained from the central payments team.

Sub-contractors must be verified and registered on the Financial Management System.

### 8.10 Financial Coding

The Director of Corporate Services requires that all expenditure be properly coded to appropriate budget headings.

Invoices submitted for payment which contain invalid or incorrect codes may be returned to the originating Department for correct completion. In this case it is the originating Department which will be held responsible for any delays caused by this process.

### 8.11 Outstanding Accounts

Budget Holders must ensure that appropriate arrangements are in place during the financial year, especially in the lead up to and at the year-end (31<sup>st</sup> March), to identify outstanding accounts which should be charged to the previous financial year. Such accounts should be promptly passed for payment prior to the formal closure of the accounts, in line with guidance notes from the Director of Corporate Services.

### 8.12 Standing Payments

The Director of Corporate Services will periodically undertake certification exercises for Departments to confirm the validity of standing payment data held, e.g.

## Financial Procedure Rules

periodic payments, direct debits, and recurring payments. Budget Holders will be required to verify and validate such payments as part of the regular audits.

### 8.13 Prepayments

Payment in advance for goods and services is not permitted. However, where, in exceptional circumstances, it is necessary for payment to be made in advance all such payments must be approved by the Director of Corporate Services.

### 8.14 Credit Notes

The Director of Corporate Services will ensure that any credit notes outstanding after 3 months on the payments system are reversed. The credit granted to the Department will also be reversed and the Department will have the responsibility of recovering the overpayment by other means.

To avoid this situation occurring, Departments should not pass credit notes for processing as a matter of course without checking whether there is an ongoing relationship with the supplier. In such cases, alternative methods of recovery should be adopted.

### 8.15 Payments to Individuals for Services

Where an individual has been engaged to perform a service, Budget Holders must ensure that the relevant employment status checks have been undertaken in accordance with Her Majesty's Revenue and Custom legislation. The outcome of which shall determine if the individual is to be paid by invoice or be subject to Tax and National Insurance deduction through the payroll process.

### 8.16 On-Line (Back Office) Creditor Processing

Prescribed procedures have been established for on-line processing which provide guidance and ensure that the interests of the staff and the Authority are safeguarded; these may be obtained from the Systems & Accounts Payable Manager within the Corporate Services Department.

It is essential that any passwords created for the Financial Management System are held securely, changed on a regular basis and not supplied to other staff.

For control purposes, where the total amount of an invoice is £20,000 or over, a copy must be e-mailed to FI Creditor payments immediately stating it is an *Over £20K copy only*. This applies to all invoices processed online including those processed via feeder systems e.g. Total or Care First.

### 8.17 Credit Card Payments

The Authority's corporate credit card facility is available to members of staff who are required/authorised to:

- reserve accommodation
- purchase rail tickets
- or where one-off purchases are required.



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The card is held centrally at County Hall, Carmarthen and requests can be sent, by email, on a completed form, to CRCreditcard inbox.

The cardholder must maintain a log of all transactions for reconciliation with information provided by the bank.

Reconciliations and approvals must be carried out by an authorising officer who is not a cardholder.

The cardholder may only use the card for business purposes.

### 8.18 Purchase Cards

Purchasing Cards are used as part of Carmarthenshire's procurement and purchasing arrangements.

The cardholder conducts Purchasing Card transactions within set agreed limits. Restrictions are placed on all Purchasing Cards limiting spend to specific categories.

The cardholder must maintain a log of all transactions for reconciliation with information provided by the bank.

The supplier gets paid by the bank within 4 working days of the transaction, and the Council receives monthly statements detailing the transactions for each cardholder. Monthly deadlines are set for approval of Purchase card transactions, which must be adhered to.

The Council makes one payment per month to the Bank to cover all card transactions and the reconciled transactions are exported each month into the Council's Financial Management System to charge the appropriate cost centre(s).

Reconciliations and approvals must be carried out by an authorising officer who is not a cardholder.

The cardholder may only use the card for business purposes.

## 9 Payroll

### 9.1 Notification of Information

The Assistant Chief Executive, Chief Officers and Heads of Service must ensure that proper arrangements are in place to ensure that the Employee Services Section is notified of any change in circumstances which may affect an individual's pay. Such changes would include:

- Appointments, retirements, resignations, dismissals, secondments, transfers, severance, restructuring and new posts, following Corporate Service approval for all business cases for amendment to pay.
- Absences from duty for sickness or other reasons apart from approved annual leave or flexi-leave within normal entitlements.

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- Changes in remuneration, including normal increments, regrading and pay awards relating to national and local agreements.
- Changes in hours of work and / or duties or any other factors affecting rates of pay or total pay.
- Information necessary to maintain records of service, pension entitlement,
- Income Tax and National Insurance.

Notifications must be submitted promptly on standard forms and approved by authorised officers.

### 9.2 Authorised Signatories

Chief Officers will determine those staff who have authority within their respective Departments to certify changes as identified in Regulation 9.1. These officers must be notified to the Director of Corporate Services.

### 9.3 Timesheets

Timesheets must be approved by an authorised signatory. Any exceptions to this must be specifically approved in writing by the Director of Corporate Services, who may require compensating controls to be put in place. Where input is carried out on-line within the Department, details of Authorised Signatories should be made available to all staff within the Department who are responsible for exercising the control of checking that the document is authorised. This is in addition to the requirement to provide the details to the Director of Corporate Services.

### 9.4 Advances of Pay

The Director of Corporate Services will only authorise payments of salaries or wages outside the provisions of the normal payroll in the following circumstances:

- Where an employee has commenced work but pay records cannot be processed in time for the pay run, and where delay until the following pay date may cause hardship.
- Where a Chief Officer certifies there are exceptional circumstances justifying an advance.
- The Director of Corporate Services must ensure that advances of salaries or wages are properly processed and that no duplication of payment will occur and that no payment is in excess of the amount due to the employee at the time of payment.

### 9.5 Employment Certification Exercises

The Director of Corporate Services will periodically carry out certification exercises to obtain verification from employing Departments of the accuracy of payroll records.

Chief Officers must ensure that their Departments respond fully and promptly to employment certification exercises carried out by the Director of Corporate Services.

### 9.6 Absence Records

Each Chief Officer must ensure that adequate procedures are in place within the Department to identify and record staff absences due to annual leave, flexi-leave, special leave, unpaid leave and sick leave.

The procedures adopted by the Authority in respect of management of all leave should be followed.

## 10 Pensions

### 10.1 Introduction

Carmarthenshire County Council administers the Dyfed Pension Fund under the provisions of the Local Government Pension Scheme (LGPS) for the majority of its employees and employees of other organisations participating in the Fund. This includes the administration of the LGPS in-house Additional Voluntary Contribution arrangements. The Director of Corporate Services also has some administrative responsibilities in respect of deductions made as part of the Teachers' Pension Scheme. By agreement of the Chief Constable and Chief Fire Officer, the Director of Corporate Services administers the Police and Fire Pension Schemes and has responsibility for the accurate payment of benefits for the following categories: Local Government Pension Fire Pensions Gratuities Injury Awards.

### 10.2 Review of Entitlement to Benefit

The Director of Corporate Services will be responsible for undertaking periodic checks to ensure that persons to whom payments are made are still entitled to benefit.

## 11 Travel and Associated Expenses

### 11.1 Introduction

Staff are eligible to claim travel and subsistence expenses incurred in the course of their employment.

**All staff are reminded of their obligation to comply with the requirements of the Travel & Associated Expenses Policy**

### 11.2 Value for Money

It is the responsibility of the employee and the authorising manager to ensure that the most economical and sustainable methods of travel and accommodation, where relevant, are utilised for every journey. All staff are expected to travel in the most economical manner appropriate in the discharge of their duties. Where Standard mileages have been set these must be claimed for the journey undertaken, irrespective of routes.

### 11.3 Promptness of Claims

Claims should be made, via ResourceLink where appropriate, during the month following the incurring of the expenditure.

### 11.4 Basis of Claim

The normal starting and finishing place for official journeys will be the location where the individual is based.

Where an Officer starts a journey from a location other than his/her base or ends a journey at a location other than his/her base, the mileage claimed should be limited to the *additional mileage* incurred as a result of their official duties.

### 11.5 Certification of Claims

Completed claims must be approved by a signatory approved by the Chief Officer for that purpose. Claims for reimbursement must be supported by relevant VAT receipts.

The authorising officer must be satisfied before approving a claim that the meetings were attended, that the distances, method of travel and other related expenses are reasonable and that no previous claim has been made for them.

Following approval of manual claims, claim forms should not be returned to the claimant; claim forms should be held by the authorising officer.

No officer should certify their own expenses claims. Late submissions will be authorised at the discretion of the authorised signatory.

### 11.6 Subsistence

#### 11.6.1 Overnight Accommodation and Subsistence Allowances (Out of County)

Officers will be eligible to claim reasonable expenses, subject to the subsistence rate, supported by receipts. Subsistence rates are documented within the Travel and Associated Expenses Policy.

#### 11.6.2 Out of County Expenses

Subsistence allowance is payable as per the Travel and Associated Expenses Policy.

Claims will be made on the basis of actual expenditure supported by receipts. The maximum allowance in each case will be paid only if actual expenditure equals or exceeds it.

## 12 External Funding

### 12.1 Introduction

The securing of financial assistance from external bodies is a key area in the Council's Budget Strategy. Comprehensive guidance on all aspects of the administration of externally funded grants is available within the [Grants Manual](#) maintained by the Director of Corporate Services. There is a requirement to adhere

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to the Grants Manual where relevant to the project.

### 12.2 Maximising Grant Entitlement

Chief Officers must ensure that appropriate systems are in place to identify grant opportunities that exist in respect of their areas of responsibility. Chief Officers must ensure that appropriate steps are taken to maximise the Council's potential grant entitlement through the submission of accurately costed applications and the subsequent prompt and accurate claiming of monies due. Applications should only be made for assistance on schemes which are consistent with the Council's objectives. Where a potential grant will only cover part of the expenditure to be incurred, due consideration must be given to how the remainder (Council's contribution) can be financed and any ongoing revenue consequences of undertaking the scheme must be identified. Where appropriate, grant monies to cover administrative and audit support should be claimed.

### 12.3 Notifying the Director of Corporate Services

The Director of Corporate Services must be promptly notified of all proposed grant applications and claims.

## 13 Trust Funds

### 13.1 Introduction

A number of Trust Funds have been established for the benefit of the Carmarthenshire County Council area which involve officers of the Council acting as trustees. Where officers act as trustees, they must ensure that they fully discharge their legal responsibilities.

### 13.2 Administration of Trust Funds

All securities should be deposited with the Head of Legal Services. The Director of Corporate Services is responsible for the financial administration of Trust Funds. The establishment of any new Trust Funds should only be carried out in consultation with the Director of Corporate Services. All new Trust Funds should be established in the name of Carmarthenshire County Council.

## 14 Other Funds

### 14.1 Introduction

"Other Funds" for the purpose of these Financial Procedure Rules are any funds which do not belong to the Council but are administered wholly or in part by employees of the Authority by virtue of their employment by the Authority. Where any "Other Fund" is administered by an employee of the Authority, by virtue of his/her office, there is a responsibility on the part of the Authority to protect the interests of the donors and beneficiaries.

### **14.2 Approval of Chief Officer**

Chief Officers must individually approve the establishment of all Other Funds to be maintained by staff within their Departments in the course of their duties. The Director of Corporate Services should be consulted prior to the establishment of any new funds.

### **14.3 Financial Control**

Adequate records must be maintained in order to properly account for all expenditure and income. An Annual Statement of the Accounts should be prepared and audited by an independent person. The Director of Corporate Services shall be entitled to obtain details relating to the administration and financial transactions of all Other Funds.

## **15 Banking**

### **15.1 Introduction**

The Director of Corporate Services administers the Council's banking arrangements and is responsible for regularly tendering Banking Services.

### **15.2 Opening/Closing Accounts**

The opening and closing of any bank accounts in relation to official funds must only be undertaken with the specific approval of the Director of Corporate Services.

### **15.3 Special Banking Arrangements**

Any payments from the Authority's bank accounts using Direct Debits, Standing Orders etc. can only be established by the Director of Corporate Services. Similarly, any direct income collection methods, such as Direct Debit income facilities can only be established by the Director of Corporate Services.

### **15.4 Custody of Cheques**

The Director of Corporate Services shall ensure that there are proper arrangements to ensure the secure custody and control of blank cheques and cheques awaiting despatch.

### **15.5 Bank Reconciliation**

The Director of Corporate Services shall ensure that appropriate arrangements are in place to facilitate the periodic reconciliation of the Council's Bank Accounts.

### 15.6 Cheque Signatories

The Director of Corporate Services shall determine those Officers authorised to sign individual cheques or transactions on the Council's Bank Accounts. These arrangements are subject to approval by the Executive Board. Rules for the manual signing of cheques (manual cheques and computer-generated cheques) will apply in accordance with the bank mandate.

### 15.7 Debit and Credit Card Income

Any new arrangements for the collection of income via debit or credit cards must only be made with the approval of and in consultation with the Head of Revenues & Financial Compliance. The Director of Corporate Services may specify aspects of the procedures required for such systems in order to ensure that accounting arrangements are satisfactory.

## 16 Leasing

### 16.1 Introduction

Budget Holders are required to liaise with the Director of Corporate Services who will provide advice and be responsible for negotiating and finalising any agreements with Leasing Companies. Note that the term "Leasing" in this regulation includes all leasing, rental, hire purchase agreements, deferred purchase agreements and other arrangements where the use of an asset is acquired without the ownership.

### 16.2 Maintenance of Records

Each Budget Holder must ensure that appropriate records are maintained in respect of all lease agreements and that all property which is subject to such agreements is identifiable. When assets which are subject to a lease are to be disposed of, Chief Officers are required to ensure that the Head of Financial Services is advised in order that contractual obligations in the individual leases can be complied with.

### 16.3 Leasing - Compliance with Capital Finance Regulations

See Regulation 5.5.

## 17 Risk Management and Insurance

### 17.1 Introduction

The Director of Corporate Services is responsible for the administration of the Council's Risk Management and Insurance arrangements.

## 17.2 Risk Management

Chief Officers are required to ensure that an active approach is taken to risk management. Consideration should be given to means by which risks can be minimised. A Risk Management Steering Group exists to consider strategic and operational risk management issues. Each Department has a designated Risk Champion representing it on the Steering Group. Funding may be available for proactive risk management initiatives from this Group. Further advice on Risk Management is available from the Head of Revenues & Financial Compliance or your Departmental Risk Champion.

## 17.3 Variations to Insurance Requirements

Chief Officers and Heads of Service must ensure that variations to existing insurance requirements are promptly notified to the Head of Revenues & Financial Compliance. Where a new project/initiative may give rise to new insurance requirements, the Risk Management Unit (Corporate Services Department) should be consulted before the Authority is committed to the risk.

## 17.4 Claims Management

Claims need to be submitted to the Risk Management Unit in letter form, or by completion of a claim form (where a suitable form exists). Claim Forms, Claim Letters or County Court Summonses should be referred immediately to the Risk Management Unit. In order to ensure compliance with legal requirements the Risk Management Unit will be responsible for all correspondence, including acknowledgement of the original letter. Strict deadlines are set at distinct stages of proceedings and failure to meet those deadlines will have a major impact on the cost of defending claims. The Council's Insurers/Claims Handlers will need to know the circumstances surrounding the issue. Copies of all relevant data and correspondence must be collated and forwarded to the Risk Management Unit as soon as possible. At a later stage, Departments may be asked for additional information or clarification on contentious points; such requests should receive prompt attention.

# 18 Treasury Management

## 18.1 Introduction

The Director of Corporate Services is responsible for the Council's Treasury Management function. Treasury Management deals with Cash Flows, Borrowing and Lending on the Council's Bank Accounts. The administration of Loans and Investments will accord with the principles of the CIPFA Code of Practice relating to Treasury Management in Local Authorities.

## 18.2 Treasury Management Strategy and Policy

**18.2.1** This Council will create and maintain, as the cornerstones for effective Treasury Management:

- A Treasury Management Policy Statement, stating the policies,



## Financial Procedure Rules

objectives and approach to risk management of its Treasury Management activities

- Suitable Treasury Management Practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities

**18.2.2** This Council will receive reports on its Treasury Management policies, and activities, including an annual strategy in advance of the year, quarterly activity reports during the year and a year-end annual report, in the form prescribed in its TMPs.

**18.2.3** This Council delegates responsibility for the implementation and monitoring of its Treasury Management policies and practices to the Executive Board, and for the execution and administration of Treasury Management decisions to the Director of Corporate Services, who will act in accordance with the Council's policy statement and TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

**18.2.4** The Council nominates the Policy and Resources Scrutiny Committee to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and Policies.

### 18.3 Reporting

The Director of Corporate Services shall prepare an Annual Report for the Executive Board summarising the transactions and outlining the Treasury Management Strategy being pursued.

## 19 Internal Audit

### 19.1 Introduction

The Internal Audit function is provided 'in house' and forms part of the Corporate Services Department. It is a statutory requirement upon the Authority to maintain an adequate and effective Internal Audit function and for the Internal Auditors to have access to any information from the Authority which they require to carry out their duties. Whilst Internal Audit has these statutory obligations and powers, it is to be seen as a function which is provided as a service to management in order to assist in the proper, economic, efficient and effective use of resources.

The Internal Audit function undertakes systems reviews and other related work including Fraud investigation. The Division may review any area of operations and must be given unlimited access to records, assets, premises and/or personnel.

### 19.2 Audit Committee

The Authority has an Audit Committee which meets on at least a quarterly basis. The Committee is provided with regular updates of progress in relation to the approved Audit Plan and are advised of Key Recommendations/Significant

## Financial Procedure Rules

Weaknesses resulting from individual reviews.

### 19.3 Professional Standards

Internal Audit operates in accordance with the Public Sector Internal Audit Standards (PSIAS) established in 2013, which are the agreed professional standards for Internal Audit in Local Government.

### 19.4 Independence

Internal Audit is independent of the functions which it reviews and acts in an independent and impartial manner at all times. The Head of Revenues & Financial Compliance has unrestricted access to Senior Management and reports directly to the Audit Committee.

### 19.5 Breaches of Financial Procedure Rules

See section 1.8.

## 20 Fraud, Corruption and Theft

### 20.1 Introduction

Fraud is an act of dishonesty or deception intended for personal gain, or to cause a loss to another party.

The Authority has an Anti-Fraud and Anti-Corruption Strategy, which sets out the Authority's approach to preventing, detecting and dealing with fraud and corruption.

Carmarthenshire County Council has a zero tolerance towards fraud, bribery and corruption. Fraud, bribery or corruption in the Council is unacceptable; it takes away vital resources intended for the provision of high-quality services for the population of Carmarthenshire.

Where sufficient evidence of fraud, bribery or corruption exists, Carmarthenshire County Council will pursue appropriate criminal, civil or disciplinary sanctions and will always seek to recover identified losses and relevant investigation costs.

### 20.2 Reporting Procedures Fraud & Corruption

Any case of suspected fraud or corruption by any officer or member of the Council must be reported immediately to the Head of Revenues & Financial Compliance. Where cases are logged on the Whistleblowing Database, the Monitoring Officer will be responsible for formally referring the case to the Head of Revenues & Financial Compliance. No internal investigation should be attempted by any Department. The Head of Revenues & Financial Compliance will arrange for the necessary investigation to be carried out. Where, as a consequence of the investigation, there appears to be reasonable grounds to indicate that an Officer has been guilty of fraud or corruption, the Head of Revenues & Financial

## Financial Procedure Rules

Compliance will discuss the matter with the Section 151 Officer who will be responsible for deciding whether the matter should be formally referred to the Police. All cases of suspected fraud or corruption will be reported to the Chief Executive.

**Thefts:** Where cash or items are stolen, such incidents should normally be immediately reported to the Police. If it is suspected that a member of staff may have been involved in the theft, it may be appropriate to liaise with Internal Audit prior to formally referring the case to the Police. This decision must be made by the Divisional Heads of Services depending upon the circumstances. Where the issue is referred directly to the Police, the Head of Revenues & Financial Compliance must be made aware of the referral as soon as is reasonably possible. All thefts of cash or items should be notified to the Head of Revenues & Financial Compliance.

## 21 Stocks and Stores

### 21.1 Introduction

Heads of Service are responsible for determining items for which formal stores systems should be in place.

### 21.2 Stores Systems

Stores control systems should be appropriate to the items, the risks faced and the costs of the controls. Where a formal stores system is in operation the following procedures should be in place:

- Levels ordered are reasonable.
- Purchases are secured on delivery.
- The receipt of items is adequately recorded with records updated promptly. Stocks and stores are secured.
- The issuing or disposal of materials is adequately controlled and recorded.
- Returns or write-offs are adequately and promptly recorded.
- Regular stocktakes (at least annually) are undertaken and involve independent members of staff.
- Significant or recurring discrepancies must be reported to Internal Audit.

### 21.3 Valuations

The Director of Corporate Services shall be entitled to receive, on request, from each Chief Officer, such information as is required relating to the levels of stock held and valuations of stock.

## 22 Land and Buildings

### 22.1 Introduction

Individual members of staff are required to behave responsibly on and in respect of Council premises so as not to put the health and safety of themselves or others

at risk.

The Head of Regeneration is responsible for the maintenance of the Asset Manager system for Land and Buildings; an Asset Register, detailing assets owned or rented by the Council, forms part of the Asset Manager system.

### **22.2 Terrier**

The Terrier should include as a minimum the following details: Purpose for which the land or buildings are utilised Location (including extent & plan reference) Purchase details or rents payable Details of any tenancies granted.

### **22.3 Asset Register**

The Asset Register is a schedule of the fixed and moveable assets held by the Authority. A copy of the register will be circulated annually; Heads of Service should verify the accuracy of data held.

### **22.4 Title Deeds**

The Head of Legal Services shall be responsible for making appropriate arrangements for the safe custody of all Title Deeds.

### **22.5 Disposal of Land and Buildings**

Where Land and Buildings are identified as being surplus to requirements, disposal shall be managed by the Head of Regeneration.

**Note: Disposal of Leased items:** When assets subject to a lease or deferred payment scheme are to be disposed of, Budget Holders are required to ensure that the Head of Financial Services is advised in order that contractual obligations in the individual leases can be complied with.

### **22.6 Use of Council Premises**

Council premises are to be used only for official Council purposes.

### **22.7 Minimising Risks in Council Premises**

Individual members of staff are required to behave responsibly on and in respect of Council premises so as not to put the health and safety of themselves or others at risk. Employees not authorised or qualified to carry out works to buildings should not take any such work upon themselves without first consulting the Property Division of the Regeneration Department. Employees may find themselves personally liable to civil or criminal proceedings if they carry out works, however minor, which endanger others. For example, drilling holes for new shelving could release asbestos into the office environment. Any significant risks which are identified in relation to Council premises should be referred to an appropriate officer, i.e. Property Services or Risk Management.

## 23 Other Assets

### 23.1 Introduction

All Officers are required to take reasonable measures to ensure that all assets are adequately secured from risk of theft or damage.

### 23.2 Inventories

Heads of Service are required to ensure that appropriate records are maintained of equipment, furniture, plant and machinery held by individual officers / Sections or within establishments. The aim of such records (inventories) will be to assist in the management of such items and to catalogue items at risk as the records may be used to identify any losses which occur.

**Verification of Inventories:** All inventories must be physically verified and updated on at least an annual basis.

### 23.3 Portable High-Value Items

In the case of items of equipment which are portable and of high-value, and where these are regularly removed from Council offices by members of staff, Heads of Service are required to ensure that there are adequate arrangements to ensure which officer is responsible for such items at any point in time.

### 23.4 Security Marking of Assets

All valuable and portable items should be security marked. Advice on this issue and appropriate methods of marking can be obtained from the Risk Management Unit, Corporate Services Department.

### 23.5 Disposal of Assets

Heads of Service are responsible for ensuring that all assets which are surplus to requirements are referred to the Head of Property who will have full authority to determine the disposal action to be taken.

#### **Method of Disposal**

Items will be disposed of in a manner which is most economically beneficial to the Council. Account must be taken of:

- Restrictions relating to the ownership of the asset.
- Opportunities for utilising the asset elsewhere within the Council.
- Appropriate use of tendering procedures.
- Fairness in allowing the public, employees and other parties to bid. Information security requirements.
- Safety requirements.
- The costs of disposal arrangements relative to the expected income

## 24 Security

### 24.1 Introduction

Heads of Service are responsible for maintaining proper security, custody and control at all times for buildings, stocks, stores, furniture, equipment, cash, incoming and outgoing mail and other assets appertaining to their Divisions. Heads of Service are also responsible for ensuring that appropriate arrangements are in place for the security of property belonging to clients.

Whilst Heads of Service have the overall responsibility for security, all employees have a role to play in securing the Authority's assets.

### 24.2 Protection of Clients' Private Property

Heads of Service shall take all necessary steps to prevent or mitigate against loss or damage of all clients' property entrusted to the care of their officers, and shall arrange for an itemised inventory in each case to be prepared in the presence of two officers.

### 24.3 Incoming Mail

Incoming mail should be delivered to a secure, theft proof environment. Where mail may include payments to the Council or valuable contents, post opening procedures should be formalised and more than one officer should be involved. The receipt of cash, cheques or other valuable items should be recorded.

### 24.4 Outgoing Mail

Outgoing mail should be adequately protected whilst in the custody of the Council. The level of protection required will be influenced by the nature of the items to be dispatched, i.e. the extent to which valuables or payments are likely to be included.

### 24.5 Receipt of Goods

Heads of Service shall ensure that appropriate arrangements are in place to ensure that goods are adequately safeguarded from the moment the Authority takes delivery of them.

### 24.6 Access to Buildings

Heads of Service are required to implement reasonable security measures for Council premises.

## 25 Personal use of Council Equipment

### 25.1 Introduction

Instances in which staff are entitled to make personal use of Council equipment

## Financial Procedure Rules

should be strictly limited and should be specifically approved by Heads of Service. Written records should be maintained. In all cases, the full cost of personal use of Council equipment must be fully reimbursed to the Authority. Council mail franking facilities are not to be used for private purposes, even if full reimbursement is offered.

### 25.2 Council Vehicles

Council vehicles are not to be used for private purposes. Taking pool cars home at night has significant VAT implications, which must be taken into account; see section 29.1. The potential income tax implications of taking a pool car home must also be addressed. Advice should be sought from the Employee Services Section to ensure that taxable liabilities are considered and properly administered.

## 26 Retention of Financial Records

### 26.1 Introduction

Care must be exercised to retain financial records for a number of years beyond the financial year to which the individual documents relate. The records concerned may need to be retained for a number of purposes e.g. statutory requirements, audit.

### 26.2 Retention Periods

Depending on the type of record(s) held, there are different retention periods. You will find the [retention schedules](#) on the Corporate Website.

### 26.3 Disposal of Records

Before disposing of records, please refer to the Authority's retention schedules. Records due for disposal must be disposed of in an appropriate manner depending on the content of the documents. All documents relating to personal data must be disposed of in a manner which preserves their confidentiality. Confidential records which are not of a personal nature must also be disposed of securely.

## 27 Controlled Corporate Financial Stationery

### 27.1 Introduction

For numerous routine financial and administrative processes, there are standardised and controlled corporate documents available. These documents help to ensure that the required controls have been implemented and ensure efficient use of staff time, as the format is predefined. This section relates to items of controlled corporate financial stationery. These are controlled by the Financial Services Division (Corporate Services Department).

### 27.2 Controlled Stationery

Those Corporate Services staff who are responsible for the ordering, storage, issue and reconciliation of controlled stationery will ensure that:

- Controlled stationery is only ordered in a secure manner to prevent unauthorised ordering.
- Controlled stationery is held securely from the moment of delivery to the Authority to its issue to users.
- That formal records are kept of receipts and issues, showing which documents have been provided to which users.
- That regular stocktakes are carried out and formally evidenced.
- The users of controlled stationery will: Comply with the requirements of those staff issuing the documents to them regarding the recording of the issue.
- Hold sufficient but not excessive stocks of controlled stationery.
- Store all unused controlled stationery securely.
- Comply with instructions from the Director of Corporate Services regarding the use and completion of controlled stationery.
- Ensure that spoilt items of controlled stationery are retained as evidence that they have not been improperly used.

## 28 Employee Declarations

All employees are required to comply with the Authority's annual certification procedures in respect of personal interests and other declarations. Any non-financial or financial interest that could bring about conflict with the Council's interests must be declared. In addition, all offers of gifts and hospitality (whether accepted or not) with a value estimated to exceed £25 which arises as a direct result from your duties must be formally declared. Heads of Service are responsible for ensuring that appropriate procedures are in place to make employees aware of the requirements of the Employee Declarations Policy. In addition, Heads of Service must ensure that appropriate procedures are in place to allow employees to declare any relevant issues and operate an Annual Declaration Exercise within their Divisions.

## 29 Value Added Tax

The Director of Corporate Services shall establish appropriate systems of control for the proper accounting of Value Added Tax inputs and outputs. The Director of Corporate Services will also produce and distribute a VAT guidance document to all departments, schools etc, to enable officers to comply with HMRC VAT regulations.

## 30 Information Technology

Officers are required to abide by the provisions of relevant I.T. [Policies](#) and [Strategies](#).



## Audit Committee 11<sup>th</sup> September 2020

<b>Subject and Purpose:</b> To approve the revised Contract Procedure Rules (Version 3).		
<b>Recommendations / key decisions required:</b> To approve the revised Contract Procedure Rules Version 3.		
<b>Reasons:</b> Significant work has been undertaken to update the Contract Procedure Rules to take account of a number of changes in procurement regulations and procurement policies/procedures.		
<b>Relevant scrutiny committee to be consulted:</b> Audit Committee		
<b>Exec. Board Decision Required:</b> N/A		
<b>Council Decision Required:</b> N/A		
EXECUTIVE BOARD MEMBER PORTFOLIO HOLDER: Cllr D Jenkins		
<b>Directorate:</b> Corporate Services  <b>Name of Head of Service:</b> Helen Pugh  <b>Report Author:</b> Helen Pugh	<b>Designation:</b> Head of Revenues and Financial Compliance	<b>Tel No.:</b> 01267 246223  <b>E Mail Address:</b> HLPugh@carmarthenshire.gov.uk

## Audit Committee 11<sup>th</sup> September 2020

### Revised Contract Procedure Rules

The Contract Procedure Rules have been reviewed and updated to take account of a number of changes in procurement regulations and procurement policies/procedures.

The Contract Procedure Rules (CPR's) have been updated following detailed consultations with officer's in legal and the Section 151 Officer and Monitoring Officer.

Here is a summary of the most notable changes that have been made:

- New clause inserted for exception requests up to £25,000. Requests up to £25,000 will be sent to the Head of Revenues and Financial Compliance for approval.
- Inclusion of the new online Exception Reporting System
- New clauses added for Welsh Language, GDPR and Concessions contracts
- Strengthening the wording on Joint Procurement Arrangements with other public Organisations, clarifying the roles and responsibilities of officers.
- Removal of the clause promoting the use of the National Procurement Service's frameworks – following the change of focus for the NPS as outlined in the then Cabinet Secretary for Finance's statement in 2018 (Review of the National Procurement Service and Value Wales Commencement Order).
- New clauses added on Financial Assessments outlining that the Finance Team must be consulted prior to commencing a tender exercise to determine the appropriate level of financial assessment required.
- Removal of clause 12.3.2 – Exceptions above OJEU on Head of Legal's advice as the Section 151 and Monitoring Officers only have limited options for exceptions to the Procurement Regulations (2015) and this is outlined in the strengthened wording in 12.4.1.1. Negotiated Procedure without Prior Publication clause.
- Additional wording included in 12.4.2 for exceptions outside of the Negotiated Procedure without Prior Publication must be referred to the Monitoring Officer and Section 151 Officer via the online Exception Reporting System and these will then be referred to the Corporate Management Team (CMT).
- Removal of the term 'Procurement Manager' and replaced with 'Head of Revenues and Financial Compliance' throughout.

A document including the tracked updates is attached for information.

The following report is attached for approval:

#### **Contract Procedure Rules**

<b>DETAILED REPORT ATTACHED?</b>	<b>YES</b>
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## 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: H L Pugh – Head of Revenues and Financial Compliance

Policy, Crime & Disorder and Equalities	Legal	Finance	ICT	Risk Management Issues	Staffing Implications	Physical Assets
<b>NONE</b>	<b>YES</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>

### 2. Legal

We need to ensure that all Procurement complies with various legislation.

## CONSULTATIONS

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

Signed: H L 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**

Title of Document	File Ref No.	Locations that the papers are available for public inspection

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## CPR Tracked Updates 2020

### Key

 Highlighted in yellow shows new wording

Existing Clause wording	Amended wording
1.6. Tenders over £25,000 in value must be advertised on www.Sell2Wales.gov.wales. In exceptional circumstances this requirement may be waived following prior approval from the Procurement Manager and the relevant Department's Head of Service. (See CPR 7.1.3.1 for further details).	1.6. Tenders over £25,000 in value must be advertised on www.Sell2Wales.gov.wales. In exceptional circumstances this requirement may be waived following prior approval from the Head of Revenues and Financial Compliance and the relevant Department's Head of Service. (See CPR 7.1.3.1 for further details).
1.10	Additional wording: 1.10. The CPU shall retain and update the Authority's Contracts Register and must be advised of all contracts entered into, including those resulting from framework call-offs.
1.11 Exceptions Reporting	Changed from the CR Exception Inbox to 'the online Exception Reporting System'
2.2 Brexit	New wording:- These rules are currently based on the UK being a member of the European Union. As the UK withdraws from the EU, any rules implemented in their place by the UK Government will apply.
4.4.1	Removed wording referring to NPS added DPS – Dynamic Purchasing System
4.11 New Clause – Welsh Language	4.11 Welsh Language Standards 4.11. The Lead officer is required to comply with the Welsh Language (Wales) Measure 2011 which means that Welsh should be treated no less favourably than the English language in Wales.  4.11.1. The Welsh Language Measure and Welsh Language Standards also apply to any activity or service carried out on the Council's behalf by a third party under arrangements made between the third party and the Councils
4.12 New Clause – GDPR	4.12. The Lead Officer must consider whether the supplier(s) will be provided with Personal Data by the Council or collect personal data on our behalf in line with the General Data Protection Regulation. If this is the case the Information Governance and Complaints

	<p>Manager must be consulted for further guidance.</p> <p>4.12.1. If the product/service being procured requires the use of new technologies in the collection/use of Personal Data that may be likely to result in a high risk to the rights and freedoms of the individuals a Data Protection Impact Assessment must be undertaken to identify and reduce any privacy risks. The Information Governance and Complaints Manager must be contacted for further guidance.</p>
4.13 New Clause – Concession Contract	<p>4.13. Any Contracts where the Contractor makes a profit from the works/service is covered by the Concession Contracts Regulations 2016 (CCR 2016). The CCR has a higher threshold for its application (Please see procurement pages on the Intranet for the latest Threshold).</p> <p>The Lead Officer must contact the Corporate Procurement Unit for guidance and support on the application of CCR.</p>
5	<p>Added some additional wording to include a reference to the Public Contracts Regulations 2015 to clarify this clause.</p> <p>Public Contracts Regulations 2015 and the Authority's Procurement Guidance when developing such arrangements/agreements.</p>
5.2.1 Joint Procurement / Centralised Purchasing Activities – Authority Lead arrangements / frameworks	<p>5.2.1. When undertaking a joint procurement arrangement on behalf of the Authority and other public bodies, the lead officer must determine whether the Authority is carrying out an Occasional Joint Procurement OR Central Purchasing Activities in line with the Public Contracts Regulations 2015. CPU must be contacted to advise and agree the approach.</p>
5.3.1 CPB's	<p>Added in additional wording to cover circumstance whereby officers sign up to Frameworks without the necessary due diligence from legal/procurement/finance etc.</p> <p>Before entering into any such arrangement the Lead Officer must consult / seek approval from CPU.</p>
5.4. National Procurement Service 5.4.1. In the event of the NPS setting up an arrangement to meet a particular requirement, Carmarthenshire County Council must consider calling off that arrangement. Where there are exceptional circumstances, the Lead Officer, in liaison with the Procurement Manager must	<p>Suggest removing this clause - The emphasis on the NPS frameworks has changed since the original CPR's were written in 2016. We do not treat NPS any differently to any other Collaborative arrangements at the moment (e.g ESPO, CCS, YPO etc).</p>

submit a report to the Section 151 Officer and Monitoring Officer for approval.	
5.5 Membership of other Procurement Arrangements	Additional wording added with legal's advice to clarify that this is intended to cover formal sign up to an organisation (e.g. Welsh Purchasing Consortium) as opposed to signed up to a Central Purchasing Body Frameworks like CCS or Espo etc (this is covered in 5.3.1) 5.5.1. Any new formal membership of any organisation whose purpose is to facilitate joint procurement arrangements with other local Authorities and/or public sector bodies, including membership or initial use of any Consortia or public sector trading organisation must be approved by the Monitoring Officer and Section 151 Officer.
7.1.3	Changed Procurement Manager to Head of Revenues and Financial Compliance
7.2.1.2. A Tender Record Form must be completed and signed off by the Procurement Manager (or delegated Officer) prior to tender advertisement which includes the requirement to confirm a complaint process.	7.2.1.2. A Tender Record Form must be completed and signed off by the Procurement Category Manager (or delegated Officer) prior to tender advertisement which includes the requirement to confirm a complaint process.
8.5 Financial Assessments – NEW CLAUSE Added in light of some departments undertaking their own financial assessments and the risks we may be subjected to because of this.	8.5. The Authority's Finance team must be consulted prior to commencing a tender exercise to determine the appropriate level of financial assessment required, both at the tender stage and throughout the duration of the subsequently awarded framework/contract (where appropriate).
8.6 Head of Audit, Risk and Procurement	Changed to Head of Revenues and Financial Compliance
9.3 – amended wording slightly	9.3. Where in the opinion of the Lead Officer the tender appears to be abnormally low in value in accordance with the Public Contracts Regulations 2015 the Lead Officer is required to request the tenderer(s) to explain the price or costs proposed in a tender where it appears to be abnormally low. CPU must be consulted for guidance.
9.4.3 NEW CLAUSE	For Procurement Tender Exercises subject to / governed by / with a Joint Governance Committee, a cross-section of officers from other Public Sector bodies, subject to those bodies obtaining their own prior approvals, may sit on the Authority's Tender evaluation panel and score.

10.3.9 Corruption clause	Updated wording 10.3.9. Every written contract must state that the contractor will comply with all applicable laws, statutes, regulations and codes relating to anti-bribery and anti-corruption including but not limited to the Bribery Act 2010.
11 Contract Management	Added some additional wording to strengthen this clause. An appropriate contract management plan must be agreed upon award and advice sought from CPU.
12.2 – New clause inserted for exception requests up to £25,000. The intention being that requests up to £25,000 will be sent to the Head of Revenues and Financial Compliance for approval.	Duplicated clause conditions as per monitoring Officer and Section 151 Officers permitted conditions to request an exception.
12.4.1.1. Negotiated Procedure without Prior Publication	Additional wording added in at request of Monitoring Officer. 12.4.1.1. Negotiated Procedure without Prior Publication can only be used in the following cases: -  (a) where no tenders, no suitable tenders, no requests to participate or no suitable requests to participate have been submitted in response to an open procedure or a restricted procedure. (b) where the works, suppliers or services can be supplied only by a particular economic operator for any of the following reasons: - (i) the aim of the procurement is the creation or acquisition of a unique work of art or artistic performance, (ii) competition is absent for technical reasons, (iii) the protection of exclusive rights, including intellectual property rights. But only, in the case of paragraphs (ii) and (iii) where no reasonable alternative or substitute exists and the absence of competition is not the result of an artificial narrowing down of the parameters of the procurement; (c) insofar as is strictly necessary where, for reasons of extreme urgency brought about by events unforeseeable by the contracting authority, the time limits for the open or restricted procedures or competitive procedures with negotiation cannot be complied with.
12.4.2 Exceptions above OJEU (previously 12.3.2)	Removing the wording in this clause at Monitoring Officer and Section 151 Officers request and replace by wording noted below.



<p>Currently 12.3.2 states:- any exceptions and waivers to these Rules above the OJEU Threshold shall only be given in exceptional circumstances and will be authorised by the Monitoring Officer and Section 151 Officer following submission of a written justification by the relevant Lead Officer.</p>	
<p><b>12.4.2</b></p>	<p><b>New wording:-</b> any exceptions and waivers to these Rules above the OJEU (outside of 12.4.1) must be referred to the Monitoring Officer and Section 151 Officer via the online Exception Reporting System and these will then be referred to the Corporate Management Team (CMT).</p>
<p>12.6.1 Exception Reporting – changed from inbox to online form. – as per 1.11</p>	
<p><b>Appendix 1</b> - Definitions &amp; Interpretations</p>	<p>It has been detected throughout the CPR's are the terms <i>supplier</i> and <i>contractor</i> – therefore adding in definitions in Appendix 1.</p>

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# **Contract Procedure Rules**

## **Carmarthenshire County Council**

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## **1. Introduction**

- 1.1.** The purpose of these Contract Procedure Rules is to set clear rules for the procurement of goods, services and works for the Authority so we obtain best value for money. This will ensure a system of openness, transparency and non-discrimination where the accountability and probity of the procurement process will be beyond reproach.
- 1.2.** Officers responsible for purchasing must comply with these Rules.
- 1.3.** These Contract Procedure Rules apply for the procurement of all goods, services and works for the Council.
- 1.4.** The Corporate Procurement Unit (CPU) must be contacted before any formal action is taken in respect of a goods or service activity exceeding £75,000 in total Contract value.
- 1.5.** The requirements for confidentiality in relation to information during the tender process are set out in the Officers Code of Conduct.
- 1.6.** Tenders over £25,000 in value must be advertised on [www.Sell2Wales.gov.wales](http://www.Sell2Wales.gov.wales). In exceptional circumstances this requirement may be waived following prior approval from the **Head of Revenues and Financial Compliance** and the relevant Department's Head of Service. (See CPR 7.1.3.1 for further details).
- 1.7.** Schools are required to follow the procedures outlined in the Financial Procedure Rules for Schools.
- 1.8.** Evaluation criteria of all Authority led exercises over £25,000 must consist of at least 70% based on Price. Where this is inappropriate the agreement of the Director of Corporate Services must be sought. (See CPR 8.3.1 for further details).
- 1.9.** Every contract made by or on behalf of the Authority shall comply with the Public Contracts Regulations 2015, National Legislation, these Contract Procedure Rules and the Authority's Financial Procedure Rules. In the event of any apparent conflict arising in respect of the above requirements the matter is to be referred to the Monitoring Officer or their representative.
- 1.10.** The CPU shall retain and update the Authority's Contracts Register and must be advised of all contracts entered into, **including those resulting from framework call-offs.**

**1.11.** All exceptions to these Rules must be reported to CPU for consideration prior to submission for approval **via the online Exception Reporting System** - Please see the procurement pages on the Intranet, and **approved exceptions** will be recorded on the Contracts Register. (See CPR 12 for further detail).

**1.12.** For support on how to apply these Rules see “The Procurement Guidance” on the Intranet which sets out specific guidance on procurement procedures or contact the Corporate Procurement Unit (CPU) for advice and support in the interpretation and application of these Rules.

## **2. Definitions and Interpretations**

**2.1.** For the purposes of these Contract Procedure Rules, please see **Appendix 1** for the definitions that shall apply.

**2.2.** **These rules are currently based on the UK being a member of the European Union. As the UK withdraws from the EU, any rules implemented in their place by the UK Government will apply.**

## **3. Openness and Transparency**

**3.1.** In order that all potential suppliers are treated fairly, equally and in a manner that does not discriminate, officers should ensure that they abide by the EC Treaty principles which include openness, transparency, proportionality and non-discrimination.

**3.2.** It is recognised that procurement can be the target of fraudulent and corrupt activity. Officers with procurement responsibility should be aware of their obligations in this respect. Relevant Policies and Procedures are currently detailed in the following documents:-

**3.2.1.** Officers Code of Conduct

**3.2.2.** Financial Procedure Rules

**3.2.3.** The Chartered Institute of Purchasing & Supply Corporate Code of Ethics

**3.2.4.** Anti-Fraud and Anti-Corruption Strategy

**3.2.5.** Whistleblowing Policy

**3.3.** The Lead Officer (and Tender Evaluation Panel Members) must carry out appropriate measures to prevent, identify and remedy conflicts of interest to avoid any distortion of competition and unequal treatment of bidders. Such measures should address situations where officers or bidders who are involved in the procurement process have, directly or indirectly, any financial or personal interest which might be perceived to compromise their impartiality.

**3.3.1.** All officers involved in a Tender Evaluation Panel must complete a Conflict of Interests Declaration Form (Provided by CPU).

#### **4. Lead Officers Responsibilities**

**4.1.** The Lead Officer for the purposes of these Contract Procedure Rules shall be any person designated as such in respect of:-

**4.1.1.** Any specified contract

**4.1.2.** Any category or categories of contracts, or

**4.1.3.** Any specified values or amounts in respect of that category or those categories

**4.2.** The Lead Officer shall be the primary link between the Authority and the relevant supplier, and shall be responsible for the management of that contractual arrangement and ensuring that the price(s) paid is/are in accordance with the terms of the contract.

**4.3.** The Corporate Procurement Unit must be advised of any proposed Tender exercise (over £75,000) by the Lead Officer before the tender exercise is commenced.

**4.4.** Prior to undertaking any tendering exercise the Lead Officer shall ensure that:-

**4.4.1.** The requirement cannot be obtained from existing corporate contracts, frameworks or other arrangements. Where corporate contracts, frameworks or other established procurement arrangements (e.g DPS) are in place, these must be used to satisfy that requirement. The Procurement section of the Intranet contains details of such arrangements. Further advice and guidance is available from CPU and;

**4.4.2.** All necessary Authority approvals have been obtained in accordance with the Authority's Constitution together with budgetary provision, any necessary consents, permissions or other approvals (including loans or other financial approvals) and;

**4.4.3.** All other relevant corporate policies (including the Project Management Policy and Methodology, the Handling Personal Information Policy & Procedure, Data Protection Guide, Welsh Language Standards and Strategic Equality Plan) have been complied with.

**Lots**

**4.5.** The Lead Officer must give consideration to split any proposed contract into separate Lots, with a clear and documented rationale as to how the Lots will be awarded, and must clearly define the size and subject matter of the Lots. For above EU Threshold tenders, where the use of Lots is deemed inappropriate this must be registered in the Tender documents and logged in the Tender Evaluation Report. (See CPR 10.1 for more detail).

**External Funding**

**4.6.** Where part or full funding for any proposed contract is to be provided by external Funders, the Lead Officer shall procure the contract in accordance with these Contract Procedure Rules.

Where there is a condition in the Funder's terms that are in conflict with these CPR's this issue must be referred to the Monitoring Officer and Section 151 Officer for determination, unless this has been previously agreed in the funding agreement.

**Risk**

**4.7.** The Lead Officer must assess the risks associated with the purchase and how to manage any risks identified prior to the tender exercise commencing.

**Second Hand Purchasing**

**4.8.** For the supply of used or second-hand goods or materials the Lead Officer needs to be satisfied that the market for such goods or materials is such that it would be unreasonable to tender or where the time required to complete the tender process is likely to lead to the loss of opportunity to purchase a used or second-hand item. Prior approval from Head of Service must be sought to ensure the value of the used/second hand goods to be supplied is at an appropriate level and does not contravene procurement processes. Any procurement valued over £5,000 needs to be referred to the Section 151 Officer and the Monitoring Officer.



## Tendering Procedures

## Dynamic Purchasing System and e-Auction Tools

## Welsh Language Standards

## General Data Protection Regulation (GDPR)

## Concession Contracts

- 4.9.** The Lead Officer can access guidance on the different tendering procedures available (e.g. Open, Restricted, Competitive Dialogue) in the Authority's Procurement Guidance. Different Procedures can be selected depending on the value of the goods, works or services being procured. The Guidance is available on the Intranet or contact the Corporate Procurement Unit (CPU) for advice.
- 4.10.** The Lead Officer may undertake the Procurement exercise by using a Dynamic Purchasing System or an Electronic Auction. The Lead Officer must contact CPU for further advice and guidance.
- 4.11.** The Lead officer is required to comply with the Welsh Language (Wales) Measure 2011 which means that Welsh should be treated no less favourably than the English language in Wales.
- 4.11.1.** The Welsh Language Measure and Welsh Language Standards also apply to any activity or service carried out on the Council's behalf by a third party under arrangements made between the third party and the Councils
- 4.12.** The Lead Officer must consider whether the supplier(s) will be provided with Personal Data by the Council or collect personal data on our behalf in line with the Data Protection Act 2018/General Data Protection Regulation. If this is the case the Information Governance and Complaints Manager must be consulted for further guidance.
- 4.12.1.** If the product/service being procured requires the use of new technologies in the collection/use of Personal Data that may be likely to result in a high risk to the rights and freedoms of the individuals a Data Protection Impact Assessment must be undertaken to identify and reduce any privacy risks. The Information Governance and Complaints Manager must be contacted for further guidance.
- 4.13.** Any Contracts where the Contractor makes a profit from the works/service is covered by the Concession Contracts Regulations 2016 (CCR 2016). The CCR has a higher threshold for its application (Please see procurement pages on the Intranet for the latest threshold). The Lead Officer must contact the Corporate Procurement Unit for guidance and support on the application of CCR.

## 5. Collaborative Arrangements and Frameworks

All Collaborative Arrangements shall be deemed to be contracts for the purpose of these Contract Procedure Rules and Lead Officers shall have regard to the **Public Contracts Regulations 2015 and the Authority's Procurement Guidance when developing such arrangements/agreements.**

### 5.1. Framework Agreements – Carmarthenshire Lead

In line with the Public Contracts Regulations 2015, the term of a Framework Agreement must not exceed four years, unless in exceptional circumstances and with prior approval from the Section 151 Officer and the Monitoring Officer.

**5.1.1.** Contracts based on Framework Agreements may be awarded by either:-

**5.1.1.1.** Applying the terms laid down in the framework agreement (where such terms are sufficiently precise to cover the particular call-off) without reopening competition or;

**5.1.1.2.** Where the terms laid down in the framework agreement are not specific enough or complete for the particular call-off, by holding a mini-competition in accordance with the following:-

- Inviting all the suppliers within the Framework Agreement that are capable of executing the subject of the contract to submit written tenders;
- Fixing a time limit which is sufficiently long to allow tenders for each specific contract to be submitted, taking into account the complexity of the subject of the contract,
- Awarding each contract to the tenderer on the basis of the Award Criteria set out in the specification of the Framework Agreement.

5.1.2. Above the EU Threshold the Lead Officer must contact CPU prior to any mini-competition undertaken to agree the approach.

5.1.3. The requirements of these Contract Procedure Rules are deemed to have been satisfied when the framework is established, and for subsequent call-offs.

**5.2. Joint Procurement / Centralised Purchasing Activities – Authority Lead arrangements / frameworks**

5.2.1. When undertaking a joint procurement arrangement on behalf of the Authority and other public bodies, the lead officer must determine whether the Authority is carrying out an Occasional Joint Procurement OR Central Purchasing Activities in line with the Public Contracts Regulations 2015. CPU must be contacted to advise and agree the approach.

5.2.2. When undertaking a joint procurement arrangement on behalf of the Authority and other public bodies, the Lead officer must ensure the other public bodies that are to be included in that arrangement are listed in the advertisement and contract documents.

5.2.3. The estimated value given must include the potential usage of that joint arrangement by those public bodies listed.

5.2.4. The requirements of these Contract Procedure Rules are deemed to have been satisfied when the framework is established, and for subsequent call-offs.

**5.3. Centralised Purchasing Activities / Bodies – Use of other public bodies arrangements / frameworks**

5.3.1. Any contract/framework entered into through collaboration with other local authorities or other public bodies, where a competitive process has been followed, that comply with the contract procedure rules of the leading organisation, will be deemed to comply with these Contract Procedure Rules. Before entering into any such arrangement the Lead Officer must consult and seek approval from CPU.

## 5.4. Membership of other Procurement Arrangements

- 5.4.1.** Any new formal membership of any organisation whose purpose is to facilitate joint procurement arrangements with other local Authorities and/or public sector bodies, including membership or initial use of any Consortia or public sector trading organisation must be approved by the Monitoring Officer and Section 151 Officer.

## 6. Pre-Procurement Requirements

### 6.1. Estimating the Value

- 6.1.1.** The value of a contract must be based upon the higher of:-
- 6.1.1.1.** The amount or estimated amount to be paid by the Authority over the period of the contract (to include any extension period); or
  - 6.1.1.2.** The amount or estimated amount of gross income to be generated by the contractor through the goods or services provided, including the provision of goods or services to third parties.
- 6.1.2.** A contract which is one of a series of contracts with similar characteristics, and for services of the same type is deemed to have the value of the series as a whole.
- 6.1.3.** Where the Lead Officer is unable to determine the value of a proposed contract an estimate shall be made on the basis of a 48 month contract period.
- 6.1.4.** In estimating relevant contract values, officers shall have regard to the principle of aggregation. Repeat purchases of the same set of goods/services/works over a sustained period may exceed the Authority's or EU's threshold, and must be treated as one contract.  
(e.g. 48 monthly purchases at £4,000 per month equals £192,000 total contract value) and the appropriate Tender/EU procurement process must therefore be adhered to.

## 7. Thresholds

### 7.1. Quotations

#### 7.1.1. Up to £5000

The Lead Officer should be satisfied that best value for money has been obtained, and that reasonable care has been taken to obtain goods, works or services of adequate quality at a competitive price. Confirmation of value for money should be retained on file by the Lead Officer.

#### 7.1.2. £5,000 - £25,000

A minimum of 3 quotations should be sought from competitive sources and confirmed in writing, by letter, fax or e-mail. A documented record of the evaluation and decision to award must be recorded.

#### 7.1.3. £25,000 - £75,000

**7.1.3.1.** All quotations above the value of £25,000 must be advertised on the Sell2wales website; ([www.sell2wales.gov.wales](http://www.sell2wales.gov.wales)) based on the same specification, evaluation criteria and closing date. CPU will place the advert, unless otherwise agreed. In exceptional circumstances this requirement may be waived following prior approval from the **Head of Revenues and Financial Compliance** and the relevant Department's Head of Service.

**7.1.3.2.** Quotations undertaken in accordance with 7.1.3.1 shall be submitted in line with the requirements set out in the Invitation to Quote, and returned electronically via a secure email facility or an appropriate e-tender solution. Alternatively a hard copy must be addressed to the Lead Officer in a plain sealed envelope endorsed only with the word "Quotation", followed by the subject to which it relates and the closing date.

**7.1.3.3.** The Lead Officer will be responsible for maintaining adequate documented records of all quotations undertaken (including the evaluation process) (See 9.7 for further details).

**7.1.3.4.** A quotation received in accordance with the procedures may be accepted by means of issuing either an official order or letter signed by the appropriate officer, or by a contract or agreement signed in accordance with these Rules.

**7.1.3.5.** Where, following issue of Invitations to Quote only one quotation is received the decision to proceed to purchase must be approved by the relevant Department's Head of Service.

## **7.2. Tenders**

### **7.2.1. Over £75,000**

**7.2.1.1.** For all procurements valued at and above £75,000 the Contract Lead Officer must advise the Corporate Procurement Unit before the tender exercise is commenced.

**7.2.1.2.** A Tender Record Form must be completed and signed off by the Corporate Procurement Unit's Principal Procurement Officer - Category Lead (or delegated Officer) prior to tender advertisement which includes the requirement to confirm a complaint process.

**7.2.1.3.** In addition to any requirements under the Public Contracts Regulations 2015 a minimum 21 days public notice shall be given in [www.Sell2Wales.gov.wales](http://www.Sell2Wales.gov.wales) and, if considered appropriate by the Tender Evaluation Panel, in one or more appropriate local, regional and/or national newspapers, publications and/or trade journals, or other media that targets the relevant market for the particular contract.

**7.2.1.4.** The public notice shall express the nature and purposes of the contract, invite tenders for its execution, state the latest date and time for delivery of tenders and the address to which such tenders are to be sent/or portal to be received via. The Invitation to Tender shall include all information necessary to ensure compliance with the provisions of these Contract Procedure Rules including the evaluation criteria.

### 7.3. EU Tenders

Contracts above the EU Threshold and subject to the Public Contract Regulations 2015.

**7.3.1.** Where the estimated value of a contract exceeds the current EU threshold, then the contract must be tendered in accordance with the UK's Public Contracts Regulations (2015) and these CPR's. In all such circumstances appropriate advice must be sought from the Corporate Procurement Unit.

**7.3.2.** The EU Thresholds change every two years. The current EU Threshold for goods, services and works can be found on the Procurement pages of the Intranet.

### 7.4. Social and Other Specific Services

**7.4.1.** Where contracts exceed the EU Threshold for Social and other Specific Services Contracts (as set out in Schedule 3 of the Public Contracts Regulations 2015) the full extent of the Regulations will not apply and a "Light Touch" regime shall be adopted. The Lead Officer must contact CPU before proceeding with this type of tender.

## **8. Preparation for Quotations (£25,000-£75,000) and Tenders (over £75,000)**

**8.1.** Before undertaking any Tendering Procedure (or Quotation above £25,000) a Lead Officer shall:-

**8.1.1.** ensure that a Specification, which will form the basis of the Contract, has been prepared,

**8.1.2.** establish the Evaluation Criteria to be used to select the successful bidder(s) from among those who tendered or submitted a quote.

**8.1.3.** establish an Evaluation Panel,

**8.2.** A statement setting out the Evaluation Criteria to be used shall be included in the tender/quotation documentation together with the relevant weightings. These criteria must at all times be open, transparent, non-discriminatory and proportionate.

**8.3.** Contracts must be awarded on the basis of “Most Economically Advantageous Tender” (MEAT) with the option of assessing the best price-quality ratio, or lowest price only. The award criteria must be linked to the subject matter of the contract and may include life-cycle costing, qualitative, environmental and/or social aspects.

**8.3.1.** Evaluation criteria of all Authority led exercises above £25,000 needs to ensure that at least 70% is based on Price. Where this is inappropriate then the agreement of the Director of Corporate Services must be sought in writing.

**8.3.2.** Arrangements involving Specialist Education and Social Care commissioning will be at the discretion of the responsible Director.

**8.4.** The Lead Officer shall establish a group of Officers to undertake the evaluation exercise which shall normally remain constant throughout the process and shall possess the necessary qualifications and/or expertise to advise the Lead Officer on all appropriate issues.

**8.5.** The Authority’s Finance team must be consulted prior to commencing a tender exercise to determine the appropriate level of financial assessment required, both at the tender stage and throughout the duration of the subsequently awarded framework/contract (where appropriate). Suitably qualified officers within the finance team must undertake all appropriate financial assessments as part of the Procurement Process.



## Insurances

**8.6.** The Authority's **Head of Revenues and Financial Compliance** shall be consulted to determine the appropriate type and level of Insurance Protection (e.g. Employers' Liability, Public Liability, Professional Indemnity etc) to cover the Authority's potential liability which must be maintained for the duration of the Contract / Framework.

**8.7.** The Lead Officer shall consider whether a Bond is appropriate for any contract.

## Specification

**8.8.** Procurements should be based upon a definite specification; and the Lead Officer should ensure that any quotation or tender exercise is undertaken in accordance with all relevant corporate policies. Quality factors should as far as possible be built in to the specification, which must be proportionate and appropriate for the goods, works or services to be purchased and clearly sets out the minimum standards that the Authority will require.

## Sustainability

**8.9.** In any tender/quotation valued over £25,000 the Lead Officer must consider taking social, economic and environmental issues into account using a Sustainable Risk Assessment Template (SRA). CPU shall be consulted prior to any tender/quotation/call-off to agree the approach.

## Community Benefits

**8.10.** The Lead Officer must apply a Community Benefits approach to all appropriate procurements. In any tender valued over £1million the Lead Officer must, as a minimum, apply, capture and record Community Benefits utilising the Welsh Government's Community Benefits Measurement Tool. CPU shall be consulted prior to any tender/quotation/call-off to agree the approach.

## Pre-Market Consultation

**8.11.** The Lead Officer may conduct market consultations before starting a procurement exercise with a view to preparing the procurement and informing prospective tenderers of the procurement plans and requirements. CPU must be notified prior to any pre-market consultations whereby support is available.

## Market Briefing

**8.12.** The Lead Officer may conduct market briefings once a Tender advert has been placed to inform prospective tenderers of the content and approach for the forthcoming tender. This engagement is intended for information purposes only and Lead Officers/Procurement Officers are not in a position to be able to answer any questions relating to the tender at the event. CPU must be notified prior to any market briefings whereby support is available.

## 9. The Procurement Process

### 9.1. Submission of Tenders (above £75,000)

(For Quotations below £75,000 please refer to 7.1).

The Authority's preferred method of tendering is by electronic means.

#### 9.1.1. Electronic Tendering (e-Tender)

Requests for invitations to tender should be transmitted by electronic means using the e-Tender portal. This will ensure that:

(a) the e-Tender portal will only be available for the submission of tenders up to the stated deadline time and date. The date and time of each Tender received within the e-Tender portal will be recorded electronically.

(b) e-Tenders submitted are kept secure in the portal which is not opened until the deadline has passed for receipt of Tenders or Quotations.

Any tender which is received after the date and time appointed for receipt of tenders shall not be considered but shall be retained unopened on the portal until after a tender has been accepted, however any such tender may be opened and considered:-

- if no other tender has been received, or
- where no other tender is acceptable, provided it has been received before other tenders have been opened.

**9.1.2.** In exceptional circumstances the Lead Officer may decide to accept hard copy tendering as an alternative. The Leads Officer must contact CPU for further guidance.

### 9.2. Opening of Tenders

All tenders submitted in pursuance of these Contract Procedure Rules shall be opened only after the expiration of the time limit for their delivery.

Tender submissions will be accessed once the tender deadline has passed by an officer of the Corporate Procurement Unit or an officer from within a department who has been granted access to the portal.

**9.2.1.** No adjustment or qualification to any tender(s) is permitted. Errors found during the examination of tenders shall be dealt with in one of the following ways:-

**9.2.1.1.** If an arithmetical error is found the tenderer shall be given the opportunity to correct the error(s) save that, other than genuine arithmetic error(s), no other adjustment revision or qualification is permitted.

**9.2.1.2.** If the error is not arithmetical the tenderer shall be given details of the error(s) and shall be given the opportunity of confirming without amendment or withdrawing the tender.

**9.3.** Where in the opinion of the Lead Officer the tender appears to be abnormally low in value, in accordance with the Public Contracts Regulations 2015 the Lead Officer is required to request the tenderer(s) to explain the price or costs proposed in a tender where it appears to be abnormally low. CPU must be consulted for guidance.

**9.4. Evaluation and Acceptance of Tenders**

**9.4.1.** Where tenders have been received and opened in accordance with these Contract Procedure Rules the Lead Officer shall, in conjunction with the tender evaluation panel, examine the tenders received in accordance with the pre-determined evaluation criteria and shall identify the tender or tenders which represents best value for money, ie the most economically advantageous offer(s) (in terms of quality and price) to the Authority, except where lowest price was pre-determined to be the appropriate criteria.

**9.4.2.** The Lead Officer must give due regard to abide by the principle of the Authority's Constitution which only allows officers employed by the Authority to score in Tender evaluations.

**9.4.3.** For Procurement Tender Exercises for Joint Committees, a cross-section of officers from other Public Sector bodies, subject to those bodies obtaining their own prior approvals, may sit on the Authority's Tender evaluation panel and score.

**9.4.4.** Provided that the appropriate budgetary provision is available the Lead Officer may accept a tender, more than one tender, or part(s) of a tender.

**Post Tender  
Negotiations**

- 9.5.** No negotiations on fundamental aspects of contracts which might materially affect the tender specification, and which are likely to distort competition shall be carried out.

Discussions can only be carried out with tenderers for the purpose of clarifying their bids and must not involve discrimination against any tenderer.

**Standstill**

- 9.6.** For Contracts above the EU Threshold and subject to the Public Contract Regulations 2015 any award must be subject to a minimum standstill period of 10 calendar days between communication of intention to award decision and the start of the contract. CPU can offer guidance and templates.

**Document  
Retention**

- 9.7.** The Lead Officer shall retain all records and documents relating to a quotation or tender exercise in accordance with the Public Contracts Regulations 2015, the Authority's Document Retention Schedule (on the Intranet) and any other requirements imposed by or agreed with external funding bodies.

**Consultants**

**9.8. Use of Consultants**

**9.8.1.** Where the Authority uses consultants to act on its behalf to conduct any procurement, the Lead Officer must contact CPU to agree the approach. The consultant(s) must carry out the tender exercise in accordance with these Contract Procedure Rules and the decision to award is the responsibility of the Lead Officer.

**9.8.2.** All contracts for external consultants and advisors shall explicitly require that the consultants or advisors provide without delay any or all documents and records maintained by them relating to the services provided on request of the Lead Officer, and lodge all such documents and records with the Lead Officer at the end of the contract.

**9.8.3.** The Lead Officer shall ensure that any consultant working for the Council has appropriate indemnity insurance for the duration of the contract.

## 10. Contract Award

**10.1.** In line with the Public Contracts Regulations 2015, the Lead Officer must prepare a Tender Evaluation Report for every contract, framework agreement and mini-competition awarded above the EU Threshold. The written report must document all key decisions throughout the tendering process. A standard Evaluation Report template is available from CPU.

**10.2.** CPU must be advised of all contracts entered into for inclusion onto the Contracts Register.

### 10.3. Contract Terms and Conditions

**10.3.1.** Contracts shall be entered into on the Authority's terms and conditions which shall be included with each Invitation to Tender. Exceptions to this Rule must be approved in writing by the Monitoring Officer.

**10.3.2.** A contract on the contractor's own standard terms and conditions, or terms which are significantly different to those included or referred to at tender stage is not permitted under these rules unless approved in writing by the Monitoring Officer.

**10.3.3.** The rules relating to technical specifications mean that any reference to a technical standard, make or type shall be prefaced with the words "or EU equivalent".

**10.3.4.** Every contract the value or amount of which exceeds £75,000, shall be in writing and signed by at least two officers, or (at the discretion of the Monitoring Officer) have affixed the common seal of the Authority and shall detail:-

- the goods services or works to be supplied or carried out;
- the price to be paid together with a statement as to the amount of any discount or other deduction;
- the period within which the contract is to be completed and
- such other conditions and terms as may be agreed between the parties.

**10.3.5.** The contract will contain a clause requiring the contractor to obtain the written permission of the Lead Officer before assigning or sub-letting the contract or any part of it, other than as specifically allowed under the terms of the contract.

**10.3.6.** Where relevant International, European or British Standard specifications or standard codes of practice are available and current at the date of tender, the contract will require all goods, services or works used or supplied to be at least in accordance with that standard.

**10.3.7.** In every written contract a clause shall be inserted requiring the contractor to comply with any relevant directives or regulations of the European Commission for the time being in force in the United Kingdom.

**10.3.8.** Every contract must state that if the contractor fails to comply with its contractual obligations in whole or in part, the Authority may:-

- cancel all or part of the contract;
- complete the contract;
- recover from the contractor any additional costs in completing the contract;
- take other legal action against the contractor.

and to this end the Lead Officer shall ensure that the obligations of the contract are monitored.

**10.3.9.** Every written contract must state that the contractor will comply with all applicable laws, statutes, regulations and codes relating to anti-bribery and anti-corruption including but not limited to the Bribery Act 2010.

**10.3.10.** The contractor shall be required to indemnify the Authority against:-

**10.3.10.1.** any claim in respect of employers' liability against the Authority or the contractor by any employees of the contractor or any sub-contractor; and

**10.3.10.2.** any claim for bodily injury to, or damage to property of, third parties, and

**10.3.10.3.** The contractor shall maintain appropriate insurance to a level to be agreed (see CPR 8.6) and when requested shall produce satisfactory evidence of the maintenance of such insurance.

## 11. Contract Management

**11.1.** After the Contract has been awarded a Contract Manager (if different to the Lead Officer) must be identified who will manage the day to day aspects of the contract for its term. An appropriate contract management plan must be agreed upon award and advice sought from CPU.

**11.2.** When contracts are modified at any time during the contract term a new tender process will be required unless specific conditions as set on in the Public Contracts Regulations (2015) are met. Advice must be sought from CPU before proceeding under these conditions.

### 11.3. Contract Extensions

**11.3.1.** A contract may be extended subject to the following conditions;

- where the original tender document and subsequent contract included provision for an extension to the contract and;
- specified the duration or the maximum duration of the potential extension then the contract may be extended and;
- if the Lead Officer is satisfied that the current provider offers best value for money and a quality service/goods/works.

**11.3.2.** A Contract Extension form must be signed off by Head of Service prior to any extension being taken up. Contact CPU for the template.

## 12. Exceptions and Waivers to Requirements of Competition

### 12.1. Lead Officer Decision (Up to OJEU Threshold Value)

**12.1.1.** Provided that a proposed contract complies with all other relevant Contract Procedure Rules, Procurement Guidance or Financial Procedure Rules, the tendering procedures need not apply to the following:-

**12.1.1.1.**any advice or service provided by Counsel.

**12.1.1.2.**purchases made by the Authority in conjunction with another public body in accordance with the terms of any Contracts or Framework Agreements entered into by or on behalf of any consortium association (including All Wales Public Sector arrangements) or similar body provided that the procedures followed are in accordance with a method prescribed or adopted by the consortium, association or similar body (see CPR 5.5.1).

**12.1.1.3.**purchases, works and services required by the Lead Officer for the following purposes:-

- to prevent danger or injury to Authority staff or members of the public;
- to prevent damage or serious deterioration to land buildings or plant;
- to maintain essential services;
- to avoid enforcement action against the authority for non-compliance with some statutory provision;
- to make land or property secure against unauthorised access or use;
- for any other purpose where the Authority or the public will be seriously prejudiced if such purchases works or services are not arranged urgently;



- provided that the requirement for goods, works or services is strictly necessary for reasons of extreme urgency brought about by unforeseeable events where the time limits for a procurement exercise cannot be complied with. A procurement in accordance with these Contract Procedure Rules should be instigated at the earliest opportunity thereafter.

**12.1.1.4.** works or services to statutory undertakers apparatus where affected by major works where legislation provides that such works must be carried out by the statutory undertaker.

## **12.2. Head of Revenues and Financial Compliance Decision (Up to £25,000)**

**12.2.1.** The Lead Officer shall seek approval from the Head of Revenues and Financial Compliance for any exception proposed under this CPR 12.2 prior to embarking upon the alternative procedure or, if this is not possible, as soon as possible thereafter :-

**12.2.1.1.** the purchase of proprietary or patented goods, services or works are obtainable only from one firm and where no reasonably satisfactory alternative is available;

**12.2.1.2.** the purchase of named goods, services or works required to be compatible with an existing installation as authorised by the Lead Officer;

**12.2.1.3.** the execution of works or provision of goods, services or works of a specialised nature which in the opinion of the Lead Officer are carried out by only one provider and where no reasonably satisfactory alternative is available;

**12.2.1.4.** the purchase of a work of art or museum specimen as authorised by the Lead Officer;

**12.2.1.5.** Contracts entered into by the Authority as agents for a Department of State, Welsh Government or any other local or public authority provided that the Authority follows the procedures of such department or authority;

**12.2.1.6.** any other exceptions and waivers to these Rules shall only be given in exceptional circumstances and will be authorised by the Head of Revenues and Financial Compliance following submission of a written justification by the relevant Lead Officer

**12.2.1.7.** For exceptions required from within the Head of Revenues and Financial Compliance's service area approval will be required from the Head of Financial Services instead.

**12.3. Monitoring Officer and Section 151 Officer Decision (Above £25,000 and up to OJEU Threshold Value)**

**12.3.1.** The Lead Officer shall seek approval from the Monitoring Officer and Section 151 Officer for any exception proposed under this CPR 12.3 prior to embarking upon the alternative procedure or, if this is not possible, as soon as possible thereafter :-

**12.3.1.1.** the purchase of proprietary or patented goods, services or works are obtainable only from one firm and where no reasonably satisfactory alternative is available;

**12.3.1.2.** the purchase of named goods, services or works required to be compatible with an existing installation as authorised by the Lead Officer;

**12.3.1.3.** the execution of works or provision of goods, services or works of a specialised nature which in the opinion of the Lead Officer are carried out by only one provider and where no reasonably satisfactory alternative is available;

**12.3.1.4.** the purchase of a work of art or museum specimen as authorised by the Lead Officer;

**12.3.1.5.** Contracts entered into by the Authority as agents for a Department of State, Welsh Government or any other local or public authority provided that the Authority follows the procedures of such department or authority;

**12.3.1.6.** any other exceptions and waivers to these Rules shall only be given in exceptional circumstances and will be authorised by the Monitoring Officer and Section 151 Officer following submission of a written justification by the relevant Lead Officer.

## 12.4. Monitoring Officer and Section 151 Officer Decision (Above OJEU Threshold Value)

**12.4.1.** Where a Negotiated Procedure without Prior Publication is proposed (OJEU Procedure) the Lead Officer will be required to seek approval from the Monitoring Officer and Section 151 Officer.

**12.4.1.1.** Negotiated Procedure without Prior Publication can only be used in the following cases: -

(a) where no tenders, no suitable tenders, no requests to participate or no suitable requests to participate have been submitted in response to an open procedure or a restricted procedure.

(b) where the works, suppliers or services can be supplied only by a particular economic operator for any of the following reasons: -

(i) the aim of the procurement is the creation or acquisition of a unique work of art or artistic performance,

(ii) competition is absent for technical reasons,

(iii) the protection of exclusive rights, including intellectual property rights.

But only, in the case of paragraphs (ii) and (iii) where no reasonable alternative or substitute exists, and the absence of competition is not the result of an artificial narrowing down of the parameters of the procurement;

(c) insofar as is strictly necessary where, for reasons of extreme urgency brought about by events unforeseeable by the contracting authority, the time limits for the open or restricted procedures or competitive procedures with negotiation cannot be complied with.

**12.4.2.** any exceptions and waivers to these Rules above the OJEU (outside of 12.4.1) must be referred to the Monitoring Officer and Section 151 Officer via the online Exception Reporting System and these will then be referred to the Corporate Management Team (CMT).

**12.5. Single Tender Action Reporting (Above £75,000)**

**12.5.1.** The Section 151 Officer will prepare a retrospective report to the Authority's Audit Committee for all Single Tender Actions (exceptions granted above £75,000 under clauses 12.3 or 12.4 above) and the subsequent procurement activity undertaken.

**12.6. Exception Reporting**

**12.6.1.** All exceptions must be reported to CPU for consideration prior to submission for approval via the online Exception Reporting System, and will be recorded on the Contracts Register.

**13. Review**

**13.1.** The Corporate Procurement Unit shall continually review these Contract Procedure Rules and shall undertake a formal review every three years. Any amendments shall be subject to approval by the Authority's Audit Committee.

## APPENDIX 1 - Definitions & Interpretations

<b>Abnormally Low Tender</b>	For the purposes of these rules abnormally low shall be taken to mean a Tender whose price is considered significantly lower than most of, or the average of all tenders in the same Tender exercise.
<b>Aggregation</b>	Adding together the value of separate contracts for the same supply, service and works.
<b>Approved List</b>	An approved/select list presents a significant risk to the Authority and is not recommended as an acceptable procurement practice. Prior approval from Monitoring Officer and Section 151 Officer must be sought prior to the set up or adoption of an approved/select tender list.
<b>Authority</b>	All references to the Authority in these Contract Procedure Rules shall include the Governing Body of each school falling under the jurisdiction of the Authority as the Local Education Authority if relevant.
<b>Bond</b>	A bond is intended to protect the Council against a level of cost arising from a contractor's failure.
<b>Community Benefits</b>	Through the Tender exercise, seeking to promote additional opportunities which will benefit the wider community. This might include training and employment opportunities, improved supply-chain opportunities, increased educational contributions and/or community initiatives.
<b>Contract</b>	Any agreement (whether or not in writing) between the Authority and one or more other parties for:- <ul style="list-style-type: none"> <li>• the sale of goods or materials;</li> <li>• the supply of goods or materials;</li> <li>• the execution of works</li> <li>• the provision of services (including accommodation and facilities).</li> </ul>
<b>Contract Management</b>	Ensuring that the right contractual agreement for an organisation is established and managed in the most effective manner, enabling both parties to fully meet their obligations providing the right quality of service/product, on time, within budget and compliant with specification requirements.
<b>Contract Modification</b>	The Public Contracts Regulations (PCR) 2015 provide clarity about the extent to which a contract can be amended after award without the need to re-advertise in OJEU. See PCR (2015) Regulation 72 which outlines the detail.
<b>Contractor</b>	see <b>Supplier</b>

<b>Contract Register</b>	A register of awarded contracts and frameworks within the Authority, held by CPU.
<b>Corporate Contract</b>	Contracts for Goods/Works or Services that are in place for use by all departments of the Council. These contracts enable Officers to acquire products/services efficiently and effectively.
<b>Corporate Procurement Unit (CPU)</b>	The Authority's Corporate Procurement Unit (CPU) provides advice, support and guidance on Procurement.
<b>Dynamic Purchasing System</b>	A procurement tool which is completely electronic and used for making commonly used purchases allowing new suppliers to join at any time.
<b>e-Auction</b>	An e-Auction (electronic auction) is an electronic marketplace between buyers and bidders, utilised as part of the costing criteria of the tender evaluation.
<b>EU Threshold</b>	The contract value at which the EU Public Contracts Directive applies. These change in January every two years.
<b>Framework Agreement</b>	An agreement between one or more authorities / public bodies and one or more economic operators, to establish the terms governing contracts to be awarded during a given period (call-offs).
<b>Lead Body</b>	Any Body which the Authority is legally allowed to procure with or through, including Central Government Departments, other Local Authorities and other public sector bodies e.g. NPS.
<b>Lead Officer</b>	The Lead Officer (LO) shall be responsible for the procurement process and following award will be the primary link between the Authority and the relevant supplier. The LO shall be responsible for the management of that contractual arrangement and ensuring that the price(s) paid is/are in accordance with the terms of the contract
<b>Light Touch Regime</b>	The new light-touch regime (LTR) is a specific set of rules for certain service contracts that tend to be of lower interest to cross-border competition. Those service contracts include certain social, health and education services, defined by Common Procurement Vocabulary (CPV) codes as outlined in Schedule 3 of the public Contracts Regulations (2015).

<b>Mini Competition /Call-off</b>	A mini competition is the process followed to place a call-off contract under a framework agreement where the best value supplier has not been specified in the original terms of the framework agreement. All suppliers within the original framework agreement are invited to submit bids against the original terms.
<b>Monitoring Officer</b>	The Monitoring Officer is the officer designated by the Authority in accordance with the provisions of Section 5 of the Local Government and Housing Act 1989. This role is currently undertaken by the Head of Administration and Law.
<b>Most Economically Advantageous Tender (MEAT)</b>	The tender that will bring the greatest benefit to the Authority having taken a number of factors into consideration, including quality and price
<b>National procurement Service (NPS)</b>	The National Procurement Service (NPS) for Wales, hosted by the Welsh Government, works collaboratively with public sector member organisations to set up collaborative arrangements in common and repetitive spend areas.
<b>Quotation</b>	A quotation based on price and any other relevant matter, without the issue of a formal tender.
<b>Section 151 Officer</b>	The officer designated by the Authority under Section 151 of the Local Government Act 1972. This role is currently undertaken by the Director of Corporate Services.
<b>Single Tender Action</b>	Single Tender Action is only to be used in rare and exceptional circumstances and is broadly defined as procurement for which no competition is sought or where competition is not available in the marketplace. This definition applies to all single tender actions above the Tender Threshold.
<b>Standstill</b>	The minimum period which must elapse between notification of an award decision and the start of the contract. In the UK the standstill period is 10 days.
<b>Supplier</b>	A supplier of works, goods or services to the Council.
<b>Tender</b>	An economic operator's proposal submitted in response to an invitation to Tender.

<b>Tender Evaluation Panels</b>	A group of Officers appointed by the Lead Officer to undertake the tender evaluation exercise for a contract or Framework. The group of officers in question shall normally remain constant throughout the process and shall possess the necessary qualifications and/or expertise to advise the Lead Officer on technical, procurement, legal, financial, policy and staffing issues.
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<p><b>Tender Procedures</b></p>	<p><b>Open</b> - All eligible applicants are invited to tender in a one-stage procurement process.</p> <p><b>Restricted</b> - Only eligible applicants who meet the client authority's criteria are invited to tender in a two-stage procurement process.</p> <p><b>Competitive Procedure with negotiation</b> - This allows the contracting authority flexibility around whether to negotiate - it is possible to reserve the right (by stating this in the OJEU advertisement) not to negotiate and to simply award the contract based on initial tenders submitted.</p> <p><b>Competitive Dialogue</b> - Permits discussion of different options before choosing a particular solution. It can be used in complex contracts where technical solutions are difficult to define or where development of the best solution is wanted. This procedure contains more flexibility around negotiation with the winning bidder (provided this does not modify the essential aspects of the contract or procurement or amount to a distortion of competition).</p> <p><b>Innovative Partnership</b> – This process allows for the R&amp;D and purchase of a product or service within the same single procurement process (with transparency and other safeguards built in to it).</p> <p><b>Negotiated Procedure without Prior Publication</b> – This procedure can only be used in narrowly defined circumstances, e.g. where no tenders, no suitable tenders or no suitable requests to participate were submitted in response to an open or restricted procedure, or where for technical or artistic reasons, or the protection or exclusive rights, the contract can only be carried out by a particular supplier. This process should only be used in exceptional cases.</p> <p>Further detail on all the Procedures above is available in the Procurement Guidance (available on the Intranet) or by contacting CPU.</p>
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## Audit Committee 11<sup>th</sup> September 2020

<b>Subject and Purpose:</b> <b>Minutes of relevant Groups to the Audit Committee</b>		
<b>Recommendations / key decisions required:</b> Minutes to be received.		
<b>Reasons:</b> Terms of Reference for the Audit Committee stipulate that minutes of the Grants Panel, Corporate Governance Group and Risk Management Steering Group be received by the Audit Committee.		
<b>Relevant scrutiny committee to be consulted:</b> N/A		
<b>Exec. Board Decision Required:</b> N/A <b>Council Decision Required:</b> N/A		
EXECUTIVE BOARD MEMBER PORTFOLIO HOLDER: Cllr D Jenkins		
<b>Directorate:</b> Corporate Services  <b>Name of Head of Service:</b> Helen Pugh  <b>Report Author:</b> Helen Pugh	<b>Designation:</b> Head of Revenues and Financial Compliance	<b>Tel No.:</b> 01267 246223  <b>E Mail Address:</b> HLPugh@carmarthenshire.gov.uk

## Audit Committee 11<sup>th</sup> September 2020

### Minutes of relevant Groups to the Audit Committee

To provide Members with minutes from supporting Governance Groups for information.

The following Minutes are attached:

- Risk Management Steering Group Minutes
- Grants Panel Minutes

**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: H L Pugh – Head of Revenues and Financial Compliance

Policy, Crime & Disorder and Equalities	Legal	Finance	ICT	Risk Management Issues	Staffing Implications	Physical Assets
<b>NONE</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>

## CONSULTATIONS

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

Signed: H L 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**

Title of Document	File Ref No.	Locations that the papers are available for public inspection

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## RISK MANAGEMENT STEERING GROUP

**Minutes of Meeting held on**

**Friday, 31st July 2020**

**Via Microsoft Teams**

<b>Members Present:</b>			
Helen Pugh (Chair)	Corporate Services	Head of Revenues and Financial Compliance	HLP
Cllr David Jenkins	Executive Board Member (Corporate Services)	Executive Board Risk Champion	DJ
Jonathan Fearn	Environment	Chair of Property & Liability Risks Working Group	JF
Sue P John	Education & Children	School Organisation & Admissions Manager	SPJ
Richard Stradling	Communities	Communities (Leisure) Risk Champion	RS
Julie Standeven	Corporate Services	Principal Risk Officer	JS

<b>Item No</b>	<b>Subject</b>	<b>Action</b>
<b>1.</b>	<b>Apologies</b> Steve Pilliner – Chair of Transport Risks Working Group Simon Davies – Education & Children Risk Champion Heidi Font – Chief Executive’s Risk Champion Richard Davies – Communities (Social Care) Risk Champion Alan Howells – Environment Risk Champion Jackie Bergiers – Lead Business Partner (H&S) Mark Stephens – Marsh UK Ltd	
<b>2.</b>	<b>Minutes of Last Meeting</b> The Minutes of the Risk Management Steering Group Meeting held at Block 1, Parc Myrddin on Wednesday, 29 <sup>th</sup> January 2020, were confirmed as a true record.	
<b>2.1</b>	<b>Matters arising from Risk Management Steering Group Minutes.</b>	
<b>2.1.1</b>	<b>Alarm Receiving Centre</b> The Authority’s Property Insurers had no issue in principle to the transfer of the Careline service to a Local Authority Company wholly owned by Carmarthenshire County Council. Risk Management and Property Services to discuss further with Delta Wellbeing. Update to be provided at next meeting.	<b>JS</b>

<b>2.1.2</b>	<b>Fire Management Review</b> JF advised that decision awaited from the Chair of the Health & Safety Leadership Board to confirm whether review required. Update to be provided at next meeting.	<b>JF</b>
<b>2.1.3</b>	<b>Water Safety Equipment</b> Progress report not available. Update to be provided at next meeting.	<b>JB/EC</b>
<b>2.1.4</b>	<b>Loss Prevention Property Surveys</b> Virtual meeting to be arranged with the Authority's Property Insurers to discuss the requirements arising from the loss prevention surveys.	<b>JS</b>
<b>2.1.5</b>	<b>Grenfell</b> JF advised that a register of buildings with cladding was being developed by Mid & West Wales Fire & Rescue Service.	
<b>3</b>	<b>Minutes of Property &amp; Liability Risks Working Group Meeting – 10<sup>th</sup> July 2020</b> The Minutes were noted.	
<b>3.1</b>	<b>Matters arising from Property &amp; Liability Risks Working Group Minutes</b>	
<b>3.1.1</b>	<b>Property – Repair &amp; Maintenance / Condition Surveys</b> JF advised that progress delayed due to Covid-19 related issues. Bid for financial support to be submitted at future meeting.	<b>JF</b>
<b>3.1.2</b>	<b>Risk Management Bid Process for Schools</b> JF advised that bid form required minor adjustment to note ongoing financial implications of initiative.	
<b>3.1.3</b>	<b>Engineering Policy</b> Gap analysis of equipment required as part of tender exercise for 2021 renewal.	
<b>3.1.4</b>	<b>Property Claims</b> Meeting to be arranged between CCC technical officers and property claims loss adjusters to clarify aspects of claims settlements.	
<b>4.</b>	<b>Minutes of Contingency Planning Working Group Meeting – 3<sup>rd</sup> July 2020</b> The Minutes were noted.	
<b>4.1</b>	<b>Matters arising from Contingency Planning Working Group Minutes</b>	
<b>4.1.1</b>	<b>Covid-19 – Response / Recovery</b> HLP advised that during the response phase of the Covid-19 crisis, the Authority was part of the <i>Dyfed Powys Local Resilience Forum</i> multi-agency coordinated approach. The Authority was now in the recovery stage led by Gold Recovery Command.	



<b>4.1.2</b>	<b>Business Impact Analysis/Business Continuity Plans/</b> HLP advised that all Departmental BC Plans were to be reviewed with particular consideration of the impact of Covid-19.	
<b>5.</b>	<b>Minutes of Transport Risks Working Group – 15<sup>th</sup> July 2020</b> The Minutes were noted.	
<b>5.1</b>	<b>Matters arising from Transport Risks Working Group</b>	
<b>5.1.1</b>	<b>Zurich Municipal Motor Vehicle Grading Report</b> The Authority's Motor Insurers will be completing a Motor Risk Grading Review of the Authority's fleet risk management arrangements.	
<b>6.</b>	<b>Wales Audit Office – Review of Risk Management Arrangements</b> HLP advised that implementation of the software upgrade delayed. Progress continued to be monitored via the <i>Performance &amp; Improvement Monitoring System (PIMS)</i> . Update to be provided at next meeting.	<b>HLP/JS</b>
<b>7.</b>	<b>BREXIT</b> HLP advised that as the transition period after Brexit comes to an end, the Dyfed Powys Local Resilience Forum Brexit Group and <i>Operation Yellowhammer</i> will recommence.	
<b>8.</b>	<b>Ash Die Back</b> JF advised that delivery of the Authority's Ash Die Back project was making good progress. Update to be provided at next meeting.	
<b>9.</b>	<b>Corporate Risk Register</b> HLP advised that the Corporate Risk Register was under review and will be considered by Audit Committee meeting scheduled for 11 <sup>th</sup> September 2020.	
<b>10.</b>	<b>Bids for Financial Assistance</b>	
<b>10.1</b>	<b>E&amp;C – Extension of RM Bid 373 – QE High School – Open Plan Toilets Phase 2</b> This Departmental bid related to Phase 2 of the installation of open plan toilets. It was agreed that 50% of the additional cost be approved.	
<b>11.</b>	<b>Any Other Business</b>	
	<b>Access to Buildings</b> JF advised that a Property Compliance Recovery Checklist was in place for Council buildings.	
<b>12.</b>	<b>Next Meeting</b> 02:00 p.m. Thursday, 22 <sup>nd</sup> October 2020 via Microsoft Teams	

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<b>MINUTES OF THE GRANTS PANEL MEETING HELD ON 12<sup>th</sup> JUNE 2020 VIA TEAMS</b>		
<b>PRESENT:</b>	Randal Hemingway, Head of Financial Services Caroline Powell, Principal Auditor, Internal Audit (IA) Rhian Phillips, Economic Development Area Manager Stuart Walters, Economic Development Manager Alan Howells, Chair of PWG, Environment Nia Thomas, Chair of PWG, Education & Children (Revenue) Delyth Thomas, Grants Compliance Officer Kate Havard, Financial Audit Team, Audit Wales (AW)	
<b>APOLOGIES:</b>	Helen Pugh, Head of Revenues & Financial Compliance Les James, Chair of PWG, Communities Simon Davies, Chair of PWG, Education & Children (Capital) Helen Morgan, Economic Development Manager	
<b>SUBJECT</b>		<b>ACTION</b>
1.0	<p><b><u>Minutes of the last meeting</u></b></p> <ul style="list-style-type: none"> <li>• While actions were reviewed, members were asked to review the minutes for any amendments and to feedback to GCO.</li> </ul>	All
2.0	<p><b><u>Matters Arising</u></b></p> <ul style="list-style-type: none"> <li>• An exercise to be undertaken by CCC to monitor projects subject to Article 55 in accordance with WEFO requirements for the European Structural Funds programme 2007-13.</li> <li>• For projects funded under the Rural Development Programme, an assessment is to be undertaken to record the impact where match funding included on claims submitted by the Authority is being amended by the funding body to bring it in line with the committed percentage of match funding regardless of the sum generated. Details to be presented in the next the Grants Panel meeting.</li> <li>• It's been agreed at the Modernising Education &amp; Communities Programme Board to recommend to CMT to approve the appointment of an officer to undertake an ongoing review of the evidence to support the community benefits provided by an appointed contractor, as part of the procurement requirements.</li> <li>• Confirmation to be received from the Chief Executive and Director of Corporate Services regarding the role Grants Panel has in relation to the City Deal.</li> </ul>	RP  RP  RH

	<b>SUBJECT</b>	<b>ACTION</b>
	<ul style="list-style-type: none"> <li>• A meeting has been undertaken between Property Services and Homes &amp; Safer Communities divisions regarding the procurement arrangements for the purchase &amp; maintenance of stairlifts within the Authority. It is to be included as part of the current minor work framework if not already included.</li> <li>• Confirmation to be obtained that the service level agreement with Hywel Dda LHB has been amended to reflect the approved budget figures for the Wanless return (Money Transfers) for 2019/20.</li> <li>• It has been established that there are no pooled budget arrangements in place with Hywel Dda LHB in relation to Care Home Commissioning for the financial year 2019/2020. This will be reviewed in 2020/21.</li> <li>• Procurement training for officers in the Education &amp; Children department and officers within the Homes &amp; Safer Communities division of the Communities department will be deferred until September 2020.</li> <li>• Information has been forwarded to WEFO for the Article 57 reviews. The review is to test that the buildings/equipment are still in place and are being used for the purpose for which the grant was awarded. The projects under the 2007-13 European Structural Funds Programme include the Property Development Fund, Collaborative Communities and Local Investment Fund. The results of the reviews have yet to be received from WEFO.</li> <li>• Options on how the Grants Management training can be provided to officers across all departments to be presented in the next Grants Panel meeting.</li> </ul>	<p>DT</p> <p>RH/LJ</p> <p>HP</p> <p>RP</p> <p>RP/DT</p>
3.0	<p><b><u>Issues identified as a result of the COVID-19 pandemic</u></b></p> <ul style="list-style-type: none"> <li>• As the acceptance of a grant offer is only signed by the Chief Executive /Director or Head of Service where authority has been formally delegated, the Authority needs to ensure that adequate processes are in place as an interim measure. Where a signed</li> </ul>	

	<b>SUBJECT</b>	<b>ACTION</b>
	<p>document is scanned and sent via email is acceptable by the funding body then the responsibility will lie with the authorising officer signing the document to forward it directly to the funding body. Where more than one signature is required then the responsibility for forwarding the document to the funding body lies with the last officer signing.</p> <ul style="list-style-type: none"> <li>• Once grant claims are authorised by the finance signatory there is a requirement that the finance signatory forward the authorised claim directly to the funding body/lead body (as appropriate).</li> <li>• The delegation of the authority for the signing of the grant claims within Finance is currently under review.</li> <li>• Confirmation to be sought from the WG's Grant Centre of Excellence as to whether the signed document scanned and sent to them via email is acceptable.</li> <li>• A review has been undertaken by Internal Audit on the revised processes to ensure appropriate controls are in place for the management of third-party grants within Regeneration &amp; Policy.</li> <li>• The extension of staff contracts for those funded under the Education Improvement Grant needs to be considered. The Director of Education &amp; Children is due to raise the issue in the next ERW meeting.</li> </ul>	           RH   DT
4.0	<p><b><u>Audit Wales - Update</u></b></p> <ul style="list-style-type: none"> <li>• The following audits are to be carried out by AW for 2019/20:               <ul style="list-style-type: none"> <li>○ Housing Benefits</li> <li>○ NDR Return</li> <li>○ Teachers' Pension</li> <li>○ Pooled Budgets – Joint Equipment Store</li> <li>○ Wanless – Money Transfers</li> <li>○ Social Care Wales Workforce Development Programme funded by Social Care Wales and managed regionally by Ceredigion County Council</li> </ul> </li> </ul>	

	<b>SUBJECT</b>	<b>ACTION</b>
	<ul style="list-style-type: none"> <li>• While there are issues around remote working and the audit process it is anticipated that these will not affect the audit of these returns.</li> <li>• No updates have been received from AW Central Office regarding the potential Article 55 audits in accordance with WEFO requirements for the European Structural Funds Programme 2007-13.</li> </ul>	
5.0	<p><b><u>Internal Audit (IA) - Update</u></b></p> <ul style="list-style-type: none"> <li>• The audit of the 2019/20 Children and Communities grant is nearly complete. No issues have been identified to date.</li> <li>• The 2019/20 audits for the following projects are in progress: <ul style="list-style-type: none"> <li>○ Pupil Deprivation Grant</li> <li>○ Education Improvement Grant</li> <li>○ Housing Support Grant</li> <li>○ Housing Support Co-ordinator</li> </ul> </li> </ul>	
6.0	<p><b><u>Grants Register 2020/21</u></b></p> <ul style="list-style-type: none"> <li>• The Grants Register for 2020/21 was presented to Grants Panel. Grants listed include both those that have been formal approved and those where the funding bodies have provided an indicative allocation.</li> <li>• Any further updates to be provided to the GCO before the next Grants Panel meeting.</li> </ul>	Chairs of PWGs
7.0	<p><b><u>Project Working Groups</u></b></p> <ul style="list-style-type: none"> <li>• Minutes of PWG meetings were circulated to Grants Panel members for: <ul style="list-style-type: none"> <li>○ Chief Executives: 24/9/19, 27/11/19 &amp; 28/1/20</li> </ul> </li> </ul>	

	<b>SUBJECT</b>	<b>ACTION</b>
8.0	<p><b><u>European Grants Update</u></b></p> <ul style="list-style-type: none"> <li>• A schedule of all current European grant funded projects was presented to Grants Panel. The total estimated project costs approved and in development is £43m with grant of £27m.</li> <li>• An update was provided to Grants Panel on the amount of outstanding grant income that is due to the Authority for the European grant funded projects. The total amount claimed to date is approximately £13.7m with a total of £2.9m grant income outstanding. An exercise to be undertaken to assess the reasons for the delays in the receipt of grant. Details to be provided to the Head of Financial Services to consider how this should be taken forward.</li> <li>• Impact assessments relating to the COVID 19 crisis have been carried out on projects led by the Authority. Extensions where appropriate will be requested.</li> </ul>	RP/DT
9.0	<p><b><u>City Deal Update</u></b></p> <ul style="list-style-type: none"> <li>• Funding agreements have been approved by the City Deal Joint Committee on 11/6/2020.</li> <li>• Pembroke Dock Marine has been awarded a grant via City Deal of £28m over 15 years.</li> <li>• Following the signing of the agreement grant monies will be released for the Swansea City &amp; Waterfront Digital District project and the Canolfan S4C Yr Egin project.</li> </ul>	
10.0	<p><b><u>New &amp; Proposed Projects</u></b></p> <ul style="list-style-type: none"> <li>• A list of grants funded by WG which are at risk as a result of the COVID 19 crisis was presented to the meeting. Details are included in the Welsh Government's Supplementary Budget 2020-21 Explanatory Note (May 2020).</li> </ul>	

	<b>SUBJECT</b>	<b>ACTION</b>
	<ul style="list-style-type: none"> <li>The Authority has been awarded a grant of £296,600 by WG under the Transforming Towns Green Infrastructure &amp; Biodiversity programme. The 2 projects are Carregamman Car Park £200,000 and Llanelli Library Green Wall £96,600.</li> </ul>	
11.0	<p><b><u>AOB</u></b></p> <ul style="list-style-type: none"> <li>Crosshands East Phase 1 project under 2007-13 European Structural Funds programme has also been subject to an Article 57 review by WEFO.</li> <li>The Authority is a partner in the ARFOR project led by Gwynedd County Council and funded by a WG grant. A query had been raised as to whether the Authority should impose a floating charge on organisations receiving a third party grant. As nothing is detailed in the terms &amp; conditions of grant, the SLA with the lead body, the application &amp; approval process or within the Authorities own procedures, Legal Services have advised that there isn't a need to adopt the process of imposing floating charges. However for third party grants over £25k due diligence checks should be carried out as part of the assessment process.</li> </ul>	
12.0	<ul style="list-style-type: none"> <li>Date of next meeting – 11:00am on 3<sup>rd</sup> September 2020 via Teams</li> </ul>	



## Audit Committee

Wednesday, 29 July 2020

**PRESENT:** Councillor T.M. Higgins (Chair)

**Councillors:**

K.V. Broom, K.Davies, G.H. John, A.G. Morgan, B.A.L. Roberts, B. Thomas, D.E. Williams and J. James (External Voting Member).

**Also present as an observer:**

Councillor D.M Jenkins – Executive Board Member for Resources.

**In attendance from the Audit Wales:**

Mr J. Garcia

Ms A. Lewis

**The following Officers were in attendance:**

C. Moore, Director of Corporate Services

H. Pugh, Head of Revenues and Financial Compliance

R. Hemingway, Head of Financial Services

C. Powell, Principal Auditor

G Davies, Finance Manager

E. Bryer, Democratic Services Officer

**Virtual Meeting - 2.00 pm - 5.00 pm**

**ORDER OF BUSINESS**

The Chair advised the Committee that, in accordance with Council Procedure Rule 2(3) she was going to vary the order of business on the agenda to enable Agenda Items 9 – 12 to be heard earlier in the meeting.

**1. APOLOGIES FOR ABSENCE.**

There were no apologies for absence.

**2. DECLARATIONS OF PERSONAL INTERESTS.**

<b>Member</b>	<b>Minute Number</b>	<b>Nature of Interest</b>
Cllr. D. E. Williams	9.3 – Dyfed Pension Fund Audit Plan 2020 9.4 – Dyfed Pension Fund Audit Plan Update Letters 11. Dyfed Pension Fund Statement of Accounts 2019/20.	He is Chair of the Dyfed Pension Fund Committee

**3. APPOINTMENT OF CHAIR FOR THE 2020/21 MUNICIPAL YEAR.**

**UNANIMOUSLY RESOLVED** that Councillor T. Higgins be appointed Chair of the Committee for the 2020/21 municipal year.

**4. APPOINTMENT OF VICE-CHAIR FOR THE 2020/21 MUNICIPAL YEAR.**

**UNANIMOUSLY RESOLVED** that Councillor G. Morgan be appointed Vice-Chair of the Committee for the 2020/21 municipal year.

**5. REVISED INTERNAL AUDIT PLAN 2020/21.**

The Committee considered the revised Annual Internal Audit Plan for 2020/21.

It was noted that due to the outbreak of COVID-19 it had been necessary to revise and reshape the previously proposed plan.

The revised plan included coverage of:

- Fundamental Audits
- Corporate Governance Assurance
- COVID-19 Assurance
- Corporate Reviews
- Grants and Certification
- Departmental Reviews.

A number of questions were raised, the main matters were as follows:

- Reference was made to Whistleblowing (Corporate Governance Assurance) and if 15 audit plan days was proportionate. The Head of Revenues and Financial Compliance advised that data would be sampled that the number of day's allocated may change accordingly.
- It was asked what would no longer be covered in the revised plan compared to the previous plans. The Head of Revenues and Financial Compliance advised that the changes could be tracked and that more detailed information would be emailed to the Committee in due course.
- It was noted that Brexit was not referenced in the plan. The Committee were advised that there was a Brexit working group which following the relaxation of lockdown, would be re-instated shortly. The Head of Revenues and Financial Compliance confirmed that there was a detailed Brexit risk and opportunities register in place.

**UNANIMOUSLY RESOLVED** that the revised Internal Audit Plan 2020/21 be approved.

**6. INTERNAL AUDIT PLAN 2020/21 UPDATE.**

The Committee considered a report providing an update on progress made on the implementation of the Internal Audit Plan.

It was noted that:

Report A provided a progress report on the Internal Audit Plan 2020/21.

Report B provided a summary of completed final reports for relating to key financial systems.

The following questions/observations were raised on the report:-

- It was asked who would have responsibility in ensuring that the furlough process had been applied correctly. The Head of Revenues and Financial Compliance advised that this area would be covered either within the payroll review or COVID-19 review. The Head of Financial Services advised the Committee that the only staff that were eligible for furlough were those within the income generating service such as the school meals and leisure services. It was noted that there was no reduction in actual staff salary and that the furlough claim submitted to Welsh Government would mitigate the loss of income suffered by the Authority.

**UNANIMOUSLY RESOLVED that the report be received.**

## **7. INTERNAL AUDIT ANNUAL REPORT 2019/20.**

The Committee considered a report providing an opinion on the adequacy and effectiveness of the Council's control environment for the year April 2019 to March 2020, based on the work undertaken in the 2019/20 Internal Audit Plan, as agreed by the Audit Committee.

The Committee noted that it was the overall opinion of the Head of Revenues and Financial Compliance that the Authority had an acceptable control environment in operation. There are clear governance arrangements with defined management responsibilities and committee structures in place, 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. Consequently, the Head of Revenues and Financial Compliance was satisfied that sufficient assurance work has been carried out to allow her to form a reasonable conclusion on the adequacy and effectiveness of the Authority's internal control environment.

Where weaknesses had been identified through an internal audit review, work had been undertaken with management to agree appropriate corrective actions and a timescale for improvement.

A number of questions were raised, the main matters were as follows:

- It was asked if there was an update available regarding the pool car review. The Head of Revenues and Financial Compliance advised that she did not think that the TIC review had been completed. It was agreed that an email update would be provided to the Committee.
- Concerns were raised that the purported savings of TIC reviews were not often achieved. It was asked what assurance was in place to ensure that projected savings were achievable. The Head of Revenues and Financial Compliance advised that prior to lockdown reports were regular reviewed by the TIC Programme Board and the Executive Board Member. The Head of Financial Services advised that TIC was set up to help drive efficiency and service improvements and that not all savings were cashable savings.

- The Committee stated that they did not always receive the final audit reports that were given to the Directors and Executive Board Members. The Head of Revenues and Financial Compliance apologised to the Committee and advised that she would ensure that the Committee received monthly updates.
- It was asked if Audit's review could encompass the review of the scope and value of the Pentre Awel project. The Head of Revenues and Financial Compliance advised that they could look at the process and procedures and also incorporate a review to ensure that terms and conditions are adhered to.

**UNANIMOUSLY RESOLVED that, in line with statutory requirements, the report be received.**

**8. AUDIT COMMITTEE FORWARD WORK PROGRAMME.**

The Committee considered its annual Forward Work Programme which detailed the reports to be submitted for consideration during the 2020/21 Audit Committee cycle.

**UNANIMOUSLY RESOLVED that the Audit Committee's Forward Work Programme for 2020/21 be endorsed.**

**9. TO CONSIDER THE FOLLOWING DOCUMENTS PREPARED BY THE WALES AUDIT OFFICE:-**

The Chair welcomed to the meeting Mr Jason Garcia and Ms Alison Lewis of the Wales Audit Office (WAO).

**9.1. CARMARTHENSHIRE COUNTY COUNCIL AUDIT PLAN 2020;**

The Committee considered the 2020 Audit Plan for Carmarthenshire County Council. It was noted that 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 2020 Audit Plan for Carmarthenshire County Council be received.**

**9.2. CARMARTHENSHIRE COUNTY COUNCIL AUDIT PLAN 2020 UPDATE LETTERS;**

The Committee considered the Audit Wales Audit Plan Update Letters for Carmarthenshire County Council for 2020/21.

It was noted that the COVID-19 national emergency had an unprecedented impact on the UK and would significantly impact on public bodies' preparation of the 2019-20 accounts and audit work, both financial audit and performance audit. Therefore, timetables for audited bodies' preparation of financial statements would need to be revised.

**UNANIMOUSLY RESOLVED that the Carmarthenshire County Council Audit Plan 2020 update letters be received.**

### **9.3. DYFED PENSION FUND AUDIT PLAN 2020;**

[NOTE: Councillor D.E. Williams had earlier declared an interest in this item.]

The Committee considered the 2020/21 Audit Plan for the Dyfed Pension Fund. It was noted that 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 2020/21 Audit Plan for the Dyfed Pension Fund be received.**

### **9.4. DYFED PENSION FUND AUDIT PLAN UPDATE LETTERS.**

[NOTE: Councillor D.E. Williams had earlier declared an interest in this item.]

The Committee considered the Audit Wales Audit Plan Update Letters for Dyfed Pension Fund for 2020/21.

It was noted that the COVID-19 national emergency had an unprecedented impact on the UK and would significantly impact on public bodies' preparation of the 2019-20 accounts and audit work, both financial audit and performance audit. Therefore, timetables for audited bodies' preparation of financial statements would need to be revised.

**UNANIMOUSLY RESOLVED that the Dyfed Pension Fund Audit Plan Letters be received.**

## **10. CARMARTHENSHIRE COUNTY COUNCIL STATEMENT OF ACCOUNTS 2019/20.**

In accordance with the provisions of the Accounts and Audit (Wales) Regulations 2014 (as amended 2018), the Committee received for approval the Statement of Accounts 2019/20 in respect of Carmarthenshire County Council. The Statement brought together all the financial transactions of the Authority for the year and also detailed the Authority's assets and liabilities as at 31<sup>st</sup> March, 2020.

It was noted that the Authority had maintained the overall Council Fund net expenditure within budget during 2019/20. Whilst a number of service areas experienced demand led pressures during the year, these were offset by

underspends in other services areas; specifically on capital financing costs and higher than estimated collection level on Council Tax.

In the preparation of the accounts movements were made to and from the following earmarked reserves:-

- The Corporate Retirement Fund
- Major Development Fund
- MEP Capital Funding
- The City Deal Reserve
- Resetting Services (Post COVID 19)

The Committee was requested to retrospectively approve these movements and to retrospectively approve the creation of the Resetting Services (Post COVID-19 Reserves.

A number of questions were raised, the main matters were as follows:

- It was noted by the Committee that due to COVID-19 there would be additional financial challenges for the Authority. The Director of Corporate Services advised that the potential impact of COVID had been recognised and that the biggest impact would be reflected in this year's Statement of Accounts.
- Concerns were raised regarding the Schools Deficits and assurance was sought to ensure that measures were in place to prevent further deterioration. The Director of Corporate Services agreed with the comments and assured the Committee that significant dialogue and meetings had been held with schools to put measures in place.

#### **UNANIMOUSLY RESOLVED**

**10.1 that the Statement of Accounts 2019/20 for Carmarthenshire County Council be received;**

**10.2 that the movement to and from the Earmarked Reserves, as detailed in the report, be retrospectively approved;**

**10.3 that the creation of the Resetting Services (Post COVID-19) Reserves be retrospectively approved.**

#### **11. DYFED PENSION FUND STATEMENT OF ACCOUNTS 2019/20.**

[NOTE: Councillor D.E. Williams had earlier declared an interest in this item.]

The Committee considered the Dyfed Pension Fund Statement of Accounts for 2019/20 which were produced in accordance with the Accounts and Audit (Wales) Regulations 2014. The Statement brought together all the financial transactions of the Dyfed Pension Fund for the year and also detailed its assets and liabilities as at 31<sup>st</sup> March, 2020.

It was reported that the Fund's net assets had decreased by £191.2m from 2018/19 to 2019/20 mainly due to the decrease in market value of the investment assets. With regard to Fund expenditure, benefits payable and transfers out increased by £5.8m to £87.3m with contributions and transfers in increasing by £5.5m to £87.3m on the income side.

It was noted that total membership of the Fund had increased by 1,273 from 47,250 in 2018/19 to 48,523 in 2019/20 representing an increase of 2.69%

**UNANIMOUSLY RESOLVED that the Dyfed Pension Fund Statement of Accounts 2019/20 be received.**

**12. BURRY PORT HARBOUR FINANCIAL STATEMENT 2019/20.**

The Committee considered the Burry Port Harbour Financial Statement 2019-20, prepared in accordance with the Harbours Act 1964, which required Statutory Harbour Authorities to prepare an annual statement of accounts relating to the harbour activities.

The accounts were in the form of a separate annual income and expenditure account and statement of balances.

From 1<sup>st</sup> April 2018, the Authority granted a long term lease to The Marine & Property Group Ltd, who took over the running and management of Burry Port Harbour and consequently the activity on the statement was much reduced.

The net cost of the harbour activities in 2019-20 was £76k (2018-19 £533K) and all activities were fully funded by Carmarthenshire County Council. Fixed assets held at 31<sup>st</sup> March, 2020 totalled £950k. The decrease of £475K mainly consisted of a decrease in capital expenditure of £545k and a decrease of £5k in net operating costs offset by a £83K decrease in income.

**UNANIMOUSLY RESOLVED that the Accounting Statement for the Burry Port Harbour Authority for 2019-20 be received.**

**13. MINUTES OF RELEVANT GROUPS TO THE AUDIT COMMITTEE:-**

**13.1. RISK MANAGEMENT STEERING GROUP - 29TH JANUARY, 2020;**

**UNANIMOUSLY RESOLVED that the minutes of the Risk Management Steering Group held on the 29<sup>th</sup> January, 2020 be received.**

**13.2. GRANTS PANEL - 22ND NOVEMBER, 2019;**

**UNANIMOUSLY RESOLVED that the minutes of the Grants Panel held on the 22<sup>nd</sup> November, 2019 be received.**

**13.3. GRANTS PANEL - 14TH FEBRUARY, 2020;**

**UNANIMOUSLY RESOLVED that the minutes of the Grants Panel held on the 14th February, 2020 be received.**

**13.4. CORPORATE GOVERNANCE GROUP - 11TH FEBRUARY, 2020.**

**UNANIMOUSLY RESOLVED that the minutes of the Corporate Governance Group held on the 22th February, 2020 be received.**

**14. TO SIGN AS A CORRECT RECORD THE MINUTES OF THE AUDIT COMMITTEE HELD ON 24TH JANUARY, 2020**

**UNANIMOUSLY RESOLVED** that the minutes of the meeting of the Audit Committee held on the 24<sup>th</sup> January, 2020 be signed as a correct record.

\_\_\_\_\_  
**CHAIR**

\_\_\_\_\_  
**DATE**