

THURSDAY, 23RD JULY, 2020

TO: ALL MEMBERS OF THE AUDIT COMMITTEE

I HEREBY SUMMON YOU TO ATTEND A VIRTUAL MEETING OF THE AUDIT COMMITTEE TO BE HELD AT 2.00 PM ON WEDNESDAY, 29TH JULY, 2020 FOR THE TRANSACTION OF THE BUSINESS OUTLINED ON THE ATTACHED AGENDA.

Wendy Walters

CHIEF EXECUTIVE

Democratic Officer:	Emma Bryer
Telephone (Direct Line):	01267 224029
E-Mail:	EBryer@carmarthenshire.gov.uk

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

1. APOLOGIES FOR ABSENCE.
2. DECLARATIONS OF PERSONAL INTERESTS.
3. APPOINTMENT OF CHAIR FOR THE 2020/21 MUNICIPAL YEAR.
4. APPOINTMENT OF VICE-CHAIR FOR THE 2020/21 MUNICIPAL YEAR.
5. REVISED INTERNAL AUDIT PLAN 2020/21. 5 - 12
6. INTERNAL AUDIT PLAN 2020/21 UPDATE. 13 - 22
7. INTERNAL AUDIT ANNUAL REPORT 2019/20. 23 - 42
8. AUDIT COMMITTEE FORWARD WORK PROGRAMME. 43 - 50
9. TO CONSIDER THE FOLLOWING DOCUMENTS PREPARED BY THE WALES AUDIT OFFICE:-
 - 9.1 CARMARTHENSHIRE COUNTY COUNCIL AUDIT PLAN 2020; 51 - 64
 - 9.2 CARMARTHENSHIRE COUNTY COUNCIL AUDIT PLAN 2020 UPDATE LETTERS; 65 - 78
 - 9.3 DYFED PENSION FUND AUDIT PLAN 2020; 79 - 94
 - 9.4 DYFED PENSION FUND AUDIT PLAN UPDATE LETTERS. 95 - 100
10. CARMARTHENSHIRE COUNTY COUNCIL STATEMENT OF ACCOUNTS 2019/20. 101 - 232
11. DYFED PENSION FUND STATEMENT OF ACCOUNTS 2019/20. 233 - 272
12. BURRY PORT HARBOUR FINANCIAL STATEMENT 2019/20. 273 - 284
13. MINUTES OF RELEVANT GROUPS TO THE AUDIT COMMITTEE:- 285 - 288
 - 13.1 RISK MANAGEMENT STEERING GROUP - 29TH JANUARY, 2020; 289 - 292
 - 13.2 GRANTS PANEL - 22ND NOVEMBER, 2019; 293 - 298
 - 13.3 GRANTS PANEL - 14TH FEBRUARY, 2020; 299 - 306
 - 13.4 CORPORATE GOVERNANCE GROUP - 11TH FEBRUARY, 2020. 307 - 310
14. TO SIGN AS A CORRECT RECORD THE MINUTES OF THE AUDIT COMMITTEE HELD ON 24TH JANUARY, 2020 311 - 314

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Audit Committee 29th July 2020

Subject and Purpose: Revised Internal Audit Plan 2020/21		
Recommendations / key decisions required: To approve the Annual Internal Audit Plan for 2020/21		
Reasons: Due to the outbreak of COVID-19, it has been necessary to revise and reshape the previously proposed Internal Audit plan for 2020/21. The revised plan includes specific time allocated for COVID-19 related auditing. The remainder of the plan is focussed on the Authority's highest risk areas, considering the risks that are detailed in the Corporate Risk Register as well as departmental Risk Registers.		
Relevant scrutiny committee to be consulted: N/A		
Exec. Board Decision Required: N/A Council Decision Required: N/A		
EXECUTIVE BOARD MEMBER PORTFOLIO HOLDER: Cllr D Jenkins		
Directorate: Corporate Services Name of Head of Service: Helen Pugh Report Author: Helen Pugh	Designation: Head of Revenues and Financial Compliance	Tel No.: 01267 246223 E Mail Address: HLPugh@carmarthenshire.gov.uk

Audit Committee 29th July 2020

Revised Internal Audit Plan 2020/21

The original 2020/21 Audit Plan has been revised as a result of COVID-19 and its impact on functions, services and the Authority as a whole.

The revised plan includes coverage of:

- Fundamental Audits
- Corporate Governance Assurance
- COVID-19 Assurance
- Corporate Reviews
- Grants and Certification
- Departmental Reviews

In devising the revised plan, the Authority's Corporate Risk Register and Departmental Risk Registers were considered in order to ensure appropriate coverage and consideration of the Authority's highest risks.

The following report is attached for approval:

Internal Audit Plan 2020/21

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
NONE	NONE	YES	NONE	NONE	NONE	NONE

Finance

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

CONSULTATIONS

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

Signed: 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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Required Assurance - Fundamental Audits	Type of Engagement	Risk Consideration	Audit Plan Days 2020/21
Council Tax	Assurance	Fundamental	15
Creditors	Assurance	Fundamental	40
Income	Assurance	Fundamental	20
Main Accounting	Assurance	Fundamental	20
National Fraud Initiative (NFI) - Mortality Screening	Assurance	Corporate Risk Register	10
NNDR (NFI review of COVID-19 Grants)	Assurance	Corporate Risk Register	20
Payroll	Assurance	Fundamental	40
Treasury Management - Loans & Investments (CCC and DPF)	Assurance	Fundamental	15
Total			180

Corporate Governance Assurance	Type of Engagement	Risk Consideration	Audit Plan Days 2020/21
Annual Governance Statement/Corporate Governance Arrangements	Assurance	Corporate Risk Register	20
Performance Management	Assurance	Corporate Risk Register	20
Risk Management Arrangements	Assurance	Service Risk Register	15
Wellbeing of Future Generations Act	Assurance	Statute	20
Whistleblowing	Assurance	Internal Audit High Risk	15
Total			90

COVID-19 Assurance	Type of Engagement	Risk Consideration	Audit Plan Days 2020/21
COVID-19 Decision-Making Process	Assurance	Corporate Risk Register	30
COVID-19 Expenditure	Assurance	Corporate Risk Register	30
COVID-19 Systems and Processes (advice and support)	Consultation	Corporate Risk Register	50
COVID-19 Systems and Processes (Evaluation and recommendation)	Assurance	Corporate Risk Register	50
COVID-19: Free School Meals Payment Process	Consultation	Corporate Risk Register	20
Total			180

Corporate Review Work	Type of Engagement	Risk Consideration	Audit Plan Days 2020/21
Local Authority Trading Companies	Assurance	AC identified	20
Procurement	Assurance	Corporate Risk Register	30
Safeguarding	Assurance	Corporate Risk Register	20
Staffing Matters (e.g. DBS Overtime Flexi Leave)	Assurance	Corporate Risk Register	40
Total			110

Grants and Certification	Type of Engagement	Risk Consideration	Audit Plan Days 2020/21
Burry Port Harbour	Accounts Return	Certification	10
Children & Communities Grant	Certification	Corporate Risk Register	25
Education Improvement Grant	Certification	Corporate Risk Register	30
Enable Grant	Certification	Corporate Risk Register	10
Housing Support Grant	Certification	Corporate Risk Register	40
Local Authority Education Grant	Assurance for Sign Off	Corporate Risk Register	20
Other Grants (where assurance is required for sign-off)	Assurance for Sign Off	Corporate Risk Register	20
Wales Pension Partnership	Accounts Return	Certification	5
Post 16 Grant	Certification	Corporate Risk Register	10
Pupil Deprivation Grant	Certification	Corporate Risk Register	30
Trust Funds	Certification	Certification	20

Total			220
Departmental Reviews	Type of Engagement	Risk Consideration	Audit Plan Days 2020/21
Chief Executive's Department (not including IT)			
Property Management (Follow Up)	Assurance	IA Low Assurance	10
Departmental Expenditure	Assurance	IA identified	10
Pentre Awel	Assurance	Corporate Risk Register	10
Net Zero Carbon	Assurance	Corporate Risk Register	10
Regeneration Strand	Assurance	Corporate Risk Register	10
Chief Executive's Department: IT			
Covid-19 CAATS Analysis (FSM)	Assurance	Corporate Risk Register	10
Office 365, including TEAMS and Sharepoint	Assurance	IA identified	15
Bring Your Own Device	Assurance	IA identified	10
Cyber Security	Assurance	Corporate Risk Register	15
Communities			
Departmental Expenditure: Leisure	Assurance	IA identified	15
Departmental Expenditure: Housing	Assurance	IA identified	10
Departmental Expenditure: Social Care	Assurance	IA identified	10
Sport Wales/Active Communities	Assurance	Corporate Risk Register	10
Ski Centre Follow Up	Assurance	IA Low Assurance	5
Financial Assessments & Collections	Assurance	IA identified	10
Corporate Services			
Departmental Expenditure	Assurance	IA identified	10
Financial Management Other	Assurance	IA identified	10
Education & Children			
Departmental Expenditure	Assurance	IA identified	10
Fostering	Assurance	Service Risk Register	10
School Meals/ParentPay	Assurance	Service Risk Register	10
Schools (incl School Questionnaires)	Assurance	Corporate Risk Register	40
Specialist Provision Units	Assurance	Service Risk Register	10
Environment			
Ash Dieback	Assurance	Corporate Risk Register	10
Departmental Expenditure	Assurance	IA identified	20
Flood Defence & Coastal Protection	Assurance	Corporate Risk Register	10
Property Maintenance	Assurance	IA identified	10
Waste Management & Recycling Obligations	Assurance	Corporate Risk Register	10
Total			320

TOTAL DAYS	1100
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Reduction in days attributable to:	Days
Covid-19 Redeployment	40
Covid-19 Working Groups	30
Inability to recruit due to Covid-19	70
Total	140

TOTAL DAYS	1240
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Audit Committee 29th July 2020

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

Audit Committee
29th July 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 Reports are attached:

REPORT A: Internal Audit Plan 2020/21 Progress Report

REPORT B Summary of Completed Final Reports Relating to Key Financial Systems

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

1.	Payroll
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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
NONE	NONE	YES	NONE	NONE	NONE	NONE

Finance

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

CONSULTATIONS

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

Signed: 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 2019-22	AC 22-03-19	Internal Audit Unit

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INTERNAL AUDIT PLAN 2020/21											
2020/21	% Plan Completion to Date		15.0%								
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	
	Fundamentals										
1120002	Council Tax	15									
1120003	Creditors	40									
1120004	Income	20									
1120005	Main Accounting	20									
1120006	National Fraud Initiative (NFI) - Mortality Screening	10									
1120007	NNDR (NFI review of COVID-19 Grants)	20									
5120007	Payroll	40									
1120008	Treasury Management - Loans & Investments (CCC and DPF)	15									
	Total Audit Days for Fundamentals	180									
	Corporate Governance Assurance										
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									
	Total Audit Days for Corporate Governance Assurance	90									
	COVID-19										
3120001	COVID-19 Decision-Making Process	30									
3120002	COVID-19 Expenditure	30									
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)	50	*	*	*				Commenced		
5420001	COVID-19: Free School Meals Payment Process	20	N/A	N/A	*	*	/	*	Complete	Consultation	
	Total Audit Days for COVID-19	180									
	Corporate Review Work										
4120005	Local Authority Trading Companies	20									
4120006	Procurement	30									
4120007	Safeguarding	20									
4120008	Staffing Matters (e.g. DBS Overtime Flexi Leave)	40									
	Total Audit Days for Corporate Review Work	110									
	Grants & Certification										
5120005	Burry Port Harbour	10									
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									
6120004	Housing Support Grant	40	*	N/A	*				Commenced		
5220005	Local Authority Education Grant	20									
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	*	*	*				Commenced	
5120003	Trust Funds - Minnie Morgan	5	*	*					Terms of Reference Issued	
5120001	Trust Funds - Oriol Myrddin	5	*	*	*				Commenced	
5220002	Wales Pension Partnership	5	*	N/A	*	*	*	*	Complete	Accounts Return
	Total Audit Days for Grants & Certification	220								
	Chief Executive's Department (not incl IT)									
8120001	Property Management (Follow Up)	10								
1120001	Departmental Expenditure (CEX)	10	*	*	*				Commenced	
8120002	Llanelli Wellness	10								
8120003	Net Zero Carbon	10								
8120004	Regeneration Strand	10								
	Total Audit Days for Chief Executive's Department (not incl IT)	50								
	Chief Executive's Department: IT									
4120001	Covid-19 CAATS Analysis (FSM)	10	*	*	*				Commenced	
8220001	Office 365, including TEAMS and Sharepoint	15								
8220002	Bring Your Own Device	10								
8220003	Cyber Security	15								
	Total Audit Days for Chief Executive's Department: IT	50								
	Communities									
6120001	Departmental Expenditure: Leisure	15	*	*	*				Commenced	
6120002	Departmental Expenditure: Housing	10	*	*	*				Commenced	
6120003	Departmental Expenditure: Social Care	10	*	*	*				Commenced	
8320001	Sport Wales/Active Communities	10								
8320002	Ski Centre Follow Up	5								
8320003	Financial Assessments & Collections	10								
	Total Audit Days for Communities	60								
	Corporate Services									
5120006	Departmental Expenditure (Corp Serv)	10	*	*	*				Commenced	
8420001	Financial Management Other	10								
	Total Audit Days for Corporate Services	20								
	Education & Children									
4120002	Departmental Expenditure (Education)	10	*	*	*				Commenced	
8520001	Fostering	10								
8520002	School Meals/ParentPay	10								
8520003	Schools (incl School Questionnaires)	40								
8520004	Specialist Provision Units	10								
	Total Audit Days for Education & Children	80								
	Environment									
8620001	Ash Dieback	10								
7120001	Departmental Expenditure (Environment)	20	*	*	*				Commenced	
8620002	Flood Defence & Coastal Protection	10								
8620003	Property Maintenance	10								

8620004	Waste Management & Recycling Obligations	10									
	Total Audit Days for Environment	60									
	Total Approved Plan Days	1100									

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DEPARTMENT	AUDIT REVIEW	AUDIT REF
Corporate Services	Payroll	5119008
<p>BACKGROUND</p> <p>The Authority pays over 8,500 employees amounting to approximately £196m. Payroll is a centralised function and the Authority has an integrated Payroll and HR system operated through “Resource Link”.</p> <p>SCOPE</p> <p>The review covered the internal controls within the Payroll System for the payment of salaries and wages to ensure that:</p> <ul style="list-style-type: none"> • Recommendations from the previous audit report have been implemented; • There are adequate documented procedures in place which are adhered to; • Exception reports are generated and reviewed with queries dealt with appropriately; • Access to standing data processing and programmes is restricted to appropriate personnel and amendments are properly authorised; • Timesheets, overtime claims, advance payments, SSP, etc. have been properly authorised and data entered correctly; • Changes to employee data is appropriately authorised; • New policies, approved by Council, are appropriately implemented; • Appropriate BACS controls exist; • The payroll system is regularly reconciled to the main accounting system; • Individual departments verify the accuracy of employee standing data. <p>SUMMARY OF RESULTS</p> <p>It is pleasing to note that issues identified as a result of the previous Internal Audit report have all been addressed. It is also pleasing to report that a number of key controls are in place and are operating effectively, in relation to documented procedures, the generation and review of exception reports, the reconciliation of data and the processing of most data. Some issues were, however, identified as a result of audit testing and are summarised below:</p> <ul style="list-style-type: none"> ➤ An annual employee verification exercise is intended to be carried out, with Heads of Service / Head Teachers required to confirm the accuracy of a schedule of employees recorded on the payroll system for their areas of responsibility. This exercise was not completed in 2018/19 and was delayed in 2019/20. ➤ The new process for dealing with requests to change employee standing data on Resource Link, which was introduced in July 2019, was not always being fully adhered to, with appropriate records not always maintained to ensure a full audit trail. ➤ Five processed commencement forms (from a sample of 10) were not appropriately authorised. ➤ Sample testing on overtime payments identified some issues in relation to the appropriate authorisation of the overtime, with Director approval not always having been 		

sought, as appropriate. Two instances of incorrectly calculated payments were also identified; assurances have been received from Management that these overpayments have now been rectified.

NUMBER OF RECOMMENDATIONS		OVERALL ASSURANCE
Priority 1- Fundamental Weaknesses	0	Acceptable
Priority 2 – Strengthen Existing Controls	4	
Priority 3 – Minor Issues	0	

Audit Committee 29th July 2020

Subject and Purpose: Internal Audit Annual Report 2019/20		
Recommendations / key decisions required: To receive the report.		
Reasons: Annual report required to meet the requirements of Internal Audit Standards.		
Relevant scrutiny committee to be consulted: N/A		
Exec. Board Decision Required: N/A Council Decision Required: N/A		
EXECUTIVE BOARD MEMBER PORTFOLIO HOLDER: Cllr D Jenkins		
Directorate: Corporate Services Name of Head of Service: Helen Pugh Report Author: Helen Pugh	Designation: Head of Revenues and Financial Compliance	Tel No.: 01267 246223 E Mail Address: HLPugh@carmarthenshire.gov.uk

Audit Committee

29th July 2020

Internal Audit Annual Report 2019/20

This report provides an opinion of 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, agreed by Audit Committee.

The following Report is attached:
Internal Audit Annual Report 2019/20

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
NONE	NONE	YES	NONE	NONE	NONE	NONE

Finance

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

CONSULTATIONS

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

Signed: 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:

These are detailed below:

Title of Document	File Ref No.	Locations that the papers are available for public inspection
Strategic Audit Plan 2019-22	AC 22-03-19	Internal Audit Unit

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Cyngor Sir Gâr

Carmarthenshire County Council

Carmarthenshire County Council

Internal Audit Annual Report 2019-20

July 2020

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1. Introduction

Carmarthenshire County Council is subject to The Accounts and Audit (Wales) Regulations 2014 and therefore has a duty to make provision for Internal Audit in accordance with the Local Government Act 1972.

The Regulations state that the Responsible Finance Officer of the organisation shall maintain an adequate and effective internal audit of the accounts of that organisation. Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper economic, efficient and effective use of resources.

In line with the Public Sector Internal Audit Standards, the Head of Internal Audit should present a formal annual report to the Council which gives an opinion on the overall adequacy and effectiveness of the Council's internal control environment.

This report provides an opinion by the Head of Internal Audit of the adequacy and effectiveness of the Council's control environment for the year April 2019 to March 2020, based on the work undertaken in the 2019/20 Internal Audit Plan, agreed by the Audit Committee.

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

2. Overall Opinion

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

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

- The results of all work undertaken as part of the 2019/20 Internal Audit Programme;
- The results of follow-up action of Internal Audit Reviews from current and previous years; and
- the acceptance of actions by Management (especially those deemed significant).

It is my opinion that the Authority has an **ACCEPTABLE** control environment in operation.

There are clear Governance arrangements with defined Management responsibilities and Committee Structures in place and the control framework is generally sound and operated reasonably consistently. The Authority has an established Constitution, has developed Policies and approved Financial Procedure Rules that provide advice and guidance to all staff and members. I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of the Authority's internal control environment.

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

3. Internal Audit

The Head of Revenues and Financial Compliance is responsible for ensuring the effective delivery of the Internal Audit function in accordance with the principles agreed with the Authority's Chief Financial Officer (section 151 Officer) and in accordance with the Internal Audit Charter 2019-2021.

Where Internal Audit reviews are undertaken on functions headed by the Head of Revenues and Financial Compliance, resulting in a potential conflict of interest arising from reporting lines, an approved escalation protocol is followed to ensure conformance with the code of ethics, as required by the Public Sector Internal Audit Standards.

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

4. Staffing

Internal Audit operates as a separate unit within the Revenues and Financial Compliance Division of the Corporate Services Department. The Head of Revenues and Financial Compliance is responsible for ensuring that the Internal Audit Service is delivered to a professional standard and in accordance with the principles established by the Director of Corporate Services.

The Principal Auditor is responsible for ensuring that the reviews set out in the Audit Plan are properly managed and that issues arising from individual reviews are properly reported on. The Principal Auditor is responsible for the day to day

management of the Internal Audit Staff and delivery of the Audit Plan as approved by the Audit Committee.

There were 9.0 FTE staff on the establishment during 2019/20, with two Agency staff members utilised during the year increasing this figure to 10.0 FTE. This FTE figure includes the 1.0 FTE role undertaken by the Principal Auditor, whose role is to manage the function and thus not included in the Audit plan days.

Overall sickness accounted for a loss of 37 productive days, equating to approximately 2.3% of available productive days, compared to 1.9% the previous year, and 0.5% for 2017/18. During the year vacant posts accounted for the loss of 209 days.

Considering sickness and vacant posts, 26.3% productive days were lost during the year, compared to 9.2% the previous year, and 28% for 2017/18.

5. Annual Audit Plan 2019-20

The 2019/20 Annual Plan was agreed at the Audit Committee on 22nd March 2019. The agreed Audit Plan was based on 1240 audit days and provides a broad coverage of the Authority's services and systems.

Alongside audit assignments undertaken as part of the plan, the Internal Audit team has undertaken work on other areas during the year; these include:

- Providing advice and guidance to departments and teams within the Council;
- Attendance at and participation in various working groups within the Council;
- Acting as a 'critical friend' to Council teams in the implementation of new processes and process changes;
- Providing certification certificates where required for Grants and Trust Funds;
- Providing audit services to external Clients, amounting to 107 audit days;
- Undertaking ad-hoc investigatory work.

Following the outbreak of COVID-19, and the subsequent lockdown implemented on 23rd March 2020, work on the Audit Plan was significantly impacted; with Council services responding to the emergency, audit work was not able to be continued/completed as planned. As part of the Authority's response to the emergency, the Internal Audit team assisted, and continue to assist, by undertaking the following COVID-19 related work:

- Critical advice and guidance on necessary system and process changes as a result of the emergency situation;
- COVID-19 working groups; and
- COVID-19 redeployment.

Three Auditors were tasked with representing the Corporate Services Department on working groups related to the COVID-19 emergency response; details are as follows:

COVID-19 Silver Working Group (Finance, Legal and Democratic Subgroup):
Principal Auditor

COVID-19 HR Support Group:
Principal Auditor and Computer Auditor

COVID-19 Redeployment Group:
Senior Auditor

Two Auditors were redeployed to other areas of the Authority; details are as follows:

Debtors:	Assistant Computer Auditor
Grant Relief Scheme:	Assistant Technical Auditor

Where COVID-19 related work or redeployment was not required, the team continued to undertake work as follows:

- Completion of outstanding audit work (where appropriate);
- Grant work known to be required as part of the 2020/21 plan;
- Setting up audits in preparation for work to be undertaken as part of 2020/21 plan.

72% of those reviews originally programmed were completed by 31st March 2020 thereby falling short of the 90% target.

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

Priority 1 - Fundamental Weaknesses

Control issues to be addressed as a high priority. These relate to issues that are fundamental and material to the system of internal control at a service level.

Priority 2 - Strengthen Existing Controls

Action required to avoid exposure to significant risks. These relate to issues that procedures do exist but require strengthening.

Priority 3 - Minor Issues

Action required which should result in enhanced control or better value for money. These are issues arising that would, if corrected, improve the internal control environment in general but are not vital to the overall system of internal control.

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

During the period April 2019 to March 2020 a total of 189 recommendations have been made, these include recommendations made in Draft Reports at the time of

this Report. All recommendations are discussed and agreed with the relevant service departments.

The Reports outcomes are summarised in Table 1 below.

Table 1: Analysis of Recommendations

Ratings	Number of Recommendations
Priority 1 *** Fundamental Control Issues to be addressed as a High Priority	5
Priority 2 ** Control Issues required to strengthen existing procedures	115
Priority 3 * Minor issues	69

The Audit Committee is kept informed of the progress of Internal Audit reviews and significant issues brought to their attention as necessary. During the year, three reports containing identified fundamental weaknesses were brought to the attention of the Audit Committee; these reports related to Pool Cars, Property Management and Schools' Deficits & Surpluses.

Table 2 below summarises the Priority 1 Fundamental Issues previously brought to the Audit Committee's attention, where update information has been formally requested by the Committee.

Table 2: Priority 1 - Fundamental Issues previously reported to Audit Committee

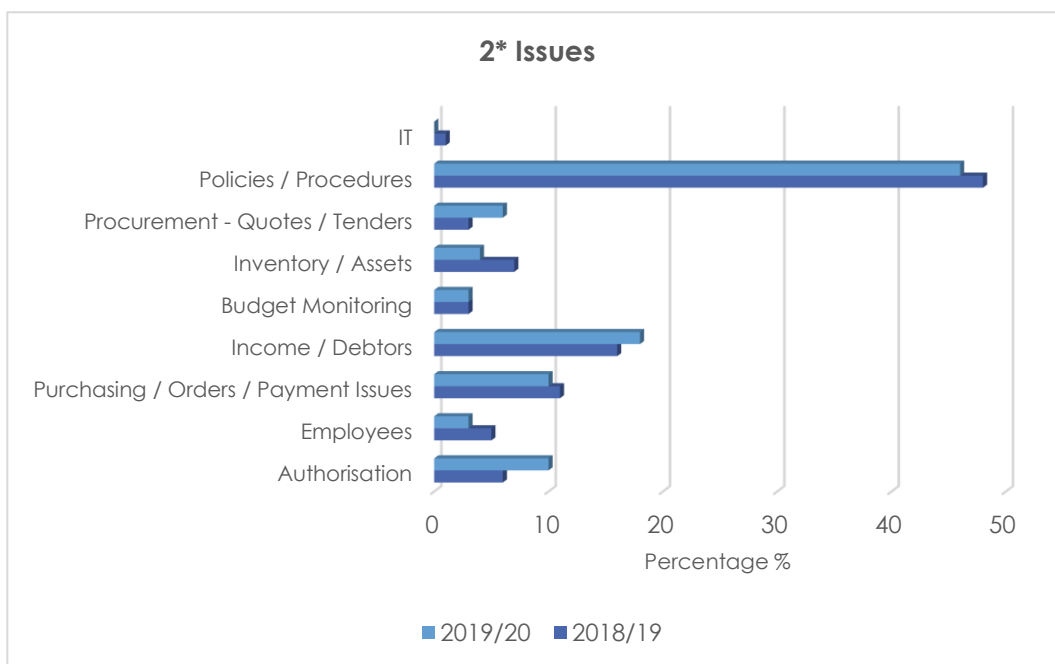
Review	Follow-up of previous 3* Issues requested by Audit Committee	Update
Supporting People	This review identified weaknesses in the management and administration of the Supporting People Grant. This was in the main due to the issues previously identified and reported during 2015/16 and 2016/17, which related to procurement issues and third-party monitoring.	First reported to Audit Committee in December 2015. Initially, the Supporting People Manager provided quarterly reports to the Audit Committee on the progress made in implementing the required changes to address the issues identified. Following the Audit Committee in December 2018, Members agreed to change the

		<p>reporting requirement to receive an update after the next Internal Audit review had been completed.</p> <p>Current position: At the January 2020 meeting, it was agreed that the Committee was satisfied with the progress made to address the issues identified and that further updates were not required.</p>
Museums	<p>Internal Audit identified concerns in the way that assets were being managed and administered. The main areas of concern were:</p> <ul style="list-style-type: none"> • a lack of a comprehensive up to date inventory of assets; • delay in the full implementation of the computerised system CALM; • a lack of adequate documentation available to support loan items; • a lack of adequate insurance arrangements. <p>A follow-up review was undertaken and whilst it was identified that many of the issues remained outstanding it was noted that a significant amount of work had been undertaken to put actions in place.</p>	<p>An Action Plan was presented to Audit Committee in March 2017 along with the Audit Report. The Action Plan provided a timetable of actions to be taken over the next year to address the issues identified. The Audit Committee requested an update in the September 2017 meeting and then on a 6-monthly basis.</p> <p>Current position: At the January 2020 Meeting, Members requested updates be provided to the Audit Committee on an annual basis.</p>
Llanelli Leisure Centre	<p>During the 2016/17 review, Internal Audit identified fundamental weaknesses in the management and administration of staffing,</p>	<p>First reported to Audit Committee December 2017. The Audit Committee requested 6 monthly updates on the progress of</p>

	including incorrect payments being made.	<p>actions to address the identified issues. At the December 2018 Audit Committee meeting, it was requested that an update be provided upon conclusion of the next Internal Audit review (2018/19)</p> <p>Current position: The Audit Committee, at the July 2019 meeting, requested an update be brought following the conclusion of the next Internal Audit review.</p>
Property Management	Two fundamental weaknesses were identified in the 2017/18 review of Property Management. In summary, significant concerns were identified in relation to the management and administration of the Authority's leased properties, and the lack of adequate monitoring of properties, particularly in relation to the financial element.	<p>First reported to Audit Committee July 2018. At this meeting, it was requested that, upon conclusion of the next Audit Report (2018/19), an update be presented to the Committee.</p> <p>Current position: At the January 2020 meeting, the Audit Committee, requested that an update be brought in 6 months' time.</p>
Business Support – Pool Cars	The recharge rate for the use of pool cars fluctuates each month, with the pence per mile calculation being dependent on the number of miles driven in the pool cars for that month, together with any ancillary costs incurred, such as ad hoc repairs or breakdown assistance, for example. All users are charged the same monthly pence per mile rate, regardless of whether	<p>Reported to Audit Committee June 2019</p> <p>Current position: At the June 2019 meeting, the Audit Committee requested that an update be brought to the Committee following conclusion of the TIC review on Pool Cars which was underway.</p>

	the electric or fuel cars have been used.	
Schools' Deficits & Surpluses	<p>Internal Audit identified concerns in relation to the lack of developed policy and procedure documents for the monitoring, review and controlling of school budgets; with no standardised approach and little consistency in the decision-making process for the approval of deficit licences and spending plans.</p> <p>Unapproved deficits were found to have been running for some years in a number of schools in the sample reviewed.</p>	<p>Reported to Audit Committee January 2020.</p> <p>Current position: At the January 2020 meeting, the Audit Committee, requested that an update be brought in 6 months' time.</p>

The graph below shows the categorisation of the 2* issues raised in 2019/20 and compared to 2018/19.



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

- non-compliance with current policies and procedures; and
- policies not being applied consistently.

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

Table 3: Description for Assurance Levels

Assurance Level	Description for Assurance Level
High	Good controls consistently applied Low risk of not meeting objectives Low risk of fraud, negligence, loss, damage to reputation
Acceptable	Moderate Controls, some areas of non-compliance with agreed controls Medium / low risk of not meeting objectives Medium / low risk of fraud, negligence, loss, damage to reputation
Low	Inadequate controls High Risk of not meeting objectives High risk of fraud, negligence, loss, damage to reputation

Considering Final and Draft Reports issued to date, the assurance levels gained are summarised in Table 4.

Table 4: Assurance

Level of Assurance	Number of 2019/20 Reports	Number of 2018/19 Reports
High	11	17
Acceptable	38	47
Low	11	8

The reduced report output figure is down from last year due to the outbreak of COVID-19 and the reduction in work able to be completed, however, the complete status of Internal Audit work is illustrated in the following table:

Audit Status	Number
Commenced/In Progress	11
Fieldwork Complete	13
Draft Report	25
Complete/Final Report	35
Grant Certificate Issued	11
WAO Return Completed	3
Trust Fund Certificate Issued	4
Consultancy Work Completed	3
School Self-Assessment Questionnaires Analysed	57
NFI Exercise	1

The Final Internal Audit Reports once agreed with Heads of Service / Managers / Head Teachers are given to the appropriate Directors, Executive Board Members, Chair and Vice Chair of Audit Committee and Chair of School Governing Bodies for them to fully understand the key findings of each review and to be made aware of all recommendations. Furthermore, all Internal Audit reports containing identified fundamental weaknesses are also provided to the Authority's Chief Executive, as well as the Audit Committee.

The way in which Internal Audit is sharing reports with Audit Committee members is currently under review. The aspiration is that the new IT technology in use within the Authority, in the form of Microsoft software, may be used to appropriately share reports with Members in a controlled and efficient manner. This change is planned for implementation during the 2020/21 financial year.

All recommendations, agreed actions and responsible officers are recorded on the Carmarthenshire's PIMS electronic database system. This provides a place where all responsible officers and their Senior Managers can access and review their recommendations, as well as providing Internal Audit with a tool to monitor and review actions.

6. Annual Governance Statement (AGS)

The Governance Statement for the year ended 31st March 2020 forms part of the Statement of Accounts. The Annual Governance Statement explains how the Authority has complied with the various elements of the Governance Framework.

The Annual Governance Statement 2019/20 has been signed by both the Leader and Chief Executive and is presented within the Statement of Accounts for 2019/20.

A Corporate Governance Group comprising two Executive Board Members and key officers has been established to inform and monitor progress on issues affecting Governance. The Chair of Audit Committee also attends as an observer. The Group has met throughout the year and the Minutes have been referred to Audit Committee.

7. Quality Assurance

The Public Sector Internal Audit Standard (PSIAS) became effective from 1st April 2013 and introduced a requirement for an external quality 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 external quality assessment, which was completed in March 2018, concluded that the Internal Audit Service is generally conforming. A total of six recommendations were made as part of the external assessment; actions to address four of these recommendations have been completed, one is in progress which is in relation to the revised Fraud Strategy and the final recommendation related to the consideration of using an alternative assessment template when the next external assessment is undertaken; this recommendation will be addressed at the time of that assessment.

Internal Audit continues to undertake quality assurance reviews as required by the Public Sector Internal Audit Standards (PSIAS) 2013 and has in place a Quality Assurance and Improvement Programme (QAIP). A QAIP is an ongoing programme intended to increase the quality and value of Internal Audit services. Elements detailed within the QAIP include our approach to reviews, the supervision of assignments, peer reviews and the policies and procedures followed to ensure an efficient and effective internal audit service.

Internal Auditors complete an "*Ethical Standards Declaration*" for each review they undertake. This declares that there are no issues that may affect their independence, objectivity and delivery of the review and that they have not conflicted with the principles detailed within the corporate "*Employee Declaration*" document.

8. Fraud

Internal Audit's direct responsibility for providing an ongoing fraud detection and prevention service is restricted to non-benefit fraud. There is a Specialist Unit within the Revenues team of the Revenues and Financial Compliance Division, which deals with all Benefit Fraud.

The Anti-Fraud and Anti-Corruption Strategy was approved by Audit Committee on 20th September 2012. The Strategy has been reviewed, but due to the outbreak of COVID-19, the approval process for this document has been delayed. It is anticipated that the document will come before the Audit Committee for approval in the Autumn of this 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.

The Authority participates in the National Fraud Initiative (NFI) exercise, where data on Payroll, Creditors, Housing Benefit, Pensions, Insurance Claims, Blue Badges and VAT issues are matched nationally every 2 years to identify potential individual frauds. The exercise reviewing data nationally across Local Authorities and other Public Sector Organisations was undertaken during 2019/20.

Internal Audit undertakes a pro-active analysis of financial transactions linked to Payroll and Creditors to identify any potential anomalies for further investigation. The results of the analysis are reviewed and used to identify possible system weaknesses. Results are shared with the appropriate manager. There were no significant issues identified during the 2019/20 review.

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

9. Service Risk Areas

The following Service Risk Areas are considered areas for attention during 2020/21:

9.1 Partnering / Collaboration

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

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

Under the 2014 Social Services and Well-Being (Wales) Act, Councils and Health Boards have a statutory obligation to establish and maintain pooled fund arrangements in relation to:

- The exercise of their care home accommodation functions

- The exercise of their family support functions
- Specified functions exercised jointly in response to Population Assessments, where such arrangements are considered appropriate

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

9.2 Procurement

Carmarthenshire County Council spends more than £238 million annually with external organisations and has a duty to make sure that this spending represents value for money for the residents of the County through efficient and effective procurement policies and practices.

Internal Audit has a positive working relationship with the Corporate Procurement Unit and will continue to provide advice on risk, controls and systems in order to ensure efficient and effective procurement policies and practices are maintained.

9.3 Efficiency Agenda

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

9.4 Pentre Awel

Pentre Awel, the Wellness and Life Science Village in Llanelli, is one of the 11 projects that make up the £1.3 billion Swansea Bay City Deal. Sound and robust controls and arrangements will need to be in place to ensure the project is completed in an appropriate, efficient and effective manner. Internal Audit has a role to play in reviewing and providing assurance, or otherwise, on these arrangements.

9.5 Local Authority Trading Companies

Most Councils no longer rely solely on in-house operations to deliver either public services or their own internal functions. Services that are not delivered 'in-house' involve some form of alternative delivery models, such as Local Authority Trading Companies (commonly referred to as LATCs).

Carmarthenshire County Council wholly owns three companies:

- *Cartrefi Croeso* - Established by Carmarthenshire County Council to develop new homes for sale and to rent.
- *CWM Environmental* - A limited company dealing with waste, materials recycling, and recovery industry.
- *Llesiant Delta Wellbeing* – Set up in June 2018 and involved the transfer of the Council's Careline service, which had been in operation for over 30 years, into the Company. The Company is a centre of excellence for Technology Enabled Care.

Appropriate governance structures are vitally important to ensure sound and robust supervision of the companies, thereby protecting the Council's financial and reputational investment. Internal Audit has a role to play in ensuring the Council's financial and reputational investment in the companies is safeguarded.

9.6 School Budgets

Since 2018/19, the year-end position for Schools has resulted in considerable overspend, which saw a significant change from the historical situation of holding healthy school reserves within the balance sheet.

Unchecked, school budgets have the potential to put at risk the financial stability of the Council. Appropriate budget control and monitoring is imperative to ensure Schools deliver their services within their allocated budget.

A recent Internal Audit review identified a number of weaknesses in the process of monitoring School budgets. At the January 2020 Audit Committee meeting, the Head of Education & Inclusion Services and the Group Accountant for Education addressed the concerns raised and discussed the measures being put in place to rectify the weaknesses. The Officers are due to provide an update on the position at the September 2020 Audit Committee meeting and Internal Audit intends to undertake a follow-up review of the function during the 2021/22 financial year.

9.7 COVID-19

Following the outbreak of COVID-19, the Authority, its environment and its way of working is evolving rapidly, in an unprecedented way. COVID-19 has numerous implications for the Authority, including financial implications and an increased risk of fraud, as well as health, social, economic and operational impacts.

Internal Audit is well placed to play a key role in the response to the crisis, with good organisational knowledge and relevant set of skills, enabling the service to provide critical evaluation of changing controls, advice to Management on the changing control landscape and later review of practices to enable lessons to be learned, where improvements could be made.

Helen L Pugh
Head of Revenues and Financial Compliance

20th July 2020

Audit Committee 29th July 2020

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

Audit Committee 29th July 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
NONE	NONE	NONE	NONE	NONE	NONE	NONE

CONSULTATIONS

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

Signed: 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	Jul-20	Sep-20	Dec-20	Mar-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	Regeneration & 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 & 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 · Annual Improvement Report	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	
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 29th July 2020

Audit Wales 2020 Audit Plan – Carmarthenshire County Council	
Recommendations / key decisions required: To receive the Audit Wales Audit Plan for Carmarthenshire County Council for 2020/21.	
Reasons: The Auditor General is the auditor for Carmarthenshire County Council and this plan summarises the work to be carried out to discharge his statutory responsibilities under the Public Audit (Wales) Act 2004.	
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 Report Author: Audit Wales	

Audit Committee
29th July 2020

Audit Wales 2020 Audit Plan – Carmarthenshire County Council

1. BRIEF SUMMARY OF PURPOSE OF REPORT.

The Auditor General is the auditor for Carmarthenshire County Council and this plan summarises the work to be carried out to discharge his statutory responsibilities under the Public Audit (Wales) Act 2004.

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

2020 Audit Plan – Carmarthenshire County Council

Date issued: March 2020

Document reference: 1807A2020-21

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

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

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales, the Wales Audit Office and, where applicable, the auditor acting on behalf of the Auditor General 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.

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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Certification of grant claims and returns	9
Fee, audit team and timetable	9

2020 Audit Plan

Our duties

- 1 We complete work each year to meet the following duties.

Audit of financial statements

- 2 Each year we audit Carmarthenshire County Council's (the Council's) financial statements to make sure that public money is being properly accounted for.

Value for money

- 3 The Council has to put in place arrangements to get value for money for the resources it uses, and we have to be satisfied that it has done this.

Continuous improvement

- 4 The Council also has to put in place arrangements to make continuous improvements and we check if it has done this.

Sustainable development principle

- 5 Public bodies need to make sure that when making decisions they consider the impact they could have on people living in Wales now and in the future. We have to assess the extent to which they are doing this.

Audit of financial statements

- 6 It is my responsibility to issue a certificate and report on the financial statements which includes an opinion on their 'truth and fairness':
 - we plan to give an opinion on the Council's financial statements by 31 July 2020. This is well ahead of the statutory deadline of 15 September 2020.
 - assess whether the Council's Annual Governance Statement and Narrative Report were prepared in line with the CIPFA Code and relevant guidance. We also review whether they are consistent with the financial statements prepared by the Council and with our knowledge of the Council.
- 7 In addition to our responsibilities for auditing the Council's financial statements, we also have responsibility for:
 - certifying a return to the Welsh Government which provides information about Carmarthenshire County Council to support preparation of Whole of Government Accounts;
 - responding to questions and objections about the accounts from local electors (additional fees will be charged for this work, if necessary);

- auditing Dyfed Pension Fund accounts, a separate audit plan has been prepared for the audit of the pension fund;
 - the audit of Wales Pension Partnership, Swansea Bay City Deal Region joint committees and Burry Port Harbour Authority by 15 September 2020; and
 - the certification of a number of grant claims and returns by various dates agreed with the funding bodies.
- 8 There have been no limitations imposed on me in planning the scope of this audit.
- 9 Further information about our work is provided in our Statement of Responsibilities, which is available on our website (www.audit.wales).

Financial Statement Audit Risks

- 10 The following table sets out the significant risks I have identified for the audit of the Council.

Exhibit 1: financial statement audit risks

Audit risk	Proposed audit response
Significant risks	
The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33].	<p>My audit team will:</p> <ul style="list-style-type: none"> • test the appropriateness of journal entries and other adjustments made in preparing the financial statements; • review accounting estimates for biases; and • evaluate the rationale for any significant transactions outside the normal course of business.
Other areas of audit attention	
Introduction of IFRS 16 Leases in 2020-21 may pose implementation risks.	My team will undertake some early work to review preparedness for the introduction of IFRS 16 Leases.

Audit risk	Proposed audit response
<p>Financial Statements Production</p> <p>The timetable for producing the financial statements remains demanding. The Council have committed to provide a draft set of financial statements for audit by 31 May 2020 which is two weeks before the required deadline for the 2019-20 financial statements and in accordance with the statutory deadline that will be in place next year.</p> <p>Management will need to ensure that appropriate arrangements are in place for the preparation and oversight of robust financial statements that comply with International Financial Reporting Standards (IFRS) and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code'). In addition, the Finance Team will also need to ensure the provision of good quality working papers at the commencement of the audit, with both these and the statements having been subject to appropriate senior management review.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • provide support and advice wherever possible without compromising our independence; • provide an audit deliverables report to assist in the preparation of relevant working papers in support of the financial statements; • review closedown plans to assess that arrangements are in place to produce robust financial statements within the prescribed timetable; • agree a timetable for the audit and certification of the financial statements; and • assess whether the financial statements comply with the Code.
<p>City deal</p> <p>The Swansea Bay Region City Deal (the City Deal) joint committee agreement was signed by City and County of Swansea, Carmarthenshire, Neath Port Talbot and Pembrokeshire Councils in July 2018. This established the statutory joint committee to oversee delivery of 11 projects which are designed to increase connectivity and to improve physical and digital infrastructure in the region over the course of 15 years.</p> <p>The City Deal includes total funding of £1.3 billion, of which £241 million is provided by Government, £637 million provided by private funding and £396 million provided by public funding.</p>	<p>Liaising closely with the external auditors of the other local authorities, my audit team will monitor progress with the City Deal project and carry out early work as necessary to assess the accounting implications for the 2019-20 financial year.</p>

Audit risk	Proposed audit response
<p>Business cases have been approved for two projects and the Welsh Government has made their first annual contribution of £18 million to the joint committee. As such the joint committee will have to produce its first full set of financial statements in 2019-20.</p> <p>Carmarthenshire County Council is the host authority for the Swansea Bay City Deal region. Going forward there will be a number of accounting issues to address, including potential consolidation of the joint committee accounts into the Council's main financial statements.</p>	
<p>Llanelli Life Science and Well-being village</p> <p>The main Swansea Bay City Deal project being led by Carmarthenshire Council will be Llanelli's Life Science and Well-being Village. The total investment for this project is £200 million, with £40 million of Welsh Government Funding. Whilst the business case for this project is still being finalised, design work is ongoing and the Council is still working to bring on board an academic partner for the village. This significant project will have financial, governance and delivery risks.</p>	<p>My audit team will monitor progress with the Llanelli Life Science and Well-being village project and carry out early work, as necessary, to assess any accounting implications for the 2019-20 financial year.</p>
<p>McCloud judgement</p> <p>In 2015 the Government introduced reforms to public sector pensions, meaning most public sector workers were moved into new pension schemes in 2015.</p> <p>In December 2018, the Court of Appeal ruled that the 'transitional protection' offered to some members of the judges' and firefighters' schemes, as part of the reforms, amounted to unlawful discrimination. On 15 July 2019 the Government announced that they accept that the Court of Appeal judgment applies to all of the main public service pension schemes, including the Local Government Pension Schemes.</p> <p>The impact of the judgement is likely to have a significant impact on the IAS 19 disclosed liabilities.</p>	<p>My audit team will review the provision made in relation to the McCloud judgement and monitor progress on the development of proposals for a remedy to be applied in the LG pensions scheme.</p>

Audit risk	Proposed audit response
<p>Asset Valuation</p> <p>Our 2018-19 audit identified some significant deficiencies in relation to internal asset valuation processes. These issues were reported to those charged with governance in September 2019. We reached the initial conclusion that the work of the Council's internal valuer could not be relied upon. The audit team had to undertake significant additional work supported by both the Council's property and finance department in order to obtain assurance needed on the accuracy of the financial statements.</p> <p>Over the last few months the Property and Finance Departments have been reviewing internal processes in an attempt to rectify the issues identified in 2018-19. There is a risk that these processes are not yet embedded in asset valuation processes.</p>	<p>My audit team will undertake early audit work to review these revised procedures to ensure that valuations carried out in 2019-20 are robust and supported by appropriate evidence.</p>

Performance audit

- 11 In addition to our Audit of Financial Statements we also carry out a programme of performance audit work to discharge the Auditor General's duties set out on [page 4](#) in relation to value for money, continuous improvement and sustainable development. For 2020-21 this work is set out below.

Exhibit 2: Performance Audit Programme 2020-21

Performance audit programme	Brief description
Improvement audit and assessment work including improvement planning and reporting audit	Audit of discharge of duty to publish an improvement plan, and to publish an assessment of performance.
Well-being of Future Generations Act (Wales) 2015 (WFG Act) examination	A project common to all local councils that will focus on the theme of 'prevention'.
Assurance and Risk Assessment	Project to identify the level of audit assurance and/or where further audit work may be required in future years in relation to risks to the Council putting in place proper arrangements to secure value for money in the use of resources.
Financial Sustainability	A project common to all local councils that will assess financial sustainability in light of current and anticipated future challenges building on work undertaken during 2019-20.

Performance audit programme	Brief description
Review of waste management	To review the arrangements the Council has put in place to deliver its waste management service, including the governance arrangements for CWM Environmental

Certification of grant claims and returns

- 12 I have been requested to undertake certification work on the Council's grant claims and returns as set out in [Exhibit 3](#).

Exhibit 3: summary of grant claim certification work

Name of scheme	Period of scheme
Housing Benefit Subsidy	2019-20
Teacher's Pension Return	2019-20
NDR Non-Domestic Rates return	2019-20
Section 34/194 NHS (Wales) Act 2006 Money Transfers	2019-20
Pooled Budget Memorandum Account	2019-20

Fee, audit team and timetable

- 13 My fees and planned timescales for completion of the audit are based on the following assumptions:
- the financial statements are provided in accordance with the agreed timescales, to the quality expected and have been subject to a robust quality assurance review;
 - information provided to support the financial statements is in accordance with the agreed audit deliverables document;
 - appropriate accommodation and facilities are provided to enable my audit team to deliver the audit in an efficient manner;
 - all appropriate officials will be available during the audit;
 - you have all the necessary controls and checks in place to enable the Responsible Financial Officer to provide all the assurances that I require in the Letter of Representation addressed to me;
 - Internal Audit's planned programme of work is complete and management has responded to issues that may have affected the financial statements; and

14 If I receive questions or objections, I will discuss potential audit fees at the time.

Fee

15 Your estimated fee for 2020 is set out in [Exhibit 4](#). There have been some small changes to my fees rates for 2019 however my audit teams will continue to drive efficiency in their audits to ensure any resulting increases will not be passed to you.

Exhibit 4: audit fee

This table sets out the proposed audit fee for 2020, by area of audit work, alongside the actual audit fee for last year.

Audit area	Proposed fee (£) ¹	Actual fee last year (£)
Audit of accounts ²	183,946	188,488
Performance audit work ³	100,390	100,216
Grant certification work ⁴	25,000	47,357
Burry Port Harbour Annual Return	860	860
Total fee	310,196	336,921

16 Planning will be ongoing, and changes to my programme of audit work and therefore my fee, may be required if any key new risks emerge. I shall make no changes without first discussing them with the Director of Corporate Services.

17 Further information on my [fee scales and fee setting](#) can be found on our website.

Audit team

18 The main members of my team, together with their contact details, are summarised in [Exhibit 5](#).

¹ Notes: The fees shown in this document are exclusive of VAT, which is not charged to you

² Payable November 2019 to October 2020.

³ Payable April 2020 to March 2021

⁴ Payable as work is undertaken

⁵ Independent Examination of Burry Port Harbour Authority

Exhibit 5: my audit team

Name	Role	Contact number	E-mail address
Ann Marie Harkin	Engagement Director and Engagement Lead – Financial Audit	029 2032 0562	Ann-marie.harkin@audit.wales
Huw Rees	Engagement Lead – Performance Audit	029 20320599	Huw.rees@audit.wales
Jason Garcia	Audit Manager (Financial Audit)	07792 015416	Jason.Garcia@audit.wales
Kate Havard	Audit Lead (Financial Audit)	07813 449396	Kate.havard@audit.wales
Timothy Buckle	Audit Manager (Performance Audit)	07854 652640	Timothy.buckle@audit.wales
Alison Lewis	Audit Lead (Performance Audit)	07773 193217	Alison.lewis@audit.wales

Timetable

- 19 Financial accounts work will be undertaken over the period February to July 2020. The timing and exact scope of individual performance audit projects will be confirmed by the Audit Manager with responsibility for performance audit work in due course.
- 20 I can confirm that my team members are all independent of Carmarthenshire County Council and your officers. In addition, I am not aware of any potential conflicts of interest that I need to bring to your attention.

Wales Audit Office
24 Cathedral Road
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Swyddfa Archwilio Cymru
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Ffacs: 029 2032 0600
Ffôn testun: 029 2032 0660

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Gwefan: www.archwilio.cymru

Audit Committee 29th July 2020

Audit Wales 2020 Audit Plan Update Letters – Carmarthenshire County Council

Recommendations / key decisions required:

To receive the Audit Wales Audit Plan Update Letters for Carmarthenshire County Council for 2020/21.

Reasons:

The COVID-19 national emergency has had an unprecedented impact on the UK and will significantly impact on public bodies' preparation of the 2019-20 accounts and our audit work, both financial audit and performance audit.

Due to the UK Government's restrictions on movement and anticipated sickness absence levels, we understand that many public bodies will not be able to prepare accounts in line with the timetables set out.

In light of this, timetables for audited bodies' preparation of financial statements and other information and our audit work on it will need to be revised.

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

Report Author:

Audit Wales

Audit Committee
29th July 2020

Audit Wales 2020 Audit Plan Update Letters
– Carmarthenshire County Council

1. BRIEF SUMMARY OF PURPOSE OF REPORT.

The COVID-19 national emergency has had an unprecedented impact on the UK and will significantly impact on public bodies' preparation of the 2019-20 accounts and our audit work, both financial audit and performance audit.

Due to the UK Government's restrictions on movement and anticipated sickness absence levels, we understand that many public bodies will not be able to prepare accounts in line with the timetables set out.

In light of this, timetables for audited bodies' preparation of financial statements and other information and our audit work on it will need to be revised.

DETAILED REPORT ATTACHED?

YES

IMPLICATIONS

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

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www.audit.wales / www.archwilio.cymru

By e-mail

Reference:

Date issued: 2 June 2020

Dear Wendy and Chris

Carmarthenshire County Council Annual Audit Plan 2020 – Impact of COVID-19

The COVID-19 national emergency has had an unprecedented impact on the UK and will significantly impact on public bodies' preparation of the 2019-20 accounts and our audit work, both financial audit and performance audit.

Due to the UK Government's restrictions on movement and anticipated sickness absence levels, we understand that many public bodies will not be able to prepare accounts in line with the timetables set out.

Alongside the delivery of the Auditor General's statutory responsibilities, our priority is to ensure the health, safety and well-being of Audit Wales staff, their families and those of our partners elsewhere in the public service at this incredibly challenging time.

In response to the government advice and subsequent restrictions, we have ceased all on site work at audited bodies and our own offices have closed. Audit Wales staff are working from home and we will continue to make whatever progress we can whilst working and engaging with you remotely.

We commit to ensuring that our audit work will not have a detrimental impact on you at a time when public bodies are stretched and focused on dealing with the COVID-19 national emergency.

Amendments to the audit plan issued March 2020

In light of the above, the audit plan issued to you in March 2020 will need to be amended.

Audit of accounts

CIPFA/LASAAC Code of Accounting Practice

You will be aware that the CIPFA/LASAAC Code Board recently considered a proposed Code Update 2019-20 that would have disappplied large parts of the 2019-20 Code. After discussion, the CIPFA/LASAAC Code Board decided not to adopt the proposed Code Update. Therefore, the 2019-20 Code (the Code) will apply in full for this year. We understand that the authority is working towards preparing accounts in accordance with the full Code.

Audit risks

As a result of the COVID-19 national emergency, we need to update our assessment of audit risks. The schedule at **Annex A** replaces Exhibit 1 in the 2020 audit plan.

Potential audit issues

We are aware of concerns expressed by a number of local authorities about various aspects of the accounts.

Specific areas of concern raised with us include:

- Increased use of estimates. Due to the UK lockdown, authorities may be required to use more estimations for their accounts than in previous years. Our auditors are used to dealing with estimates and applying auditing standards in relation to estimates. We will discuss with you the key assumptions and evidence bases underlying estimates and will do this at an early stage.
- Asset valuations. Authorities have raised concerns about professional valuers applying disclaimers to their valuations and the potential impact on audit opinions. We will discuss these valuations and any necessary disclosures related to the valuations with you to ensure that the financial statements as a whole present a true and fair view.
- Pensions valuations. Due to the significant movements in investment markets, there are concerns over whether valuations provided by actuaries will be acceptable. Our audit process includes the use of a consulting actuary to provide audit assurance over the methodology and assumptions used by actuaries in providing data for IAS19 disclosures. We will review your actuary's IAS19 reports and our consulting actuary's assessment and discuss any concerns with you at an early stage.
- Removal of disclosure notes to simplify the accounts preparation process. We have been asked for our views on the potential for excluding disclosure notes where it is felt that the notes add limited value to the user of the accounts. Examples quoted include the remuneration notes and related party disclosures. The remuneration notes are required by statute and therefore cannot be removed from the accounts. For the other notes, we draw your attention to the Code's provisions related to materiality. The

Code sets out that omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. The nature or size of the item, or a combination of both, could be the determining factor. The Authority should consider the Code's provisions related to materiality when reviewing the disclosure notes and discuss any concerns with the audit team. Further detail on materiality can be found in the following paragraphs in the Code: 1.7.1, 2.1.2.14, 3.3.2.4, 3.4.2.7 and 3.9.2.17.

If you have any further areas of concern, please raise these with your audit team as soon as possible. Our auditors will seek to be pragmatic about the timely provision of information and evidence and sympathetic in our verbal and written communication and reporting on issues brought about by current events.

However, we must continue to undertake our audit work in accordance with auditing standards. We will seek to obtain sufficient audit evidence required to form unqualified audit opinions on the financial statements.

Audit timetable

In respect of our accounts work, we are aware that there may be difficulties in meeting the accounts preparation and publication dates set by the Accounts and Audit (Wales) Regulations 2014. Welsh Government have indicated that the Regulations will not be amended as they already provide sufficient flexibility to deal with any delays resulting from COVID-19.

The Regulations require the publication of a notice where the authority does not expect to achieve the dates specified by the Regulations. I have included further detail in [Annex B](#) and example notices in [Annex C](#) that the Authority may wish to consider using.

The requirements for the exercise of electors' rights under the Public Audit (Wales) Act 2004 continue to apply. This presents some practical difficulties while lockdown restrictions still apply e.g. public access to the authority's accounting records.

Therefore, the audit team will discuss with you an appropriate timetable for public inspection when we have a clear idea of the date on which the accounts will be available and when lockdown restrictions have been sufficiently relaxed.

The audit team will issue an audit notice in due course setting out the appointed date.

This may mean that there is a delay before we can issue our audit opinion.

We will need to discuss any amendments to the timetables for the production and audit of accounts with you but will continue to work as flexibly as we can. It will be vital that this engagement continues over the next few months, against what will doubtless be a fast-changing backdrop. My assessment is that our ability to meet revised audit completion dates will mainly depend on:

- the extent to which remote working and auditing is possible if the current lockdown restrictions are not lifted;

- the quality of the draft accounts and supporting working papers made available to us (driven in part by the extent of any pre-audit management reviews of that material);
- the continued availability of audited body staff to respond promptly to audit queries (given the potential pressures of sickness absences, carer and back-filling responsibilities etc);
- the continued availability of Audit Wales staff to conduct the audit work; and
- the ability of those charged with governance to convene (potentially on a virtual basis) to approve accounts.

We will of course be keeping a very close eye on all of these factors in the coming weeks and exploring options to overcome potential barriers to timely completion wherever possible, and will keep you and your team fully up to speed with any developments in this area.

Programme of performance work

Our annual audit plan also set out a programme of performance audit work at the Council. On 18 March 2020, the Auditor General wrote to you explaining that, following Government guidance, he had decided to suspend all on-site performance audit work with immediate effect. We will make as much progress as possible with these activities by working remotely, if appropriate. However, the COVID-19 outbreak will have an inevitable impact on the delivery of our programme of performance audit work. We are keeping this under on-going review and will communicate further information on any revisions to our programme, timings and performance audit outputs when more is known about the duration of the COVID-19 restrictions and the wider impact of the outbreak on the local government sector.

We will provide further updates as and when necessary. In the meantime, if you have any questions, please contact one of our audit team.

Yours sincerely

Ann Marie Harkin
Engagement Director

Annex A: Amended financial statement audit risks

The following exhibit replaces Exhibit 1 in the audit plan issued in March 2020.

Financial statement audit risks

This table summarises the key financial statement audit risks identified at the planning stage of the audit.

Audit risk	Proposed audit response
Significant risks	
The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33].	<p>My audit team will:</p> <ul style="list-style-type: none"> • test the appropriateness of journal entries and other adjustments made in preparing the financial statements; • review accounting estimates for biases; • evaluate the rationale for any significant transactions outside the normal course of business.
<p>Impact of COVID-19 – general risks</p> <p>The COVID-19 national emergency is likely to have a significant impact on the Authority and its accounts production process. Potential risks include:</p> <p>Subsequent events. The Authority is at present, unlikely to prepare its accounts in accordance with the timetable laid down by the Accounts and Audit (Wales) Regulations 2014. The shifting reporting deadlines increases the period (and therefore the related risks) for events occurring between the date of the financial statements and the date of the auditor's report. The consequences of the virus post 31 March 2020 will generally be non-adjusting post balance sheet events but some form of disclosure may be needed.</p>	<p>My audit team will undertake the following steps to ensure the risks arising from COVID-19 are adequately addressed:</p> <p>We will extend the period of review of subsequent events in order to identify any material subsequent events related to COVID-19, and whether these have been appropriately addressed or disclosed in the financial statements in accordance with the financial reporting framework.</p> <p>We will consider if there are areas that may require management to provide further evidence due to the fast-changing nature of this issue.</p> <p>We will ensure that appropriate changes been made to recognise any enhanced uncertainty in the calculation of accounting estimates</p>

<p>Use of estimates. The uncertainties and delays caused by the UK wide lockdown may result in actual data being unavailable and greater use of estimates in preparing the accounts</p>	<p>(including impairment calculations). We will also consider whether assumptions are appropriate in the circumstances and</p> <p>We will adopt a greater focus on the following areas:</p> <ul style="list-style-type: none"> ○ The financial statement closing process (in particular journal entries and other adjustments made). <p>The auditor's evaluation of the overall presentation of the financial statements, including consideration of whether adequate disclosures have been made.</p>
Audit risk	Proposed audit response
Other areas of audit attention	
<p>City deal</p> <p>The Swansea Bay Region City Deal (the City Deal) joint committee agreement was signed by City and County of Swansea, Carmarthenshire, Neath Port Talbot and Pembrokeshire Councils in July 2018. This established the statutory joint committee to oversee delivery of 11 projects which are designed to increase connectivity and to improve physical and digital infrastructure in the region over the course of 15 years.</p> <p>The City Deal includes total funding of £1.3 billion, of which £241 million is provided by Government, £637 million provided by private funding and £396 million provided by public funding. Business cases have been approved for two projects and the Welsh Government has made their first annual contribution of £18 million to the joint committee. As such the joint committee will have to produce its first full set of financial statements in 2019-20.</p> <p>Carmarthenshire County Council is the host authority for the Swansea Bay City</p>	<p>Liaising closely with the external auditors of the other local authorities, my audit team will monitor progress with the City Deal project and carry out early work as necessary to assess the accounting implications for the 2019-20 financial year.</p>

<p>Deal region. Going forward there will be a number of accounting issues to address, including potential consolidation of the joint committee accounts into the Council's main financial statements.</p>	
<p>Llanelli Life Science and Well-being village</p> <p>The main Swansea Bay City Deal project being led by Carmarthenshire Council will be Llanelli's Life Science and Well-being Village. The total investment for this project is £200 million, with £40 million of Welsh Government Funding. Whilst the business case for this project is still being finalised, design work is ongoing and the Council is still working to bring on board an academic partner for the village. This significant project will have financial, governance and delivery risks.</p>	<p>My audit team will monitor progress with the Llanelli Life Science and Well-being village project and carry out early work, as necessary, to assess any accounting implications for the 2019-20 financial year.</p>
<p>McCloud judgement</p> <p>In 2015 the Government introduced reforms to public sector pensions, meaning most public sector workers were moved into new pension schemes in 2015.</p> <p>In December 2018, the Court of Appeal ruled that the 'transitional protection' offered to some members of the judges' and firefighters' schemes, as part of the reforms, amounted to unlawful discrimination. On 15 July 2019 the Government announced that they accept that the Court of Appeal judgment applies to all of the main public service pension schemes, including the Local Government Pension Schemes.</p> <p>The impact of the judgement is likely to have a significant impact on the IAS 19 disclosed liabilities.</p>	<p>My audit team will review the provision made in relation to the McCloud judgement and monitor progress on the development of proposals for a remedy to be applied in the LG pensions scheme.</p>
<p>Asset Valuation</p> <p>Our 2018-19 audit identified some significant deficiencies in relation to</p>	<p>My audit team will undertake early audit work to review these revised</p>

internal asset valuation processes. These issues were reported to those charged with governance in September 2019. We reached the initial conclusion that the work of the Council's internal valuer could not be relied upon. The audit team had to undertake significant additional work supported by both the Council's property and finance department in order to obtain assurance needed on the accuracy of the financial statements.

Over the last few months the Property and Finance Departments have been reviewing internal processes in an attempt to rectify the issues identified in 2018-19. There is a risk that these processes are not yet embedded in asset valuation processes.

procedures to ensure that valuations carried out in 2019-20 are robust and supported by appropriate evidence.

Annex B: Requirements of the Accounts and Audit (Wales) Regulations 2014

You may be aware that in England, the Local Government Secretary Robert Jenrick MP announced that the deadline for preparation of local government accounts will be extended to 31 August 2020 and publication of audited accounts to 30 November.

Audit Wales discussed this development with Welsh Government officials to establish if a similar announcement will be made for Wales. The Welsh Government position (as communicated to local government bodies) is currently as set out below.

Statutory requirements

The statutory position for local government bodies in Wales is set out in the Accounts and Audit (Wales) Regulations 2014 (as amended).

Welsh Government interpretation

Regulation 10 sets out the expected timetable for the preparation, approval and audit of the annual accounts. Due to the impact of COVID-19, Welsh Government recognises that it may not be possible for all local government bodies to meet this timetable. Regulation 10(4) provides local government bodies with sufficient flexibility to deal with delays caused by COVID-19. Its guidance on the Regulations, notes that:

“Where, extraordinarily, certification cannot happen before 15 June, action needs to be taken to publish a statement that clearly sets out the reasons why this has not happened before that date and agree a course of action to ensure this is done as soon as is practicable after 15 June.”

The guidance also notes that the accounts should be published by 15 September even if the accounts have not been approved.

On the basis that sufficient flexibility is built into the current Regulations, Welsh Government does not consider it necessary to amend the Regulations.

Audit Wales view and impact on the audit process

Audit Wales concurs with the Welsh Government assessment that sufficient flexibility already exists in the Regulations.

In the event that the accounts are not prepared by the statutory timetable, audited bodies should notify their audit team and publish a notice setting out there is a delay and the reason for the delay. Example wording is provided in [Annex C](#).

Annex C: Accounts and Audit (Wales) Regulations 2014 – suggested notice

Audit notice where RFO unable to certify the accounts either due to illness or because the accounts have not been prepared

Regulation 10(1) of the Accounts and Audit (Wales) Regulations 2014 (as amended) requires that Responsible Financial Officer of Carmarthenshire County Council sign and date the statement of accounts, and certify that it presents a true and fair view of the financial position of the body at the end of the year to which it relates and of that body's income and expenditure for that year. The Regulations required that this be completed by 15 June 2020.

The Responsible Financial Officer has not signed and certified the accounts for the year ended 31 March 2020. Due to the COVID-19 outbreak, the authority has diverted resources to support key frontline services and the statement of accounts has not yet been prepared. The statement of accounts will be prepared and the Responsible Financial Officer will sign and certify the statement of accounts when the immediate pressures of the COVID-19 outbreak have subsided.

Audit notice where RFO has certified the accounts but the audited body is not meeting and therefore unable to approve the accounts

Regulation 10(1) of the Accounts and Audit (Wales) Regulations 2014 (as amended) requires that Responsible Financial Officer of Carmarthenshire County Council sign and date the statement of accounts, and certify that it presents a true and fair view of the financial position of the body at the end of the year to which it relates and of that body's income and expenditure for that year. The Regulations required that this be completed by 15 June 2020.

The Responsible Financial Officer signed and certified the accounts on [date].

Regulation 10(2) of the Accounts and Audit (Wales) Regulations 2014 (as amended) requires that following the certification by the Responsible Financial Officer referred to above, Carmarthenshire County Council approve and publish the audited statement of accounts. The Regulations required that this be completed by 15 September 2020.

[Due to the COVID-19 outbreak, the statement of accounts has not yet been prepared.]

OR

[Due to the COVID-19 outbreak, [name of body] has not met to approve the statement of accounts.]

OR

[Due to the COVID-19 outbreak, the audit of the 2019-20 statement of accounts has not yet been completed and no audit opinion has been provided. The statement of accounts that is published is the unaudited statement of accounts.]

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Wendy Walters
Chief Executive
Carmarthenshire County Council

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Reference: HR20-05

Date issued: 5 June 2020

Dear Wendy

Performance Audit work programme

I hope this finds you in good health personally and that you are keeping yourself and family safe and well.

The challenges at hand are extraordinary, and I appreciate that the load you are carrying is significant at this time. Firstly, I would like to thank you and your staff, both for the incredible work that you are doing, and for the professional and sympathetic way that the limited engagement we have had over the last couple of months has been handled.

When the Auditor General wrote to you on 30 April, he set out our intention to re-shape previously planned programmes of work and to focus on the impact of the current crisis in terms of the resilience and the future shape of public services in Wales. I'm now writing to put more flesh on those bones.

In terms of the series of financial sustainability assessments conducted in the last audit year, all are now issued with the vast majority finalised. For the sake of completeness, we intend to finalise those few remaining in terms of factual accuracy, but I appreciate they are very much rooted in a point in time that is now consigned to history. Consequently, we have decided not to publish an all Wales summary position as this would no longer be relevant and would prove a distraction to current challenges. Instead, we intend to examine the financial impact of the pandemic on council budgets and their financial prospects, initially during the summer. This will follow the Welsh Government's supplementary budget in May and be at a point in time when first quarter outturn is known. This will enable us to produce an all-Wales view of the outlook for local government finance in Wales that also explores consequences and priorities for action. Our staff are in active discussions with the WLGA and the Society of Welsh Treasurers on this.

I'm sure that we are all collectively concerned that we focus on the future. With this in mind, we intend to deploy staff to support and challenge recovery planning in real-time. Collectively we need assurance that recovery takes due account of the multitude of risks, but also that it grasps the opportunities for a different and

sustainable future. We have taken the decision to replace the 'prevention' themed work that we set out in audit plans with this work on recovery planning.

We appreciate things are fast moving, which is why we are keen to identify, share and learn quickly across public services through the COVID-19 learning project that Adrian described in his letter. This is not traditional work for a public audit institution, but we believe we can add considerable value and we very much see it as complementary to our work on the 'big-ticket' areas, such as financial impact and recovery planning, that I've described.

Lastly, I know that there will be local risk-based audit projects either planned or in progress. I appreciate that, given the significance and magnitude of the areas of focus set out above, there may be little space in our audit programme to accommodate them. Our local audit team will discuss any potential areas of work that there may be benefit in retaining.

Thank you for your willingness to engage constructively. Our local audit team will be in touch to discuss the programme of work further, and please feel free to raise any issues or concerns with them.

Best wishes and thanks to all at Carmarthenshire County Council.

Yours sincerely



Huw Rees

Director, Performance Audit

Cc Ann-Marie Harkin , Engagement Director

Audit Committee 29th July 2020

Audit Wales 2020 Audit Plan – Dyfed Pension Fund	
Recommendations / key decisions required: To receive the Audit Wales Audit Plan for Dyfed Pension Fund for 2020/21.	
Reasons: The Auditor General is the auditor for the Dyfed Pension Fund and this plan summarises the work to be carried out to discharge his statutory responsibilities under the Public Audit (Wales) Act 2004.	
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 Report Author: Audit Wales	

Audit Committee
29th July 2020

Audit Wales 2020 Audit Plan – Dyfed Pension Fund

1. BRIEF SUMMARY OF PURPOSE OF REPORT.

The Auditor General is the auditor for the Dyfed Pension Fund and this plan summarises the work to be carried out to discharge his statutory responsibilities under the Public Audit (Wales) Act 2004.

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

2020 Audit Plan – Dyfed Pension Fund

Audit year: 2019-20

Date issued: February 2020

Document reference: 1744A2020-21

This document has been prepared as part of work performed/to be performed in accordance with statutory functions. Further information on this is provided in Appendix 1.

No responsibility is taken by the Auditor General, the staff of the Wales Audit Office or auditors acting on behalf of the Auditor General in relation to any member, director, officer or other employee in their individual capacity, or to any third party.

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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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2020 Audit Plan

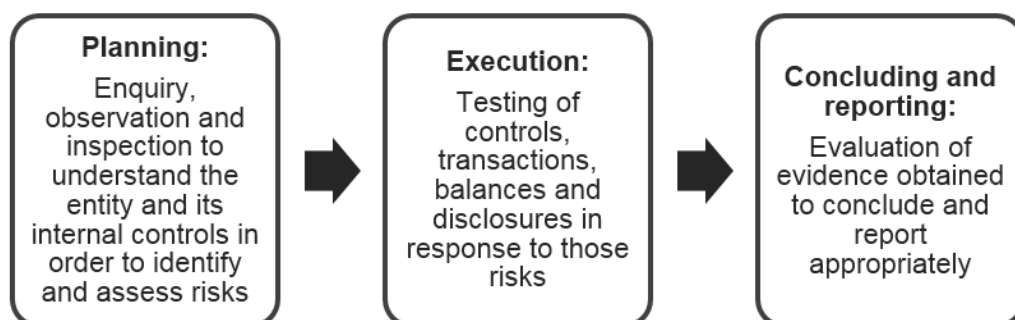
Summary

- 1 As your external auditor, my objective is to carry out an audit which discharges my statutory duties as Auditor General and fulfils my obligations under the Code of Audit Practice to examine and certify whether Dyfed Pension Fund's (the Pension Fund) accounting statements are 'true and fair'.
- 2 The purpose of this plan is to set out my proposed work, when it will be undertaken, how much it will cost and who will undertake it.
- 3 There have been no limitations imposed on me in planning the scope of this audit.
- 4 My responsibilities, along with those of management and those charged with governance, are set out in [Appendix 1](#).

Audit of Pension Fund accounts

- 5 The audit work I undertake to fulfil my responsibilities responds to my assessment of risks. This understanding allows us to develop an audit approach which focuses on addressing specific risks whilst providing assurance for the Pension Fund accounts as a whole. My audit approach consists of three phases as set out in [Exhibit 1](#).

[Exhibit 1: my audit approach](#)



- 6 The risks of material misstatement which I consider to be significant and which therefore require special audit consideration, are set out in **Exhibit 2** along with the work I intend to undertake to address them. Also included are other key areas of audit attention my team will be focusing on.

Exhibit 2: financial audit risks

Financial audit risks	Proposed audit response
Significant risks	
Management Override The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33].	My audit team will: <ul style="list-style-type: none"> • test the appropriateness of journal entries and other adjustments made in preparing the financial statements; • review accounting estimates for biases; and • evaluate the rationale for any significant transactions outside the normal course of business.
Other areas of audit attention	
Triennial Valuation The Pension Fund is currently finalising the valuation as at 31 March 2019 with the Actuary. There is a risk that the outcome of the valuation is not adequately disclosed in the financial statements.	My audit team will review the triennial valuation report and ensure that the outcomes have been adequately disclosed in the financial statements.
McCloud Judgement In 2015 the Government introduced reforms to public sector pensions, meaning most public sector workers were moved into new pension schemes. In December 2018, the Court of Appeal ruled that the 'transitional protection' offered to some members of the judges' and firefighters' schemes, as part of the reforms, amounted to unlawful discrimination. On 15 July 2019 the Government announced that they accept that the judgment applies to all of the main public service pension schemes. The impact of the judgement is likely to have a significant impact on the IAS19 liabilities and there is a risk that this is not adequately disclosed in the financial statements.	My audit team will: <ul style="list-style-type: none"> • review the provision made by the actuary in relation to the McCloud judgement and monitor progress on the development of proposals for a remedy to be applied in the Local Government Pension Scheme; and • ensure that this is adequately disclosed in the financial statements.

Financial audit risks	Proposed audit response
<p>Guaranteed Minimum Pension (GMP)</p> <p>GMPs were the minimum pensions employers had to provide when they opted their employees out of the State Earnings Related Pensions Scheme (SERPS) between 1978 and 1997, usually through a defined benefit scheme.</p> <p>GMPs were calculated by reference to state pension age which used to be 60 for women and 65 for men. That made pension payments unequal and contravened the 1990 Barbour judgement.</p> <p>The 2018 Lloyds Banking Group judgement has provided clarification on whether and how GMPs should be equalised and creates an obligation to equalise GMPs dating back to 1990.</p> <p>No allowances have previously been made for GMPs in pension liability calculations as HM Treasury made an announcement in 2019 that public service schemes already had a method in place to achieve equalisation. However, further guidance is anticipated in the coming months, including relating to the calculation of indexation/pension increases on GMPs.</p> <p>There is a risk that appropriate allowances are not made in 2019-20 pension liability calculations for the impact of GMPs.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • review any provision made by the actuary relating to the outstanding GMP issues and monitor progress on the development of guidance and clarification of the potential impact; and • ensure that this is adequately disclosed in the financial statements.

- 7 I do not seek to obtain absolute assurance that the Pension Fund accounting statements are true and fair but adopt a concept of materiality. My aim is to identify material misstatements, that is, those that might result in a reader of the accounts being misled. The levels at which I judge such misstatements to be material will be reported to the Pension Committee and the Audit Committee as those charged with governance for Carmarthenshire County Council (the Council), as the administering authority of the Pension Fund as a whole, prior to completion of the audit.
- 8 For reporting purposes, I will treat any misstatements below a trivial level (set at 5% of materiality) as not requiring consideration by those charged with governance and therefore I will not report them.

- 9 My fees and planned timescales for completion of the audit are based on the following assumptions:
- the financial statements are provided in accordance with the agreed timescales, to the quality expected and have been subject to a robust quality assurance review;
 - information provided to support the financial statements is in accordance with the agreed audit deliverables document¹;
 - appropriate accommodation and facilities are provided to enable my audit team to deliver my audit in an efficient manner;
 - all appropriate officials will be available during the audit;
 - you have all the necessary controls and checks in place to enable the Responsible Financial Officer to provide all the assurances that I require in the Letter of Representation addressed to me;
 - Internal Audit's planned programme of work is complete, and management has responded to issues that may have affected the financial statements; and
 - controls assurance reports are received from fund managers in accordance with agreed timescales and action has been taken to address any controls weaknesses.

Statutory audit functions

- 10 In addition to the audit of the accounts, I have statutory responsibilities to receive questions and objections to the accounts from local electors. These responsibilities are set out in the Public Audit (Wales) Act 2004:
- Section 30 Inspection of documents and questions at audit; and
 - Section 31 Right to make objections at audit.
- 11 Audit fees will be chargeable for work undertaken in dealing with electors' questions and objections. Because audit work will depend upon the number and nature of any questions and objections, it is not possible to estimate an audit fee for this work.
- 12 If I do receive questions or objections, I will discuss potential audit fees at the time.

¹ The agreed audit deliverables document sets out the expected working paper requirements to support the financial statements and include timescales and responsibilities.

Fee, audit team and timetable

Fee

- 13 Your estimated fee for 2020 is set out in [Exhibit 3](#). There have been some changes to my fee rate structure for 2020, however my audit teams will continue to drive efficiency in their audits to ensure any resulting increases will not be passed onto you.

Exhibit 3: audit fee

	Proposed fee for 2020 (£) ²	Actual fee for 2019 (£)
Audit of pension fund accounts	£28,247	£28,294

- 14 The fee for the financial audit is driven by the skill mix required to deliver the work, together with the daily charge rate for each grade of staff member. We estimate that a total of 60 days will be required to complete the audit.
- 15 Planning will be ongoing, and changes to my programme of audit work and therefore my fee, may be required if any key new risks emerge. I shall make no changes without first discussing them with the Director of Corporate Services.
- 16 Further information on my [fee scales and fee setting](#) can be found on our website.

Audit team

- 17 The main members of my team, together with their contact details, are summarised in [Exhibit 4](#).

Exhibit 4: my audit team

Name	Role	Contact number	E-mail address
Ann-Marie Harkin	Engagement Lead	02920 320562	ann-marie.harkin@audit.wales
Jason Garcia	Audit Manager	07854 022649	jason.garcia@audit.wales
Kate Havard	Audit Lead	07813 449396	kate.havard@audit.wales

- 18 I can confirm that my team members are all independent of the Pension Fund and its officers. In addition, I am not aware of any potential conflicts of interest that I need to bring to your attention.

² The fees shown in this document are exclusive of VAT, which is not charged to you.

Staff secondment

- 19 A trainee accountant employed by the Wales Audit Office was seconded to the Council for the period November 2018 to June 2019. This secondment is part of an initiative funded by the Welsh Consolidated Fund designed to allow trainee accountants to broaden their skills and to gain experience of working across different parts of the Welsh public sector.
- 20 In order to safeguard against any potential threats to auditor independence and objectivity, the following restrictions applied in line with the FRC's Revised Ethical Standard 2019:
- the secondee did not undertake any line management or management responsibilities; and
 - the secondment was for a maximum of six-months

Timetable

- 21 I will provide reports, or other outputs as agreed, to the Pension Committee and the Council's Audit Committee, covering the areas of work identified in this document. My key milestones are set out in [Exhibit 5](#).

Exhibit 5: timetable

Planned output	Work undertaken	Report finalised
2020 Audit Plan	January – February 2020	February 2020
Financial accounts work: <ul style="list-style-type: none">• Audit of Financial Statements Report• Opinion on Financial Statements	March – July 2020	September 2020
2021 Audit Plan	November – December 2020	February 2021

Future developments to my audit work

- 22 Details of other future developments including the Wales Audit Office's Good Practice Exchange (GPX) seminars and my planned work on the readiness of the Welsh public sector for Brexit are set out in [Appendix 2](#).

Appendix 1

Respective responsibilities

The Council is the administering authority of the Pension Fund. This Audit Plan has been prepared to meet the requirements of auditing standards and proper audit practices. It provides the Council with an outline of the financial audit work required for the Pension Fund accounts.

As amended by the Public Audit (Wales) Act 2013, the Public Audit (Wales) Act 2004 sets out my powers and duties to undertake your financial audit. It is my responsibility to issue a certificate and report on the Pension Fund accounting statements which includes an opinion on their 'truth and fairness', providing assurance that they:

- are free from material misstatement, whether caused by fraud or error;
- comply with the statutory and other applicable requirements; and
- comply with all relevant requirements for accounting presentation and disclosure.

My audit work does not relieve management and those charged with governance of their responsibilities which include:

- the preparation of the financial statements and Annual Report in accordance with applicable accounting standards and guidance;
- the keeping of proper accounting records;
- ensuring the regularity of financial transactions; and
- securing value for money in the use of resources.

Management agrees to provide me with:

- access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- additional information that I may request from management for the purpose of the audit; and
- unrestricted access to persons within the authority from whom I determine it necessary to obtain audit evidence.

Management will need to provide me with written representations to confirm:

- that it has fulfilled its responsibilities for the preparation of the financial statements;
- that all transactions have been recorded and are reflected in the financial statements;
- the completeness of the information provided to me for the purposes of the audit; and
- to support other audit evidence relevant to the financial statements or specific assertions in the financial statements if I deem it necessary or if required by ISAs.

Appendix 2

Other future developments

A. Good Practice Exchange

The Wales Audit Office's GPX helps public services improve by sharing knowledge and practices that work. Events are held where knowledge can be exchanged face to face and resources shared online. The main areas of work are regarding financial management, public-sector staff and governance. Further information, including details of forthcoming GPX events and outputs from past seminars can be found on the [GPX section of the Wales Audit Office website](#).

B. Brexit: preparations for the United Kingdom's departure from membership of the European Union

The Auditor General has reported on preparations in Wales for a 'no-deal Brexit', publishing a report in February 2019 and a follow-up letter to the External Affairs and Additional Legislation Committee in September 2019. At the time of reporting, there was a possibility that the UK would leave the EU without a Withdrawal Agreement in place (the no-deal scenario), which would potentially have had significant consequences for Welsh public services and the wider economy and society.

Following the general election, the United Kingdom left membership of the European Union on 31 January 2020 under the terms of the Withdrawal Agreement concluded between the EU and UK in October 2019. The next phase will involve negotiating and agreeing the future relationship between the UK and EU.

There will be a transition period to 31 December 2020, during which the UK will continue to participate in EU programmes and follow EU regulations. The Withdrawal Agreement provides for the transition period to be extended by up to two years, with the agreement of the UK and EU. The deadline for agreeing to extend the transition period is 30 June 2020. The UK Government has said that it does not intend to extend the transition period.

Despite there being an agreement on the terms of withdrawal, there remain some significant uncertainties:

- Given the very tight timetable for reaching agreement, there is a possibility of the UK leaving the transition period at the end of 2020 without an agreement about the future relationship in place. In this scenario many of the issues previously identified around a 'no-deal Brexit', such as disruption to supply chains, would arise again.
- The UK Government's position of seeking a future relationship based on a free trade agreement (rather than a closer relationship aligned to the single market) has implications that are not yet clear but which create opportunities and risks for Wales' economy, society and environment.

- There are also significant unresolved constitutional questions around how powers in areas where devolved governments were directly applying EU law, such as regional development and agriculture, will be exercised across the UK after the transition period.

In light of these uncertainties, the Auditor General will continue to keep a watching brief over developments and will make a decision later in the year as to what, if any, further work is required to look at public bodies' preparations for either a new relationship or a no-trade deal exit from the transition period.

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Audit Committee 29th July 2020

Audit Wales 2020 Audit Plan Update Letters – Dyfed Pension Fund

Recommendations / key decisions required:

To receive the Audit Wales Audit Plan Update Letter for Dyfed Pension Fund for 2020/21.

Reasons:

The COVID-19 national emergency has had an unprecedented impact on the UK and will significantly impact on public bodies' preparation of the 2019-20 accounts and our audit work, both financial audit and performance audit.

Due to the UK Government's restrictions on movement and anticipated sickness absence levels, we understand that many public bodies will not be able to prepare accounts in line with the timetables set out.

In light of this, timetables for audited bodies' preparation of financial statements and other information and our audit work on it will need to be revised.

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

Report Author:

Audit Wales

Audit Committee
29th July 2020

Audit Wales 2020 Audit Plan Update Letters
– Dyfed Pension Fund

1. BRIEF SUMMARY OF PURPOSE OF REPORT.

The COVID-19 national emergency has had an unprecedented impact on the UK and will significantly impact on public bodies' preparation of the 2019-20 accounts and our audit work, both financial audit and performance audit.

Due to the UK Government's restrictions on movement and anticipated sickness absence levels, we understand that many public bodies will not be able to prepare accounts in line with the timetables set out.

In light of this, timetables for audited bodies' preparation of financial statements and other information and our audit work on it will need to be revised.

DETAILED REPORT ATTACHED?

YES

IMPLICATIONS

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

By email

Reference: DPF/JG

Date issued: 11 May 2020

Dear Wendy

Dyfed Pension Fund - Annual Audit Plan 2020 – Impact of COVID-19

The COVID-19 national emergency has had an unprecedented impact on the UK and will significantly impact on public bodies' preparation of the 2019-20 accounts and our audit work, both financial audit and performance audit.

Due to the UK Government's restrictions on movement and anticipated sickness absence levels, we understand that many public bodies will not be able to prepare accounts in line with the timetables set out.

Alongside the delivery of the Auditor General's statutory responsibilities, our priority is to ensure the health, safety and well-being of Audit Wales staff, their families and those of our partners elsewhere in the public service at this incredibly challenging time.

In response to the government advice and subsequent restrictions, we have ceased all our on site work at audited bodies and temporarily closed our own offices. Audit Wales staff are working from home and we will continue to make whatever progress we can whilst working and engaging with you remotely.

In light of this, timetables for audited bodies' preparation of financial statements and other information and our audit work on it will need to be revised.

We commit to ensuring that our audit work will not have a detrimental impact on you at a time when public bodies are stretched and focused on more important matters. Consequently, we need to update our audit plan issued to you on 13th March 2020.

Amendments to the audit plan issued February 2020

Timetable

We will continue to undertake such remote work as is possible during the COVID-19 national emergency. However, it is likely that in the circumstances, we will be unable to complete our audit work in line with the timetable set out in the 2020 Audit Plan.

We will need to agree an amended timetable for the audit with you. However, as set out above, we do not expect to be in a position to agree a timetable with you until the COVID-19 national emergency has passed.

Therefore, we will report on a timetable for our audit work at a later date.

Audit risks

As a result of the COVID-19 national emergency, we need to update our assessment of audit risks. The following schedule replaces **Exhibit 2** in the 2020 audit plan.

Financial audit risks	Proposed audit response
Significant risks	
The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33].	<p>My audit team will:</p> <ul style="list-style-type: none">• test the appropriateness of journal entries and other adjustments made in preparing the financial statements;• review accounting estimates for biases;• evaluate the rationale for any significant transactions outside the normal course of business;
<p>Impact of COVID-19</p> <p>The COVID-19 national emergency will see a significant delay in the preparation and publication of accounts. There is a risk that the quality of the accounts and supporting working papers eg around estimates and valuations, may be compromised leading to an increased incidence of errors. Quality monitoring arrangements may be compromised due to timing issues and/or resource availability.</p>	<p>My audit team will discuss your closedown process and quality monitoring arrangements with the accounts preparation team and make arrangements to monitor the accounts preparation process. The audit team will help to identify areas where there may be gaps in arrangements.</p>

Other areas of audit attention	
<p>Triennial Valuation</p> <p>The Pension Fund is currently finalising the valuation as at 31 March 2019 with the Actuary.</p> <p>There is a risk that the outcome of the valuation is not adequately disclosed in the financial statements.</p>	<p>My audit team will review the triennial valuation report and ensure that the outcomes have been adequately disclosed in the financial statements.</p>
<p>McCloud Judgement</p> <p>In 2015 the Government introduced reforms to public sector pensions, meaning most public sector workers were moved into new pension schemes.</p> <p>In December 2018, the Court of Appeal ruled that the ‘transitional protection’ offered to some members of the judges’ and firefighters’ schemes, as part of the reforms, amounted to unlawful discrimination. On 15 July 2019 the Government announced that they accept that the judgement applies to all of the main public service pension schemes.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • review how the Pension Fund has assessed the impact of the McCloud judgement on the financial statements; and • ensure that where appropriate, this is adequately disclosed in the financial statements.
<p>Guaranteed Minimum Pension (GMP)</p> <p>GMPs were the minimum pensions employers had to provide when they opted their employees out of the State Earnings Related Pensions Scheme (SERPS) between 1978 and 1997, usually through a defined benefit scheme.</p> <p>GMPs were calculated by reference to state pension age which used to be 60 for women and 65 for men. That made pension payments unequal and contravened the 1990 Barbour judgement.</p> <p>The 2018 Lloyds Banking Group judgement has provided clarification on whether and how GMPs should be equalised and creates an obligation to equalise GMPs dating back to 1990.</p> <p>No allowances have previously been made for GMPs in pension liability calculations as HM Treasury made an announcement in 2019 that public service schemes already had a method in place to achieve equalisation. However, further guidance is</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • review any provision made by the actuary relating to the outstanding GMP issues and monitor progress on the development of guidance and clarification of the potential impact; and • ensure that this is adequately disclosed in the financial statements.

anticipated in the coming months, including relating to the calculation of indexation/pension increases on GMPs. There is a risk that appropriate allowances are not made in 2019-20 pension liability calculations for the impact of GMPs.	
---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--

We will provide further updates as and when necessary. In the meantime, if you have any questions, please contact one of our audit team.

Yours sincerely

Ann Marie Harkin
Engagement Director

Audit Committee 29th July 2020

Statement of Accounts 2019/20		
Recommendations / key decisions required:		
<div>1) To receive the Carmarthenshire County Council Statement of Accounts 2019/20</div> <div>2) To retrospectively approve the movements to and from the Earmarked Reserves. In particular the transfers to:<div>Corporate Retirement Fund</div><div>Major Development Fund</div><div>MEP Capital Funding</div><div>City Deal</div><div>Resetting Services (Post COVID-19)</div></div> <div>3) To retrospectively approve the creation of the Resetting Services (Post COVID-19) Reserve</div>		
Reasons: <div>To comply with the Accounts and Audit (Wales) Regulations 2014 (as amended 2018).</div>		
Relevant scrutiny committee to be consulted NA		
Exec. Board Decision Required		NO
Council Decision Required		NO
EXECUTIVE BOARD MEMBER PORTFOLIO HOLDER:- Cllr. David Jenkins		
Directorate: Corporate Services	Designations:	Tel: 01267 224886
Name of Head of Service: Randal Hemingway	Head of Financial Services	Email addresses: RHemingway@carmarthenshire.gov.uk
Report Author: Randal Hemingway		

EXECUTIVE SUMMARY
Audit Committee
29th July 2020

Statement of Accounts 2019/20

The Statement of Accounts for 2019/20 brings together all the financial transactions of the Authority for the year, and also details the Authority's assets and liabilities as at the 31st March 2020.

The Authority has maintained the overall Council Fund net expenditure within budget during 2019/20, and you will note the following results are reported in the Movement in Reserves Statement:

Council Fund (Generally available for new expenditure), transfer to balances £844k.
Balances held by schools under local management schemes, transfer from balances £1.608m.
Housing Revenue Account, increase in balance £6.938m.

Whilst a number of service areas across the authority experienced demand led pressures during the year, these have been offset by under-spends in other service areas; specifically on capital financing costs and a higher than estimated collection level on Council Tax.

The resultant outturn has meant that the Authority transferred £844k to its general reserves.

In the preparation of these accounts there have been movements to and from earmarked reserves. In particular transfers to:

The Corporate Retirement Fund: £665k 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.

Major Development Fund: Transfer of £2.964m to support major developments in the future.

MEP Capital Funding: £2.728m set aside in the 2019/20 budget to meet the cost of prudential borrowing to finance the Modernising Education Provision programme. This will now be utilised in 2020/21.

The City Deal Reserve: Transfer £1.5m to meet potential future expenditure/liabilities in respect of the development of Carmarthenshire County Council City deal projects.

Resetting Services (Post COVID-19): £2m to deal with any one-off costs of resetting or realigning services during the recovery phase of the COVID-19 pandemic.

Members are therefore asked to retrospectively approve these movements and approve the creation of the Resetting Services (Post COVID-19) Reserve.

DETAILED REPORT ATTACHED?

YES

IMPLICATIONS

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

Signed: Randal Hemingway

Head of Financial Services

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

1. Legal

Compliance with the Accounts and Audit 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 and a transfer of £6.938m to the Housing Revenue Account balance.

At the balance sheet date the Council Fund General Balances stood at £11.221m, the Housing Revenue Account £21.252m and the balances held by schools under LMS (£2.001m).

The reserves created and included within the Statement of Accounts have been set up to meet future liabilities.

CONSULTATIONS

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

Signed: **Randal Hemingway**

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**

YES

Include any observations here

**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

Published Subject to Audit

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)
Departmental Expenditure	559,850	(237,435)	76,334	398,748	580,740	(258,772)	76,334	398,301	(447)
Net Interest & Capital									
Accounting Adjustments				(30,821)				(32,427)	(1,606)
Pension Reserve Adjustment				(25,995)				(25,995)	0
Accumulated Leave				(596)				(596)	0
Levies and Contributions:									
Brecon Beacon Nat Parks				138				138	0
Fire Authority				9,838				9,838	0
Net Expenditure				351,313				349,260	(2,054)
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
Net Budget				351,313				352,510	1,196
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.

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 31st 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 23rd 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 31st 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:

	£'m	
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.

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 35 to 121 gives a true and fair view of the financial position of Carmarthenshire County Council at 31st March 2020 and its income and expenditure for the year ended 31st March 2020.

Chris Moore FCCA
Director of Corporate Services

Dated: 29 June 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 1st April 2012 the Independent Remuneration Panel for Wales, which is the body formed to determine Members' payments (now called “salaries”), used its new powers to actually prescribe the amounts to be paid as opposed to prescribing maximum payments which could be made. The purpose of this prescription was to make payments more consistent across Wales.
6. b) *Management Structures*.
7. *Names & Addresses of Councillors*.
8. *Bilingual Composition of Executive Board and Committees*.

The Constitution is a living document and individual amendments are reported to Council for decision on an as and when required basis, following consideration by the Constitutional Review Working Group. 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

- 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 24th 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 1st 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 29th 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 30th 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 1st April 2013 and introduced a requirement for an external assessment of all internal audit services, which must be conducted at least once every five years by a qualified, independent reviewer from outside of the organisation.

The two possible approaches to external assessments outlined in the Standards included either a full external assessment or an internal self-assessment which is validated by an external reviewer. Carmarthenshire County Council elected to adopt the self-assessment approach with an external validation undertaken by a suitable qualified and experienced external assessor with the required level of knowledge of the application of the PSIAS, as agreed with the Welsh Chief Auditors' Group. The purpose of the external assessment is to help improve delivery of the audit service to an organisation. The assessment is designed to be a supportive process that identifies opportunities for development which ultimately help to enhance the value of the audit function to the Authority. The self-assessment and the external assessment concluded that the Internal Audit Service is generally conforming.

In addition to the planned work, the Internal Audit Unit undertakes fraud investigation and proactive fraud detection work.

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 Councils 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 1st 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 28th February 2020, physical meetings continued until the 16th March by which time two cases had been confirmed in Carmarthenshire. On the 18th March a decision was taken to suspend most democratic meetings in order to protect members and staff and on the 19th 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 23rd March, all remaining democratic meetings were suspended.

Alongside these developments, on the 12th 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 1st 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

29th June 2020

Leader of Council

Chief Executive

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

SOURCE	ISSUES	RESPONSIBLE OFFICER	ACTIONS/PROGRESS	STATUS
AGS 2013/14 No. 5b	Review Financial Procedure Rules and ensure Budget Managers are fully aware of their responsibilities.	Head of Audit, Risk & Procurement	Financial Procedure Rules to be updated approved by Audit Committee.	CMT - March 2020
AGS 2014/15 No. 6	Responding to the new 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 is working closely with ICT Services and other relevant services and departments to assess requirements and prepare for the introduction of the new regulations which take effect in May 2018. Training and support is being provided to staff as required. (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)	Due date - July 2018 Dashboard monitored quarterly at CMT and PEB. Annual Report to Audit Committee Dec 2018

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

SOURCE	ISSUES	RESPONSIBLE OFFICER	ACTIONS/PROGRESS		STATUS
AGS 2016/17 No.6	Review and monitor employment safeguarding processes in relation to: <ul style="list-style-type: none"> • HR Record keeping in relation to safeguarding complaints and investigations relating to staff; • Provision of references for posts involved in regulated activity; Pre-employment checks for posts involved in regulated activity.	Director of Communities	Key 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

<i>UPDATE ON OUTSTANDING GOVERNANCE ISSUES IDENTIFIED IN PREVIOUS ANNUAL GOVERNANCE STATEMENTS</i>					
SOURCE	ISSUES	RESPONSIBLE OFFICER	ACTIONS/PROGRESS		STATUS
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	For 2018/19 - 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>For 2018/19 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
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

WAO
Certifies for
compliance
under 2009
Act

<i>UPDATE ON OUTSTANDING GOVERNANCE ISSUES IDENTIFIED IN PREVIOUS ANNUAL GOVERNANCE STATEMENTS</i>					
SOURCE	ISSUES	RESPONSIBLE OFFICER	ACTIONS/PROGRESS		STATUS
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			
	NEW GOVERNANCE ISSUES IDENTIFIED IN THIS YEAR'S ANNUAL GOVERNANCE STATEMENT		
ISSUE REF	ACTION	RESPONSIBLE OFFICER	TARGET DATE
AGS 2019/20 No.1	To publish a Corporate Strategy update for 2019/20	Head of ICT & Policy	June 2019 Completed
	To publish an Annual Report on 2018/19		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"> A fundamental review of Wellbeing Objectives for 2021/22 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

GOVERNANCE ISSUES ACTION PLAN

NEW GOVERNANCE ISSUES IDENTIFIED IN THIS YEAR'S ANNUAL GOVERNANCE STATEMENT

ISSUE REF	ACTION	RESPONSIBLE OFFICER	TARGET DATE
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

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
Department			
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
Net Cost of Services	301,012	90,305	391,317
Other Income & Expenditure	(314,889)	(33,341)	(348,230)
(Surplus)/Deficit before transfers to/(from) earmarked reserves	(13,877)	56,964	43,087
Transfers to/(from) earmarked reserves	6,094		
(Surplus)/Deficit after transfers to/(from) earmarked reserves	(7,783)		
CF & HRA Balance at 31st March 2019:	(24,690)		
(Surplus)/Deficit	(7,783)		
CF & HRA Balance at 31st March 2020:	(32,473)		

2018-19

Department			
Chief Executive	8,022	3,798	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	46,678	12,057	58,735
Housing Revenue Account	(8,174)	3,593	(4,581)
Insurance & Corporate	6,298	(5,770)	528
Net Cost of Services	315,243	73,457	388,700
Other Income & Expenditure	(310,903)	(29,977)	(340,880)
(Surplus)/Deficit before transfers to/(from) earmarked reserves	4,340	43,480	47,820
Transfers to/(from) earmarked reserves	867		
(Surplus)/Deficit after transfers to/(from) earmarked reserves	5,207		
CF & HRA Balance at 31st March 2018:	(29,897)		
(Surplus)/Deficit	5,207		
CF & HRA Balance at 31st March 2019:	(24,690)		

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

5.2 COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)

2018-19 Total Gross Expenditure £'000 (Restated)	2018-19 Total Gross Income £'000 (Restated)	2018-19 Total Net Expenditure £'000 (Restated)		2019-20 Total Gross Expenditure £'000	2019-20 Total Gross Income £'000	2019-20 Total Net Expenditure £'000
17,908	(6,088)	11,820	Department			
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
607,973	(219,273)	388,700	Net Cost of Services	626,016	(234,699)	391,317
			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)
		31,464	Other Operating Expenditure			33,526
		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			
		(234)	and changes in their fair value		Note 6.11	(1,004)
		25,658	Other income			(284)
			Financing and Investment Income and Expenditure			25,597
		(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)
		(398,002)	Taxation and Non-specific Grant Income			(407,353)
		47,820	(Surplus)/Deficit on Provision of Services			43,087
			(Surplus) or deficit on revaluation of Property, Plant			
		7,933	and Equipment assets			(17,060)
		40,972	Remeasurement of the net defined benefit liability/(asset)			85,316
		48,905	Other Comprehensive Income and Expenditure			68,256
		96,725	Total Comprehensive Income and Expenditure			111,343

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
Balance at 31 March 2018	(9,783)	(82,655)	(20,114)	(8,617)	(564)	(121,733)	(572,616)	(694,349)
Movement in reserves during 2018/19								
(Surplus) or deficit on the provision of services	49,052	0	(1,232)	0	0	47,820	0	47,820
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	48,905	48,905
Total Comprehensive Income and Expenditure	49,052	0	(1,232)	0	0	47,820	48,905	96,725
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	0
Net (Increase)/Decrease before Transfers to/from Earmarked Reserves	(1,432)	0	5,772	2,659	(4,989)	2,010	94,715	96,725
Transfers to/(from) Earmarked Reserves(Note 6.22)	839	(867)	28	0	0	0	0	0
(Increase)/Decrease in Year	(593)	(867)	5,800	2,659	(4,989)	2,010	94,715	96,725
Balance at 31 March 2019	(10,376)	(83,522)	(14,314)	(5,958)	(5,553)	(119,723)	(477,901)	(597,624)
Movement in reserves during 2019/20								
(Surplus) or deficit on the provision of services	42,956	0	131	0	0	43,087	0	43,087
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	68,256	68,256
Total Comprehensive Income and Expenditure	42,956	0	131	0	0	43,087	68,256	111,343
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	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(6,835)	0	(7,042)	(1,954)	2,639	(13,192)	124,535	111,343
Transfers to/(from) Earmarked Reserves(Note 6.22)	5,990	(6,094)	104	0	0	0	0	0
(Increase)/Decrease in Year	(845)	(6,094)	(6,938)	(1,954)	2,639	(13,192)	124,535	111,343
Balance at 31 March 2020	(11,221)	(89,616)	(21,252)	(7,912)	(2,914)	(132,915)	(353,366)	(486,281)

5.4 BALANCE SHEET

31/03/19				31/03/20
£'000			£'000	£'000
		Notes		
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>	Long Term Assets			<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	72,020	
26,877	Cash and Cash Equivalents	6.17	42,081	
<u>105,580</u>	Current Assets			<u>127,411</u>
(8,444)	Short Term Borrowing	6.18	(25,691)	
(57,663)	Short Term Creditors	6.19	(64,813)	
(1,372)	Provisions	6.20	(1,108)	
<u>(67,479)</u>	Current Liabilities			<u>(91,612)</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>	Long Term Liabilities			<u>(939,808)</u>
<u>597,624</u>	Net Assets			<u>486,281</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>	Usable Reserves			<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>	Unusable Reserves			<u>353,366</u>
<u>597,624</u>	Total Reserves			<u>486,281</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	Net (Surplus)/Deficit on the provision of services	5.2	43,087
	Adjustments to net surplus or deficit on the provision of services for non-cash movements		
(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
	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities		
1,952	Proceeds from sale of property, plant and equipment, investment property and intangible assets		3,181
28,954	Capital Grants		30,754
(30,192)	Net cash flow from operating activities		(17,651)
	INVESTING ACTIVITIES		
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
	Proceeds from the sale of property, plant & equipment, investment property & intangible assets		(3,219)
(2,015)	Proceeds from short term & long term investments		(625,938)
(365,304)	Capital grants received		(29,066)
(29,196)			
35,232	Net cash flow from investing activities		21,899
	FINANCING ACTIVITIES		
(20,000)	Cash receipts of short-term & long-term borrowing		(25,000)
6,865	Repayments of short-term & long-term borrowing		5,548
(13,135)	Net cash flow from financing activities		(19,452)
(8,095)	NET (INCREASE)/DECREASE IN CASH & CASH EQUIVALENTS		(15,204)
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
8,095	INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS		15,204

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 31st 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.

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 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.

6.1.3 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.

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
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Charges for depreciation and impairment of non-current assets	(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
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
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
Adjustments primarily involving the Capital Grants Unapplied Account:					
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)
Adjustments primarily involving the Capital Receipts Reserve:					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	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				
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
2019-20	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	160	0	0	0	(160)
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 6.44)	(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)
Adjustment primarily involving the Accumulated Absences Account:					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(596)	(3)	0	0	599
Total Adjustments	(49,791)	(7,173)	(1,954)	2,639	56,279

	Usable Reserves				
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
2018-19	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Charges for depreciation and impairment of non-current assets	(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
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
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				
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
2018-19	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Grants Unapplied Account:					
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	5,839	0	0	(5,839)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	850	(850)
Adjustments primarily involving the Capital Receipts Reserve:					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,785	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				
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
2018-19	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	154	(51)	0	0	(103)
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 6.44)	(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)
Adjustment primarily involving the Accumulated Absences					
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)
Total Adjustments	(50,484)	7,004	2,659	(4,989)	45,810

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
Department				
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)
Net Cost of Services	64,699	25,023	583	90,305
Other Income & Expenditure	(44,683)	11,486	(144)	(33,341)
Difference between CF & HRA (Surplus)/Deficit and CIES (Surplus)/Deficit on Provision of Services	20,016	36,509	439	56,964

2018-19

Department				
Chief Executive	2,178	1,630	(10)	3,798
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	9,820	2,249	(12)	12,057
Housing Revenue Account	3,202	392	(1)	3,593
Insurance & Corporate	(5,770)	0	0	(5,770)
Net Cost of Services	40,726	34,200	(1,469)	73,457
Other Income & Expenditure	(39,606)	9,761	(132)	(29,977)
Difference between CF & HRA (Surplus)/Deficit and CIES (Surplus)/Deficit on Provision of Services	1,120	43,961	(1,601)	43,480

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)
Net Proceeds from Council Tax (including Precepts)	109,583	116,209

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	Other Land & Buildings	Vehicles Plant & Equipment	Infra-structure	Community Assets	Surplus Assets	Assets Under Construction	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross Book Value 01/04/19	368,061	778,871	25,836	309,471	5,611	24,980	25,260	1,538,090
Additions	21,205	11,015	2,098	6,450	43	79	28,178	69,068
Revaluation Increases Recognised in the Revaluation Reserve	51	62,811	0	0	139	5,928	0	68,929
Revaluation Losses Recognised in the Revaluation Reserve	(24)	(42,962)	0	0	133	(6,990)	0	(49,843)
Revaluation Increases Recognised in the Provision of Services	0	16,979	0	0	0	145	0	17,124
Revaluation Losses Recognised in the Provision of Services	(4,714)	(35,292)	(1)	(1)	(246)	(5,180)	0	(45,434)
Derecognition of Disposals	0	(1,120)	(332)	0	0	(1,140)	0	(2,592)
Reclassifications: to & from Assets Held for Sale	(11)	0	0	0	0	(602)	0	(613)
Reclassifications: to & from Investment Properties	0	0	0	(308)	0	45	0	(263)
Reclassifications: from Assets Under Construction	0	794	8	38	0	0	(840)	0
Reclassifications: PPE	(40)	(3,034)	0	0	(68)	3,142	0	0
Write back of Dep'n to the Gross Carrying Amount on Revaluation	0	(61,709)	(420)	0	0	(801)	0	(62,930)
Gross Book Value 31/03/20	384,528	726,353	27,189	315,650	5,612	19,606	52,598	1,531,536
Accumulated Depreciation and Impairment at 01/04/19	(34,347)	(62,323)	(10,377)	(88,496)	(529)	(56)	0	(196,128)
Depreciation Charge	(12,508)	(21,008)	(2,948)	(7,022)	(33)	(463)	0	(43,982)
Depreciation Written Out to Revaluation Reserve	0	61,709	420	0	0	801	0	62,930
Derecognition of Disposals	0	27	300	0	0	0	0	327
Other Movements in Depreciation and Impairments	0	393	0	0	0	(368)	0	25
Cumulative Depreciation to 31/03/20	(46,855)	(21,202)	(12,605)	(95,518)	(562)	(86)	0	(176,828)
Net Book Value at 31/03/20	337,673	705,151	14,584	220,132	5,050	19,520	52,598	1,354,708

Movements in 2018-19	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equipment	Infra-structure	Community Assets	Surplus Assets	Assets Under Construction	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross Book Value 01/04/18	350,999	791,873	22,682	295,232	5,037	27,503	27,595	1,520,921
Additions	21,071	12,050	3,924	9,297	112	2	14,167	60,623
Revaluation Increases Recognised in the Revaluation Reserve	42	13,097	40	0	0	453	0	13,632
Revaluation Losses Recognised in the Revaluation Reserve	(32)	(29,187)	0	0	0	(1,576)	0	(30,795)
Revaluation Increases Recognised in the Provision of Services	0	10,201	0	0	0	0	0	10,201
Revaluation Losses Recognised in the Provision of Services	(3,979)	(12,171)	(100)	0	(121)	(733)	0	(17,104)
Derecognition of Disposals	0	(189)	(238)	0	0	0	0	(427)
Reclassifications: to & from Assets Held for Sale	(27)	(199)	0	0	0	(1,260)	0	(1,486)
Reclassifications: to & from Investment Properties	0	813	0	0	10	266	0	1,089
Reclassifications: from Assets Under Construction to Investment Properties	0	0	0	0	0	0	(36)	(36)
Reclassifications: from Assets Under Construction	(13)	10,366	0	4,942	573	598	(16,466)	0
Write back of Dep'n to the Gross Carrying Amount on Revaluation	0	(17,783)	(472)	0	0	(273)	0	(18,528)
Gross Book Value 31/03/19	368,061	778,871	25,836	309,471	5,611	24,980	25,260	1,538,090
Accumulated Depreciation and Impairment at 01/04/18	(22,394)	(55,580)	(8,350)	(81,651)	(440)	(271)	0	(168,686)
Depreciation Charge	(11,953)	(24,597)	(2,704)	(6,845)	(32)	(58)	0	(46,189)
Depreciation Written Out to Revaluation Reserve	0	17,783	472	0	0	273	0	18,528
Derecognition of Disposals	0	0	205	0	0	0	0	205
Other Movements in Depreciation and Impairments	0	71	0	0	(57)	0	0	14
Cumulative Depreciation to 31/03/19	(34,347)	(62,323)	(10,377)	(88,496)	(529)	(56)	0	(196,128)
Net Book Value at 31/03/19	333,714	716,548	15,459	220,975	5,082	24,924	25,260	1,341,962

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.

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles Plant & Equipment £'000	Surplus Assets £'000	TOTAL £'000
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)
Gross Book Value at 31/03/20	384,528	726,353	27,189	19,606	1,157,676

Capital Commitments

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

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

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:

	2018-19 £'000	2019-20 £'000
Rental income from investment properties	(1,143)	(767)
Direct operating expenses arising from investment property	388	489
Net (gain)/loss	(755)	(278)
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	317	(1,004)

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

	2018-19 £'000	2019-20 £'000
Balance at start of year	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
	22,035	23,152

Fair Value Measurement of Investment Properties

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

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

6.12 Long Term Investments

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

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 31st March 2020:

	£'000
Share Capital	329

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 31st March 2020. Detailed below is a summary of the trading results for the period and net assets as at 31st March 2020:

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

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 31st 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 31st March 2020.

	Year ended 31 March 2020
	£'000
Turnover	3,486
Less: Cost of Sales	(2,653)
Gross Profit	833
Overheads	(689)
Net Profit/(Loss) before taxation	144
Taxation on loss / profit	(27)
Retained Profit/(Loss)	117
Net Assets as at 31 March 2020	137

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 31st 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 31st March 2020.

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

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
Total Share Capital	846

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
Lown Town and Community Councils	0	490
Loan Cwm Environmental	0	321
Other	109	259
	7,297	8,300

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:

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

6.15 Inventories

	2018-19 £'000	2019-20 £'000
Balance at start of year	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
Balance at year end	1,039	1,217

6.16 Short Term Debtors

	31 March 2019 £'000	31 March 2020 £'000
HM Revenue & Customs	3,009	1,900
Central Government	16,836	28,617
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
	50,460	72,020

* 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:

2018-19 £'000		2019-20 £'000
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	21,851
28,523		
0	Short-term deposits with Local Authorities	21,010
26,877	Total Cash and Cash Equivalents	42,081

6.18 Short Term Borrowing

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

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

6.19 Short Term Creditors

	31 March 2019 £'000	31 March 2020 £'000
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)	(41,437)
	(57,663)	(64,813)

6.20 Provisions

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

	1 April 2019 £'000	Reversal £'000	Addition £'000	Utilisation £'000	31 March 2020 £'000
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
	4,073	(1,055)	1,124	(537)	3,605

	Current Liabilities (1 year) £'000	Long Term Liabilities (1 year) £'000	Total £'000
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
	1,108	2,497	3,605

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 2019 £'000	31st March 2020 £'000	Maturity Dates
Sources of Borrowing			
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
	407,644	409,849	

- (i) The FMS Wertmanagement AoR Bank loan is a Lenders Option Borrowers Option (LOBO) loan. It is shown at the Equivalent Interest Rate (EIR). It is a stepped interest rate loan, with a current rate of 4.72 %. The lender has the option to vary the interest rate at each interest payment date. If the lender exercises the option the Authority then has the option as to either accept the new interest rate or repay the loan back to the lender. In the accounts an adjustment has to be made to equalise the difference between the rate charged and the rate paid to show the true cost of the loan over the loan period.

(ii)

Interest Free Loans**Total Outstanding as at****31st March****31st March****2019****2020****£'000****£'000**

SALIX	7	3
Invest-2-Save	747	0
Home Improvement Loans Scheme	1,292	1,292
Town Centre Loans	2,063	2,063
	4,109	3,358

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

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 CO₂, have provided the Authority with a grant to allow loans to be made to schools/ departments to fund energy saving schemes. These loans are repaid from the resultant savings and the fund is replenished for other schools/ departments to benefit from the scheme.

Corporate Retirement Fund

This Fund has been set up to support the Authority's redundancy and early retirement policy, enabling the Authority to provide for the actuarial strain on the Pension Fund which arises from any early retirement or redundancy.

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.

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)
Closing Balance	<u>5,958</u>	<u>7,912</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)
Closing Balance	<u>5,553</u>	<u>2,914</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.

2018-19 £'000		2019-20 £'000
343,509	Balance at 1 April	324,681
22,862	Upward revaluation of assets	68,535
	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the	
(30,795)	Provision of Services	(51,475)
	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
	Difference between fair value depreciation and	
(10,331)	historical cost depreciation	(8,165)
(564)	Accumulated gains on assets sold or scrapped	(1,892)
(10,895)	Amount written off to the Capital Adjustment Account	(10,057)
324,681	Balance at 31 March	331,684

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.

2018-19 £'000		2019-20 £'000
555,567	Balance at 1 April	563,014
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(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)
499,645		497,117
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
	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	
23,115	Application of grants to capital financing from the Capital Grants Unapplied Account	28,349
850	Statutory provision for the financing of capital investment charged against the Council Fund and HRA balances	5,045
13,953	Capital expenditure charged against the General Fund and HRA balances	14,301
21,061		4,796
563,799		552,727
	Movements in the market value of Investment Properties (debited) or credited to the Comprehensive Income and Expenditure Statement	
(785)		1,013
563,014	Balance at 31 March	553,740

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.

2018-19 £'000	2019-20 £'000
(320,704) Balance at 1 April	(405,637)
(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	25,915
24,394	
<u>(405,637) Balance at 31 March</u>	<u>(527,462)</u>

6.30 Accumulated Absences Account

This account represents the cost of paid absence entitlement due but not taken at 31st 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.

	2018-19 £000	2019-20 £000
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)
Balance 31st March	<u>(3,655)</u>	<u>(4,254)</u>

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.

2018-19 £'000		2019-20 £'000
	Expenditure	
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)
728,951	Total Expenditure	751,177
	Income	
(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)
(681,131)	Total Income	(708,090)
47,820	(Surplus)/deficit on the provision of services	43,087

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:

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

Further information on Members Allowances is available on the Authority's website 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:

Remuneration Band	No. of Employees 2018-19	No. of Employees 2019-20	Left During 2019-20
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
Total No. of Employees	98	120	5

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:

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

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:

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

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
Credited to Services		
Education & Children's Services:		
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
Adult Social Services:		
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
Highways & Transport Services:		
Concessionary Fares Subsidy	1,985	1,960
Local Transport Services Grant	972	760
Rural Development Plan	589	442
Cultural, Environmental, Regulatory & Planning Services:		
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
Central Services to the Public:		
Housing Benefit	50,857	45,604
Other Grants - WG funded **	3,743	5,588
Other Grants***	4,841	8,116
Total	105,344	115,431

*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
Revenue Support Grant	199,828	200,096
General Government Grants	25	0
Capital Grants and Contributions		
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
Total	28,954	30,755

*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
Revenue Grants Receipts in Advance		
Communities various	65	532
Environment various	86	1883
Education various	523	1346
Chief Executive various	75	215
	749	3,976

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:

	2018-19	2019-20
	£'000	£'000
Income	285	346
	2019	2020
Balances outstanding at 31st March:	£'000	£'000
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 31st March 2020 (£1.24m at 31st March 2019).

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 of the company funded by the council was £829k and the balance outstanding to the council at 31st 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:

	2018-19	2019-20
	£'000	£'000
Expenditure	1,680	2,794
Income	221	444
	2019	2020
	£'000	£'000
Balances outstanding at 31st March:		
Creditor	132	277
Debtor	103	104

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:

	2018-19	2019-20
	£'000	£'000
Expenditure	83	71
Income	124	77
	2019	2020
Balances outstanding at 31st March:	£'000	£'000
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 31st March 2020 the outstanding creditor balance was £0k (£213k as at 31st 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.

	WPP
	2019-20
	Total
	£'000
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 for 2018/19 as the 2019/20 figures are not currently available.

This statement will be updated with the 2019/20 figures post audit.

ERW	
2018-2019	
Total	CCC Share
£'000	£'000
Expenditure	425
Income	(255)
Net Pensions Interest	(37)
Remeasurement of Pension Assets and Liabilities	(124)
(Surplus)/Deficit for the year	9
Current Assets	1,866
Current Liabilities	(1,443)
Long Term Liabilities	(316)
Total assets less liabilities	107
Reserves	107
Total Financing	107

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 31st March 2020:

SBCR	
2019-20	
Total	
£'000	
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.

	2018-19 £'000	2019-20 £'000
Capital Investment		
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>
Sources of Finance		
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>
Opening Capital Financing Requirement	484,445	484,384
Explanation of Movements in Year		
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
Closing Capital Financing Requirement	484,384	501,378

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:-

	2018-19 £'000	2019-20 £'000
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>6,317</u>	<u>6,514</u>

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

	2018-19 £'000	2019-20 £'000
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:

	2018-19 £'000	2019-20 £'000
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
	31,736	28,655

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:

	2018-19 £'000	2019-20 £'000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current Service Cost	38,539	46,741
Past Service Costs	21,521	4,518
Settlements and Curtailments	(302)	1,226
Financing and Investment Income and Expenditure		
Net Interest Expense	8,597	9,939
Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services	68,355	62,424
Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement		
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)
Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement	109,327	147,740
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for Provision of Services for Post Employment Benefits in the accordance with the code	(68,355)	(62,424)
Actual amount charged against the Council Fund Balance for pensions in the year:		
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:

	2018-19	2019-20
	£'000	£'000
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:

	2018-19	2019-20
	£'000	£'000
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>
Net Scheme Liabilities	<u>(405,637)</u>	<u>(527,462)</u>

The Dyfed Pension Fund assets comprised:

		<u>Quoted</u>	31 March 2019 £'000	31 March 2020 £'000
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
Total			1,121,653	1,031,889

Scheme History

	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000
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
Surplus/(deficit) in the scheme	(264,514)	(361,294)	(320,704)	(405,637)	(527,462)

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 31st 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 31st March 2016.

The main assumptions used in its calculations are shown below:

	2018-19	2019-20
	%	%
Financial Assumptions:		
Rate of CPI inflation	2.2	2.4
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
	2018-19	2019-20
	%	%
Mortality assumptions:		
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	
	Increase in assumption £'000	Decrease in assumption £'000
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

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 31st 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				
Total borrowings	407,643	409,849	8,445	25,691
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
Total investments	1,929	1,848	27,204	12,093

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

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 2019	31 March 2020
	£'000	£'000
Opening Balance	71	68
New Loans	39	31
Loans repaid	(42)	(42)
Closing Balance	68	57

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
Total Financial Liabilities	416,089	646,383	435,540	750,302

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
Total Loans and Receivables	42,034	42,034	32,135	32,135

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
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
Total			1,229	1,175

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
Financial Liabilities				
Financial liabilities held at amortised cost:				
PWLB	631,675	631,675	739,310	739,310
NON PWLB	14,708	14,708	10,992	10,992
Total	646,383	646,383	750,302	750,302
Financial assets				
Loans and Receivables	27,904	27,904	12,766	12,766
Total	27,904	27,904	12,766	12,766

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 20th 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
	74,154		697.9

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
	9,265	10,607

The Council initiates a legal charge on property where, for instance, clients require the assistance of social services but cannot afford to pay immediately. The total collateral as at 31st March 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	Approved	31st March	Approved	Approved	31st March
	Maximum	Minimum	2019	Maximum	Minimum	2020
	Limit	Limit	£'000	Limit	Limit	£'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
			416,088			435,540

The maturity analysis of financial assets is as follows:

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

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:

	£'000
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	(7)
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)	121,736

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 1st 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
Expenditure			
	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>	Total Expenditure		<u>39,569</u>
Income			
(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>	Total Income		<u>(43,224)</u>
(4,864)	Net cost of HRA Services as included in the Comprehensive Income & Expenditure Statement		(3,655)
283	HRA services' share of Corporate and Democratic Core		289
(4,581)	Net (Income)/cost for HRA Services		(3,366)
HRA Share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement			
(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
(6,367)	Capital grants and contributions receivable		(6,453)
<u>(1,232)</u>	(Surplus) or Deficit for the year on HRA Services		<u>131</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)
(14,314)	Balance on the HRA at the end of the current year		(21,252)

7.3 Adjustments between accounting basis and funding basis under statute

2018-19		2019-20
£'000		£'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)
<hr/>		<hr/>
7,004		(7,173)

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	203	(83)	120
0	(22)	(22)	0	(16)	(16)
1	0	1	0	0	0
204	(176)	28	203	(99)	104

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 31st March 2020 3.77% of lettable properties were vacant (3.02% at 31st 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 31st March was as follows:

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

The change in stock can be summarised as follows:

	2018-19	2019-20
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	9,160	9,162

8.4 Rent Arrears

	As at 31 March 2019 £'000	As at 31 March 2020 £'000
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 decrease of current tenants rent arrears as a percentage of gross collectable rent debit. Performance is outside margins of what is considered good practice level (2%) at 2.77%. There is a 0.07% year on year increase 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 31st 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.

	2018-19	2019-20
	£'000	£'000
Funded by :		
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
	21,591	28,027
Spent on:		
Dwellings	21,178	27,666
Land	0	0
Other	413	361
	21,591	28,027

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:

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

Revaluation losses and impairments were incurred on:

	2018-19	2019-20
	£'000	£'000
Dwellings	3,597	1,221
Land	41	0
Other	341	3,513
	<u>3,979</u>	<u>4,734</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 31st March 2020 was £1.769m (£1.967m as at 31st 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 31st March 2020 (£764k as at 31st 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 31st March 2020 was £523,044 (£693,723 as at 31st 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 31st March 2020 was £1,188,324 (£971,728 as at 31st 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 31st March 2020 was £100,800 (£108,061 at 31st 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 31st 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.

Audit Committee 29 July 2020

Dyfed Pension Fund Accounts 2019-2020

The Audit Committee to receive the Dyfed Pension Fund Statement of Accounts 2019-2020

Recommendations / key decisions required:

To receive the Dyfed Pension Fund Statement of Accounts 2019-20

Reasons:

To comply with the Accounts and Audit (Wales) Regulations 2014

Relevant scrutiny committee to be consulted NA

Exec. Board Decision Required NO

Council Decision Required NO

EXECUTIVE BOARD MEMBER PORTFOLIO HOLDER:- Cllr. David Jenkins

Directorate: Corporate Services

Name of Head of Service: Randal Hemingway

Report Author: Randal Hemingway

Designations:

Head of Financial Services

Tel: 01267 224886

Email address:

RHemingway@carmarthenshire.gov.uk

EXECUTIVE SUMMARY
Audit Committee
29 July 2020

Dyfed Pension Fund Statement of Account 2019-2020

The Dyfed Pension Fund Statement of Accounts for 2019-20 is attached.

This Statement brings together all the financial transactions of the Dyfed Pension Fund for the year, and also details the Dyfed Pension Fund assets and liabilities as at the 31st March 2020.

The Net Assets of the Fund decreased by £191.2m from 2018-19 to 2019-20 mainly due to the decrease in market value of the investment assets.

On the expenditure side Benefits Payable and Transfers Out increased by £5.8m to £93.4m with Contributions and Transfers In increasing by £5.5m to £87.3m on the income side.

Total membership of the Fund increased by 1,273 from 47,250 in 2018-19 to 48,523 in 2019-20 an increase of 2.69%.

DETAILED REPORT ATTACHED?

YES

IMPLICATIONS

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

Signed: Randal Hemingway

Head of Financial Services

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

1. Legal

Compliance with the Accounts and Audit Regulations 2014

2. Finance

Closing Net Assets of the Fund were £2,384m. This was made up of Investment Assets £2,365m, Cash Deposits £12m, Current Assets £10m and Current Liabilities (£3m).

CONSULTATIONS

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

Signed: Randal Hemingway

Head of Financial Services

1. Scrutiny Committee - 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

YES

Include any observations here

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

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

THESE ARE DETAILED BELOW

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

DYFED PENSION FUND STATEMENT OF ACCOUNTS 2019-2020

NARRATIVE REPORT

The Dyfed Pension Fund accounts are set out on the following pages and provide information about the financial position, performance and financial adaptability of the Fund for the year 2019-20. They show the results of the stewardship of management, that is, the accountability of management for the resources entrusted to it, and of the disposition of its assets at the period end.

The accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 (the "Code"), which is based upon International Financial Reporting Standards (IFRS), as amended for the public sector. Reference is also made to the Financial Reports of Pension Schemes – A Statement of Recommended Practice published by the Pensions Research Accountants Group (PRAG) where it is felt that these disclosures provide more sufficient detail.

For readers with a more detailed or specialist interest of the operation of the Dyfed Pension Fund during 2019-2020, reference should be made to the Annual Report and Accounts 2019-20 (when published).

The main accounts and reports contained within this Statement of Accounts are as follows:

- The Fund Account.
- The Net Assets Statement.
- The Statement by the Consulting Actuary

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required:

- To make arrangements for the proper administration of the pension fund's 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 the pension fund affairs to secure economic, efficient and effective use of resources and safeguard its assets
- To approve the Statement of Accounts

The Director of Corporate Services' Responsibilities

The Director of Corporate Services is responsible for the preparation of the Authority's Statement of Accounts, in accordance with proper accounting practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Director of Corporate Services has:

- Selected suitable accounting policies and then applied them consistently
- Made judgements and estimates that were reasonable and prudent
- Kept proper and timely accounting records which were up to date
- Taken reasonable steps for the prevention and detection of fraud and other irregularities;
- Complied with the Code

Certification of Accounts

I certify that the Statement of Accounts on pages 3 to 35 gives a true and fair view of the financial position of the Dyfed Pension Fund at 31 March 2020 and its income and expenditure for the year ended 31 March 2020.

Chris Moore FCCA
Director of Corporate Services

Dated: June 2020

Fund Account for the Year Ended 31 March 2020

2018-19 £'000 * Restated		Note	2019-20 £'000
	Dealings with members, employers and others directly involved in the Fund		
	Contributions		
	Employer		
45,164	Normal		48,008
6,895	Augmentation		7,881
4,107	Past Service Deficit		4,349
	Member		
18,883	Normal		19,961
103	Additional voluntary		221
6,651	Transfers in from other pension funds	6	6,851
81,803			87,271
	Benefits payable		
(68,875)	Pensions payable		(72,859)
(12,933)	Commutation and lump sum retirement benefits		(14,708)
(1,923)	Lump sum death benefits		(2,200)
(3,853)	Payments to and on account of leavers	7	(3,597)
(87,584)			(93,364)
(5,781)	Net Additions (Withdrawals) from dealings with Members		(6,093)
(12,532) *	Management Expenses	8	(11,177)
(18,313)	Net Additions (Withdrawals) including fund management expenses		(17,270)
	Returns on Investments		
16,747 *	Investment Income	9	20,224
(56)	Taxes on Income (Irrecoverable Withholding Tax)	10	0
	Changes in the market value of investments		
(31,490)	Unrealised	11.2	(224,437)
168,686	Realised	11.3	30,270
153,887	Net Return on Investments		(173,943)
135,574	Net Increase (Decrease) in the net assets available for benefits during the year		(191,213)
2,440,112	Opening Net Assets of Scheme		2,575,686
2,575,686	Closing Net Assets of Scheme		2,384,473

*Management Expenses and Investment Income restated to include Implicit costs within the Transaction costs. Implicit costs represent the loss of value implied by the difference between the actual transaction price and the mid-market value of the asset immediately before the trade entered the market.

Net Assets Statement for the year ended 31 March 2020

31/03/19 £'000		<u>Note</u>	31/03/20 £'000
2,563,796	Investment Assets		2,365,404
7,052	Cash deposits		12,215
0	Investment liabilities		0
<u>2,570,848</u>		11.1	<u>2,377,619</u>
9,245	Current assets	16	10,386
(4,407)	Current liabilities	17	(3,532)
<u>4,838</u>	Net Current Assets/(Liabilities)		<u>6,854</u>
<u>2,575,686</u>	Total Net Assets		<u>2,384,473</u>

Reconciliation of the movement in Fund Net Assets

2018-19 £'000		2019-20 £'000
2,440,112	Opening Net Assets	2,575,686
(1,622)	Net New Money Invested	2,954
137,196	Profit and losses on disposal of investments and changes in the market value of investments	(194,167)
<u>2,575,686</u>	Closing Net Assets of Fund	<u>2,384,473</u>

1 Description of the Fund

The Dyfed Pension Fund (the Fund) is part of the Local Government Pension Scheme and is administered by Carmarthenshire County Council.

The following description of the Fund is a summary only. For more detail, reference should be made to the Annual Report and Accounts 2019-2020 (when published) and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

1.1 General

The Fund is governed by the Public Service Pensions Act 2013 and is administered in accordance with the following secondary legislation:

- the LGPS Scheme Regulations 2013 (as amended)
- the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the LGPS (Management and Investment of Funds) Regulations 2016.

It is a contributory defined pension scheme administered by Carmarthenshire County Council to provide pensions and other benefits for pensionable employees of Carmarthenshire County Council, Pembrokeshire County Council, Ceredigion County Council and a range of other scheduled and admission bodies within the former Dyfed geographical area. Teachers, police officers and firefighters are not included as they come within other national pension schemes.

The Fund is overseen by the Dyfed Pension Fund Committee (the Committee).

1.2 Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the Dyfed Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Admission bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admission bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There are 66 employer organisations within the Dyfed Pension Fund as at 31 March 2020 and these are detailed in Note 21. The membership details of these organisations are summarised below:

31/03/19		31/03/20
18,344	Number of active contributors in the Fund	18,564
13,187	Number of pensioners	14,059
15,719	Number of deferred pensioners	15,900
47,250	Total membership	48,523
48	Number of employers with active members	46

These figures reflect the recorded position as at 31 March 2020 but are always subject to some movement post year end for notifications from employing bodies received after this date.

1.3 Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2020. Employee contributions are matched by employers' contributions which are set based on the triennial actuarial funding valuation as at 31 March 2016. Currently, employer contribution rates range from 7.4% to 27.6% of pensionable pay as detailed in Note 21.

1.4 Benefits

Pension benefits under the LGPS are based on final pensionable pay and length of pensionable service, summarised below:

	Service pre 1 April 2008	Service 31 March 2008 - 31 March 2014
Pension	Each year is worth $1/80 \times$ final pensionable salary.	Each year is worth $1/60 \times$ final pensionable salary.
Lump Sum	Automatic lump sum of 3 x salary. In addition, part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

From 1st April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of $1/49^{\text{th}}$. Accrued pension is uprated annually in line with the Consumer Price Index.

There are a range of other benefits provided under the scheme including early retirement, ill-health pensions and death benefits. For more details, please refer to the Dyfed Pension Fund website – www.dyfedpensionfund.org.uk

2 **Basis of preparation**

The Statement of Accounts summarises the Fund's transactions for the 2019-2020 financial year and its position at year end as at 31 March 2020. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019-2020 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall after the end of the financial year. The actuarial present value of promised retirement benefits is disclosed in the Statement by the Consulting Actuary.

3 Summary of significant accounting policies

Fund Account – revenue recognition

3.1 Contributions

Normal contributions, both from members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the fund actuary in the payroll period to which they relate.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

3.2 Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations.

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In.

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

3.3 Investment income

3.3.1 Interest income

Interest income is recognised in the fund as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

3.3.2 Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

3.3.3 Distributions from pooled funds

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

3.3.4 Movement in the net market value of investments

Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

3.4 Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

3.5 Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

As Carmarthenshire County Council is the administering Authority, VAT is recoverable on all Fund Activities. The Accounts are shown exclusive of VAT.

3.6 Management Expenses

The Code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the fund discloses its pension fund management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses 2016.

All administrative expenses are accounted for on an accruals basis. All staff costs of the pensions administration team are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to the Fund in accordance with council policy.

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

All investment management expenses are accounted for on an accruals basis.

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

An element of one of the Investment Managers' fees is performance related. The performance related fee was £0.76m in 2019-2020 (2018-2019: Fee was £0.67m).

Where an investment manager's fee note has not been received by the year end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the Fund Account. In 2019-2020, no fees are based on such estimates (2018-2019: £0).

The costs of the council's pension investments team are charged direct to the fund and a proportion of the council's costs representing management time spent by officers on investment management is also charged to the fund. 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.

Net assets statement

3.7 Financial assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the asset are recognised by the Fund.

The values of investments as shown in the net assets statement have been determined as follows:

3.7.1 Market-quoted investments

The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.

3.7.2 Fixed interest securities

Fixed interest securities are recorded at net market value.

3.7.3 Unquoted investments

Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the investment manager.

3.7.4 Limited partnerships

Fair value is based on the net asset value ascertained from periodic valuations by those controlling the partnership.

3.7.5 Pooled investment vehicles

Pooled investment vehicles are valued at closing bid price if available. If this is not available then these investments will be valued at the closing single price. In the case of accumulation funds, the change in market value will also include income which is reinvested in the Fund.

3.8 Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market value of overseas investments and purchases and sales outstanding at the end of the reporting period.

3.9 Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the fund's external managers.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

The Fund has had its own bank accounts, which deal with the transactions of the Fund, since 1 April 2011, in accordance with section 6 of the Local Government Pension Scheme (Management and Investment of Pension Funds) Regulations 2009.

Cash balances held by the Fund are invested on a short term basis on the London Money Market by Carmarthenshire County Council until it is required to meet its liabilities or to transfer surplus cash to the investment managers for reinvestment.

3.10 Financial liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net asset statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

3.11 Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS19 and relevant actuarial standards.

As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a reference in the accompanying actuarial report.

3.12 Additional voluntary contributions (AVC)

Occupational Pension Schemes are required by Statute to provide in-house AVC arrangements. The Fund has joint providers: Prudential, Standard Life and UTMOST (previously Equitable Life), where a range of investment options are available.

It is for individual scheme members to determine how much they contribute (subject to HM Revenue & Customs limits) and the investment components or its mix.

AVC's are invested separately from the assets of the Fund and are not included in the accounts in accordance with section 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Pension Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only - Note 18.

4 **Critical judgements in applying accounting policies**

4.1 Fund liability

The Fund's liability is calculated every three years by the appointed actuary. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 22. This estimate is subject to significant variances based on changes to the underlying assumptions.

4.2 Unquoted Property investments – Partners Group Red Dragon Limited Partnership

In assessing the fair value of non-traded financial instruments, the Limited Partnership uses a variety of market and income methods such as time of last financing, earnings and multiple

analysis, discounted cash flow method and third party valuation and makes assumptions that are based on market conditions and expected market participant assumptions existing at the end of each reporting period. Other information used in determining the fair value of non-traded financial instruments include latest financial reports, subsequent cash flows and internally performed monitoring of triggering events (such as exits and IPOs) as well as pricing movements in comparable investments together with techniques such as option pricing models and estimated discounted value of future cash flows. These practices are in line with widely used international industry guidelines. The value of the Partners Group Red Dragon Limited Partnership as at 31st March 2020 was £36.0m (31st March 2019: £36.0m).

5 Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the net assets statement at 31st March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. However, the assumptions interact in complex ways.
Property – Limited Partnership investments	The Limited Partnership property investments are valued in line with widely used industry guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. Fair value adjustments were conducted to bridge the time lag between the latest available investment Net Asset Values. Incorporating the movements seen in capital markets in the fair value adjustment process, Partners Group liaised with various investment partners for indications around their first quarter Net Asset Values. Overall, fair value adjustments applied during the first quarter of 2020 are significantly higher than those applied previously.	The total Limited Partnership property investments are £36.0m. There is a risk that this investment may be under or overstated in the accounts.

6 Transfers in from other pension funds

2018-19 £'000		2019-20 £'000
0	Group transfers in from other schemes and scheme mergers	0
6,651	Individual transfers in from other schemes	6,851
<u>6,651</u>		<u>6,851</u>

7 Payments to and on account of Leavers

2018-19 £'000		2019-20 £'000
(144)	Refunds to members leaving service	(196)
(5)	Payments for members joining state scheme	20
0	Group transfers	0
(3,704)	Individual transfers	(3,421)
<u>(3,853)</u>		<u>(3,597)</u>

8 Management Expenses

2018-19 £'000		2019-20 £'000
*Restated		
(1,188)	Administrative costs	(1,274)
(10,784) *	Investment management expenses	(9,285)
(560)	Oversight and governance costs	(618)
<u>(12,532) *</u>		<u>(11,177)</u>

*Management Expenses restated to include Implicit costs within the Transaction costs.

2019-20 Audit fees of £28,280 included within Oversight and governance costs. (2018-19 £28,322)

9 Investment Income

2018-19 £'000		2019-20 £'000
*Restated		
7,609 *	Income from equities	5,138
9,067	Pooled property investments	13,352
0	Income from Alternatives	1,630
55	Interest on cash deposits	104
16	Other	0
<u>16,747 *</u>		<u>20,224</u>

*Investment Income restated to include Implicit costs within the Transaction costs.

10 Taxation

2018-19 £'000		2019-20 £'000
(56)	Withholding tax - equities	0
<u>(56)</u>		<u>0</u>

11 Investments

11.1 Net investment assets

Fair value 31/03/2019 £'000		Fair value 31/03/2020 £'000
	<u>Investment assets</u>	
	Bonds	
	UK Corporate Bonds	
265,299	- BlackRock	272,772
	Indexed Linked Securities	
138,699	- BlackRock	107,390
	Equities	
	UK Quoted Equities	
510,928	- BlackRock	424,727
	Alternatives	
27,626	- BlackRock UK SAIF	53,198
	Pooled Investments	
	Overseas equities	
704,690	- BlackRock	642,005
	Global equities	
588,671	- Wales Pension Partnership	545,586
	Pooled property investments	
293,605	- Schroders	285,681
27,011	- Partners Group	28,022
	Property	
327	- Schroders	286
6,044	- Partners Group	5,680
	Cash deposits	
259	- BlackRock	27
4,293	- Schroders	10,388
2,500	- Partners Group	1,800
	Investment income due	
689	- Schroders	0
	Tax reclaims due	
85	- BlackRock	16
122	- Schroders	41
0	Amounts receivable for sales	0
2,570,848	Total investment assets	2,377,619
	<u>Investment liabilities</u>	
0	Amounts payable for purchases	0
0	Total investment liabilities	0
2,570,848	Net investment assets	2,377,619

11.2 Reconciliation of movements in investments

During the year, investments purchased totalled £91m whilst sales totalled £65m. The sales realised a net gain of £26m. Acquisition costs are included in the purchase price of the investment.

	Fair value 31/03/2019 £'000	Purchases at Cost £'000	Sales at Cost £'000	Fees included in NAV £'000	Cash movement £'000	Change in unrealised gains/(losses) £'000	Fair value 31/03/2020 £'000
Bonds	403,998	181	(31,817)	0	0	7,800	380,162
Equities	510,928	11,754	0	0	0	(97,955)	424,727
Pooled investments	1,293,361	37,350	(22,073)	0	0	(121,047)	1,187,591
Pooled property investments	320,616	16,155	(11,221)	0	0	(11,847)	313,703
Property	6,371	0	0	0	0	(405)	5,966
Alternatives	27,626	25,866	0	0	0	(294)	53,198
	2,562,900	91,306	(65,111)	0	0	(223,748)	2,365,347
Other investment balances							
Cash deposits	7,052	0	0	0	5,163	0	12,215
Amount receivable for sales investments	0	0	0	0	0	0	0
Investment income due	689	0	0	0	0	(689)	0
Tax reclaims due	207	0	0	0	(150)	0	57
Amounts payable for purchases investments	0	0	0	0	0	0	0
	2,570,848	91,306	(65,111)	0	5,013	(224,437)	2,377,619

	Fair value 31/03/2018 £'000	Purchases at Cost £'000	Sales at Cost £'000	Fees included in NAV £'000	Cash movement £'000	Change in unrealised gains/(losses) £'000	Fair value 31/03/2019 £'000
Bonds	489,582	243,490	(280,773)	0	0	(48,301)	403,998
Equities	480,061	0	(170)	0	0	31,037	510,928
Pooled investments	1,220,499	588,983	(500,092)	(2,256)	0	(13,773)	1,293,361
Pooled property investments	231,874	97,771	(7,544)	0	0	(1,485)	320,616
Property	6,057	0	0	0	0	314	6,371
Alternatives	0	27,332	0	0	0	294	27,626
	2,428,073	957,576	(788,579)	(2,256)	0	(31,914)	2,562,900
Other investment balances							
Cash deposits	6,587	0	0	0	465	0	7,052
Amount receivable for sales investments	0	0	0	0	0	0	0
Investment income due	265	0	0	0	0	424	689
Tax reclaims due	225	0	0	0	(18)	0	207
Amounts payable for purchases investments	0	0	0	0	0	0	0
	2,435,150	957,576	(788,579)	(2,256)	447	(31,490)	2,570,848

11.3 Realised gains and losses

2018-19		2019-20
£'000		£'000
64,649	Bonds	3,350
101,488	Pooled Equity Investments	26,375
2,549	Pooled property investments	545
168,686		30,270

11.4 Geographical analysis of investments

Fair value	Geographical analysis	Fair value
31/03/19		31/03/20
£'000		£'000
1,329,108	UK	1,208,494
198,650	Europe (excl UK)	179,147
623,301	North America	573,598
117,561	Japan	120,750
57,013	Pacific Rim	45,218
230,322	Emerging Markets	234,714
14,893	International pooled funds	15,698
2,570,848		2,377,619

11.5 Fund manager analysis

Fair value	Fund manager analysis	Fair value
31/03/19		31/03/20
£'000		£'000
1,647,585	BlackRock	1,500,135
299,036	Schroders	296,395
35,556	Partners Group	35,503
588,671	Wales Pension Partnership	545,586
2,570,848		2,377,619

11.6 Wales Pension Partnership (WPP)

Included in Management Expenses (Table 8) is the cost of our involvement in the Wales Pension Partnership (WPP) collective Investment Pooling arrangement. The Oversight and Governance costs are the annual running costs of the pool which includes the Host Authority costs and other External Advisor costs. These costs are funded equally by all eight of the local authority Pension Funds in Wales. The Investment Management Expenses are fees payable to Link Fund Solutions (the WPP operator) and include fund manager fees (which also includes the operator fee and other associated costs), transaction costs and custody fees. These costs are based on each Fund's percentage share of WPP pooled assets and are deducted from the Net Asset Value (NAV). Further details on the WPP can be found in the Annual Report.

Wales Pension Partnership costs included in the Dyfed Pension Fund accounts for 2019-20 and 2018-19 are below:

Wales Pension Partnership		
31/03/19		31/03/20
£'000		£'000
	WPP oversight and governance costs	
111	Running Costs	70
	WPP Investment Management expenses	
347	Fund Manager fees	2,437
0	Transaction costs	199
18	Custody Fees	93
476		2,799

The full year effect of the global growth sub funds launched in January/February 2019 is reflected in the 2019-20 Wales Pension Partnership manager fees.

12 Concentration of Investments

The following investments represent more than 5% of the Fund's total net assets as at 31st March 2020:

	Value as at 31/03/2020	Proportion of Investment Portfolio
	£'000	%
Wales Pension Partnership (Global Growth Fund)	545,586	21.22
BlackRock Aquila Life UK Equity Index Fund	424,725	16.52
Blackrock Ascent Life US Equity Fund	269,630	10.49
Blackrock Active Selection Fund UK	272,772	10.61
Blackrock active selection fund - Emerging Market Index Fund	194,260	7.56

13 Investment Management Expenses

2018-19		2019-20
£'000		£'000
*Restated		
(4,513)	Management fees	(5,090)
(671)	Performance related fees	(763)
(29)	Custody fees	(30)
(5,571) *	Transaction costs	(3,402)
(10,784) *		(9,285)

*Investment Management Expenses restated to include Implicit costs within the Transaction costs.

14 Financial Instruments

14.1 Classification of financial instruments

Accounting policies describe how different asset classes are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities (excluding cash) by category and net assets statement heading.

2018-19				2019-20			
Designated at fair value through profit and loss £'000	Loans and receivables £'000	Financial liabilities at amortised cost £'000	Total £'000	Designated at fair value through profit and loss £'000	Loans and receivables £'000	Financial liabilities at amortised cost £'000	Total £'000
Financial assets							
403,998	0	0	403,998	380,162	0	0	380,162
510,928	0	0	510,928	424,727	0	0	424,727
27,626	0		27,626	53,198	0	0	53,198
1,293,361	0	0	1,293,361	1,187,591	0	0	1,187,591
320,616	0	0	320,616	313,703	0	0	313,703
6,371	0	0	6,371	5,966	0	0	5,966
0	12,259	0	12,259	0	17,164	0	17,164
896	0	0	896	57	0	0	57
0	4,038	0	4,038	0	5,437	0	5,437
2,563,796	16,297	0	2,580,093	2,365,404	22,601	0	2,388,005
Financial liabilities							
0	0	0	0	0	0	0	0
0	0	(4,407)	(4,407)	0	0	(3,532)	(3,532)
0	0	(4,407)	(4,407)	0	0	(3,532)	(3,532)
2,563,796	16,297	(4,407)	2,575,686	2,365,404	22,601	(3,532)	2,384,473
Total							

14.2 Net gains and losses on financial instruments

2018-19 £'000	2019-20 £'000
Financial assets	
137,196	(194,167)
137,196	(194,167)
0 Total financial liabilities	
137,196	(194,167)
Total	

14.3 Fair value of financial instruments and liabilities

The following table summarises the carrying value of the financial assets and financial liabilities by class of instrument compared with their fair values:

Carrying value 31/03/19 £'000	Fair value 31/03/19 £'000		Carrying value 31/03/20 £'000	Fair value 31/03/20 £'000
Financial assets				
1,971,208	2,563,796	Fair value through profit and loss	1,994,998	2,365,404
16,297	16,297	Loans and receivables	22,601	22,601
1,987,505	2,580,093	Total financial assets	2,017,599	2,388,005
Financial liabilities				
0	0	Fair value through profit and loss	0	0
(4,407)	(4,407)	Financial liabilities at amortised cost	(3,532)	(3,532)
(4,407)	(4,407)	Total financial liabilities	(3,532)	(3,532)
1,983,098	2,575,686	Total	2,014,067	2,384,473

14.4 Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed interest securities, quoted index linked securities and certain unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include limited partnerships, where fair value is ascertained from periodic valuations provided by those controlling the partnership. Assurance over the valuation is gained from the independent audit of the partnership.

The following table provides an analysis of the financial assets and liabilities of the Fund grouped into levels 1 to 3, based on the value at which the fair value is observable.

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Fair values at 31 March 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets				
Financial assets at fair value through profit and loss	969,374	1,076,628	319,402	2,365,404
Loans and receivables	22,601	0	0	22,601
Total financial assets	991,975	1,076,628	319,402	2,388,005
Financial liabilities				
Financial liabilities at fair value through profit and loss	0	0	0	0
Financial liabilities at amortised cost	(3,532)	0	0	(3,532)
Total financial liabilities	(3,532)	0	0	(3,532)
Net financial assets	988,443	1,076,628	319,402	2,384,473

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Fair values at 31 March 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets				
Financial assets at fair value through profit and loss	1,105,917	1,131,163	326,716	2,563,796
Loans and receivables	16,297	0	0	16,297
Total financial assets	1,122,214	1,131,163	326,716	2,580,093
Financial liabilities				
Financial liabilities at fair value through profit and loss	0	0	0	0
Financial liabilities at amortised cost	(4,407)	0	0	(4,407)
Total financial liabilities	(4,407)	0	0	(4,407)
Net financial assets	1,117,807	1,131,163	326,716	2,575,686

14.5 Fair value – Basis of valuation

Description of Asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the Valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Pooled Investments – Quoted Equity	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing policy	Not required
Pooled Investments – Property Funds	Level 3	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing policy	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts.
Unquoted Equity	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Vanture Capital Valuation Guidelines (2012)	EBITDA multiple Revenue multiple Discount for lack of marketability control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts

14.6 Reconciliation of fair value measurements within level 3

Asset Type	Market Value 01 April 2019 £'000	Transfers into Level 3 £'000	Transfers out of Level 3 £'000	Purchases £'000	Sales £'000	Unrealised Gains / (Losses) £'000	Realised Gains / (Losses) £'000	Market Value 31 March 2020 £'000
Equities - Unquoted overseas equity	0	0	0	0	0	0	0	0
Property	326,716	0	0	16,155	(10,639)	(13,215)	385	319,402
Total	326,716	0	0	16,155	(10,639)	(13,215)	385	319,402

14.7 Transfers between levels 1 and 2

There were no transfers between levels 1 and 2 investments during 2019-20.

15 Nature and extent of risks arising from financial instruments

15.1 Risk and risk management

The Fund has developed a formal risk assessment process and maintains a risk register which is updated annually. This ensures that risks are identified appropriately and are assessed and managed effectively. For more details, and to view the Risk Register, please refer to the Fund's website -

www.dyfedpensionfund.org.uk

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Authority manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Committee. Risk management policies are established to identify and analyse the risks faced by the Authority's pensions operations. Policies are reviewed regularly to reflect changes in activity and market conditions.

15.2 Market risk

Market risk is the risk of loss from fluctuations in equity prices and interest and foreign exchange rates. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Committee and its independent investment adviser undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund manages these risks in three ways:

- The exposure of the Fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels
- Specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments
- By investing in a diverse portfolio in terms of managers and investments and again by the actuary only anticipating a long-term return on a relatively prudent basis to reduce risk of under-performing

15.3 Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

As a result of the COVID-19 pandemic spread early in 2020, global financial markets reflected the impending risks, with resultant material falls in valuations of most asset classes in February and March of 2020.

At the March 2020 reporting date, property fund managers consider that they can attach less weight to previous market evidence for comparison purposes. They are faced with an unprecedented set of circumstances on which to base judgement. The fall in transactions and lack of clarity on pricing means that all major industry valuers have now added Material Uncertainty clauses to their property fund valuations.

LGPS defined benefit pensions are not linked to stock market performance and are set out in statute. Although short term investment values may vary, the LGPS as a long-term investor is securely managed to address any longer term impacts.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Committee to ensure it is within limits specified in the Fund's investment strategy.

15.4 Other price risk – sensitivity analysis

Potential price changes are determined based on the observed historical volatility of asset class returns. The potential volatilities shown below, are consistent with a one standard deviation movement in the change in value of the assets over the latest three years:

Asset Type	Potential market movements (+/-)
Equity	13.20%
Bonds	6.70%
Index Linked	8.50%
Property	2.80%
Cash	1.00%

Had the market price of the Fund increased/decreased in line with the above, the change in the net assets available to pay benefits would have been as follows:

Asset Type	Value as at 31 March 2020 £'000	Change %	Value on Increase £'000	Value on Decrease £'000
Cash	12,215	1.00%	12,337	12,093
UK Equities	424,727	13.20%	480,791	368,663
Overseas Equities	642,005	13.20%	726,749	557,260
Global Pooled Equities inc UK	545,586	13.20%	617,603	473,568
Alternatives	53,198	13.20%	60,220	46,176
UK Corporate Bonds	272,772	6.70%	291,048	254,496
Index Linked Gilts	107,390	8.50%	116,518	98,262
Property	319,669	2.80%	328,620	310,718
Sales receivable	0	0.00%	0	0
Purchases payable	0	0.00%	0	0
Income receivables	57	0.00%	57	57
Total Assets	2,377,619		2,633,943	2,121,293

Asset Type	Value as at 31 March 2019 £'000	Change %	Value on Increase £'000	Value on Decrease £'000
Cash	7,052	0.50%	7,087	7,017
UK Equities	510,928	10.50%	564,576	457,281
Overseas Equities	704,690	10.50%	778,682	630,697
Global Pooled Equities inc UK	588,671	10.50%	650,481	526,861
Alternatives	27,626	10.50%	30,527	24,725
UK Corporate Bonds	265,299	6.50%	282,543	248,054
Index Linked Gilts	138,699	9.80%	152,291	125,106
Property	326,987	2.60%	335,489	318,485
Sales receivable	0	0.00%	0	0
Purchases payable	0	0.00%	0	0
Income receivables	896	0.00%	896	896
Total Assets	2,570,848		2,802,572	2,339,122

15.4.1 Sensitivity of assets valued at level 3

Asset Type	Value as at 31 March 2020 £'000	Change %	Value on Increase £'000	Value on Decrease £'000
Equities - Unquoted overseas	0	13.20%	0	0
Property	319,402	2.80%	328,345	310,459
Total Level 3 Assets	319,402		328,345	310,459

15.5 Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's interest rate risk is routinely monitored by the Committee in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates against the relevant benchmarks.

The actuary, as part of their triennial valuation and dictated by the Funding Strategy Statement, will only anticipate long-term return on a relatively prudent basis to reduce risk of under-performing. Progress is analysed at three yearly valuations for all employers.

The Fund's direct exposure to interest rate movements as at 31 March 2019 and 31 March 2020 are set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

31/03/19 Asset type £'000	31/03/20 £'000
7,052 Cash and cash equivalents	12,215
5,207 Cash held at CCC	4,949
403,998 Bonds	380,162
416,257 Total	397,326

15.6 Interest rate risk sensitivity analysis

Interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates:

Asset type	Value as at 31/03/20 £'000	Change in year in the net assets available to pay benefits	
		+1%	-1%
		£'000	£'000
Cash and cash equivalents	12,215	122	(122)
Cash held at CCC	4,949	49	(49)
Bonds	380,162	3,802	(3,802)
Total change in available assets	397,326	3,973	(3,973)

Asset type	Value as at 31/03/19 £'000	Change in year in the net assets available to pay benefits	
		+1%	-1%
		£'000	£'000
Cash and cash equivalents	7,052	71	(71)
Cash held at CCC	5,207	52	(52)
Bonds	403,998	4,040	(4,040)
Total change in available assets	416,257	4,163	(4,163)

15.7 Discount Rate

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.

15.8 Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£ GBP Sterling). The Fund holds both monetary and non-monetary assets denominated in currencies other than £ GBP Sterling.

The Fund's currency rate risk is routinely monitored by the Committee in accordance with the Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

The following table summarises the Fund's currency exposure as at 31 March 2019 and as at 31 March 2020:

Fair value	Asset type	Fair value
31/03/19		31/03/20
£'000		£'000
1,213,890	Overseas Equities	1,143,481
27,846	Property	25,578
4	Cash	66
1,241,740	Total overseas assets	1,169,125

15.9 Currency risk sensitivity analysis

The aggregate currency exposure within the Fund as at 31 March 2020 was 7.40% (2018-19: 8.80%).

This analysis assumes that all other variables, in particular interest rates, remain constant.

A 7.40% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Asset type	Fair value 31/03/20 £'000	Change in year in the net assets available to pay benefits	
		+7.40% £'000	-7.40% £'000
Overseas equities	1,143,481	84,618	(84,618)
Property	25,578	1,893	(1,893)
Cash	66	5	(5)
Total change in available assets	1,169,125	86,516	(86,516)

Asset type	Fair value 31/03/19 £'000	Change in year in the net assets available to pay benefits	
		+8.80% £'000	-8.80% £'000
Overseas equities	1,213,890	106,822	(106,822)
Property	27,846	2,450	(2,450)
Cash	4	0	0
Total change in available assets	1,241,740	109,272	(109,272)

15.10 Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the value of the Fund's financial assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk. However the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Employers in the Fund are not currently assessed for their creditworthiness or individual credit limits set. There is risk of being unable to collect contributions from employers with no contributing members (e.g. risk associated with employers with a small number of declining contributing members) so Carmarthenshire County Council monitors membership movements on an annual basis.

New employers to the Fund have to agree to the provision of a bond to prevent the risk of future financial loss to the Fund in the event of not being able to meet its pension liability on cessation. Carmarthenshire County Council currently guarantees to meet any future liabilities falling on the Fund as a result of cessation. This is done to ensure that actuarial recovery periods and amounts are kept at a manageable level for smaller employers.

No collateral is held as security on financial assets. Carmarthenshire County Council does not generally allow credit to employers.

All investments held by investment managers are held in the name of the Dyfed Pension Fund at the custodian – Northern Trust, so if the investment manager fails the Fund's investments are not classed amongst the manager's assets.

Any cash held is in the Carmarthenshire County Council accounts and is invested in line with Carmarthenshire County Council's approved credit rated counterparty list.

15.11 Liquidity risk

This refers to the possibility that the Fund might not have sufficient Funds available to meet its commitments to make payments.

Carmarthenshire County Council has a comprehensive cash flow management system that seeks to ensure that cash is available when needed.

The amount held in the Fund's bank accounts meet the normal liquidity needs of the Fund and any surplus cash is invested. The Fund's actuaries establish what contributions should be paid in order that all future liabilities can be met.

The investments of the Fund are mainly of a liquid nature. Although any forced liquidation of the investments may be subject to a financial loss.

16 **Current assets**

31/03/19 £'000		31/03/20 £'000
	Contributions due from employer	
1,804	- Employer	2,428
1,624	- Employee	1,696
5,207	Cash Balances	4,949
610	Debtors	1,313
<u>9,245</u>		<u>10,386</u>

16.1 Analysis of Current assets

31/03/19 £'000		31/03/20 £'000
3	HMRC	3
7,731	Other local authorities	8,021
1	NHS bodies	1
0	Public corporations and trading funds	1,117
1,510	Other entities and individuals	1,244
9,245		10,386

17 Current liabilities

31/03/19 £'000		31/03/20 £'000
(2,266)	Unpaid benefits	(1,884)
(2,141)	Creditors	(1,648)
(4,407)		(3,532)

17.1 Analysis of Current liabilities

31/03/19 £'000		31/03/20 £'000
(759)	HMRC	(689)
(106)	Other local authorities	(35)
(684)	Public corporations and trading funds	(606)
(2,858)	Other entities and individuals	(2,202)
(4,407)		(3,532)

18 Additional Voluntary Contributions (AVC)

Occupational Pension Schemes are required by Statute to provide in-house AVC arrangements. The Fund has joint providers: Prudential, Standard Life and UTMOST (previously Equitable Life), where a range of investment options are available.

It is for individual Scheme members to determine how much they contribute (subject to HMRC limits) and the investment components or its mix.

The contributions made to separately invested AVC schemes and the value of these investments as at the balance sheet date are shown below:

AVC Provider	Value as at 31/03/19 £ '000	Contributions £ '000	Expenditure £ '000	Change in Market Value £ '000	Value as at 31/03/20 £ '000
Prudential	5,754	1,712	(1,075)	(115)	6,276
UTMOST	522	0	0	0	522
Standard Life	3,326	423	(905)	(47)	2,797
Total	9,602	2,135	(1,980)	(162)	9,595

19 Funding arrangements

In line with Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contributions rates for the forthcoming triennial period. The valuation that these financial statements are based on took place as at 31 March 2016. The last such valuation took place as at 31 March 2019.

For more details, and to view the Funding Strategy Statement (FSS), please refer to the Fund's website – www.dyfedpensionfund.org.uk and the Annual Report and Accounts 2019-20.

20 Related Party Transactions

The Fund is administered by Carmarthenshire County Council (the Authority), consequently there is a strong relationship between the Authority and the Fund.

The Authority incurred costs of £1.108 million (2018-2019: £1.038 million) in relation to the administration of the Fund and was subsequently reimbursed by the Fund.

The Authority is also the single largest employer of members in the Fund and contributed £35.015 million to the Fund in 2019-2020 (2018-2019: £32.441 million).

The Fund holds part of its cash balance with the Authority in order to meet its day to day expenditure. This cash is invested on the Money Markets by the Authority's Treasury Management section. During the year to 31 March 2020, the Fund had an average investment balance of £18.64 million (2018-2019: £13.58 million) earning interest of £140,466 (2018-2019: £88,575).

20.1 Governance

Pension Committee

There are three members and one substitute member of the Pension Committee. During 2019-20 these were Councillor Elwyn Williams, Councillor Robert Evans who was replaced by Councillor Deryk Cundy in January 2020, Councillor Jim Jones (active member) and the substitute was Councillor Dai Thomas (active member).

The Director of Corporate Services, Mr Chris Moore, who has the role of Section 151 Officer for the Authority, played a key role in the financial management of the Fund and is also an active member of the Fund.

The Committee members and the Senior Officers that advise the Committee are required to declare their interest at each meeting. The Committee members and Director of Corporate Services accrue their benefits in line with the regulations encompassing councillors and employees of the employing bodies of the Fund.

Pension Board

A Pension Board was approved by County Council on the 11th February 2015 effective from 1st April 2015 in line with the Public Service Pension Act 2013. It consists of three employer representatives, three member representatives and an independent chair.

For more details, and to view the Governance Policy, please refer to the Fund's website – www.dyfedpensionfund.org.uk and the Annual Report and Accounts 2019-20.

20.2 Key Management Personnel

The key management personnel of the fund is the Section 151 Officer. Total remuneration payable to key management personnel is set out below:

31/03/19		31/03/20
£'000		£'000
14	Short-term benefits	14
<u>3</u>	Post-employment benefits	<u>3</u>
<u>17</u>		<u>17</u>

21 Employing bodies contribution rates, contributions receivable and benefits payable

2018-19					2019-20			
Contri- bution rate %	Deficit Contri- bution £'000	Contri- butions £'000	Benefits payable £'000		Contri- bution rate %	Deficit Contri- bution £'000	Contri- butions £'000	Benefits payable £'000
Scheduled bodies								
15.1	2,623	29,818	35,528	Carmarthenshire County Council	15.1	2,720	32,295	37,661
15.6	864	16,468	17,794	Pembrokeshire County Council	15.6	889	18,210	19,553
15.3	140	11,505	11,621	Ceredigion County Council	15.3	241	11,799	13,417
Office for the Police & Crime								
13.5	90	4,732	3,002	Commissioner for Dyfed-Powys	13.5	93	4,875	3,100
14.1	74	1,294	1,248	Mid & West Wales Fire Authority	14.1	76	1,346	1,194
16.2	0	291	313	Coleg Ceredigion	16.2	0	402	509
16.1	113	1,531	1,058	Coleg Sir Gar	16.1	117	1,628	1,005
15.8	(84)	633	778	Pembrokeshire Coast National Park	15.8	(87)	667	910
15.0	84	1,081	423	Pembrokeshire College	15.0	87	1,129	551
	3,904	67,353	71,765			4,136	72,351	77,900
Designated (Resolution) bodies								
23.0	0	11	13	Aberystwyth Town Council	23.0	0	16	13
24.9	0	0	0	Aberaeron Town Council	24.9	0	0	0
17.9	17	80	111	Carmarthen Town Council	17.9	18	80	99
21.6	0	31	0	Cwmamman Town Council	21.6	0	33	0
21.7	0	12	0	Llanedi Community Council	21.7	0	14	0
24.0	1	5	4	Gorslas Community Council	24.0	1	6	4
-	0	11	31	Haverfordwest Town Council	-	0	12	32
27.6	9	13	12	Kidwelly Town Council	27.6	10	15	12
20.7	0	2	1	Llanbadarn Fawr Community Council	20.7	0	2	1
24.9	0	0	1	Llanarthne Community Council	24.9	0	0	1
15.9	6	194	156	Llanelli Rural Council	15.9	6	213	214
19.1	7	57	91	Llanelli Town Council	19.1	7	62	104
15.9	0	8	0	Llangennech Community Council	15.9	0	9	0
19.5	5	39	21	Llannon Community Council	19.5	5	34	12
19.6	(2)	39	7	Pembrey & Burry Port Town Council	19.6	(2)	53	42
16.3	(2)	10	12	Tenby Town Council	16.3	(2)	10	19
16.6	1	13	0	Pembroke Town Council	16.6	1	14	0
13.5	1	10	0	Pembroke Dock Town Council	13.5	1	10	0
	43	535	460			45	583	553

(continued overleaf)

(continued from previous page)

2018-19				2019-20			
Contri- bution rate %	Deficit Contri- bution £'000	Contri- butions £'000	Benefits payable £'000	Contri- bution rate %	Deficit Contri- bution £'000	Contri- butions £'000	Benefits payable £'000
Admission bodies							
Community Admission Body (CAB)							
17.9	11	44	53	17.9	12	46	24
15.1	(21)	1,148	1,323	15.1	(21)	932	1,126
17.0	10	32	40	17.0	10	29	35
27.6	(9)	10	0	27.6	(9)	13	118
15.9	2	14	40	15.9	2	13	41
23.3	5	3	15	23.3	5	3	16
0.0	0	0	34	0.0	0	0	38
11.7	11	71	11	11.7	11	72	11
10.5	29	36	32	10.5	30	36	32
10.8	1	38	0	10.8	1	55	0
7.4	(2)	13	10	7.4	(2)	12	10
19.3	(3)	9	15	19.3	(3)	4	10
20.1	1	66	100	20.1	1	61	56
13.7	4	83	69	13.7	5	82	27
15.8	(5)	267	222	15.8	(6)	253	220
18.4	72	602	497	18.4	74	659	669
22.3	83	11	219	22.3	86	11	214
14.7	(24)	223	334	14.7	(24)	236	413
14.8	5	28	41	14.8	5	31	41
15.8	(3)	26	73	15.8	(3)	29	75
14.2	1	7	0	14.2	1	6	0
	168	2,731	3,128		175	2,583	3,176
Transferee Admission Body (TAB)							
19.3	0	16	38	19.3	0	17	38
26.6	(1)	6	54	26.6	0	0	14
15.3	0	214	27	15.3	0	398	4
21.2	(7)	117	106	21.2	(7)	65	122
	(8)	353	225		(7)	480	178
Bodies with no pensionable employees							
0.0	0	5	6	0.0	0	6	7
0.0	0	0	13	0.0	0	0	13
0.0	0	0	90	0.0	0	0	41
0.0	0	52	317	0.0	0	52	320
0.0	0	1	7	0.0	0	1	7
0.0	0	2	10	0.0	0	2	4
0.0	0	0	2	0.0	0	0	2
0.0	0	0	7,668	0.0	0	0	7,527
0.0	0	0	2	0.0	0	0	2
0.0	0	7	7	0.0	0	7	7
0.0	0	4	16	0.0	0	4	16
0.0	0	0	7	0.0	0	0	7
0.0	0	0	6	0.0	0	0	5
0.0	0	2	2	0.0	0	2	2
	0	73	8,153		0	74	7,960
4,107 71,045 83,731 Total				4,349 76,071 89,767			

21.1 Bodies with No Pensionable Employees where pension increase is recharged

It has been assumed that for the following bodies, the proportion of pension increases stated below will continue to be recharged.

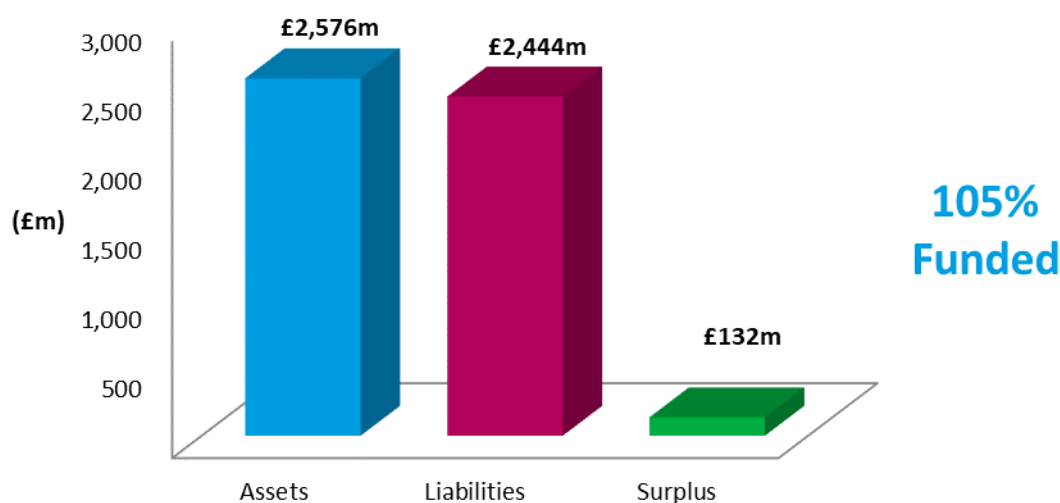
	Proportion to be recharged %
DVLA	100
Milford Haven Town Council	100
National Health Service	100
Carmarthen Family Centre	100
Dwr Cymru Welsh Water	50

22 Actuarial Statement

This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme Regulations 2013.

An actuarial valuation of the Dyfed Pension Fund was carried out as at 31 March 2019 to determine the contribution rates with effect from 1 April 2020 to 31 March 2023.

On the basis of the assumptions adopted, the Fund's assets of £2,576 million represented 105% of the Fund's past service liabilities of £2,444 million (the "Solvency Funding Target") at the valuation date. The surplus at the valuation was therefore £132 million.



The valuation also showed that a Primary contribution rate of 18.3% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

The funding objective as set out in the FSS is to achieve and maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall. Equally, where there is a surplus it is usually appropriate to offset this against contributions for future service, in which case contribution reductions will be put in place to allow for this.

The FSS sets out the process for determining the recovery plan in respect of each employer. At this actuarial valuation the average recovery period adopted is 14 years, and the total initial recovery payment (the “Secondary rate” for 2020-2023) is an offset of approximately £3m per annum on average in £ terms (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS), although this varies year on year. Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated 31 March 2020.

In practice, each individual employer’s position is assessed separately and the contributions required are set out in the report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Solvency Funding Target and the Primary rate of contribution were as follows:

	For past service liabilities (Solvency Funding Target)	For future service liabilities (Primary rate of contribution)
Rate of return on investments (discount rate)	4.1% per annum	4.65% per annum
Rate of pay increases (long term)	3.9% per annum	3.9% per annum
Rate of increases in pensions in payment (in excess of GMP)	2.4% per annum	2.4% per annum

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2022. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2023.

The McCloud Judgment

The “McCloud judgment” refers to a legal challenge in relation to historic benefit changes for all public sector schemes being age discriminatory. The Government announced in 2019 that this needs to be remedied for all public sector schemes including the LGPS. This is likely to result in increased costs for some employers. This remedy is not yet agreed but guidance issued requires that each Fund sets out its policy on addressing the implications.

In line with guidance issued by the LGPS Scheme Advisory Board, the above funding level and Primary contribution rate do not include an allowance for the estimated cost of the McCloud judgment. However, at the overall Fund level we estimate that the cost of the judgment could be an increase in past service liabilities of broadly £28 million and an increase in the Primary Contribution rate of 1.1% of Pensionable Pay per annum. Provision for these costs has been included within the secondary rate for all employers (and also within the whole Fund average Secondary rate of £3 million per annum offset shown above).

Impact of Covid 19

The valuation results and employer contributions above were assessed as at 31 March 2019. In 2020 we have so far seen significant volatility and uncertainty in markets around the world in relation to the COVID-19 pandemic. This potentially has far-reaching consequences in terms of funding and risk, which will need to be kept under review. We believe that it is important to take stock of the situation as opposed to make immediate decisions in what is an unprecedented set of events. Our view is that employer contributions should not be revisited but the position should be kept under review by the Administering Authority who will monitor the development of the situation and keep all stakeholders informed of any potential implications so that the outcome can be managed effectively.

Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2020 (the 31 March 2019 assumptions are included for comparison):

	31 March 2019	31 March 2020
Rate of return on investments (discount rate)	2.4% per annum	2.4% per annum
Rate of CPI Inflation / CARE benefit revaluation	2.2% per annum	2.1% per annum
Rate of pay increases	3.7%* per annum	3.6% per annum
Rate of increases in pensions in payment (in excess of GMP)/Deferred revaluation	2.3% per annum	2.2% per annum

* This is the long-term assumption. An allowance corresponding to that made at the previous formal actuarial valuation for short-term public sector pay restraint was also included.

The demographic assumptions are the same as those used for funding purposes, with the 31 March 2020 assumptions being updated to reflect the assumptions adopted for the 2019 actuarial valuation. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2020.

Corporate bond yields were similar at the start and end of year resulting in the same discount rate of 2.4% p.a. being used for IAS 26 purposes at the year-end as for last year. The expected long-term rate of CPI inflation decreased during the year, from 2.2% p.a. to 2.1%, which served to decrease the liabilities slightly over the year.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2019 was estimated as £3,291 million excluding the potential impact of the McCloud Judgment. Interest over the year increased the liabilities by c£80 million, and allowing for net benefits accrued/paid over the period also increased the liabilities by c£66 million (this includes any increase in liabilities arising as a result of early retirement and GMP indexation – see comments elsewhere in this statement). Allowing for the potential impact of the McCloud judgment increased the liabilities by £38 million.

There was also a decrease in liabilities of £28 million due to "actuarial gains" (i.e the effects of the changes in the actuarial assumptions used, referred to above, and the incorporation of the 31 March 2019 actuarial valuation results into the IAS26 figures).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2020 is therefore £3,447 million.

GMP Indexation

At present, the public service schemes are required to provide full CPI pension increases on GMP benefits for members who reach State Pension Age between 6 April 2016 and 5 April 2021. The UK Government may well extend this at some point in the future to include members reaching State Pension Age from 6 April 2021 onwards, which would give rise to a further cost to the LGPS and its employers. If the Fund were required to index-link GMP benefits in respect of those members who reach their State Pension Age after April 2021, then this would increase the Fund liabilities by about £10 million on IAS26 assumptions, and we have included this amount within the final IAS26 liability figure above.

John Livesey

Fellow of the Institute and
Faculty of Actuaries

Laura Evans

Fellow of the Institute and
Faculty of Actuaries

Mercer Limited
May 2020

23 Current Economic Climate

As a result of the COVID-19 pandemic, pension fund investments have been subject to volatility. The markets, however, have continued trading and while it is recognised that the volatility exists, information is available to measure the financial instruments at 31 March 2020. Some investment markets, in particular equities, have recouped a significant proportion of the losses incurred from the lows of late March 2020 with the fund value at the end of April 2020 at £2.512billion, an increase of more than 5% from 31 March 2020. However, the outlook remains highly uncertain for financial markets and the economy, both in the UK and globally.

The impact for the Dyfed Pension Fund will possibly be seen next financial year with a potential financial impact with increased costs and potential loss of dividend / investment income during 2020-21. This area is being managed carefully with regular contact and updates being received from the investment managers and the Dyfed Pension Fund independent adviser.

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Audit Committee 29th July 2020

Subject: Burry Port Harbour Financial Statement 2019-20

Purpose: To present the Accounting Statement for 2019-20

Recommendations / key decisions required:

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

Reasons:

The Council is required to approve the 2019-20 pre-audited accounts of the Harbour Authority, to comply with the Accounts and Audit (Wales) Regulations 2014.

The Audit Committee have delegated powers to approve the Accounts in line with the Local Government Measure.

Relevant scrutiny committee to be consulted 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
29th July 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 1st 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 31st 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
NONE	YES	YES	NONE	NONE	NONE	NONE

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 31st 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.

Smaller relevant local government bodies in Wales

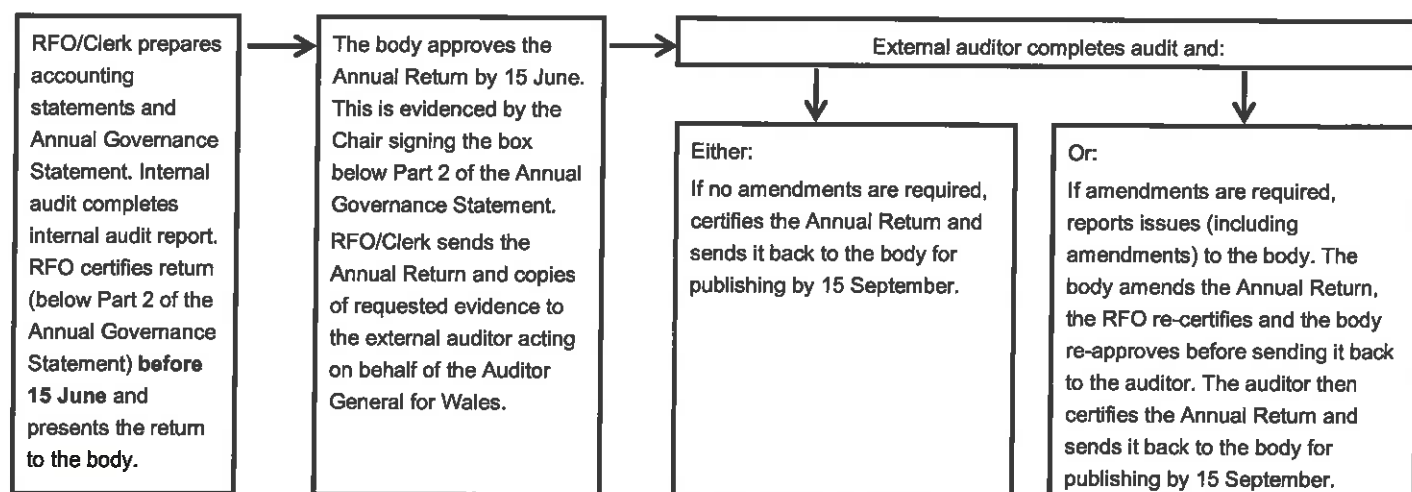
Annual Return for the Year Ended 31 March 2020

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: Burry Port Harbour Authority

	Year ending		Notes and guidance for compilers
	31 March 2019 (£)	31 March 2020 (£)	
Please round all figures to nearest £. Do not leave any boxes blank and report £0 or nil balances. All figures must agree to the underlying financial records for the relevant year.			
Statement of income and expenditure/receipts and payments			
1. Balances brought forward	0	0	Total balances and reserves at the beginning of the year as recorded in the financial records. Must agree to line 7 of the previous year.
2. (+) Income from local taxation/levy	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).
Statement of balances			
8. (+) Debtors and stock balances	40,700	114,593	Income and expenditure accounts only: Enter the value of debts owed to the body and stock balances held at the year-end.
9. (+) Total cash and investments	(33,595)	(112,833)	All accounts: The sum of all current and deposit bank accounts, cash holdings and investments held at 31 March. This must agree with the reconciled cashbook balance as per the bank reconciliation.
10. (-) Creditors	7,105	1,760	Income and expenditure accounts only: Enter the value of monies owed by the body (except borrowing) at the year-end.
11. (=) Balances carried forward	0	0	Total balances should equal line 7 above: Enter the total of (8+9-10).
12. Total fixed assets and long-term assets	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*		
1. We have put in place arrangements for: <ul style="list-style-type: none"> effective financial management during the year; and the preparation and approval of the accounting statements. 	<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
2. We have maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption, and reviewed its effectiveness.	<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
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.	<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
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.	<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
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.	<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
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.	<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
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.	<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
8. We have taken appropriate action on all matters raised in previous reports from internal and external audit.	<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.

Certification by the RFO 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.	Approval by the Audit Committee I confirm that these accounting statements and Annual Governance Statement were approved by the Committee under minute reference:
	Insert minute reference and date of meeting
RFO signature: 	Chair of meeting signature: 
Name: name required C. MOORE	Name: name required
Date: dd/mm/yyyy 15/6/20	Date: dd/mm/yyyy

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

Certification by the RFO 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.	Approval by the Committee I confirm that these accounting statements and Annual Governance Statement were approved by the Committee under minute reference:
	Insert minute reference and date of meeting
RFO signature: signature required	Chair of meeting signature: signature required
Name: name required	Name: name required
Date: dd/mm/yyyy	Date: dd/mm/yyyy

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: **Burby 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 type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text
2. Financial regulations have been met, payments were supported by invoices, expenditure was approved and VAT was appropriately accounted for.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text
3. The body assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text
4. The annual precept/levy/resource demand requirement resulted from an adequate budgetary process, progress against the budget was regularly monitored, and reserves were appropriate.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text
5. Expected income was fully received, based on correct prices, properly recorded and promptly banked, and VAT was appropriately accounted for.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text
6. Petty cash payments were properly supported by receipts, expenditure was approved and VAT appropriately accounted for.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text
7. Salaries to employees and allowances to members were paid in accordance with minuted approvals, and PAYE and NI requirements were properly applied.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text
8. Asset and investment registers were complete, accurate, and properly maintained.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text

	Agreed?				Outline of work undertaken as part of the internal audit (NB not required if detailed internal audit report presented to body)
	Yes	No*	N/A	Not covered**	
9. Periodic and year-end bank account reconciliations were properly carried out.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text
10. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments/income and expenditure), agreed with the cashbook, were supported by an adequate audit trail from underlying records, and where appropriate, debtors and creditors were properly recorded.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text

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 type="radio"/>	<input type="radio"/>	Insert text
12. Insert risk area	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text
13. Insert risk area	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text

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

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

[My detailed findings and recommendations which I draw to the attention of the Committee are included in my detailed report to the Committee dated _____.] * Delete if no report prepared.

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: name required

Signature of person who carried out the internal audit: signature required

Date: dd/mm/yyyy

Guidance notes on completing the Annual Return

1. You must apply proper practices when preparing this annual return. 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
Accounts	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?		
Approval	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?		
All sections	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
Accounts	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?		

Audit Committee 29th July 2020

Subject and Purpose: Minutes of relevant Groups to the Audit Committee		
Recommendations / key decisions required: Minutes to be received.		
Reasons: Terms of Reference for the Audit Committee stipulate that minutes of the Grants Panel, Corporate Governance Group and Risk Management Steering Group be received by the Audit Committee.		
Relevant scrutiny committee to be consulted: N/A		
Exec. Board Decision Required: N/A Council Decision Required: N/A		
EXECUTIVE BOARD MEMBER PORTFOLIO HOLDER: Cllr D Jenkins		
Directorate: Corporate Services Name of Head of Service: Helen Pugh Report Author: Helen Pugh	Designation: Head of Revenues and Financial Compliance	Tel No.: 01267 246223 E Mail Address: HLPugh@carmarthenshire.gov.uk

Audit Committee 29th July 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
- Corporate Governance Group 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
NONE	NONE	NONE	NONE	NONE	NONE	NONE

CONSULTATIONS

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

Signed: 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 at
Block 1, Parc Myrddin,
Carmarthen
Wednesday, 29th January 2020.**

Members Present:			
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
Alan Howells	Environment	Environment Risk Champion	AH
Stephanie R Williams	Education & Children	Senior School Organisation Officer	SRW
Richard Davies	Communities	Principal Officer	RD
Richard Stradling	Communities	Communities (Leisure) Risk Champion	RS
Jackie Bergiers	Chief Executive's	Lead Business Partner (H&S)	JB
Julie Standeven	Corporate Services	Principal Risk Officer	JS
Kelvin Howell	Environment	Building Manager (Minor Works)	KH
Mark Stephens	Marsh Ltd		MS

Item No	Subject	Action
1.	Apologies Steve Pilliner – Chair of Transport Risks Working Group Simon Davies – Education & Children Risk Champion Sue John - School Organisation & Admissions Manager, Education & Children's Services Helen L Morgan – Economic Development Manager	
2.	Minutes of Last Meeting The Minutes of the Risk Management Steering Group Meeting held at Meeting Room 7, Building 2, St David's Park on Friday, 8 th November 2019, were confirmed as a true record.	
2.1	Matters arising from Risk Management Steering Group Minutes.	
2.1.1	Fleet Risk Management HLP advised that a meeting was scheduled with the Authority's Brokers and Motor Insurers. The fleet risk control services provided as part of the motor insurance policy would be discussed. Update to be provided at next meeting.	HLP/JS

2.1.2	Alarm Receiving Centre MS confirmed that 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.	JS
3	Minutes of Property & Liability Risks Working Group Meeting – 17th January 2020 The Minutes were noted.	
3.1	Matters arising from Property & Liability Risks Working Group Minutes	
3.1.1	Fire Management Review JF advised that decision awaited from the Chair of the Health & Safety Leadership Board to confirm the scope of the review. Update to be provided at next meeting.	
3.1.2	Water Safety Equipment JB advised that the review is ongoing. Update to be provided at next meeting.	
3.1.3	Loss Prevention Property Surveys The Authority's Property Insurers completed loss prevention surveys at a number of the Authority's properties. As a result of the requirements arising from the surveys, it was agreed that discussions with Insurers were required. MS to arrange meeting to include Property Insurers underwriter and surveyor.	MS
3.1.4	Claims Statistics Reports issued to P&LRWG detailing settled and repudiated liability claims on a quarterly basis. With reference to settled claims, departments to provide details of actions taken to avoid future losses and lessons learned shared corporately.	
3.1.5	Grenfell MS advised that initially, following the fire at Grenfell, the focus of Insurers queries related to the physical structure of buildings and the use of cladding. Insurers are now requesting information as to whether advice has been provided in respect of cladding on buildings.	
4.	Minutes of Contingency Planning Working Group Meeting – 20th January 2020 The Minutes were noted.	
4.1	Matters arising from Contingency Planning Working Group Minutes	
4.1.1	Business Impact Analysis/Business Continuity Plans/ HLP advised that the Carmarthenshire Corporate Business Continuity Plan review is ongoing. Update to be provided at next meeting.	
5.	Wales Audit Office – Review of Risk Management Arrangements HLP advised that the Action Plan developed following the <i>Wales Audit Office</i> review of the Authority's Risk Management arrangements are monitored via the <i>Performance & Improvement Monitoring System (PIMS)</i> .	

	<p>Development of training to be prioritised as follows:</p> <ul style="list-style-type: none"> • Use of upgraded software • Risk Management process and methodology <p>Update to be provided at next meeting.</p>	HLP/JS
6.	<p>BREXIT</p> <p>HLP advised that the Governments Withdrawal Agreement Bill will take the UK out of the EU on the 31st January 2020. As a result the UK will enter into an eleven month transition period and the <i>Brexit</i> reporting protocol (Yellowhammer) has ended.</p>	
7.	<p>Ash Die Back</p> <p>JF advised that the work of the cross-departmental Ash Die Back Working Group was continuing. Actions include:</p> <ul style="list-style-type: none"> • Policy development • Tree safety surveys • Webpage established on the Council's corporate website • Campaign to raise awareness particularly in relation to landowners' responsibilities <p>Update to be provided at next meeting.</p>	
8.	<p>Corporate Risk Register</p> <p>HLP advised that the Corporate Risk Register was under review and will be considered by Audit Committee meeting scheduled for 20th March 2020.</p>	
9.	Bids for Financial Assistance	
9.1	<p>E&C – Ysgol Llanddarog</p> <p>This bid related to security and safeguarding improvements at the School.</p> <p>It was agreed that the Departmental bid (i.e. 50% of the estimated cost) be approved.</p>	
9.2	<p>E&C – Ysgol Stebonheath</p> <p>This bid related to security and safeguarding improvements at the School.</p> <p>It was agreed that the Departmental bid (i.e. 50% of the estimated cost) be approved.</p>	
9.3	<p>E&C – Model Church in Wales School</p> <p>This bid related to security and safeguarding improvements at the School.</p> <p>It was agreed that the Departmental bid (i.e. 50% of the estimated cost) be approved.</p>	
9.4	<p>E&C – Ysgol Rhydygors</p> <p>This bid related to security and safeguarding improvements at the School.</p> <p>It was agreed that the Departmental bid (i.e. 50% of the estimated cost) be approved.</p>	
9.5	<p>ENV – HAVS Measuring / Monitoring Equipment</p> <p>This bid related to the upgrade of the current HAVS management system.</p> <p>It was agreed that the Group were unable to approve or reject this bid based on the information provided to date. It was agreed that the bid would be withdrawn at this time pending further investigation.</p>	

9.6	E&C – Ysgol Y Strade This bid related to security and safeguarding improvements at the School. It was agreed that the Departmental bid (i.e. 50% of the estimated cost) be approved in principle subject to receipt of an up-to-date H&S assessment report.	
9.7	ENV – Property & Condition Surveys This bid related to the undertaking of condition surveys of the Authority's non housing properties. It was agreed that the Group were unable to approve or reject this bid based on the information provided to date. Further investigation required and update to be provided at next meeting.	JF/HLP
10.	Any Other Business	
10.1	Risk Management Bid Prioritisation Actions agreed by the Group: <ul style="list-style-type: none"> • Matrix / Scoring criteria to be developed • ALL bids must be considered by Working Groups prior to referral to Steering Group. 	HLP/JS
10.2	Property Claims KH advised that discussions with loss adjusters / property insurers would be beneficial to Property Technical Officers. Topics for discussion to include – insured perils / betterment / exclusions. JS to discuss with loss adjusters.	JS
11.	Next Meeting 9:30 a.m. Thursday, 30 th April 2020 at Meeting Room 2, Building 2, St David's Park, Carmarthen	

MINUTES OF THE GRANTS PANEL MEETING HELD ON 22nd NOVEMBER 2019 IN CORPORATE SERVICES MEETING ROOM, COUNTY HALL.		
PRESENT:	Randal Hemingway, Head of Financial Services Helen Pugh, Head of Revenues & Financial Compliance Caroline Powell, Principal Auditor, Internal Audit (IA) Alan Howells, Chair of PWG, Environment Les James, Chair of PWG, Communities Nia Thomas, Chair of PWG, Education & Children (Revenue) Rhian Phillips, Economic Development Area Manager Kate Havard, Financial Audit Team, Wales Audit Office (WAO) Delyth Thomas, Grants Compliance Officer	
APOLOGIES:	Simon Davies, Chair of PWG, Education & Children (Capital) Stuart Walters, Economic Development Manager Helen Morgan, Economic Development Manager	
	SUBJECT	ACTION
1.0	<u>Minutes of the last meeting</u>	
	<ul style="list-style-type: none"> The minutes were agreed. 	
2.0	<u>Matters Arising</u>	
	<ul style="list-style-type: none"> Where grants are awarded to a local authority to be managed on a regional basis consideration on what type of information, whether this maybe of a sensitive nature and how it is transferred between local authorities needs to be established. Chairs of PWG to provide feedback at the next meeting regarding any regional grants within their service area. 	Chairs of PWG
	<ul style="list-style-type: none"> 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. 	RP
	<ul style="list-style-type: none"> As previously reported from 2019/20 onwards, local authority grant schemes will no longer be audited by WAO, however, for grants awarded over £100,000 an Annual Statement of Expenditure will need to be completed and submitted to WG. If the funding is under £100,000, an Annual Statement of Expenditure will not be required. Clarification to be sought from WG if these thresholds apply to all WG grants or just the grants that were previously audited by WAO. 	DT

	SUBJECT	ACTION
3.0	<p><u>Wales Audit Office - Update</u></p> <ul style="list-style-type: none"> • The 2018/19 audits for 21st Century Schools, NDR, Sustainable Waste and Teachers Pension have been completed. No issues identified during the audit process. • The audit of Pooled Budgets is subject to review and sign off by WAO. • The audits of the following grants/returns are almost complete but have outstanding queries: <ul style="list-style-type: none"> ○ Summary Schedule of WG Grants – procurement query Flying Start ○ WANLESS – service level agreement not received ○ Local Transport Grant – information on contractors framework ○ Housing Benefits Subsidy – underpayment which has been corrected in 2019/20 	
4.0	<p><u>Internal Audit (IA) - Update</u></p> <ul style="list-style-type: none"> • The audit of the Homelessness Prevention Grant for 2018/19 has been completed. An eligibility query of £18k has been raised with the department and feedback is awaited. • The audit of the 2018/19 Post 16 grant is due in January 2020. Clarification to be sought if this includes additional grant monies awarded for Teacher's Pension and Teachers Pay Award. • The next audit of the Pupil Deprivation Grant and Education Improvement Grant for 2019/20 is due January 2020. 	CP
5.0	<p><u>Project Working Groups – Update</u></p> <ul style="list-style-type: none"> • Minutes of PWG meetings were circulated to Grants Panel members for: <ul style="list-style-type: none"> ○ Communities: 23/9/19 ○ Chief Executives: 24/7/19 	

	SUBJECT	ACTION
	<ul style="list-style-type: none"> Due to a number of changes in staffing within Environment a request has been made for grants training to be provided for new employees involved in the grants process. 	
6.0	<p><u>European Grants Update</u></p> <ul style="list-style-type: none"> A current schedule of all European funded projects was presented to Grants Panel. The total estimated project costs approved and in development is £41.4m with a grant of £28m. CCC are partners in both Connecting Green Infrastructure and Caru Cymru projects for which applications were submitted under the RDP ENRaW (Enabling Natural Resources and Well-being) programme to cover the period 2019 to 2022. However WG have now committed to funding these for 2019/20. Two new bids for each of these projects have been submitted to RDP ENRaW to cover the period 2020 to 2023. Monitoring arrangements need to put in place for projects funded under RDP. It has been noted that match funding included on claims submitted by the Authority have been amended by the funding body to bring it in line with the committed percentage of match funding. Details to be provided at the next meeting. 	DT
7.0	<p><u>City Deal Update</u></p> <ul style="list-style-type: none"> The Terms and Conditions have now been received from WG. The document will need to be signed by the 4 constituent Authorities before it is signed by the Joint Committee. Funding agreements to be established between the Accountable Body and Lead Authority and between Lead Authority and individual project leads. Confirmation to be received from the Chief Executive and Director of Corporate Services regarding the role Grants Panel will now have in relation to the City Deal. 	RH

	SUBJECT	ACTION
8.0	<p><u>New & Proposed Projects</u></p> <ul style="list-style-type: none"> A WG grant of £65k (£27k revenue & £38k capital) has been allocated to the Authority via WLGA for Food Poverty. Monies to be allocated to provide support to organisations who are managing food banks. WG have awarded the Authority £100k to support the administration of the City Deal. 	
9.0	<p><u>Grants Register</u></p> <ul style="list-style-type: none"> The grants register for 2019/20 was circulated. Any amendments or updates to be provided to Grants Compliance Officer. 	Chairs of PWG
10.0	<p><u>AOB</u></p> <ul style="list-style-type: none"> The current arrangements whereby Pembrokeshire County Council currently review evidence to support the community benefits that have been provided by the appointed contractor, as part of the procurement requirements, is due to end. Arrangements on how CCC will now undertake the review of evidence needs to be decided. This impacts on a number of grants awarded to the Authority where evidence to support community benefits is also a requirement under the Terms & Conditions of grant. The effective management of grant funding is currently deemed as medium risk on the Corporate Risk Register. It is agreed that this be included as an agenda item in the next Grants Panel meeting. Concerns have been raised that due to the delays in the awarding of some grants by WG the expectations to spend the grant monies within set timeframes is sometimes unrealistic. Any agreement to roll forward grant monies to the following financial year needs to be agreed in writing with the funding body. 	<p>RH/HP</p> <p>All</p>
11.0	Date of next meeting – 1:00pm on 14 th February 2020 Corporate Services Meeting Room County Hall	

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MINUTES OF THE GRANTS PANEL MEETING HELD ON 14th FEBRUARY 2020 IN CORPORATE SERVICES MEETING ROOM, COUNTY HALL.		
PRESENT: Randal Hemingway, Head of Financial Services Helen Pugh, Head of Revenues & Financial Compliance Caroline Powell, Principal Auditor, Internal Audit (IA) Alan Howells, Chair of PWG, Environment Les James, Chair of PWG, Communities Nia Thomas, Chair of PWG, Education & Children (Revenue) Delyth Thomas, Grants Compliance Officer		
APOLOGIES: Rhian Phillips, Economic Development Area Manager Simon Davies, Chair of PWG, Education & Children (Capital) Stuart Walters, Economic Development Manager Helen Morgan, Economic Development Manager		
	SUBJECT	ACTION
1.0	<u>Minutes of the last meeting</u> <ul style="list-style-type: none"> The minutes were agreed. 	
2.0	<u>Matters Arising</u> <ul style="list-style-type: none"> Discussions have taken place within the PWG meetings regarding grants which are managed on a regional basis and the secure transfer of sensitive information between organisations. Project Managers should be fully aware of their responsibilities. 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. From 2019/20 onwards, local authority grant schemes will no longer be audited by WAO, however, for grants awarded over £100,000 an Annual Statement of Expenditure will need to be completed and submitted to WG. If the funding is under £100,000, an Annual Statement of Expenditure will not be required. Clarification has been received that these thresholds only apply to WG grants that were previously audited by WAO. For projects funded under RDP, a risk assessment needs 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 	RP

	SUBJECT	ACTION
	<p>match funding. Details to be presented in the next the Grants Panel meeting.</p> <ul style="list-style-type: none"> Discussions to be undertaken at the Modernising Education & Communities Programme Board on the possible appointment of an officer to undertake an ongoing review of the evidence to support the community benefits that have been provided by an appointed contractor, as part of the procurement requirements. For some grants it's a condition under the Terms & Conditions to provide such evidence. Confirmation to be received from the Chief Executive and Director of Corporate Services regarding the role Grants Panel will now have in relation to the City Deal. 	<p>RP</p> <p>RH</p> <p>RH</p>
3.0	<p><u>Wales Audit Office - Update</u></p> <ul style="list-style-type: none"> An update was provided on the audits undertaken for 2018/19: <ul style="list-style-type: none"> Total of 10 grants and returns were submitted for auditing 1 return (Pool Budgets) was submitted late albeit the figures were ready and available as part of the closure of accounts process 1 return was amended (Housing Benefits) but there was no overall impact on the grant funding 2 returns were qualified – there were a couple of instances where there was insufficient evidence to support 3 quotes as part of the procurement process and there was also one instance where the funding agreement had not been updated with the agreed budget figures. 	

	SUBJECT	ACTION
	<ul style="list-style-type: none"> The audit of the Homelessness Prevention Grant has been completed with the report being finalised; some issues were identified which will be presented to the Audit Committee. For the 2019-20 Children and Communities Grant there is a requirement that the Annual Statement of Grant Expenditure is completed by the organisation's Internal Auditor or Chief Finance Officer. It was agreed that Internal Audit will undertake an audit before it is signed by the Head of Financial Services. 	
5.0	<p><u>Corporate Risk Register – Effectiveness of Grant Management</u></p> <ul style="list-style-type: none"> An assessment of the current risks involved in grants management was undertaken. A report is to be presented for consideration and approval at the next CMT meeting. It has been agreed that an assessment will be undertaken by Grants Panel on a 6-monthly basis. 	<p>RH/HP</p> <p>ALL</p>
6.0	<p><u>Project Working Groups</u></p> <ul style="list-style-type: none"> Minutes of PWG meetings were circulated to Grants Panel members for: <ul style="list-style-type: none"> Education & Children (Revenue): 12/7/19 & 13/9/19 Education & Children (Capital): 24/9/19 Communities: 20/1/20 Environment: 25/9/19, 27/11/19, 22/1/20 Due to issues raised by WAO a request has been made for procurement training to be provided for officers in the Education & Children Department and officers within the Housing Division of Communities. 	<p>HP</p>

	SUBJECT	ACTION
7.0	<p><u>European Grants Update</u></p> <ul style="list-style-type: none"> • A schedule of all current European funded projects was presented to Grants Panel. The total estimated project costs approved and in development is £38.9m with a grant of £26m. • It was reported to Grants Panel that the total grant claimed to date for all European funded projects was approximately £11m. However a total of £2.4m grant income is yet to be received by the Authority. Head of Financial Services to raise with the Economic Development Manager. • A phase 2 of the regional Celtic Routes project led by Carmarthenshire under the Ireland/Wales programme is under consideration. An Expression of Interest is due to be submitted to WEFO and if successful a full application will be requested. • There is a possibility of a no cost extension to the BUCANIER regional project which Carmarthenshire is a partner under the Ireland/Wales programme. • New applications have been invited under the following programmes: <ul style="list-style-type: none"> ○ RDP Supply Chain & Co-operation with an application deadline of 9/3/2020 ○ RDP ENRaW with an application deadline of 13/3/2020 ○ Visit Wales – Tourism Basic 	RH
8.0	<p><u>New & Proposed Projects</u></p> <ul style="list-style-type: none"> • A Welsh Government grant of £453k has been awarded for capital support for the implementation and expansion of separate household waste collections of absorbent hygiene product (AHP) waste. As this grant is awarded to all local authorities and relates to 2019/20 concerns have been raised on the timescales to procure and order vehicles to meet the grant deadlines as stated in the Terms and Conditions. 	

	SUBJECT	ACTION
	<ul style="list-style-type: none"> Two grants have been award by Welsh Government totalling £67k from the Circular Economy Fund. This fund is open to local authorities to help Wales' shift towards a circular economy driving further increases in recycling and decarbonisation. Where waste is avoided and the things we use are kept in use for as long as possible. A brief summary was presented to the meeting on the most significant changes for grants in the provisional settlement for 2020/21 for all of Wales. For example: <ul style="list-style-type: none"> Professional Learning moved into Consortia grant Pupil Development increased by approx. £10m PDG Access increased by £3m New grants - Additional Learning Needs £7m & Elective Home Education £1.5m Childcare Offer – Childcare Costs increased by £10m Social Care Workforce and Sustainability Pressures Grant increased by £10m Due to the number of grants awarded to the Education and Children Department concerns have been raised on the amount of work involved and the costs of administrating all the different grants. 	
9.0	<p><u>Grants Register</u></p> <ul style="list-style-type: none"> The latest grants register for 2019/20 was circulated. Any further updates to be provided to the Grants Compliance Officer. 	Chairs of PWG
10.0	<p><u>AOB</u></p> <ul style="list-style-type: none"> WEFO are currently undertaking Article 57 reviews which relate to the capital element of grant funded projects. The following projects under the 2007-13 European Structural Funds Programme are included in the review: <ul style="list-style-type: none"> Property Development Fund Collaborative Communities Local Investment Fund 	

	SUBJECT	ACTION
	<p>The objective of the review is to test that the equipment/buildings are still in place and being used for the purpose for which the grant was awarded. Details of the locations have been returned to WEFO. A sample will be taken from the list and a visit arranged by WEFO accordingly. The outcome of the visits to be reported in the next Grants Panel meeting.</p> <ul style="list-style-type: none"> • Requests have been received to provide Grants Management training to officers across departments. It is anticipated that training will be rolled out in March 2020. • Due to a number of factors the Authority is unable to utilise all the grant money for the Community Cohesion project for 2019/2020. However Welsh Government have confirmed that while the grant funding cannot be rolled forward into 2020/2021 it could be used towards committed project spend for April to June 2020. Further clarification to be sought on how this will be managed. 	<p>RP</p> <p>DT/RP</p> <p>□</p>
11.0	Date of next meeting – 12 th May 2020 at 2:00pm Corporate Services Meeting Room County Hall	

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Minutes of the Corporate Governance Group

11th February, 2020

10:00 am – 11:45 pm

Committee Room 2, 3 Spilman Street

Present:

Cllr. David Jenkins (DJ)	Executive Board Member (Resources) (Chair)
Cllr. Mair Stephens (MS)	Executive Board Member (HR)
Paul Thomas (PT)	Assistant Chief Executive
Chris Moore (CM)	Director of Corporate Services
Helen Pugh (HP)	Head of Revenues and Financial Compliance
Alison Wood (AW)	People Services Manager
Linda Rees Jones (LRJ)	Head of Administration and Law
Gwyneth Ayers (GA)	Corporate Policy & Partnership Manager
Noelwyn Daniel (ND)	Head of ICT
Ruth Morgan (RM)	Senior Administrative Officer (Support)

Apologies:

Cllr. Tina Higgins (TH)	Councillor
Randell Hemingway (RH)	Head of Financial Services

Item No	Discussion / Action	Responsible Officer
1.	<p><u>Apologies</u> As noted above.</p> <p>Helen Morgan to be removed from the circulation list.</p>	RM
2.	<p><u>Minutes of Last Meeting dated 27th June, 2019 – Accuracy / Matters Arising</u> The following had been raised :-</p> <ul style="list-style-type: none"> <u>Accuracy</u> <ol style="list-style-type: none"> <u>Item No. 4 – Corporate Strategy Update</u> <ul style="list-style-type: none"> ➤ Audit are looking at corporate arrangements (to be completed by December 2019). <p>To read</p> <ul style="list-style-type: none"> ➤ Audit have looked at the corporate arrangements for the 3 Companies. 	RM

	<ul style="list-style-type: none"> • <u>Matters Arising</u> <ol style="list-style-type: none"> 1. <u>Item No. 4 - Corporate Strategy Update</u> <ul style="list-style-type: none"> ➤ At a recent Audit Committee, it was acknowledged that there was a need for an informal training session outlining the arrangements and responsibilities for the 3 companies. <p>Suggestion was made to delay the training until September 2020.</p> <ul style="list-style-type: none"> ➤ LRJ to ascertain where the view of the Governance is at. 2. <u>Item No. 5 – Annual Report</u> <ul style="list-style-type: none"> ➤ Corporate Strategy to be combined into the report and updated version is to be published in June 2020. ➤ A full review will be required by October 2021/2022. 3. <u>Item No. 11 – City Deal Governance Arrangements</u> <ul style="list-style-type: none"> ➤ A City Deal Programme Director namely Mr. Jonathan Burnes has been appointed and will commence on 2nd of March, 2020. <p>Following the amendment and updates, it was AGREED that the minutes were a correct record.</p> 	<p>HP</p> <p>LRJ</p>
3.	<p><u>AGS</u></p> <p>HP thanked members of the group who had submitted their updated actions in Appendix 1 and notified that the AGS would be incorporated into the Statement of Accounts via Randal Hemingway's team. Deadline for Closure of Accounts, being May 2020.</p> <p>The group verbally discussed the AGS Appendix 1. HP to update the master copy accordingly.</p> <p>A request was made that individuals who had not had an opportunity to amend/update their respective AGS to forward to HP as soon as possible.</p>	HLP
4.	<p><u>4th September, 2019 – Corporate Governance Workshop on Ways of Working results</u></p> <p>On 4th September, 2019 Rob James facilitated a comprehensive and valuable Workshop on the 5 ways of working to the group.</p>	

	<p>5 ways of working being :-</p> <ul style="list-style-type: none"> • Long Term (LT) • Preventative (P) • Integration (Int) • Collaboration (C) • Involvement (Inv) <p>The following actions to be incorporated accordingly :-</p> <ul style="list-style-type: none"> • 5 ways of working to be included into the AGS. • Consultation and Engagement into respective Divisional Business Plans, if pertinent to the division. 	All to note
5.	<p><u>Discussion on the Governance of Regulatory Reports</u></p> <p>GA referred to the Discussion Document and updated as follows:-</p> <ul style="list-style-type: none"> • Regulatory Reports are submitted to Audit Committee and by default quarterly to Scrutiny. • Engage with Tim Burton and Alison Lewis to agree on a new structure. • Draft protocol to be revised and re-issued accordingly. 	GA
6.	<p><u>Local Government Bill – WLGA Summary</u></p> <p>GA referred to the WLGA summary which had been published on 18th November, 2019.</p> <p>GA to prepare a summary of key implications for the Council.</p> <p>A formal consultation on “Changes to Executive Governance Arrangements in principal Councils” is underway. GA to liaise with LRJ and draft a response accordingly.</p>	GA
7.	<p><u>Any Other Business</u></p> <p>The following items had been raised as follows :-</p> <p><u>Mod.gov</u></p> <ul style="list-style-type: none"> • Chair enquired if there was a way of resolving the issues with IT / Mod.gov. <p><u>Annual Governance Statement</u></p> <ul style="list-style-type: none"> • Additional meeting to be held during March to agree the revised AGS and the possibility of an update of the Local Government and Elections (Wales) Bill. <p>HLP to re-issue the AGS to the group for updating purposes.</p>	<p>All to note</p> <p>HLP</p>

	RM to update officers' / members' calendars accordingly.	RM
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DRAFT

Audit Committee

Friday, 24 January 2020

PRESENT: Councillor T.M. Higgins (Chair);

Councillors:

K.V. Broom, K. Davies, G.H. John, A.G. Morgan, B. Thomas and D.E. Williams;

Mrs J. James – External Voting Member;

Also present as an observer:

Councillor D.M. Jenkins – Executive Board Member for Resources;

In attendance from the Wales Audit Office:

Mr. T. Buckle, Mr. P. Edwards and Mr. J. Evans;

The following Officers were in attendance:

J. Jones, Head of Regeneration;

H. Pugh, Head of Revenues and Financial Compliance;

A. Thomas, Head of Education Services and Inclusion;

C. Powell, Principal Auditor;

M. Mason, Museum Development Manager;

S. Nolan, Group Accountant;

M.S. Davies, Democratic Services Officer.

Chamber, County Hall, Carmarthen: 10.00 am - 12.30 pm

1. APOLOGIES FOR ABSENCE

There were no apologies for absence.

2. DECLARATIONS OF PERSONAL INTERESTS

There were no declarations of personal interest.

3. INTERNAL AUDIT PLAN 2019/20 UPDATE

The Committee considered a report providing an update on progress made on the implementation of the Internal Audit Plan.

Part A of the report provided detailed progress on the Audit Plan 2019/20 together with a Recommendations Scoring Matrix. Part B provided a summary of completed final reports for 2019/20 relating to key financial systems (April 2018 to date) and Part C included reviews completed since April 2018 where systems had one or more Fundamental Control Weaknesses or involved reviews which the Chair of Audit Committee and the Head of Revenues and Financial Compliance had agreed should be brought to the Committee. The completed reviews related to Property Management and Schools Deficits and Surpluses.

The Head of Regeneration confirmed the actions being taken to address the recommendations arising from the audit review of Property Management.

The Head of Education & Inclusion Services outlined the actions being taken to address the recommendations arising from the audit review of Schools Deficits and Surpluses. These included meetings with Head Teachers, individual school meetings, challenge advisor briefings, school budgets as a standing agenda item

on Departmental Management Team agendas and regular feedback to the Chief Executive. It was acknowledged that there was a need to support Head Teachers and provide financial training, particularly in smaller schools and against a background where it was becoming increasingly difficult to attract applicants for Headships.

UNANIMOUSLY RESOLVED

3.1 that the 2019/20 Internal Audit Plan update be received;

3.2 that updates be provided in 6 months on the progress to address the recommendations relating to the audit reviews of Property Management and Schools Deficits and Surpluses.

4. AUDIT COMMITTEE FORWARD WORK PROGRAMME

The Committee considered the Forward Work Programme which detailed expected Agenda Items for the 2019/20 Audit Committee Cycle.

UNANIMOUSLY RESOLVED that the Forward Work Programme be received.

5. CARMARTHENSHIRE COUNTY COUNCIL'S CORPORATE RISK REGISTER

The Committee received for consideration and review the Corporate Risk Register which was maintained to evaluate the Council's exposure to key strategic risks. The Head of Revenues & Financial Compliance agreed to provide an update on the internal review undertaken with regards to enforcement processes.

UNANAMOUSLY RESOLVED that the report be received.

6. 2019/20 INTERNAL AUDIT OF THE SUPPORTING PEOPLE PROGRAMME GRANT (2018/19)

The Committee considered the 2019/20 Internal Audit Report of the Supporting People Programme Grant. The purpose of the grant was to provide housing related support to help vulnerable people to live as independently as possible. The review, which had been undertaken to ensure that grant terms and conditions relating to the Supporting People grant had been fully complied with, concluded that continued progress was being made in relation to the management, administration and monitoring arrangements.

UNANIMOUSLY RESOLVED that the report be received.

7. CARMARTHENSHIRE MUSEUMS ACTION PLAN UPDATE

With reference to minute 9.1 of the meeting held on the 1st July 2019 the Committee considered an update of the Carmarthenshire Museums Action Plan which provided a progress review against four recommendations made by Internal Audit in the 2016/17 review, recorded as 26 actions with measurable indicators for success. Subsequent Internal Audit reviews had acknowledged efforts and the positive progress made by the service to overcome shortcomings within the resources currently available.

It was reported that the areas of collections management that continued to require further progress shared a common characteristic of being interdependent and long-standing challenges that the museum service struggled to address due to current staff and facility limitations. Progress would continue to be made within

available resources while a more satisfactory solution continued to be explored to achieve improved standards of the management of the authority's heritage assets on a basis for future development.

The Head of Revenues and Financial Compliance agreed to circulate a copy of the most recent audit of the museum service.

UNANIMOUSLY RESOLVED

7.1 that the report be received and progress noted;

7.2 that a further progress report be submitted in 12 months.

8. PROGRESS ON REGULATORY REPORT RECOMMENDATIONS

The Committee considered a report outlining progress made on regulatory report recommendations. The recommendations would be monitored and recorded to the Scrutiny Committee on a quarterly basis.

The Head of Revenues and Financial Compliance agreed to provide details on the current position regarding the reviews of the overview and scrutiny committee structure and how Local Government uses data.

UNANIMOUSLY RESOLVED that the report be received.

9. DOCUMENTS PREPARED BY THE WALES AUDIT OFFICE:-

9.1. CARMARTHENSHIRE COUNTY COUNCIL ANNUAL AUDIT LETTER

The Committee considered the Annual Audit Letter 2018/19 which had been prepared by the Auditor General in line with his statutory responsibilities under the Public Audit (Wales) Act 2004.

The Annual Audit Letter covered the work carried out by the WAO since the previous letter was issued and summarised the key messages arising from the work carried out to discharge the Auditor General's responsibilities and which he considered should be brought to the Authority's attention.

UNANIMOUSLY RESOLVED that the WAO Annual Audit Letter be received.

9.2. CARMARTHENSHIRE COUNTY COUNCIL FINAL ACCOUNTS MEMO

The Committee considered the Wales Audit Office Final Accounts Memo for Carmarthenshire County Council for 2018-19 which summarised the key messages arising from the final accounts work carried out.

RESOLVED that the report be received.

9.3. WALES AUDIT OFFICE LOCAL REPORT

The Committee considered the Wales Audit Office local report on the following:

- Well-being of Future Generations: Increase the availability of rented and affordable homes.

UNANIMOUSLY RESOLVED that the Wales Audit Office Local Report be received.

9.4. WALES AUDIT OFFICE NATIONAL REPORTS

The Committee considered the following recently published Wales Audit Office National Reports:

- The 'front door' to adult social care;
- Integrated Care Fund – West Wales Regional Partnership Board Audit;
- Review of Public Services Boards;
- Progress in implementing the Violence Against Women, Domestic Abuse and Sexual Violence Act.

UNANIMOUSLY RESOLVED that the abovementioned Wales Audit Office National Reports be received.

10. MINUTES OF RELEVANT GROUPS TO THE AUDIT COMMITTEE

UNANIMOUSLY RESOLVED that the following minutes be received:-

- Risk Management Steering Group Minutes – 8th November 2019
- Grants Panel Minutes – 1st October 2019.

11. MINUTES - 13TH SEPTEMBER, 2019

UNANIMOUSLY RESOLVED that the minutes of the meeting of the Audit Committee held on the 13th September, 2019 be signed as a correct record.

CHAIR

DATE