



AUDIT COMMITTEE

2.00 PM - WEDNESDAY, 26 JUNE 2019

COMMITTEE ROOM 1/2 - PORT TALBOT CIVIC CENTRE

PART 1

1. Declarations of Interest

2. Minutes of Previous Meeting (*Pages 5 - 8*)

Report of the Director of Finance and Corporate Services

3. Closure of Accounts 2018/19 (*Pages 9 - 160*)

Report of the Welsh Audit Office

4. Audit Committee Update – Neath Port Talbot County Borough Council (*Pages 161 - 174*)

Report of the Head of Finance

5. Internal Audit Annual Report 2018-19 (*Pages 175 - 186*)

6. Updated Internal Audit Charter (*Pages 187 - 200*)

7. Internal Audit Progress Report to 31 May 2019 (*Pages 201 - 214*)

8. Urgent Items

Any urgent items at the discretion of the Chairman pursuant to Section 100B(4)(b) of the Local Government Act 1972.

9. Access to Meetings

That pursuant to Section 100A(4) and (5) of the Local Government Act 1972, the public be excluded for the following items of business

which involved the likely disclosure of exempt information as defined in Paragraph 12 and 15 of Part 4 of Schedule 12A of the above Act.

PART 2

Private Report of the Head of Finance

10. Audits where a Risk Rating of 3, 4 or 5 was applied and details of Special Investigations (*Pages 215 - 218*)

S.Phillips
Chief Executive

Civic Centre
Port Talbot

Wednesday, 19 June 2019

Committee Membership:

Chairperson: Councillor J.D.Morgan

**Vice
Chairperson:** Councillor L.M.Purcell

Members: Councillors S. ap Dafydd, A.R.Aubrey,
S.E.Freeguard, J.Miller, R.W.Wood, A.L.Thomas,
O.S.Davies, A.N.Woolcock, A.J.Richards and
H.C.Clarke

**Voting Lay
Member:** J.Jenkins

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AUDIT COMMITTEE

(Port Talbot Civic Centre, Committee Rooms 1/2)

Members Present:

27 March, 2019

Chairperson: Councillor J.D.Morgan

Councillors: A.R.Aubrey, H.C.Clarke, O.S.Davies,
S.E.Freeguard, L.Jones, J.Miller, S.H.Reynolds
and R.W.Wood

Officers In Attendance H.Jones, A.O'Donnell and N.Headon

Representing the Wales Audit Office: J.Gillett and A.Lewis

Voting Lay Member: J.Jenkins

1. DECLARATION OF INTEREST

The following Member made a declaration of interest at the commencement of the meeting:

Councillor H.C.Clarke	- Report of the Head of Financial Services – Agenda Item 7, Progress Report as Councillor H.C. Clarke is Chair of Governors at YGG Tyle'r Ynn Primary School.
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2. MINUTES OF THE AUDIT COMMITTEE HELD ON 5 DECEMBER, 2018

It was noted that further information had been forwarded to Committee Members on Waste Management and Thematic Review, Leisure Services.

It was also noted that Auditors had re-visited Awel-Y-Mor Primary School regarding outstanding recommendations and all recommendations made had been implemented.

It was confirmed that an e-mail on behalf of the Committee had been sent to Headteachers in all Neath Port Talbot schools on the 6 December, 2018, reminding them of the importance of complying fully with DBS guidance.

RESOLVED: that the Minutes of the meeting held on 5 December, 2018 be approved.

3. **NEATH PORT TALBOT COUNTY BOROUGH COUNCIL - 2019
AUDIT PLAN**

Members received an update from the Wales Audit Office on the 2019 Audit Plan for Neath Port Talbot County Borough Council, as detailed in the circulated report.

It was noted that the performance audit programme included meeting the objectives of the Well-being of Future Generations Act (Wales) 2015, further work was being undertaken in order to assess steps taken to meet well-being objectives. It was highlighted that the Future Generations Commissioner for Wales oversees the interests of future generations in Wales, and supported public bodies listed in the Act to work towards achieving the well-being goals. Officers informed Members that the Local Government Measure 2009, was a basis for service improvement and strategic planning by local authorities in Wales.

RESOLVED: that the report be noted.

4. **AUDIT COMMITTEE UPDATE – NEATH PORT TALBOT COUNTY
BOROUGH COUNCIL**

The Committee received an overview from the Wales Audit Office on the current and planned Welsh Audit Office work.

It was highlighted that progress of the performance audit work set out in 2017 and 2018 audit plans was progressing well.

RESOLVED: that the report be noted.

5. **TREASURY MANAGEMENT MONITORING 2018-2019**

Members received an overview of the Treasury Management action and information reported to Cabinet on the 13 February, 2019, as detailed in the circulated report.

RESOLVED: that the report be noted.

6. **INTERNAL AUDIT PLAN - 1 APRIL 2019-31 MARCH 2020**

Members were given an update on the Draft Internal Audit Plan for 2019/20, as detailed in the circulated report.

RESOLVED: that the Draft Internal Audit Plan 2019/20, be approved.

7. **PROGRESS REPORT TO 28 FEBRUARY, 2019**

Members were provided with an update report outlining internal audit work undertaken in the last quarter.

It was noted that the Auditor vacancy had been filled on a six month secondment basis, a review of the secondment would be taken at the end of the six months.

Members stated that the summary on published reports shown in Appendix 1 of the circulated report, showed inconsistency in wording regarding DBS, Officers' confirmed the wording would be consistent going forward.

RESOLVED: that the report be noted.

8. **DRAFT ANNUAL AUDIT REPORT 2017-2018**

Members received an overview of work undertaken by Neath Port Talbot Audit Committee throughout the 2017-2018 Civic Year.

RESOLVED: that the report be noted.

9. **ACCESS TO MEETINGS**

RESOLVED: that pursuant to Section 100A(4) and (5) of the Local Government Act 1972, the public be excluded for the following item of business which involved the likely disclosure of exempt information as defined in Paragraphs 12, 13 and 14 of Part 4 of Schedule 12A to the above Act.

10. **INTERNAL AUDIT - SPECIAL INVESTIGATIONS**

Members received an update on Special Investigation Audits undertaken in the last quarter.

Members requested that correspondence be sent to the Director of Education Leisure and Lifelong, Learning regarding DBS compliance and a copy to be sent to the Chairperson of the Education, Skills and Culture Scrutiny Committee. This item would be brought back to the next Audit Committee.

CHAIRPERSON

NEATH PORT TALBOT COUNTY BOROUGH COUNCIL

AUDIT COMMITTEE

26TH JUNE 2019

REPORT OF THE DIRECTOR OF FINANCE & CORPORATE SERVICES

SECTION B – MATTER FOR INFORMATION

WARDS AFFECTED

ALL

CLOSURE OF ACCOUNTS 2018/19

Purpose of the report

1. This report introduces the information in relation to the Council's Outturn position for Revenue and Capital and the Statement of Accounts for 2018/19.

Background

2. The Council's financial year ends on 31st March and following this date, the exercise starts to complete the annual accounts.
3. The Council prepares its revenue and capital position which provides financial information reflecting the structure and operations of the Council. A draft Statement of Accounts is also produced to comply with the current Accounting Code of Practice which is issued by the Chartered Institute of Public Finance and Accountancy.
4. The Accounts and Audit (Wales) (Amendment) Regulations 2018, updated the timescales for the Section 151 officer/the Director of Finance and Corporate Services to sign and date the accounts to certify that they present a true and fair view. The revised requirements are:

Year	Draft Statement of Accounts	Final audited Statement of Accounts
2018/19	15 th June 2019	15 th September 2019
2019/20	15 th June 2020	15 th September 2020
2020/21	31 st May 2021	31 st July 2021

5. This Council volunteered to be a pilot for early closure in 2016/17 and continued to be part of this scheme. Our objective remains to complete the draft by 31st May and the final audited Statement by 31st July.

Closure of Accounts 2018/19

6. The Revenue Outturn and Reserves Position Statement 2018/19 and the Capital Programme Outturn 2018/19 reflect the Council's management budget and are included as Addendum 1, for information only. This element of the report reflects the information approved by Cabinet on 29th May 2019.
7. The draft Statement of Accounts 2018/19 is included as Addendum 2 and members should note that these accounts were forwarded to the Auditors on 22nd May 2019 to enable them to commence their audit work.

Next Steps

8. The Statement of Accounts is now subject to audit by the Wales Audit Office culminating in the Statement being signed by the Chair of this Committee at the meeting on 29th July 2019.

Summary

9. The Outturn reports and the draft Statement of Accounts for 2018/19 are forwarded to members for information and for review by the Audit Committee.

List of Background Papers

10. Closing working papers 2018/19

Appendices

- Addendum 1 Revenue Outturn and Reserves Position Statement and Capital Programme Outturn
- Addendum 2 Draft Statement of Accounts 2018/19

Officer Contact

For further information on this report item, please contact:

Mrs Janet North, Chief Accountant, Technical and Exchequer

☎ 01639 763635

E-mail: j.north@npt.gov.uk

Mrs Diane Mulligan, Group Accountant, Technical

☎ 01639 763603

E-mail: d.mulligan@npt.gov.uk

Mrs Kathryn Usher, Senior Accountant, Technical

☎ 01639 763612

E-mail: k.usher@npt.gov.uk

NEATH PORT TALBOT COUNTY BOROUGH COUNCIL

CABINET

29th May 2019

REPORT OF THE DIRECTOR OF FINANCE & CORPORATE SERVICES

Matter for Decision

Wards Affected – All Wards

REVENUE OUTTURN AND RESERVES POSITION STATEMENT 2018/19

1. Purpose of the Report

- 1.1. The purpose of this report is to inform members and seek their approval of the Council's General Fund Revenue Outturn and Reserves position for the 2018/19 financial year.
- 1.2. Members should note that the information set out in this report has been incorporated into the Council's Statement of Accounts for 2018/19 and will be forwarded to the external Auditor for review. It is expected that the Auditor's work will be completed by the end of July 2019. Any changes required that impact on reserves etc. will be reported separately to members in due course.

1.3. Executive Summary

The Council's Net Budget for 2018/19 was £282.855m. The Actual Net Expenditure, or Outturn position for the Council, shows a net under spend of £4k which is being transferred to the General Reserve.

The opening balance on the General Reserve was £19.980m. Following the net underspend and other reserve movements set out in this report, the closing balance at 31st March 2019 will increase by £988k to £20.968m. Delivering the Council's activities and net expenditure within Budget provides an excellent position to start the new financial year.

The opening balance on Specific Reserves was £38.578m and following the reserve movements set out in this report, the balance at 31st March 2019 will increase by £937k to £39.515m.

2. Service Outturn Position 2018/19

- 2.1. On the 21st February 2018, Council approved the Budget for 2018/19. The Net Budget Requirement was confirmed as £282.855m of which £236.344m was provided for Directorate Managed Services with the remaining £46.511m made available for other budgets including Precepts (the main one being the Fire Authority), Capital Financing, Council Tax Support and a Budget Contingency.
- 2.2. Every quarter Cabinet received a Budget Monitoring Report setting out the latest projected outturn position against the Budget. The most recent report, for the quarter ended 31 December 2018, was presented to and approved by Cabinet on 13th February 2019, which showed a projected overspend of £436k.
- 2.3. The initial outturn position, incorporating amendments to the budgeted reserve transfers, shows an over spend of £640k against Directorate Services, but taking account of other central budgets resulted in an overall Council underspend of £776k - (see also Appendix 1), and summarised below.

	Original Budget £'000	Revised Budget £'000	Outturn Position £'000	Variance £'000
Education, Leisure & Lifelong Learning	105,524	106,290	106,501	211
Social Services Health & Housing	78,632	78,713	79,301	588
Environment	34,755	35,741	36,050	309
Corporate Services	17,433	17,471	17,003	-468
Net Directorate Services	236,344	238,215	238,854	640
Other	46,511	44,640	43,225	-1,416
Net Position	282,855	282,855	282,079	-776

The amendments to the budgeted reserve movements are outlined in Appendix 3.

Explanations of the main budget variances contributing to this position are included in Appendix 2.

3. Specific Reserves 2018/19

3.1. As in previous years the outturn position has been prepared based on a range of contributions to/from reserves which have been made in accordance with the following principles.

- The schedule of interim specific reserve balances projected as at 31st March 2019 was agreed by Council on 14th February 2019 as part of the 2018/19 Revised Budget deliberations.
- Where Neath Port Talbot is the lead authority for managing Joint Services the appropriate movement in reserves have been actioned as such funds are managed by the wider partnership.
- The final reserve balances will be further reviewed following audit and as part of the annual budget process during 2019/20.

3.2. Outlined below is a summary of the additional amounts transferred to/from (-) reserves to meet identified future cost pressures. Full details of these reserve movements are included at Appendix 4.

Directorate	£'000
Education, Leisure and Lifelong Learning	173
Social Services Health and Housing	200
Environment	251
Corporate Services	149
Total	772

3.3. The Total Specific Reserves position is summarised as follows:

	£'000
Opening Balance 1 st April 2018	Cr 38,578
Net reserve movements (Appendix 3)	Cr 165
	<hr/> Cr 38,743
Additional Reserve Transfers (Appendix 4)	Cr 772
Closing Balance as at 31st March 2019	Cr 39,515

Full details of Specific Reserve balances are given in Appendix 5.

3.4. The following provides an explanation as to some of the specific Reserves:

- School Reserves (£1.291m) – Delegated School Budget Reserves must be carried forward in accordance with current legislative requirements. Reserve balances have reduced by £1.757m during the year and several Schools are in a deficit position. The Authority will not allow a school to set a deficit budget without a fully costed recovery plan in place. The recovery plans are signed off by the Director of Education and Lifelong Learning, the Head Teacher and Chair of Governors and reviewed on an annual basis. Schools are required to provide the Authority with details on how they intend to utilise their reserves.
- ERVR Reserve – The costs of staff leaving during 2018/19 was £2.063m of which £807k is funded from the base budget and the balance of £1.256m being funded from the ERVR Reserve. The closing balance on the ERVR reserve is £4.818m.
- Insurance Reserve – The reserve has increased by £2.425m to £9.043m.
- Treasury Management Reserve – This reserve has increased by £1.071m to £6.826m to assist with funding City Deal project expenditure.

4. **General Reserve 2018/19**

4.1. The General Reserve position is as follows:-

	£'000
Opening Balance 1 st April 2018	Cr 19,980
Budgeted Movements	Cr 170
2018/19 Net underspend	Cr 4
Net Additional transfers	Cr 814
Closing Balance 31st March 2019	Cr 20,968

The main reasons for the increase in the closing balance on the General Reserve were because the planned contribution to the doubtful debt provision (£200k) was not required, together with an increase in Council Tax income (£657k).

Full details of the movement in the General Reserve are shown in Appendix 6.

The above-mentioned General Reserve and Specific Reserves balances are provisional as they are subject to confirmation following external audit of the Statement of Accounts due to be finalised at the end of July 2019.

5. Integrated Impact Assessment

A first stage impact assessment has been undertaken to assist the Council in discharging its legislative duties (under the Equality Act 2010, the Welsh Language Standards (No 1) Regulations 2015, the Well-being of Future Generations (Wales) Act 2015 and the Environment (Wales) Act 2016).

The first stage assessment has indicated that a more in depth assessment is not required.

6. Valleys Communities Impacts

No implications.

7. Workforce Impacts

The report identifies that several staff have chosen to leave the authority under the ERVR scheme.

8. Legal Impacts

There are no specific legal implications arising from this report. There is a statutory accounting requirement for balances and reserves to be processed in line with Accounting Code of Practice. The Authority's Statement of Accounts are subject to external audit by the Wales Audit Office.

9. Risk Management Impact

The transfers to reserves are proposed to meet anticipated future cost pressures.

10. Consultation

There is no requirement for external consultation on this item

11. Recommendation

It is recommended that members:

- 11.1 Note the 2018/19 financial outturn position as set out in this report
- 11.2 Approve the additional reserve transfers of £772k as summarised in paragraph 3.2 and detailed in Appendix 4.

12. Reason for Proposed Decision

To finalise the Council's General Fund Revenue Outturn and Reserves position for the 2018/19 financial year.

13. Implementation of Decision

The decision is proposed for implementation after the three day call in period.

14. Appendices

- Appendix 1 – Revenue Outturn Summary 2018/19
- Appendix 2 – Variances
- Appendix 3 – Adjustment to budgeted reserves
- Appendix 4 - Additional Reserve Movements
- Appendix 5 – Specific Reserves Schedule
- Appendix 6 – General Reserve Statement

15. List of Background Papers

- Outturn Working Papers 2018/19
- Integrated Impact Assessment – stage 1

16. Officer Contact

For further information on this report item, please contact:

Mr Hywel Jenkins – Director of Finance & Corporate Services
Tel no 01639 763251
Email: h.jenkins@npt.gov.uk

Mr Huw Jones – Head of Finance
Tel no 01639 763575
E-mail: h.jones@npt.gov.uk

Mrs Sue Gorman, Chief Accountant - Financial Services
Tel. No. 01639 763937
E-mail: s.gorman@npt.gov.uk

REVENUE OUTTURN SUMMARY 2018/19

	Original Budget	Revised Budget	Adj Actual Expend	Variance	Reserve Requests	Final Actual Expend
	2018/19	2018/19	2018/19	2018/19	2018/19	2018/19
	£'000	£'000	£'000	£'000	£'000	£'000
ELLL - Schools	81,708	81,708	81,708	0	0	81,708
ELLL - Other	23,816	24,582	24,793	211	173	24,965
Social Services	78,632	78,713	79,301	588	200	79,501
Health & Housing						
Environment	34,755	35,741	36,050	309	251	36,301
Corporate Services	17,433	17,471	17,003	-468	149	17,151
Directly Controlled Expenditure	236,344	238,215	238,854	640	772	239,626
Swansea Bay Port	46	46	46	0	0	46
Fire Authority	7,288	7,288	7,288	0	0	7,288
Margam Crematorium	1	1	1	0	0	1
Archives	91	91	92	1	0	92
Magistrates Court	13	13	11	-2	0	11
Capital Financing	18,573	18,573	18,451	-122	0	18,451
Housing Benefits	0	0	-286	-286	0	-286
Council Tax Support	17,841	17,841	17,241	-600	0	17,241
Management of Change	500	500	500	0	0	500
Contingency	989	115	-105	-220	0	-105
Pay & Pensions Provision	1,190	193	0	-193	0	0
Contribution from Fire Authority Reserve	-21	-21	-21	0	0	-21
Net Underspend to General Reserve	0	0	0	0	4	4
Net Budget Requirement	282,855	282,855	282,071	-784	776	282,847
RSG	-166,733	-166,733	-166,733	0	0	-166,733
NNDR	-45,608	-45,608	-45,608	0	0	-45,608
Discretionary Rate Relief	216	216	225	8	0	225
Council Tax	-70,731	-70,731	-70,731	0	0	-70,731
Total Funding	-282,855	-282,855	-282,847	8	0	-282,847
Net Underspend	0	0	-776	-776	776	0

NB all figures are rounded to nearest £1,000.

Variances

Service Area	Value	Reason/Action
School specific contingencies	Un 54,233	£20k was set aside to fund the cost of a tribunal re Alderman Davies School which was not utilised in 18/19. A further £30k was set aside to fund capital cost but which was not required due to receipt of £1.9m additional WG capital grant funding announced end of March 2019.
Home To School Transport (HTS)	Ov 322,889	The overspend is due to an increase in demand for HTS transport, and the opening of two new Special Education units which has led to a number of new routes
Parent/Pupil and Governor Support Unit	Un 144,204	The under spend is due to staff savings from vacant posts, and receipt of school uniform grant and feminine hygiene grant £106k (with the grant to be carried forward to next year).
School meals	Un 133,907	The under spend is due to additional WG grant funding of £252k for additional free school meals following the rollout of Universal Credit. The grant has been used to offset a previously reported pressure of circa £100k.
Cleaning	Ov 68,818	The over spend is due to higher levels of sickness and associated costs of staff cover.
Music	Un 75,262	The under spend is due to receipt of a grant of £69,477 via the WLGA.
Out of County Placements	Ov 187,110	The over spend is due to additional new placements.
Management and Admin	Ov 66,399	The over spend includes provision of £40k to ERW for 18/19, and the part year cost of a Data Protection (GDPR post - £23k).
Children - Social Work	Un 55,058	The under spend is due to vacant hours/posts.
Children - Residential Care	Ov 519,310	The budget was based on 7 children, throughout 18/19 the average number children in residential care was 10

Variances

Service Area	Value	Reason/Action
Hillside - Secure Accommodation	Ov 177,577	Shortfall of income due to a managed reduction in occupancy levels to maintain safe levels of care, thus resulting in a total reduction in the reserve by £595k.
Internal Fostering Service	Ov 152,832	An overspend is due to payments for 2 Looked after Children in high cost supported living placement (£221k), an increase in the cost of transport (£65k), which were partly offset by savings on staff costs (£86k), and from a reduction in the number of foster placements.
Adoption Service	Un 611,112	The joint service underspent and NPT's share of placements also reduced from 33% to 20%. Therefore the contribution that the Council was required to make to the joint service was £571k less than budget, plus a £40k underspend on Adoption allowances.
External Foster Placements	Un 241,097	The budget was based on 57 children, throughout 18/19 the average number of children in external foster placements was 51.
Youth Offending Service	Un 124,854	The under spend is due to savings on staff costs, and cost of remand placements (£37k).
Central Services	Un 91,875	The underspend is due to savings on staff costs
Child & Family Management	Ov 78,257	The over spend is due to additional cost of legal fees.
Community Care Social Work	Un 232,496	The under spend is due to savings on staff costs and additional grant
Business Support Services	Un 151,415	The under spend is due to savings on staff costs
Elderly - Residential Care	Un 226,665	The under spend is due to additional income from the receipt of service user contributions following the sale of properties.

Variances

Service Area	Value	Reason/Action
Elderly - Domiciliary Care	Ov 1,487,895	The over spend has arisen because the budget included savings targets relating to Direct Payments (SSHH801 £950k) and Asset Based Approach (SSHH802 £685k) which have not been achieved. This budget has been corrected for 2019/20.
Community Resource Team	Un 156,321	The under spend is due to savings on staff costs and additional Integrated Care Fund (ICF) grant.
Aids & Equipment	Ov 65,779	The over spend is the NPT share of the projected overspend of the joint service.
Learning Disabilities - External Placements	Un 87,646	This budget has benefited from additional Integrated Care Fund (ICF) grant
Day Opportunities - Employment & Training	Un 51,063	The under spend is due to savings on staff costs and transport costs (£26k).
Day Opportunities - Care & Support	Un 61,529	The under spend is due to savings on staff costs.
Mental Health - External Provision	Ov 109,591	This budget contains an FFP savings target of £100k, which has not been achieved, due to additional placements being made throughout the year.
Housing Advice/Supported Tenancies	Un 85,887	The under spend is due to savings on staff costs (£141k) and additional WG grant received (£25k), which have been partially offset by an increase in the cost of B&B placements (£104k).
Renovation Grants/Renewal Area	Ov 173,733	The budget includes an income target (£200k) which has not been achieved, but is partly offset by staff savings.
Highways Maintenance - Reactive	Un 57,097	This is the net under spend on Winter Maintenance Budget after funding Banksy (£7K) and the London Road sinkhole (£8K).
Transport Vehicle Maintenance	Un 61,280	This is offset by a £40K overspend in Transport Management

Variances

Service Area	Value	Reason/Action
Parking Services	Ov 50,886	The over spend is due to a delay in implementing the increase in charges at the start of the year, and additional cost of replacement pay machines at Aberafan seafront.
Neighbourhood Management	Ov 71,087	In 2018/19 the budget for neighbourhood services was split based on estimated costs. The over spend in Neighbourhood is largely offset by an under spend in Parks. The budget allocation will be corrected in 2019/20.
Waste Management	Ov 54,171	This over spend is mainly due to additional survey costs.
Refuse Collection	Ov 203,901	This over spend is due to additional cost of agency cover, overtime payments and vehicle running costs.
Waste Disposal	Un 138,307	The under spend is due to a £250k rebate from NPT Recycling Limited, which has offset the previously reported overspend.
Household Waste Recycling Centres	Ov 79,863	The over spend is due to increased tonnages delivered to the recycling centres, together with a delay and additional expenditure relating to the closure of Pwllfawatkin HWRC.
Parks	Un 68,016	In 2018/19 the budget for Neighbourhood Services was split based on estimated costs. The over spend in Neighbourhood is largely offset by an under spend in Parks. The budget allocation will be corrected in 2019/20.
Non Operational Land	Un 134,441	The underspend has arisen because the provision to fund the day to day running costs of the ex-Crown Building, was not utilised, following a delay in the purchase of the site.
Gnoll Park	Ov 53,932	The over spend is mainly due to a shortfall in car parking income.
Housing Benefits Admin	Un 104,054	The under spend is due to salary savings and additional income received

Variances

Service Area	Value	Reason/Action
ICT	Ov 81,457	The over spend is due to increased cost of hardware and ICT infrastructure.
Legal Services	Un 116,604	The under spend is due to salary savings and additional income received
Legal Services - Childcare	Un 101,756	The under spend is due to salary savings from redundancy and maternity cover
One Stop Shop	Un 83,653	The under spend is due to salary savings from vacant posts.
Capital Financing	Un 121,531	The capital financing/treasury management budget of £18.573m was underspent by £122k mainly as a result of additional interest proceeds in year.
Housing Benefit	Un 286,201	This represents the net surplus on the Housing Benefits subsidy account.
Council Tax Support	Un 600,186	17,067 beneficiaries' receiver support as at 31 March 2019. The in-year cost of providing the national scheme was lower than budgeted.
Contingency and Pay and Pension Provision	Un 413,434	These were underspent at year end.

Adjustment to Budgeted Reserves Movements

Service Area	Requested Reserve Movement	Reason
School specific contingencies	In 53,825	Transfer unused provision 18/19 back to the general reserve.
Schools Mutual Funds	Out 6,994	Transfer from ERVR Primary Reserve to fund costs incurred in 18/19.
Home to School Transport	In 36,070	The proposed transfer from the Home to School Transport Reserve is not required in full, and can therefore be transferred back to the reserve, to fund an additional school day (191 days) during the 2019/20 financial year - due to the timing of the Easter holidays.
Child & Family Management	In 10,322	Transfer underspend from Western Bay Safeguarding Board to the Safeguarding Board Reserve
Community Resource Team	In 29,496	Transfer underspend from Intermediate Care S33 services to the Intermediate Care Pooled Fund Reserve
Highways Maintenance- Reactive - Pantteg Landslip	Out 89,722	During the year the expenditure against the landslip has been funded out of the corporate contingency budget. A transfer from the General Reserve is required to fund the expenditure incurred in quarter 4.
Transport Management	In 277,804	During the year the fleet section has received more income from the sale of vehicles and incurred less expenditure, and therefore the planned transfer from the Vehicle Renewal Reserve is no longer required in full.
Economic Development Fund	Out 39,152	A transfer from the reserve is required as actual expenditure exceeded the provision included in the revised budget.

Adjustment to Budgeted Reserves Movements

Service Area	Requested Reserve Movement	Reason
Workways- Authority financed matched funding	In 8,267	Transfer the underspend against the £118k match funding budget to the Environment Equalisation reserve
Workways- Regional Scheme	In 66,060	Transfer WEFO grant receipts to the Regional Workways Reserve to fund future expenditure on the project
Workways- NPT Scheme	In 124,781	Transfer WEFO grant receipts to the NPT Workways Reserve to fund future expenditure on the project
Substance Misuse	In 13,959	Transfer the underspend on joint service to the Substance Misuse Joint Committee Reserve
Community Council Grants	Out 8,000	Additional transfer from the General Reserve to fund grants approved during 18/19
Member Community fund	Out 82,004	Additional transfer from the Members Community Fund Reserve to fund costs incurred during quarter 4.
Management of change	Out 1,183,042	Additional transfer from ERVR reserve to fund the net cost of staff leaving on ERVR, resulting in a closing ERVR reserve balance of £4.818m.

Additional Reserve Movement Requests

Service Area	Requested Reserve Movement	Reason
Schools Specific Contingencies	In 20,000	Transfer to ELLL Equalisation Reserve to fund anticipated costs of tribunal at Alderman Davies School
Parent/Pupil and governor support	In 105,836	Transfer WG grant received, re feminine hygiene in 18/19, to the Education Equalisation reserve to fund expenditure in 19/20 in line with grant conditions.
Music	In 69,477	Transfer WG grant received to the Education Equalisation Reserve to fund local music services.
Education Improvement Service	In 4,925	Transfer saving in staff costs to Education Equalisation Reserve to be used in 19/20.
Cefn Coed Colliery Museum	Out 5,000	Utilise provision within the Education Equalisation Reserve to offset FFP savings target
Management & Administration	Out 22,617	Utilise provision within the Education Equalisation Reserve to fund GDPR officer costs
Elderly - Residential Care	In 200,000	Transfer £200k to the Social Services Equalisation Reserve to fund 1 additional day placement costs, due to the leap year in 2020.
Energy Management	In 3,515	Transfer the feeding tariff income received from solar panel schemes during 2018/19 to the Renewable Energy Reserve, to fund future spend to save schemes.
Non Operational Land	In 243,000	Transfer the funds (£118k) set aside for the part years running costs of the ex-Crown building which were not utilised during 18/19, plus a further £125k to the Environment Equalisation Reserve, to fund day to day costs while the building is being prepared for use by tenants during 19/20.

Additional Reserve Movement Requests

Service Area	Requested Reserve Movement	Reason
Local Development Plan	In 4,000	Transfer the underspend to the LDP Reserve to help fund future LDP costs.
Accountancy Financial Services	In 10,000	Transfer to Corporate Equalisation Reserve to fund Tax Review in 19/20
Legal Services	In 42,000	Transfer to Corporate Equalisation Reserve to fund Maternity cover in 19/20
Elections Admin	In 22,798	Additional contribution to Election Reserve
Corporate Strategy	In 54,000	Transfer to Building Capacity & Capability Reserve to fund the Poverty Review - Policy and Practice to Develop Low Income Families, and to fund Modern Apprentice to enable reconfiguration of Customer Services
HR Training	In 10,000	Transfer to Corporate Equalisation Reserve to fund Corporate Training and HR initiatives
Third Sector Grants	In 7,622	Transfer to Voluntary Organisations Reserve to fund additional contribution to 3rd Sector Grants Reserve
Mechanics Institute	In 2,276	Transfer to Voluntary Organisations Reserve to fund additional contribution to 3rd Sector Grants Reserve
Grand Total	In 771,832	

Specific Reserves

Description	Reserve at 1st April 2018	Updated Budgeted movements	Interim Balance at 31st March 2019	Additional Requests	Final Balance at 31st March 2019
EDUCATION, LEISURE & LIFELONG LEARNING					
<i>Delegated Schools Cash Reserves</i>					
ERVR Primary	Cr18,739	5,733	Cr13,006	0	Cr13,006
Primary Schools Reserves A/c	Cr2,226,267	733,022	Cr1,493,245	0	Cr1,493,245
Secondary Schools Reserves A/c	Cr480,735	857,352	376,617	0	376,617
Special Schools Reserves A/c	Cr161,219	161,376	157	0	157
Repair & Maintenance reserve	Cr161,160	0	Cr161,160	0	Cr161,160
	Cr3,048,120	1,757,483	Cr1,290,637	0	Cr1,290,637
<i>Education, Leisure and Lifelong Learning</i>					
Equalisation Account-Education	Cr95,500	Cr601,999	Cr697,499	Cr172,621	Cr870,120
Home to School Transport	Cr60,164	24,094	Cr36,070	0	Cr36,070
	Cr155,664	Cr577,905	Cr733,569	Cr172,621	Cr906,190
Total Education Leisure & Lifelong Learning	Cr3,203,784	1,179,578	Cr2,024,206	Cr172,621	Cr2,196,827

Specific Reserves

Description	Reserve at 1st April 2018	Updated Budgeted movements	Interim Balance at 31st March 2019	Additional Requests	Final Balance at 31st March 2019
SOCIAL SERVICES, HEALTH & HOUSING					
Homecare ECM Equipment reserve	Cr52,835	Cr10,000	Cr62,835	0	Cr62,835
Community Care Transformation Reserve	Cr107,771	0	Cr107,771	0	Cr107,771
Social Services Equalisation	Cr539,904	0	Cr539,904	Cr200,000	Cr739,904
Hillside General Reserve	Cr1,686,643	594,970	Cr1,091,673	0	Cr1,091,673
Youth Offending Team Reserve	Cr153,397	0	Cr153,397	0	Cr153,397
Adoption Service Equalisation	Cr100,000	0	Cr100,000	0	Cr100,000
Total Social Services, Health and Housing	Cr2,640,550	584,970	Cr2,055,580	Cr200,000	Cr2,255,580

Specific Reserves

Description	Reserve at 1st April 2018	Updated Budgeted movements	Interim Balance at 31st March 2019	Additional Requests	Final Balance at 31st March 2019
ENVIRONMENT					
Concessionary Fare - Bus Pass Replacement Reserve	Cr151,541	0	Cr151,541	0	Cr151,541
Asset Recovery Incentive Scheme	Cr125,894	0	Cr125,894	0	Cr125,894
Local Development Plan	Cr141,918	Cr11,154	Cr153,072	Cr4,000	Cr157,072
Economic Development	Cr40,000	39,152	Cr848	0	Cr848
Winter Maintenance Reserve	Cr764,162	0	Cr764,162	0	Cr764,162
Baglan Bay Innovation centre - dilapidation reserve	Cr77,517	0	Cr77,517	0	Cr77,517
BSSG grant reserve	Cr128,349	128,349	0	0	0
Renewable Energy Reserve	Cr3,645	0	Cr3,645	Cr3,515	Cr7,160
Environmental Health - Housing Equalisation	Cr20,000	0	Cr20,000	0	Cr20,000
Environment Equalisation Reserve	Cr352,979	Cr8,267	Cr361,246	Cr243,000	Cr604,246
Workways - NPT	0	Cr124,781	Cr124,781	0	Cr124,781
	Cr1,806,005	23,299	Cr1,782,706	Cr250,515	Cr2,033,221
Operating Accounts					
Operating Account -Equalisation	Cr36,043	0	Cr36,043	0	Cr36,043
Vehicle Tracking	Cr92,186	0	Cr92,186	0	Cr92,186
Operating Accounts -Vehicle Renewals	Cr1,465,031	Cr262,722	Cr1,727,753	0	Cr1,727,753
	Cr1,593,260	Cr262,722	Cr1,855,982	0	Cr1,855,982
Total Environment	Cr3,399,265	Cr239,423	Cr3,638,688	Cr250,515	Cr3,889,203

Specific Reserves

Description	Reserve at 1st April 2018	Updated Budgeted movements	Interim Balance at 31st March 2019	Additional Requests	Final Balance at 31st March 2019
CORPORATE SERVICES					
Elections Equalisation Fund	Cr202,341	Cr15,000	Cr217,341	Cr22,798	Cr240,139
Health & Safety/Occupational Health	Cr94,001	53,500	Cr40,501	0	Cr40,501
Development Fund for Modernisation	Cr110,032	Cr5,000	Cr115,032	0	Cr115,032
IT Renewals Fund	Cr1,494,794	196,400	Cr1,298,394	0	Cr1,298,394
Corporate Equalisation Reserve	Cr661,836	192,000	Cr469,836	Cr62,000	Cr531,836
Building Capacity & Capability	Cr80,122	Cr50,000	Cr130,122	Cr54,000	Cr184,122
Voluntary Organisation Reserve	Cr23,335	16,166	Cr7,169	Cr9,898	Cr17,067
Total Finance and Corporate Services	Cr2,666,461	388,066	Cr2,278,395	Cr148,696	Cr2,427,091

Specific Reserves

Description	Reserve at 1st April 2018	Updated Budgeted movements	Interim Balance at 31st March 2019	Additional Requests	Final Balance at 31st March 2019
CORPORATE					
Insurance - Claims Reserve	Cr6,618,456	Cr2,424,729	Cr9,043,185	0	Cr9,043,185
Swansea Bay City Deal	0	Cr75,000	Cr75,000	0	Cr75,000
Income Generation Project Reserve	Cr750,000	34,105	Cr715,895	0	Cr715,895
Members Community Fund Reserve	Cr672,000	125,288	Cr546,712	0	Cr546,712
Community Resilience Fund	Cr2,000,000	0	Cr2,000,000	0	Cr2,000,000
Housing Warranties Reserve	Cr220,000	0	Cr220,000	0	Cr220,000
Fire Reserve	Cr30,548	21,000	Cr9,548	0	Cr9,548
Pantteg Reserve	Cr500,000	0	Cr500,000	0	Cr500,000
Waste Reserve	Cr393,152	0	Cr393,152	0	Cr393,152
LAWDC Contingency Reserve	Cr971,015	Cr34,199	Cr1,005,214	0	Cr1,005,214
Treasury Management Equalisation Reserve	Cr5,755,432	Cr1,070,722	Cr6,826,155	0	Cr6,826,155
ERVR Transitional Reserve	Cr6,074,176	1,255,869	Cr4,818,306	0	Cr4,818,306
Accommodation Strategy	Cr2,483,580	210,000	Cr2,273,580	0	Cr2,273,580
CORPORATE OTHER	Cr26,468,359	Cr1,958,388	Cr28,426,748	0	Cr28,426,748
JOINT COMMITTEE/ OTHER					
SWTRA Reserve	Cr59,728	0	Cr59,728	0	Cr59,728
Substance Misuse Joint Committee	Cr26,816	Cr13,959	Cr40,775	0	Cr40,775
Safeguarding Board Reserve	Cr98,824	Cr10,322	Cr109,146	0	Cr109,146
Intermediate Care Pooled Fund	Cr13,933	Cr29,496	Cr43,429	0	Cr43,429
Workways - Regional Reserve	0	Cr66,060	Cr66,060	0	Cr66,060
JOINT COMMITTEE/ OTHER	Cr199,301	Cr119,837	Cr319,138	0	Cr319,138
TOTAL ALL REVENUE RESERVES	Cr38,577,721	Cr165,035	Cr38,742,755	Cr771,832	Cr39,514,587

General Reserve

	Original Estimate 2018/19	Revised Estimate 2018/19	Actual 2018/19	Variance to Revised 2018/19
	£'000	£'000	£'000	£'000
Opening balance 1st April	Cr 20,613	Cr 19,980	Cr 19,980	0
Council Tax increased income	Cr 1,000	Cr 1,000	Cr 1,657	Cr 657
Capital - Phase II Accommodation financing costs	340	340	340	0
Doubtful Debt Provision	200	200	0	Cr 200
Contributions to the Economic Development Fund	200	160	160	0
Community Councils Grant Scheme	25	25	33	8
Pantteg landslip	40	0	90	90
NPT Works contract termination	135	105	50	Cr 55
Contribution from revenue	0	0	Cr 4	Cr 4
Estimated Closing balance 31st March	Cr 20,673	Cr 20,150	Cr 20,968	Cr 818

NEATH PORT TALBOT COUNTY BOROUGH COUNCIL

CABINET

29th MAY 2019

REPORT OF HEAD OF FINANCE

SECTION A – MATTER FOR DECISION

WARDS AFFECTED – ALL

CAPITAL PROGRAMME OUTTURN 2018/19

1. Purpose of Report

- 1.1 This report sets out the financial outturn position for the Capital Programme for 2018/19.

2. Budget Outturn

- 2.1 For 2018/19 the approved revised Capital Programme totalled £46.659m, actual expenditure for the year was £43.395m which represents in financial terms 93% delivery of the Programme.

- 2.2 This £43m expenditure represents significant investment within the County Borough which has led to community and service improvements. The Council places great emphasis on the importance of capital investment as a means of regenerating our Communities and providing modern, safe buildings and infrastructure. Capital investment does not only lead to improved facilities and services but creates jobs and economic benefits for the citizens of Neath Port Talbot.

The following points note some of the significant achievements during the year:

- Completion of the construction of a new 3-16 School in Margam (Ysgol Cwm Brombil) to replace the Lower and

Upper sites of Dyffryn Comprehensive as well as Groes Primary School with a budget of £31m.

- Completion of the construction and re-modelling works at the Welsh Medium 3-18 North Campus site in Ystalyfera (Ysgol Gymraeg Ystalyfera). Also, completion of the new Welsh Medium 11-16 South Campus (Ysgol Gymraeg Bro Dur) on the site of the former Sandfields Comprehensive School.
- Completion of the construction of an £8m new primary school in Briton Ferry, 'Ysgol Carreg Hir', on the site of the former Cwrt Sart Comprehensive School. The project saw three primary schools (Brynhyfryd, Llansawel and Ynysmaerdy) with significant surplus capacity and backlog maintenance issues close and be replaced by a new 21st Century school.
- As part of the Council's regeneration programme, the purchase of the Former Crown Foods Site was completed at c£1.5m, along with the on-going refurbishment works at the former Port Talbot Magistrates Court at c£1.2m.
- Further investment of over £3m into Disabled Facility Grants to assist people to live at home and investment of £3.6m in Schools Capital Maintenance and Highways and Engineering Maintenance improvements.

2.3 A summary of the outturn position can be found in Appendix 1 of this report with the main variations between budget and actual being:

- 21st Century Schools projects
The total underspend of £1.4m is due to the variances in the profile of the delivery of these projects. The majority relates to work on the Cwm Brombil site post opening. This work is on-going and expenditure will be incurred in 2019/20
- Vehicle Replacement Programme
A combination of vehicles costing less than anticipated and also certain vehicles not requiring replacement resulted in a £574k underspend in this area. The earmarked funding will remain in the vehicles renewals reserve until required.

- Regeneration – other
The majority of this underspend is due to a delay in the refurbishment work on the Turbine House in Margam Park, this work will be carried out in 2019/20, so the budget will be carried forward.
- Contingency
This £277k underspend is due to the contingency budget not being required.

3. 2019/20 Capital Programme

- 3.1 Work is ongoing to deliver the 2019/20 Capital Programme totalling £44.816m which was approved by Members as part of the Council's budget setting process in February 2019. This Programme will be continually updated and revised as changes to profiles and funding are identified. Updated information will be reported to Members as part of the 2019/20 budget monitoring cycle.

6. Integrated Impact Assessment

A first stage impact assessment has been undertaken to assist the Council in discharging its legislative duties (under the Equality Act 2010, the Welsh Language Standards (No 1) Regulations 2015, the Well-being of Future Generations (Wales) Act 2015 and the Environment (Wales) Act 2016).

The first stage assessment has indicated that a more in depth assessment is not required.

5. Valleys Communities Impacts

The capital programme supports investment in assets across the whole County Borough.

6. Workforce Impacts

No impact

7. Legal Impacts

There are no specific legal impacts arising from this report

8. Risk Management Impact

The capital programme is actively managed by managers and the Capital Programme Steering Group to comply with all relevant planning conditions, legislation, regulations and health and safety.

9. Consultation

There is no requirement for external consultation on this item

10. Recommendation

It is recommended that the 2018/19 Capital Programme outturn position be approved.

11. Reason for Proposed Decision

To agree the capital outturn position for 2018/19.

12. Implementation of Decision

The decision is proposed for implementation after the three day call in period.

13. Appendices

Appendix 1 – Details of 2018/19 Capital Expenditure.

14. List of Background Papers

Capital Programme working files
Integrated Impact Assessment

15. Officer Contact

For further information on this report item, please contact:

Mr Huw Jones
Head of Finance
Tel. No. 01639 763575
h.jones@npt.gov.uk

Mr Ross Livingstone
Group Accountant Corporate, Capital & VAT
Tel. No. 01639 763624
r.livingstone@npt.gov.uk

ADDENDUM 1

Appendix 1

Details of 2018/19 Capital Expenditure

	Revised Budget	Actual	Variance
	£'000	£'000	£'000
Ysgol Gymraeg Ystalyfera Bro Dur (Welsh Medium North Campus)	930	859	71
Ysgol Carreg Hir (formerly included as Ysgol Newydd Briton Ferry)	3,396	3,543	-147
Ysgol Gymraeg Ystalyfera Bro Dur (Welsh Medium South Campus)	4,902	4,917	-15
Ysgol Cwm Brombil (formerly included as Ysgol Newydd Margam)	12,598	11,075	1,523
Schools Capital Maintenance	1,306	1,380	-74
Leisure Investment	150	144	6
Highways and Engineering Maintenance	2,373	2,354	19
Highways Infrastructure Investment	807	815	-8
Water St Neath Highway Improvements	683	685	-2
Road Safety Grant	468	468	0
Safe Routes in Communities	185	184	1
Active Travel Fund	540	540	0
Collaborative Change Waste	885	844	41
Health and Safety	850	807	43
Street Lighting	422	363	59
Vehicle Replacement Programme	1,529	955	574
Cwmafan Landslip	775	789	-14
Port Talbot Magistrates Court	1,265	1,227	38
Former Crown Foods Building & Site	1,600	1,600	0
Regeneration - other	1,645	1,486	159
Disabled Facilities Grants	3,000	3,000	0
ICF Rapid Adaptation Grant	350	350	0
Contingency	277		-277
Remaining Capital Programme	5,723	5,010	713
Total	46,659	43,395	3,264

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Neath Port Talbot
Castell-nedd Port Talbot
County Borough Council Cyngor Bwrdeistref Sirol

Draft-Unaudited
Statement
of
Accounts
2018/19

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NARRATIVE REPORT

1. INTRODUCTION

Welcome to the financial statements for Neath Port Talbot County Borough Council. The financial statements have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting (the Code) that is based on International Financial Reporting Standards (IFRS).

The purpose of this narrative report is to provide a guide to the main statements contained in the accounts and to comment on and summarise the Council's overall financial performance for the year.

A glossary is provided at the end of the Statement of Accounts, which provides a description of some of the specialist terms used in the document.

2. ACCOUNTING STATEMENTS

The Statement of Accounts is made up of a number of statements that are accompanied by explanatory notes. The following paragraphs provide an explanation of the purpose of the information included within these Statements.

Statement of Responsibilities

This Statement, included at the front of the Statement of Accounts, sets out the respective responsibilities of the Authority and the Section 151 officer.

Expenditure and Funding Analysis

The Expenditure and Funding Analysis starts by showing how annual expenditure is used and funded from resources, such as government grants, council tax and business rates. It then updates this position to show 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 directorates, which reflect the Council's management structure. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Comprehensive Income and Expenditure Statement

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 and this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Movement in Reserves Statement

This shows the movement in the year on the different reserves held by the Authority, analysed into usable reserves, that is, those that can be applied to fund expenditure or reduce local taxation and other unusable reserves. The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive

NARRATIVE REPORT

Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance.

Balance Sheet

This Statement shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority, that is its assets less liabilities, are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, that is, 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 includes those that 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". Trust Fund balances are not included as these represent assets held in trust for third parties rather than in ownership of the Authority.

Cash Flow Statement

This Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital borrowing to the Authority.

NARRATIVE REPORT

3. REVENUE SPENDING IN 2018/19

The Authority's Budget Requirement for 2018/19 was set at £282.855m. Actual spending compared to the budget was as follows:

Council Management Accounts	Revised Budget £000	Actual £000
Expenditure		
Directly Controlled Expenditure	238,215	239,626
Capital Financing	18,573	18,451
Levies, Contributions and Miscellaneous Funds	7,439	7,437
Council Tax Support	17,841	17,241
Contingencies and Reserves	727	(896)
Net Expenditure	282,795	281,859
Income		
Revenue Support Grant / NNDR	(212,341)	(212,341)
Council Tax	(70,730)	(70,730)
Less Discretionary Rate Relief	216	224
Total Income/Budget Requirement	(282,855)	(282,847)
NET BUDGET (SURPLUS)/DEFICIT TO BALANCES	(60)	(988)
General Fund Working Balance		
Opening Working Balance 1st April		(19,980)
Movement in Balance		(988)
Closing Working Balance 31st March		(20,968)

4. CAPITAL SPENDING IN 2018/19

	Actual £000
Capital investment	43,395
The expenditure was financed by:	
Government Grants and Other Contributions	(20,196)
Loans	(22,593)
Direct Revenue Contributions and Reserves	(606)
	(43,395)

NARRATIVE REPORT

5. EXTERNAL DEBT

At the year end, the Authority's total external debt was £283.324m, which excludes accrued interest of £3.117m that is included within debt in the balance sheet. Sources of borrowing include the Public Works Loan Board and Banks for long term borrowing and other financial institutions for short term borrowing.

6. RESERVES AND BALANCES AT 31ST MARCH 2019

	Actual £000
Earmarked reserves to support revenue expenditure	39,514
Revenue reserve to support capital expenditure	912
General Reserve Working Balances	20,968
Total General Reserve Balance	61,394

7. REVALUATION OF ASSETS

The net book value of assets decreased during 2018/19 by £0.848m. There was a £10.053m loss relating to the revaluation of assets undertaken by the Director of Environment.

The Authority's Property, Plant and Equipment are valued on a 5 year rolling programme by the Director of Environment in accordance with the Royal Institute of Chartered Surveyors Statements of Asset Valuation Practice.

The significant assumption applied when estimating the fair value of Property, Plant and Equipment is that the asset will continue in its existing use. Where there is a market value for the asset, its value will be determined with reference to the market, but in instances where no market exists for an asset, Depreciated Replacement Cost, which is the current cost of replacing an asset with the modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation, will be used as the basis of valuation.

During 2018/19, the following categories of assets were revalued:

- Transportation was valued as at 1st December 2018 on a Current Value Existing Use Valuation and Current Value Depreciated Replacement Cost basis;
- Garage Compound Plots and Domestic Garages were valued as at 1st December 2018 on a Current Value Existing Use Valuation basis;
- Outdoor Leisure was valued as at 1st February 2019 on a Current Value Existing Use Valuation, Current Value Depreciated Replacement Cost and Fair Value Existing Use Valuation basis.

Assets held for sale are valued annually and twenty one assets with a value of £3.5m were valued at 31st March 2019.

NARRATIVE REPORT

8. INTERNATIONAL ACCOUNTING STANDARD 19 - PENSIONS

The Accounts comply with the requirements of the above standard with the revenue accounts reflecting the current year cost of pension provision to employees as advised by the Pension Fund Actuary. The Balance Sheet contains the Actuary's assessment of the Authority's share of the Pension Fund liability at 31st March.

The pension fund liability disclosed in the Balance Sheet is the total projected deficit that exists over the expected life of the Fund. This deficit changes on an annual basis dependent on the performance of investments and the actuarial assumptions that are made in terms of current pensioners, deferred pensioners and current employees.

9. SIGNIFICANT PROVISIONS

There are three significant provisions:

- An insurance provision of £3.4m to cover the likely cost of settling outstanding insurance liabilities. This is made up of a long term provision of £2.1m and a short term provision of £1.3m.
- A provision of £0.9m for Housing Warranties following the transfer of the Housing stock to Tai Tarian (formerly Neath Port Talbot Homes) in March 2011.
- A provision of £0.8m to provide the costs of early retirements and redundancies which have been agreed by 31st March 2019, with leaving dates during 2019/20.

10. GROUP ACCOUNTS

There is a requirement for local authorities to produce Group Accounts to recognise material financial or controlling interests in companies, voluntary organisations, public bodies, etc. An assessment was made of all such interests and this did not identify any relationship which is considered material, therefore, Group Accounts have not been prepared.

11. IMPACT OF CURRENT ECONOMIC CLIMATE ON THE AUTHORITY

The Council continues to operate in an environment where further savings, cuts and income generation proposals are required to set its annual budget. It involves stakeholders as part of its consultation process to help to identify the savings required.

In setting the Budget, Members have to consider the requirement of delivering its statutory services, as well as those other services that the public and users have come to expect. The challenge has been to set a budget at activity levels that are sustainable and equitable. Members also have to consider the demand for services and changes to these services in light of the impact on:

- Service users
- Employees
- Legislation including the Equality Act 2010 and Wellbeing of Future Generations (Wales) Act 2015 considerations

NARRATIVE REPORT

- Income generation
- Council tax level

The Welsh Government's headline figures for the funding settlement for 2019/20 are 0.7% for the Council, with the All Wales position at 0.2%. The Welsh Government has only published budget plans for 2019/20, as they await the outcome of the UK Government Spending Review, due for publication later in 2019.

The UK Government has stated that austerity has come to an end, but the uncertainty around the financial impact of Brexit and the outcome of the spending review means that we will not receive clarification on future funding until later in 2019. This Council will prepare further work to update its Forward Financial Plan when this information is available, but currently predicts that further savings will be required to address a predicted shortfall of £53m over the next three years.

12. CHANGE IN ACCOUNTING POLICIES

Changes in accounting policies are made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance.

13. FURTHER INFORMATION

Further information relating to the accounts can be obtained from the Director of Finance and Corporate Services, Neath Port Talbot County Borough Council, Civic Centre, Port Talbot, SA13 1PJ.

STATEMENT OF RESPONSIBILITIES

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 those affairs. In this Authority, that officer is the Director of Finance and Corporate Services;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

DIRECTOR OF FINANCE & CORPORATE SERVICES RESPONSIBILITIES

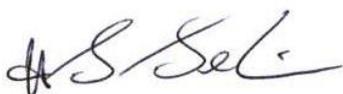
The Director of Finance and Corporate Services is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practice as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this statement of accounts, the Director of Finance and Corporate Services has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority Code.

The Director of Finance and Corporate Services has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- ensured that the accounts show a true and fair view of the financial position of the Authority as at the date of preparation and of its expenditure and income for the year ended 31st March 2019.



Director of Finance and Corporate Services

Date: 22nd May 2019

EXPENDITURE AND FUNDING ANALYSIS

Restated 2017/18				2018/19		
Net Expenditure chargeable to the General Fund	Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure chargeable to the General Fund	Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
104,122	13,688	117,810	Education, Leisure & Lifelong Learning	108,632	11,082	119,714
74,913	2,419	77,332	Social Services, Health & Housing	79,981	3,472	83,453
32,975	19,065	52,040	Environment	35,564	24,277	59,841
17,532	990	18,522	Corporate Services	17,768	629	18,397
(142)	-	(142)	Other Housing Services	(286)	99	(187)
22,550	(8,371)	14,179	Other Central Services	23,281	(9,212)	14,069
251,950	27,791	279,741	Net Cost of Services	264,940	30,347	295,287
(260,142)	(15,147)	(275,289)	Other Income & Expenditure	(266,865)	(5,980)	(272,845)
(8,192)	12,644	4,452	Surplus or deficit	(1,925)	24,367	22,442
51,277			Opening General Fund Balance	59,469		
8,192			In Year Movement Surplus / (Deficit)	1,925		
59,469			Closing General Fund Balance	61,394		

Further information in relation to the adjustments column in the Expenditure and Funding Analysis can be found in note 4.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Restated 2017/18				2018/19		
Gross Expenditure	Gross Income	Net Expenditure	Note	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
152,226	(34,416)	117,810		157,070	(37,356)	119,714
115,736	(38,404)	77,332		116,821	(33,368)	83,453
77,804	(25,764)	52,040		83,613	(23,772)	59,841
21,649	(3,127)	18,522		26,020	(7,623)	18,397
55,073	(55,215)	(142)		49,688	(49,875)	(187)
14,693	(514)	14,179		14,446	(377)	14,069
437,181	(157,440)	279,741		447,658	(152,371)	295,287
22,669	-	22,669	8	20,394	-	20,394
21,206	(569)	20,637	9	22,488	(509)	21,979
-	(318,595)	(318,595)	10	-	(315,218)	(315,218)
481,056	(476,604)	4,452		490,540	(468,098)	22,442
		(9,712)	22			5,567
		129	22			-
		(2,400)	22			30,450
		(11,983)				36,017
		(7,531)				58,459

MOVEMENTS IN RESERVES STATEMENT

	General Fund Balance	Capital Receipts Reserves	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000
Balance at 31st March 2017	51,277	5,641	7,903	64,821	(65,867)	(1,046)
2017/18						
Movement in reserves during 2017/18						
Total Comprehensive Income and Expenditure	(4,452)	-	-	(4,452)	11,983	7,531
Adjustments between accounting basis and funding basis under regulations (Note 6)	12,644	1,159	2,205	16,008	(16,008)	-
Increase/(Decrease) in Year	8,192	1,159	2,205	11,556	(4,025)	7,531
Balance at 31st March 2018	59,469	6,800	10,108	76,377	(69,892)	6,485
2018/19						
Movement in reserves during 2018/19						
Total Comprehensive Income and Expenditure	(22,442)	-	-	(22,442)	(36,017)	(58,459)
Adjustments between accounting basis and funding basis under regulations (Note 6)	24,367	171	369	24,907	(24,907)	-
Increase/(Decrease) in Year	1,925	171	369	2,465	(60,924)	(58,459)
Balance at 31st March 2019	61,394	6,971	10,477	78,842	(130,816)	(51,974)

BALANCE SHEET

31st Mar 2018		Note	31st Mar 2019
£000			£000
705,840	Property, Plant and Equipment	11	704,992
1,183	Heritage Assets	12	1,183
86	Long Term Investments	13	86
1,488	Long Term Debtors	13	1,353
<u>708,597</u>	Long Term Assets		<u>707,614</u>
61,178	Short Term Investments	13	55,135
5,129	Assets Held for Sale	18	3,536
564	Inventories	14	589
39,923	Short Term Debtors	15	32,454
4,134	Cash and Cash Equivalents	17	3,507
<u>110,928</u>	Current Assets		<u>95,221</u>
(9,850)	Short Term Borrowing	13	(10,638)
(61,563)	Short Term Creditors	19	(48,831)
(1,981)	Short Term Provisions	20	(2,022)
<u>(73,394)</u>	Current Liabilities		<u>(61,491)</u>
(24,628)	Long Term Creditors	13	(18,601)
(260,471)	Long Term Borrowing	13	(275,803)
(450,183)	Other Long Term Liabilities	37	(495,843)
(4,364)	Long Term Provisions	20	(3,071)
<u>(739,646)</u>	Long Term Liabilities		<u>(793,318)</u>
<u>6,485</u>	Net Assets		<u>(51,974)</u>
(76,377)	Usable Reserves	21	(78,842)
69,892	Unusable Reserves	22	130,816
<u>(6,485)</u>	Total Reserves		<u>51,974</u>

CASH FLOW STATEMENT

2017/18 £000		Note	2018/19 £000
(4,452)	Net surplus or (deficit) on the provision of services		(22,442)
30,864	Adjustments to net surplus or deficit on the provision of services for non-cash movements	23a	37,899
(31,079)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	23b	(17,599)
(4,667)	Net cash flows from Operating Activities	*	(2,142)
(12,526)	Investing Activities	24	(14,612)
15,971	Financing Activities	25	16,127
(1,222)	Net increase or decrease in cash and cash equivalents		(627)
5,356	Cash and cash equivalents at the beginning of the reporting period		4,134
4,134	Cash and cash equivalents at the end of the reporting period	17	3,507

* The cash flows for operating activities include the following items:

2017/18 £000		2018/19 £000
(512)	Interest Received	(651)
10,367	Interest Paid	9,919

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31st March 2019.

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014 (as amended by The Accounts and Audit (Wales) (Amendment) Regulations 2018), in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, 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.

The accounts are prepared on a going concern basis, that is, on the assumption that the functions of the Council will continue in operational existence for the foreseeable future.

ii. Accruals of expenditure and income

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. The changes introduced as part of IFRS 15 have not had a material impact on this Council, which applies the treatment below:

- revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- 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.
- 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 receivable on investments and payable on borrowing is accounted for respectively as income and expenditure 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 debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

NOTES TO THE ACCOUNTS

iii. Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. Cash equivalents held as part of Treasury Management arrangements are included as short term investments in accordance with the CIPFA Code.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

iv. Prior Period Adjustments, Changes in Accounting Policies, Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, that is, in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Comprehensive Income and Expenditure Statement, Expenditure and Funding Analysis and Grant Income.

The presentation of these Statements has been restated for 2017/18, to meet the Code of Practice requirement to present the accounts in the same segmental structure as the Council, without grossing up internal support service costs. There is no net impact on the accounts, but the analysis across Council services and between income and expenditure changes by £0.6m. Further changes have been made to the EFA and grant income, which reflect an update to the allocation of other Housing Services income of £1.6m between grants and income.

v. 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 non-current 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.

NOTES TO THE ACCOUNTS

- amortisation of intangible assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance for a Minimum Revenue Provision by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

vi. Employee Benefits

Benefits Payable during Employment

Short term employee benefits are those due to be settled wholly within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council. 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 accounting year. 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 entitlements 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 Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and they are charged on an accruals basis to the appropriate service or, where applicable, to a corporate service segment at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council 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 Council are members of two separate pension schemes:

- the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).

NOTES TO THE ACCOUNTS

- the Local Government Pensions Scheme, administered by the City and County of Swansea.

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it was a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Education, Leisure and Lifelong Learning line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme.

- the liabilities of the City and County of Swansea Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method which is 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 City and County of Swansea Pension Fund attributable to the Council are included in the Balance Sheet at their fair value.
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - utilised securities – current bid price
 - property – market value
- the change in the net pensions liability is analysed into the following components:
 - current service cost – the increase in liabilities as a result of years of service earned this year, which is allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
 - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment 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 Council – 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

NOTES TO THE ACCOUNTS

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), which is 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, which is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- contributions paid to the City and County of Swansea pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council 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 transfers 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 General 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 Council 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 Local Government Pension Scheme.

vii. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council 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

NOTES TO THE ACCOUNTS

payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council 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.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term of the replacement loan. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised costs
- fair value through profit or loss, and
- fair value through other comprehensive income.

The Council's investments at 31st March 2019 have a historic rate of default of 0.002%. There is no impairment allowance included for these financial assets, as the risk is considered immaterial.

The Council's debtors position is included within the financial assets statement. This differs from the debtors reported in the balance sheet as those relating to Council Tax do not meet the definition of a financial instrument.

The Council's debts have been reviewed and although there is no significant financing component, funds have been set aside for any potential impairment. The Council has adopted a simplified approach and based the impairment on a collective assessment of the value and age of the outstanding debt. The Council continues to try to collect all income and review outstanding debt on a regular basis.

viii. 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 Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

NOTES TO THE ACCOUNTS

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contributions have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of 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-ring fenced 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 General 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.

Business Improvement District

A Business Improvement District scheme applies within a restricted area in Neath Town Centre. The scheme is funded by non-domestic ratepayers in this area and the Council's role is to collect the levy due and to pay these funds across to the BID Company, which is called Neath Inspired. They will use their levy to fund projects within the BID boundaries.

ix. Heritage Assets

The Council is required to include Heritage Assets in its Statement of Accounts and to provide information in relation to other Heritage Assets not included in the Accounts. Heritage assets are defined as assets that have historical, artistic, scientific, technological, geographical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture. In the absence of historic cost the insurable sum is deemed as an appropriate and relevant method of valuation. The Council's works of art were last valued by Sotheby's in 2003.

The Council does not depreciate heritage assets and some of the other measurement rules have been varied in relation to Heritage Assets as follows:

If an item suffers physical deterioration the carrying value will be reviewed and any impairment recognised in the accounts. Also, any disposals will be recognised in the accounts and disclosed as a separate note to the financial statements.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general

NOTES TO THE ACCOUNTS

policies on impairment. Where Heritage Assets are disposed of these are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

Because of the diverse nature of heritage assets and the potential cost implication of obtaining specialist valuations, the Council only recognises heritage assets in the balance sheet where an insurance valuation has been undertaken and where the valuation for an individual heritage asset is £5,000 or more. These items are deemed to have indeterminate lives and a high residual value and consequently the Council does not consider it appropriate to charge depreciation.

x. Interest in Companies and Other Entities

The Council holds no material value interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and therefore there is no requirement to prepare group accounts. Transactions for the Council's companies are included within the Council's own single entity accounts.

xi. Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at average purchase price or latest purchase price. This is a departure from normal practice which values stock at the lower of cost or net realisable value. The effect of this departure is not material.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

xii. Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Council in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Council as a joint operator recognises:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its revenue from the sale of its share of the output arising from the joint operation
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.

The Council is not involved in any material joint operations.

NOTES TO THE ACCOUNTS

xiii. Leases

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.

The Council as Lessee

Finance Leases

Property, Plant and Equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight line basis over

NOTES TO THE ACCOUNTS

the life of the lease, even if this does not match the pattern of payments, for example, where there is a rent free period at the commencement of the lease.

The Council as Lessor

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments, for example, where there is a premium paid at the commencement of the lease. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xiv. Overhead and Support Costs

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

xv. Property, Plant and 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 subject to a de-minimus limit of £10,000, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council 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, such as repairs and maintenance, is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance, that is, it will not lead

NOTES TO THE ACCOUNTS

to a variation in the cash flows of the Council. In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

The Council's Accounting Policy for adopted roads is to recognise them as donated infrastructure assets. The measurement basis for adopted roads will be historic cost in line with other operational infrastructure assets. In the case of adopted roads the historic cost will be deemed to be zero.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost.
- council offices – current 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 for office accommodation the measurement adopted is depreciated replacement cost (instant build).
- school buildings – current value, but because of their specialist nature, they are measured at depreciated replacement cost MEA (Modern Equivalent Asset).
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.
- all other assets – current 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 current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end, but as a minimum every five years. 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 a loss previously charged to a service.

NOTES TO THE ACCOUNTS

Where decreases in value 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.

The Revaluation Reserve contains revaluation gains recognised since 1st April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment 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.

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, such as freehold land and certain Community Assets and assets that are not yet available for use, such as assets under construction.

Depreciation is calculated on the following basis:

- other buildings – straight line allocation over the useful life of the property as estimated by the valuer.
- vehicles, plant, furniture and equipment – straight line allocation over the useful life of the assets.
- infrastructure – straight line allocation over 40 years.

NOTES TO THE ACCOUNTS

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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 chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

When it becomes 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 previous losses recognised 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 (whether Property, Plant and Equipment or Assets Held for Sale) 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 there are any, are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal, that is, 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. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment, or set aside to reduce the Council's underlying need to borrow. Receipts are appropriated to the Reserve from the General 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 General Fund Balance in the Movement in Reserves Statement.

NOTES TO THE ACCOUNTS

Componentisation

Land and buildings are separate assets and will always be accounted for separately.

Where a single asset may have a number of different components each having a different useful life, three factors are taken into account to determine whether a separate valuation of components is to be recognised in the accounts in order to provide an accurate figure for depreciation.

- Materiality with regards to the Council's financial statements.
Componentisation will only be considered for individual non land assets that have a net book value of more than £2.5m or 0.5% of total net book value.
- Significance of component
For individual assets meeting the above threshold, where services within a building, such as boilers, heating, lighting, ventilation, etc. are a material component of the cost of that asset, that is greater than 30%, then those services will be valued separately on a component basis.
- Difference in rate or method of depreciation compared to the overall asset.
Only those elements that normally depreciate at a significantly different rate from the non-land element as a whole, or that require a different method of depreciation will be identified for componentisation.

Consideration for componentisation is undertaken in the financial year after an asset is revalued or brought into use, this is due to the fact that the Council charges depreciation based on opening balances.

Assets that fall below the de-minimis levels and the tests above can be disregarded for componentisation on the basis that any adjustment to depreciation charges would not result in material misstatements in the accounts.

Where assets are material and are to be reviewed for significant components, it is recommended that the minimum level of apportionment for the non-land element of assets is:

- Mechanical and electrical services
- Structure

Professional judgement will be used in establishing materiality levels, the significance of components, useful lives, depreciation methods and apportioning asset values over recognised components. Revaluations of the Council's property assets will continue to be undertaken on a five year rolling programme basis, at which point, the revaluation takes into account the value and condition of the assets, relevant components and also derecognition where relevant. Where there is a major refurbishment of an asset, a new valuation is sought in the year of completion and a revision to the useful life.

The Council does not undertake componentisation of Infrastructure assets.

NOTES TO THE ACCOUNTS

Materiality levels will be periodically reviewed to ensure that they remain appropriate.

xvi. Service Concessions

Service concession arrangements are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the contractor. As the Council is deemed to control the services that are provided under the arrangement, and as ownership of the property, plant and equipment will pass to the Council at the end of the contract period, the Council carries the assets on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets is based on the amounts due to the contractor for the capital investment with a corresponding liability recognised on the Balance Sheet. Assets are subsequently revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the contractor each year are analysed into three elements:

Payment towards liability – applied to write down the Balance Sheet liability towards the contractor;

Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;

Payment for services – debited to the relevant Directorate in the Comprehensive Income and Expenditure Statement.

xvii. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council 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 when the Council has an obligation, and are measured at 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 carried 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.

NOTES TO THE ACCOUNTS

Where some or all of the payment required to settle a provision is expected to be recovered from another party, for example, from an insurance claim, this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council 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 Council. 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 if they are material.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential and if they are material.

xviii. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. 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 transferred back into the General Fund 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, local taxation, retirement and employee benefits and do not represent usable resources for the Council; these reserves are explained in the relevant policies.

xix. Revenue Expenditure Funded from Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that 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 in the year. Where the Council 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 General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

NOTES TO THE ACCOUNTS

xx. Schools

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools, that is, those categories of school identified in the School Standards and Framework Act 1998, as amended, lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements and not the Group Accounts. Therefore, schools' transactions, cash flows and balances are recognised in each of the financial statements of the Council.

xxi. Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

xxii. Fair Value Measurement

The Council measures some of its non-financial assets, such as surplus assets and assets held for sale at fair value. 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. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability on the same basis that market participants would use when pricing the asset or liabilities, assuming those market participants were acting in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

The Code of Practice requires that the Council disclose information relating to the anticipated impact of any accounting change required by a new standard that has been issued but not yet adopted by the Code. This requirement applies to the adoption of the following new or amended standards.

The 2019/20 Code introduces changes arising from the accounting guidance in relation to several items that will not materially affect this Council. These are the transfer to and from investment properties (IAS40), Foreign Currency Transaction treatment relating to advance considerations (IFRIC 22), Uncertainty over Income Tax treatment when determining profit and loss (IFRIC 23) and Financial Instruments treatment of prepayment features with negative compensation (IFRS 9).

NOTES TO THE ACCOUNTS

The Code requires implementation from 1st April 2019 and there is therefore no impact on the 2018/19 Statement of Accounts.

In addition, IFRS 16 Leases will require local authorities to recognise most leases on their balance sheet as assets, with a balancing lease liability. The implementation of this standard for local government was deferred to 1st April 2020 by CIPFA/LASAAC.

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 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 Council's Balance Sheet at 31st March 2019, for which there is a significant risk of material adjustment in the forthcoming financial year, are as follows:

Provisions – Insurance Claims

The Council has a provision of £3.404m as at 31st March 2019 to meet the potential cost of insurance liabilities. The number and value of potential claims includes actuarial assumptions particularly in respect of the most recent financial years, as these are immature in terms of insurance experience. Any significant change in assumptions and/or number and value of claims could significantly alter the value of the provision. The Council holds Insurance Reserves to mitigate any risk.

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 was engaged to provide the Council with expert advice and assumptions and the various costings and disclosures necessary to comply with the code of practice. If any of the assumptions change as a result of actual experience then the net liability of the Council would increase or decrease as a result.

NOTES TO THE ACCOUNTS

4. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

These adjustments are made to present the Council's accounts on an accounting and funding basis in accordance with generally accepted accounting practices. Further details in relation to these adjustments can be found in the "Adjustments between accounting basis and funding basis under regulations" note 6 below.

	2018/19			
	Adjustments for Capital Purposes	Net Charge for Pensions	Other Differences	Total Adjustments
	£000	£000	£000	£000
Education, Leisure & Lifelong Learning	10,190	1,321	(429)	11,082
Social Services, Health & Housing	2,696	1,107	(331)	3,472
Environment	23,442	849	(14)	24,277
Corporate Services	35	583	11	629
Other Housing Services	-	-	99	99
Other Central Services	(9,218)	-	6	(9,212)
	27,145	3,860	(658)	30,347
Other Income & Expenditure	(17,608)	11,350	278	(5,980)
Difference between General Fund and CIES surplus/deficit	9,537	15,210	(380)	24,367

	Restated 2017/18			
	Adjustments for Capital Purposes	Net Charge for Pensions	Other Differences	Total Adjustments
	£000	£000	£000	£000
Education, Leisure & Lifelong Learning	11,461	1,949	278	13,688
Social Services, Health & Housing	804	1,714	(99)	2,419
Environment	17,948	1,199	(82)	19,065
Corporate Services	129	908	(47)	990
Other Central Services	(8,371)	-	-	(8,371)
	21,971	5,770	50	27,791
Other Income & Expenditure	(25,767)	10,620	-	(15,147)
Difference between General Fund and CIES surplus/deficit	(3,796)	16,390	50	12,644

NOTES TO THE ACCOUNTS

5. EXPENDITURE AND INCOME ANALYSED BY NATURE

The following table discloses the nature of expenses and income, analysing the Comprehensive Income and Expenditure on a subjective basis. These figures include the expenditure and income for all schools, which follows the reporting requirements stipulated by the Code of Practice.

Restated 2017/18 £000		2018/19 £000
	Expenditure	
190,085	Employee Benefits	196,309
223,942	Other Service Expenses	226,190
23,154	Depreciation, amortisation and Impairment	25,438
21,206	Interest Payable	22,209
19,219	Precepts and Levies	20,321
3,450	Gain on the disposal of assets	73
<u>481,056</u>	Total Expenditure	<u>490,540</u>
	Income	
(54,078)	Fees, charges and other service income	(57,488)
(569)	Interest and investment income	(509)
(127,831)	Income from Council Tax, National Non Domestic Rates	(130,803)
(294,126)	Government Grants and contributions	(279,298)
<u>(476,604)</u>	Total Income	<u>(468,098)</u>
<u>4,452</u>	(Surplus) / Deficit for year	<u>22,442</u>

The total income for Fees, charges and other service income identified in the table above is collected from the following service segments, which reflect the Council's management structure:

Restated 2017/18 £000		2018/19 £000
	Income	
(11,158)	Education, Leisure & Lifelong Learning	(11,964)
(21,754)	Social Services, Health & Housing	(23,808)
(17,145)	Environment	(17,283)
(2,062)	Corporate Services	(2,838)
(1,959)	Other Central Services	(1,595)
<u>(54,078)</u>	Fees, charges and other service income	<u>(57,488)</u>

NOTES TO THE ACCOUNTS

6. 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 Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment at the end of the financial year.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

Capital Grants Unapplied

The Capital Grants Unapplied Account holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

NOTES TO THE ACCOUNTS

	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
2018/19	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account				
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
Charges for depreciation and impairment of non current assets	25,438	-	-	(25,438)
Revaluation losses on Property Plant and Equipment	4,583	-	-	(4,583)
Capital grants and contributions applied	(17,428)	-	-	17,428
Revenue expenditure funded from capital under statute	10,004	-	-	(10,004)
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	244	-	-	(244)
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
Statutory provision for the financing of capital investment	(9,216)	-	-	9,216
Capital expenditure charged against the General Fund	(606)	-	-	606
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(3,137)	-	3,137	0
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	(2,768)	2,768
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	(171)	171	-	0
Adjustment 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	(175)	-	-	175
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Account	42,630	-	-	(42,630)
Employer's pension contributions and direct payments to pensioners payable in the year	(27,420)	-	-	27,420
Adjustments 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	(379)	-	-	379
Total Adjustments	24,367	171	369	(24,907)

NOTES TO THE ACCOUNTS

	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
2017/18	£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	23,154	-	-	(23,154)
Revaluation losses on Property Plant and Equipment	1,905	-	-	(1,905)
Capital grants and contributions applied	(29,920)	-	-	29,920
Revenue expenditure funded from capital under statute	9,447	-	-	(9,447)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	4,609	-	-	(4,609)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(8,433)	-	-	8,433
Capital expenditure charged against the General Fund	(605)	-	-	605
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(2,630)	-	2,630	0
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	(425)	425
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	(1,159)	1,159	-	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	10	-	-	(10)
Adjustments primarily involving the Deferred Capital Receipts Reserve:				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1	-	-	(1)
Adjustment 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	(175)	-	-	175
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Account	41,050	-	-	(41,050)
Employer's pension contributions and direct payments to pensioners payable in the year	(24,660)	-	-	24,660
Adjustments 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	50	-	-	(50)
Total Adjustments	12,644	1,159	2,205	(16,008)

NOTES TO THE ACCOUNTS

7. MOVEMENT IN RESERVES

This note sets out the amounts set aside from the General Fund into reserves to provide financing for future expenditure plans.

	Balance at 1st Apr 2017 £000	Movement in 2017/18	Balance at 31st Mar 2018 £000	Movement in 2018/19	Balance at 31st Mar 2019 £000
Balances held by schools under a scheme of delegation	(2,755)	(113)	(2,868)	1,752	(1,116)
Other Education and Leisure	(263)	(72)	(335)	(745)	(1,080)
Hillside Secure Centre-Equalisation	(1,713)	26	(1,687)	595	(1,092)
Other Social Services	(344)	(610)	(954)	(210)	(1,164)
Environment	(1,452)	(353)	(1,805)	(228)	(2,033)
Operating Account	(1,853)	260	(1,593)	(263)	(1,856)
Finance and Chief Executive	(3,326)	660	(2,666)	239	(2,427)
Accommodation	(2,761)	276	(2,485)	211	(2,274)
Treasury Management	(3,074)	(2,681)	(5,755)	(1,071)	(6,826)
Housing Warranties	(220)	-	(220)	-	(220)
Landfill Site	(988)	17	(971)	(34)	(1,005)
Insurance	(4,725)	(1,894)	(6,619)	(2,424)	(9,043)
Fire Authority	(52)	21	(31)	21	(10)
Waste	(423)	30	(393)	-	(393)
ERVR Transitional	(6,243)	169	(6,074)	1,256	(4,818)
Members Community Fund	-	(672)	(672)	125	(547)
Community Resilience	-	(2,000)	(2,000)	-	(2,000)
Pantteg	-	(500)	(500)	-	(500)
Joint Committees	(186)	(13)	(199)	(120)	(319)
Corporate Other	(250)	(500)	(750)	(41)	(791)
Earmarked Reserves	(30,628)	(7,949)	(38,577)	(937)	(39,514)
Capital	(912)	-	(912)	-	(912)
General Fund	(19,737)	(243)	(19,980)	(988)	(20,968)
GRAND TOTAL	(51,277)	(8,192)	(59,469)	(1,925)	(61,394)

NOTES TO THE ACCOUNTS

Earmarked Reserves		2018/19 £000
Education, Leisure and Lifelong Learning		
Schools	Delegated Schools Reserve-These reserves are ring-fenced for each individual school.	1,116
Education Equalisation	This account will be used to fund any unforeseen pressures arising within the Education Leisure and Lifelong Learning budget.	870
Other	This includes funding to meet the cost of repairs and maintenance in schools, to fund one off school transport costs and to assist primary schools in funding ERVR.	210
Education, Leisure and Lifelong Learning		2,196
Social Services and Health		
Hillside General	The fund has been established to equalise the capital investment required over time for the Hillside Secure Unit.	1,092
Other Social Services	To fund development work required to transform services and deliver further savings in future, to fund expenditure on renewal of equipment over several years, to equalise expenditure on volatile services.	1,164
Social Services and Health		2,256
Environment		
Environment Equalisation Account	This reserve will be used to fund one off pressures across the Directorate.	640
Local Development Fund	To meet statutory obligation for LD Plan.	157
Winter Maintenance	To equalise the cost incurred during harsh winters.	764
Other	This includes reserves for Concessionary Bus Pass replacement, Asset recovery reserve and Economic Development, transport infrastructure, renewable energy projects and to fund enforcement action to improve derelict buildings.	508

NOTES TO THE ACCOUNTS

Earmarked Reserves	2018/19 £000	
Environment (continued)		
Vehicle	This reserve will be used to fund a cost effective transport and plant renewal programme to meet service requirements.	1,728
General	This reserve will be used to fund Vehicle Tracking maintenance.	92
Environment		<hr/> 3,889 <hr/>
Finance and Chief Executive's		
IT Renewals Fund	This Reserve will be used to fund the costs of major IT projects.	1,298
Corporate Equalisation	This reserve will fund one off pressures arising across the directorate.	532
Election Equalisation	This reserve will be used to meet the cost of the five year cycle of elections.	240
Building Capacity and Capability	This relates to developing capacity in relation to transformational projects across the Council.	184
Other	This includes reserves for Health and Safety, member development and voluntary organisations.	173
Finance and Chief Executive's Reserves		<hr/> 2,427 <hr/>
Corporate issues		
Accommodation	This reserve will be used to support the Authority's Accommodation Strategy and other property costs.	2,274
Treasury Management	This reserve will be used to equalise the impact of fluctuations in Treasury Management returns and future borrowing decisions.	6,826
Housing Warranties	This reserve has been set aside in recognition of the warranties to potential liabilities following the transfer of Housing Services.	220
Landfill Site	This is held for aftercare obligations at the Giants Grave site, which might arise if the Council's wholly owned company (NPT Waste Mgmt Ltd) has insufficient resources.	1,005
Insurance - Claims	This reserve is generated from insurance settlements and surpluses from claims handling arrangements. It will be used to fund future insurance related projects and claims.	9,043

NOTES TO THE ACCOUNTS

Earmarked Reserves	2018/19 £000	
Corporate issues (continued)		
Fire Authority	This relates to a refund from the Fire Authority and will be used to mitigate precept increases in future years.	10
Waste	This reserve will be used to fund future Waste Service projects.	393
ER VR Transitional Reserve	This reserve will fund future ER/VR costs.	4,818
Members Community Fund	The reserve is set up to enable members to invest in activities and projects that improve outcomes within their local wards.	547
Communities Resilience Fund	To fund work with and by the community to deliver local services that support the Council's priorities and objectives.	2,000
Pantteg	The reserve is set up to fund ongoing costs.	500
Joint Committees	This reserve is for Intermediate Care pooled fund, the Western Bay Safeguarding Board, Substance Misuse and SWTRA.	319
Other	This reserve will be used to fund income generation project work.	791
Corporate issues		<u>28,746</u>
Total Earmarked Reserves		39,514
Capital Reserves	Revenue reserve earmarked for capital purposes.	912
General Reserve Working Balances	Revenue reserve to fund non-specific future expenditure.	20,968
Total Reserves		<u><u>61,394</u></u>

NOTES TO THE ACCOUNTS

8. OTHER OPERATING EXPENDITURE

2017/18 £000		2018/19 £000
1,941	Community Council precepts	1,997
17,278	Levies (Police and Fire)	18,324
3,450	(Gains)/losses on the disposal of non current assets	73
22,669	Total	20,394

9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2017/18 £000		2018/19 £000
10,586	Interest payable and similar charges	10,859
10,620	Pension interest cost and expected return on pension assets	11,350
-	Changes in impairment loss allowance	279
(569)	Interest receivable and similar income	(509)
20,637	Total	21,979

10. TAXATION AND NON SPECIFIC GRANT

2017/18 £000		2018/19 £000
(82,019)	Council Tax income	(85,420)
(45,812)	Non domestic rates	(45,383)
(161,547)	Non ring fenced government grants	(166,733)
(29,217)	Capital grants and contributions	(17,682)
(318,595)	Total	(315,218)

NOTES TO THE ACCOUNTS

11. PROPERTY, PLANT AND EQUIPMENT

2018/19	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total PPE	Service Concession in PPE
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1st April 2018	390,683	30,650	392,394	695	10,691	45,692	870,805	18,563
additions	4,427	2,458	7,451	74	1,404	22,297	38,111	-
revaluation increases/(decreases) recognised in the Revaluation Reserve	(4,634)	-	-	(871)	(41)	-	(5,546)	-
revaluation increases/(decreases) recognised in the Surplus/deficit on the Provision of Services	(4,545)	-	-	-	38	-	(4,507)	-
derecognition-disposals	(154)	(1,781)	-	-	-	-	(1,935)	-
derecognition-other	(4,062)	-	(584)	(74)	-	-	(4,720)	-
assets reclassified (to)/from Held for Sale	(188)	-	-	-	1,605	-	1,417	-
change in asset classification	62,673	-	(215)	877	2,589	(65,924)	0	-
other movements in cost of valuation	(5,838)	-	-	-	(2,284)	-	(8,122)	-
At 31st March 2019	438,362	31,327	399,046	701	14,002	2,065	885,503	18,563
Accumulated Depreciation and Impairment								
At 1st April 2018	(40,774)	(18,574)	(105,576)	-	(37)	(4)	(164,965)	-
depreciation charge	(13,322)	(2,345)	(9,743)	-	(28)	-	(25,438)	(890)
depreciation written out to the Revaluation Reserve	5,838	-	-	-	2,284	-	8,122	-
derecognition-disposals	-	1,770	-	-	-	-	1,770	-
change in asset classification	2,279	-	5	-	(2,284)	-	0	-
At 31st March 2019	(45,979)	(19,149)	(115,314)	0	(65)	(4)	(180,511)	(890)
Net Book Value								
At 31st March 2019	392,383	12,178	283,732	701	13,937	2,061	704,992	17,673
At 31st March 2018	349,909	12,076	286,818	695	10,654	45,688	705,840	18,563

NOTES TO THE ACCOUNTS

2017/18	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total PPE	Service Concession in PPE
Cost or Valuation	£000	£000	£000	£000	£000	£000	£000	£000
At 1st April 2017	399,278	29,374	379,535	612	11,440	10,996	831,235	18,119
additions	4,379	2,683	7,557	-	-	38,806	53,425	-
revaluation increases/(decreases) recognised in the Revaluation Reserve	(1,409)	-	-	30	(280)	-	(1,659)	444
revaluation increases/(decreases) recognised in the Surplus/deficit on the Provision of Services	(3,150)	95	-	-	-	-	(3,055)	-
derecognition-disposals	(448)	(1,118)	-	-	-	-	(1,566)	-
derecognition - charged to the revaluation reserve	(129)	-	-	-	-	-	(129)	-
derecognition-other	(6,864)	(417)	-	-	-	-	(7,281)	-
assets reclassified (to)/from Held for Sale	(35)	-	-	-	(164)	-	(199)	-
change in asset classification	(940)	-	5,302	53	(305)	(4,110)	0	-
other movements in cost of valuation	1	33	-	-	-	-	34	-
At 31st March 2018	390,683	30,650	392,394	695	10,691	45,692	870,805	18,563
Accumulated Depreciation and Impairment								
At 1st April 2017	(41,469)	(17,606)	(96,403)	-	(19)	(4)	(155,501)	(362)
depreciation charge	(11,362)	(2,327)	(9,446)	-	(19)	-	(23,154)	(703)
depreciation written out to the Revaluation Reserve	10,203	-	-	-	-	-	10,203	1,065
depreciation written out to the Surplus/Deficit on the Provision of Services	375	-	-	-	-	-	375	-
derecognition - disposals	-	958	-	-	-	-	958	-
derecognition - other	293	401	273	-	-	-	967	-
change in asset classification	(1)	-	-	-	1	-	0	-
other movements in depreciation and impairment	1,187	-	-	-	-	-	1,187	-
At 31st March 2018	(40,774)	(18,574)	(105,576)	0	(37)	(4)	(164,965)	0
Net Book Value								
At 31st March 2018	349,909	12,076	286,818	695	10,654	45,688	705,840	18,563
At 31st March 2017	357,809	11,768	283,132	612	11,421	10,992	675,734	17,757

Depreciation

The following useful lives have been used in the calculation of depreciation:

Land	Depreciation not applicable
Buildings	At least 40 years
Vehicles, Plant, Furniture and Equipment	5 - 20 years
Infrastructure	40 years

NOTES TO THE ACCOUNTS

Effects of Changes in Estimates

During 2018/19, there have been no material changes made to the accounting estimates for property, plant and equipment.

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations are carried out internally. Valuations of land and buildings is carried out in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment is based on historic cost.

12. HERITAGE ASSETS

The Council holds heritage assets on the balance sheet in relation to works of art, with the valuation based on information gathered for insurance purposes. The value of these assets has remained at £1.183m over the accounting period included in this Statement.

13. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

2018/19	Long Term (Non-Current)		Short Term (Current)	
	Investments	Debtors	Investments	Debtors
Financial Assets	31st Mar £000	31st Mar £000	31st Mar £000	31st Mar £000
Amortised cost	86	1,353	55,135	29,995
Total financial assets	86	1,353	55,135	29,995
Financial Liabilities	Long Term (Non-Current)		Short Term (Current)	
	Borrowings	Creditors	Borrowings	Creditors
Financial Liabilities	31st Mar £000	31st Mar £000	31st Mar £000	31st Mar £000
Amortised cost	(275,803)	(18,601)	(10,638)	(48,831)
Total financial liabilities	(275,803)	(18,601)	(10,638)	(48,831)

NOTES TO THE ACCOUNTS

2017/18	Long Term (Non-Current)		Short Term (Current)	
	Investments	Debtors	Investments	Debtors
	31st Mar £000	31st Mar £000	31st Mar £000	31st Mar £000
	Amortised cost	86	1,488	61,178
Total financial assets	86	1,488	61,178	37,462

	Long Term (Non-Current)		Short Term (Current)	
	Borrowings	Creditors	Borrowings	Creditors
	31st Mar £000	31st Mar £000	31st Mar £000	31st Mar £000
	Amortised cost	(260,471)	(24,628)	(9,850)
Total financial liabilities	(260,471)	(24,628)	(9,850)	(61,563)

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at principal plus accrued interest. Accrued interest is included within the current values above as it is effectively payable or receivable within one year.

The debtors position differs from that reported in the balance sheet as the debts relating to Council Taxation do not meet the definition of a financial instrument.

Income, Expenses, Gains and Losses

	Surplus or Deficit on the Provision of Services	
	31st Mar 2019 £000	31st Mar 2018 £000
Net gains / losses on:		
Financial liabilities measured at amortised cost	10,859	10,586
Total net gains/losses	10,859	10,586
Interest expense	(509)	(569)

Fair Values of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables are carried on the Balance Sheet at amortised cost. The fair value of the loans and receivables and financial liabilities is determined by calculating the Net Present Value (NPV) of future cash flows, which provides an estimate of the value of payments in the future as at 31st March 2019, using the following assumptions:

- For loans from the PWLB and other loans payable, borrowing rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures.

NOTES TO THE ACCOUNTS

- For loans receivable prevailing benchmark market rates have been used to provide the fair value.
- No early repayment or impairment is recognised.
- 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 carrying amount or the billed amount.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The discount rate used in the NPV calculation is equal to the current rate in relation to the same instrument from a comparable lender and is the rate applicable in the market as at 31st March 2019, for an instrument with the same duration. Where it is difficult to obtain the rate for an instrument with identical features in an active market then the prevailing rate of a similar instrument with a published market rate has been used as the discount factor. For those banks that have gone into administration or receivership the NPV calculation uses the rate at which the investment was originally placed.

The values calculated are as follows:

	31st Mar 2019		31st Mar 2018	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
PWLB Debt	(217,771)	(262,007)	(203,155)	(243,553)
Non-PWLB Debt	(62,500)	(95,280)	(62,500)	(93,176)
Non-PWLB Debt Temporary Borrowing	(3,053)	(3,053)	(1,541)	(1,541)
Total debt	(283,324)	(360,340)	(267,196)	(338,270)
Long Term creditors	(18,601)	(18,601)	(24,628)	(24,628)

31st March 2019 – Debt

The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest payable is higher than the prevailing rates available for similar loans in the market at the Balance Sheet date. This shows a notional future loss, based on economic conditions at 31st March 2019, arising from a commitment to pay interest to lenders above market rates.

Fair Value of Assets

	31st Mar 2019		31st Mar 2018	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Loans and receivables	55,100	55,100	61,000	61,000
Long term debtors	1,353	1,353	1,488	1,488

NOTES TO THE ACCOUNTS

14. INVENTORIES

	Stores	
	2018/19 £000	2017/18 £000
Balance outstanding at start of year	564	657
Movement in year	25	(93)
Balance outstanding at year end	589	564

15. DEBTORS

31st Mar 2018 £000		31st Mar 2019 £000
23,726	Central government bodies	16,180
3,693	Other local authorities	3,085
3,439	NHS bodies	4,383
10,042	Other entities and individuals	10,158
3,416	Payments in advance	3,259
(4,393)	Less provision for impairment loss	(4,611)
39,923	Total	32,454

16. DEBTORS FOR LOCAL TAXATION

Included within the total debtors figure above are debts relating to the collection of local taxation, as adjusted for those that are unlikely to be collected.

31st Mar 2018 £000		31st Mar 2019 £000
1,304	Less than one year	1,432
2,348	More than one year	2,158
(1,191)	Less provision for impairment loss	(1,131)
2,461	Total	2,459

17. CASH AND CASH EQUIVALENTS

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

31st Mar 2018 £000		31st Mar 2019 £000
100	Cash held by the Authority	94
4,034	Bank current accounts	3,413
4,134	Total	3,507

NOTES TO THE ACCOUNTS

18. ASSETS HELD FOR SALE

	Current	
	2018/19 £000	2017/18 £000
Balance outstanding at start of year	5,129	5,804
Assets newly classified as held for sale:		
Property, Plant and Equipment	188	495
Revaluation losses	(106)	(1,025)
Revaluation gains	10	803
Assets declassified as held for sale:		
Property, Plant and Equipment	(1,605)	(296)
Assets sold	(80)	(652)
Balance outstanding at year end	3,536	5,129

19. CREDITORS

31st Mar 2018 £000		31st Mar 2019 £000
(3,343)	Central government bodies	(5,225)
(6,420)	Other local authorities	(6,904)
(438)	NHS bodies	(486)
(49,609)	Other entities and individuals	(33,914)
(1,753)	Receipts in advance	(2,302)
(61,563)	Total	(48,831)

20. PROVISIONS

Long Term Provisions

	Injury and Damage Compensation Claims £000	Other provisions- Housing Warranty £000	Total £000
Balance at 1st April 2017	(4,328)	(923)	(5,251)
Net Transfer from	887	-	887
Balance at 31st March 2018	(3,441)	(923)	(4,364)
Net Transfer from	1,293	-	1,293
Balance at 31st March 2019	(2,148)	(923)	(3,071)

NOTES TO THE ACCOUNTS

Short Term Provisions

	Injury and Damage Compensation Claims £000	Other provisions- redundancy £000	Total £000
Balance at 1st April 2017	(1,567)	(336)	(1,903)
Net Transfer from	222	336	558
Net Transfer (to)	(42)	(594)	(636)
Balance at 31st March 2018	(1,387)	(594)	(1,981)
Net Transfer from	132	594	726
Net Transfer (to)	(1)	(766)	(767)
Balance at 31st March 2019	(1,256)	(766)	(2,022)

Long and Short Term - Injury and Damage Compensation Claims

This provision covers the estimated cost of settling all the outstanding insurance claims of the Council that existed at 31st March 2019.

Long Term - Other Provisions – Housing Warranties

This long term provision has been set aside in recognition of the warranties and commitments relating to potential liabilities following the transfer of housing services in 2010/11. The provision reflects the costs likely to be incurred in future years.

Short Term - Other Provisions – Redundancy

The Council undertook an exercise to seek volunteers for voluntary redundancy as part of the Council's savings strategy and in line with the Council's desire to avoid compulsory redundancy as far as is possible. Many of those who finished left the Council before the 31st March. However, there were some agreements to leave after this date and accounting regulations require the Council to account for the costs in the year that the agreement was made. A charge has been made to this year's individual revenue accounts, for the cost of these leaving during next year, with this provision being set up to meet the costs when the individuals actually leave.

21. USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and summarised below:

31st Mar 2018 £000		31st Mar 2019 £000
(59,469)	Earmarked and General Reserve Working Balance	(61,394)
(10,108)	Unapplied Grants	(10,477)
(6,800)	Usable Capital Receipts	(6,971)
(76,377)	Total	(78,842)

NOTES TO THE ACCOUNTS

22. UNUSABLE RESERVES

31st Mar 2018 £000		31st Mar 2019 £000
(85,625)	Revaluation Reserve	(78,299)
(300,921)	Capital Adjustment Account	(292,429)
2,015	Financial Instruments Adjustment Account	1,840
450,183	Pensions Reserve	495,843
(15)	Deferred Capital Receipts Reserve	(15)
4,255	Accumulated Absences Account	3,876
69,892	Total	130,816

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council 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 1st 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.

NOTES TO THE ACCOUNTS

2017/18		Revaluation Reserve	2018/19	
£000	£000		£000	£000
	(79,127)	Balance at 1st April		(85,625)
(12,687)		Upward revaluation of assets	(3,412)	
2,975		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	8,979	
129		Impairment losses on non-current assets	-	
	(9,583)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		5,567
1,897		Difference between fair value depreciation and historical cost depreciation	1,597	
1,188		Accumulated gains on assets sold or scrapped	162	
	3,085	Amount written off to the Capital Adjustment Account		1,759
	(85,625)	Balance at 31st March		(78,299)

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 Council as finance for the costs of acquisition, construction and enhancement.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 6 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

NOTES TO THE ACCOUNTS

2017/18		Capital Adjustment Account	2018/19	
£000	£000		£000	£000
	(297,569)	Balance at 1st April		(300,921)
		Reversal of items relating to capital expenditure debited or credited to the CIES:		
23,154		Charges for depreciation and impairment of non current assets	25,438	
1,905		Revaluation losses on Property, Plant and Equipment	4,583	
9,447		Revenue expenditure funded from capital under statute	10,004	
4,609		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	244	
	39,115 (3,085)	Adjusting amounts written out of the Revaluation Reserve		40,269 (1,759)
	(261,539)	Net written out amount of the cost of non current assets consumed in the year		(262,411)
(30,345)		Capital financing applied in the year:		
		Application of grants to capital financing from the Capital Grants Unapplied Account	(20,196)	
(8,433)		Statutory provision for the financing of capital investment charged against the General Fund	(9,216)	
(605)		Capital expenditure charged against the General Fund	(606)	
1	(39,383)	Deferred Sale proceed to Comprehensive Income and Expenditure Account	-	(30,018)
	1			-
	(300,921)	Balance at 31st March		(292,429)

NOTES TO THE ACCOUNTS

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to release premiums and discounts paid which were received on the early redemption of loans. Over time, the premiums are posted back to the General Fund Balance in accordance with statutory arrangements for spreading the effect on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result the balance of the premiums at 31st March 2019 will be charged to the General Fund until 2055.

2017/18		Financial Instruments Adjustment	2018/19	
£000	£000		£000	£000
(175)	2,190	Balance at 1st April	(175)	2,015
		Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements		
	(175)			(175)
	2,015	Balance at 31st March		1,840

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 Council 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 Council 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 Council 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.

NOTES TO THE ACCOUNTS

2017/18 £000	Pension Reserve	2018/19 £000
436,193	Balance at 1st April	450,183
(2,400)	Actuarial gains or losses on pensions assets and liabilities	30,450
41,050	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	42,630
(24,660)	Employer's pensions contributions and direct payments to pensioners payable in the year	(27,420)
450,183	Balance at 31st March	495,843

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2017/18 £000	Deferred Capital Receipts Reserve	2018/19 £000
(25)	Balance at 1st April	(15)
10	Transfer to the Capital Receipts Reserve upon receipt of cash	-
(15)	Balance at 31st March	(15)

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, that is, annual leave entitlement carried forward at 31st March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

NOTES TO THE ACCOUNTS

2017/18		Accumulated Absences Account	2018/19	
£000	£000		£000	£000
(4,205)	4,205	Balance at 1st April	(4,255)	4,255
4,255		Settlement or cancellation of accrual made at the end of the preceding year	3,876	
	50	Amounts accrued at the end of the current year		(379)
		Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		
	4,255	Balance at 31st March		3,876

23. CASH FLOW STATEMENT – OPERATING ACTIVITIES

- a. Adjustments to net surplus or deficit on the provision of services for non-cash movements

2017/18 £000		2018/19 £000
23,154	Depreciation and impairment on non current assets	25,438
1,905	Revaluation losses on Property Plant and Equipment	4,583
(387)	(Increase)/decrease in long term debtors	135
(1,827)	(Increase)/decrease in short term debtors	7,469
93	(Increase)/decrease in inventories	(25)
6,702	Increase/(decrease) in short term creditors	(12,732)
(22,974)	Increase/(decrease) in long term creditors	(6,027)
78	Increase/(decrease) in short term provisions	41
(887)	Increase/(decrease) in long term provisions	(1,293)
4,609	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	244
16,390	Increase/ (decrease) in Pension Liability	15,210
129	Impairments charged to the CIES	-
3,879	Other non-cash items charged to net surplus/deficit on the provision of services	4,856
30,864		37,899

- b. Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities

2017/18 £000		2018/19 £000
1,159	Proceeds from the sale of property, plant and equipment	171
29,920	Other receipts from investing activities	17,428
31,079		17,599

NOTES TO THE ACCOUNTS

24. CASH FLOW STATEMENT – INVESTING ACTIVITIES

2017/18 £000		2018/19 £000
(53,425)	Purchase of property, plant and equipment	(38,111)
(1,621,370)	Purchase of short term and long term investments	(2,009,880)
1,159	Proceeds from the sale of property, plant and equipment	171
1,631,190	Proceeds from short term and long term investments	2,015,780
29,920	Other receipts from investing activities	17,428
(12,526)	Net cash flows from Investing Activities	(14,612)

25. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2017/18 £000		2018/19 £000
40,457	Cash receipts of short and long term borrowing	21,311
(24,486)	Repayments of short and long term borrowing	(5,184)
15,971	Net cash flows from Financing Activities	16,127

The financing activities relate to non-cash changes. The financing cash flows can be further split between short and long term borrowing as follows:

	Long Term £000	Short Term £000	Total £000
Cash Receipts	(21,300)	(11)	(21,311)
Repayments	-	5,184	5,184
Net cash flows from financing activities	(21,300)	5,173	(16,127)

26. AGENCY SERVICES

South Wales Trunk Road Agency

The Council performs agency work on trunk roads in South and West Wales on behalf of the Welsh Government and the expenditure is fully reimbursed. The financial activity relating to this contract is not included in the Comprehensive Income and Expenditure Statement.

NOTES TO THE ACCOUNTS

27. POOLED BUDGETS

Community Equipment Store – Health, Neath Port Talbot Council and the City and Country of Swansea

Neath Port Talbot Council is party to a pooled arrangement with the ABMU Health Board (Swansea Bay University Health Board from April 2019) and the City and County of Swansea. This arrangement is led by the City and County of Swansea.

The agreement for this pool is that the host partner shall retain operational responsibility for any costs, expenses or liabilities in excess of the Pooled Fund at any time during its existence, other than where these have been incurred with the express agreement of the Partners. Where this agreement has been made, the Partners are jointly responsible in the proportions of their respective contributions to the pool.

2017/18			2018/19	
£000	£000		£000	£000
		Funding provided to the pooled budget:		
(43)		Grant	(354)	
(706)		City and County of Swansea	(705)	
(470)		Neath and Port Talbot Council	(470)	
(1,176)		The Health Board	(1,175)	
	(2,395)	In year contributions		(2,704)
	(2,395)	Total Income		(2,704)
	2,395	Expenditure met from the pooled budget:		2,333
	0	Net (surplus)/deficit arising on the pooled budget during the year		(371)
	0	Authority share of the net (surplus)/deficit arising on the pooled budget		(74)

Intermediate Care – Neath Port Talbot Council and Health

Neath Port Talbot Council is host to a pooled arrangement with the Health Board, which covers arrangements to plan and arrange provision of adult and older people's services.

The arrangement for this pool is that the Partners shall be jointly responsible, in accordance with the funding agreement for any costs, claims, expenses or liabilities incurred in accordance with the terms of the pool agreement. Also, Partners to the agreement shall share any underspends in the proportions of their respective contributions to the pool.

NOTES TO THE ACCOUNTS

2017/18			2018/19	
£000	£000		£000	£000
(2,812)		Funding provided to the pooled budget:		
(2,460)		Neath and Port Talbot Council	(2,881)	
		The Health Board	(2,511)	
	(5,272)	Total Contributions		(5,392)
	5,272	Expenditure met from the pooled budget:		5,392
	0	Net (surplus)/deficit arising on the pooled budget during the year		0
	0	Authority share of the net (surplus)/deficit arising on the pooled budget		0

28. MEMBERS REMUNERATION

The Council paid the following amounts to members of the Council during the year, including on-costs for NI and pensions.

2017/18 £000		2018/19 £000
1,271	Basic and Senior Salaries	1,329
7	Expenses	7
1,278	Total	1,336

29. OFFICERS REMUNERATION

The Council is required to provide details on a range of remuneration issues, such as the median remuneration for all employees compared to the Chief Executive, the amounts earned by senior officers, salary costs greater than £60,000 and the cost and number of any exit packages. As the effect of including voluntary aided schools is not material, the information prepared for the remuneration notes includes the staff employed at the voluntary aided Faith Schools in the area, which are:

- Alderman Davies Church in Wales Primary
- Bryncoch Church in Wales Primary
- St Therese's Catholic Primary
- St Joseph's Catholic Primary, infants and junior schools
- St Joseph's Comprehensive.

The Accounts and Audit Regulations (Wales) 2014 introduced the requirement for the Statement of Accounts to include a ratio showing the remuneration of the Council's highest paid officer, its Chief Executive, compared to the median remuneration of all employees, which is £22,401. The ratio is:

NOTES TO THE ACCOUNTS

	Pay multiple
Median employee earnings : Chief Executive's earnings	1 : 6.11

The remuneration paid to the Council's senior employees is as follows:

		Salary, Fees and Allowances £	Expenses Allowances £	Employers Pension Contribution £	Total £
Chief Executive Mr Steven J Phillips	2018/19	136,952	-	24,651	161,603
	2017/18	134,253	-	24,166	158,419
Director of Education, Leisure & Lifelong Learning	2018/19	113,017	-	20,343	133,360
	2017/18	110,253	-	19,846	130,099
Director of Environment	2018/19	113,017	-	-	113,017
	2017/18	107,746	-	-	107,746
Director of Social Services, Health & Housing	2018/19	105,222	-	-	105,222
	2017/18	* 33,144	-	-	33,144
	2017/18	** 89,600	-	-	89,600
Director of Finance and Corporate Services	2018/19	113,017	-	-	113,017
	2017/18	110,253	-	-	110,253
Assistant Chief Executive & Digital Officer	2018/19	87,210	-	15,698	102,908
	2017/18	*** -	-	-	-
Head of Corporate Strategy & Democratic Services	2018/19	*** -	-	-	-
	2017/18	77,081	-	13,875	90,956

The Employers pension contribution of 18% (18% in 2017/18) excludes any deficit contribution to the Fund and represents the normal contribution required for the year. No contribution cost is included when an officer has left the employers pension scheme. This was not reflected in the 2017/18 accounts, so this element of the table has been restated.

The Chief Executive's figures do not include any remuneration for the Chief Executive in his role as Returning Officer. The amount paid in 2018/19 was £165 (2017/18 £12,997), which is based on rates defined by the respective election bodies.

*The Director of Social Services, Health and Housing post was filled by appointment on the 5th December 2017. **Prior to this, payments were made on an agency basis for the period between 1st April and 6th October 2017.

***The Assistant Chief Executive and Digital Officer post was created for 2018/19, with the post of Head of Corporate Strategy and Democratic Services being deleted after the post holder was successful in being appointed to the new post.

NOTES TO THE ACCOUNTS

The number of other staff employed by the Council, including Head teachers, receiving more than £60,000 remuneration for the year, excluding employer's pension contributions, is listed below, in bands of £5,000.

			Number of employees	
			2018/19	2017/18
£60,000	-	£64,999	24	20
£65,000	-	£69,999	15	12
£70,000	-	£74,999	10	7
£75,000	-	£79,999	8	12
£80,000	-	£84,999	4	2
£85,000	-	£89,999	1	2
£90,000	-	£94,999	4	3
£95,000	-	£99,999	1	2
£100,000	-	£104,999	1	-
			68	60

As a result of a voluntary redundancy scheme in 2018/19, a number of additional employees received remuneration above £60,000. These individuals were paid the following amounts:

			Number of employees	
			2018/19	2017/18
£60,000	-	£64,999	1	1
£65,000	-	£69,999	2	1
£70,000	-	£74,999	1	1
£80,000	-	£84,999	1	-
£90,000	-	£94,999	1	-
			6	3

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below.

Exit Package cost band	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	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
							£000	£000
£0 - £20,000	8	-	67	53	75	53	702	446
£20,001 - £40,000	2	1	35	24	37	25	965	700
£40,001 - £80,000	-	-	5	6	5	6	255	296
£80,001 - £100,000	-	-	2	-	2	-	179	-
Total	10	1	109	83	119	84	2,101	1,442

The Council continues to minimise compulsory redundancy as far as is possible by using alternatives such as voluntary redundancy and redeployment to alternative employment. Those who left under either voluntary or compulsory redundancy

NOTES TO THE ACCOUNTS

received redundancy payments in line with the Council's Scheme and where eligible, accessed their pensions.

30. EXTERNAL AUDIT COSTS

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections provided by the Council's external auditors:

2017/18 £000		2018/19 £000
173	Fees payable to Wales Audit Office for external audit services carried out by the appointed auditor for the year	176
100	Fees payable to Wales Audit Office for statutory work carried out under the local government measure	100
52	Fees payable to Wales Audit Office for the certification of grant claims and returns for the year	46
325	Total	322

31. GRANT INCOME

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement:

NOTES TO THE ACCOUNTS

Restated 2017/18 £000		2018/19 £000
	Credited to Taxation and Non Specific Grant Income	
161,547	Revenue Support Grant	166,733
2,300	Harbour Way Peripheral Development Road (PDR)	50
513	Regeneration and Town Centre Redevelopments	-
19,331	21st Century Schools	9,192
350	Intermediate Care Fund	700
1,482	Local Transport Fund	1,328
818	Safe Routes / Accident Reduction Measures	652
1,994	Port Talbot Integrated Transport Hub	317
-	Coastal Risk Management Projects	134
-	Aberafan Seafront Adventure Golf	540
1,129	Additional Infrastructure Funding	-
536	Collaborative Change Funding for Waste	903
322	Flood Prevention Grants	-
-	Additional General Capital Grant	2,495
-	Flying Start	199
-	Childcare Offer Capital Grant	510
442	Other Capital Grants	662
190,764	Total	184,415
	Credited to Services	
5,312	Pupil Deprivation Grant	5,410
2,004	Families First Grant	1,944
1,386	Post 16 Provision in Schools Grant	1,428
3,908	Flying Start Grant	3,812
5,591	Education Improvement Grant	5,223
1,971	Other Education Grants	4,782
2,485	Concessionary Fares Re-imburement Grant	2,611
751	Other Highways Grants	484
8,527	Social Services Grants	5,505
53,088	Mandatory Rent Allowances Grant	47,863
475	Mandatory Rent Rebates Grant	340
4,790	Supporting People Grant	4,827
2,698	General Capital Grant for Housing Expenditure	2,695
635	Housing Energy Efficiency Grants	188
2,602	Single Environment Grant	115
-	Sustainable Waste Management Grant	767
2,165	Community Development and Safety Grant	1,809
491	Recreation and Sports Grant	473
4,483	Other Services Grants	4,607
103,362	Total	94,883

NOTES TO THE ACCOUNTS

32. RELATED PARTIES

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council 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 Council.

Central Government

Central government has significant influence over the general operations of the Council – 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, such as council tax bills and housing benefits. Grants and contributions received from government departments are set out in the note to the Expenditure and Funding Analysis in Note 5. Grant receipts are shown in Note 31.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total paid to members in 2018/19, including on-costs, is shown in Note 28.

Under the Code of Conduct incorporated in the Council's Constitution, Members are required to record in the Register of Members Interests any financial and other personal interests, together with any gift, hospitality, material interest or advantage. The Register is open to inspection by the public and is available on an individual Member basis on the [Council Website](#).

Members of the Council serve on numerous outside bodies some of which either receive funding from the Council or issue levies and precepts to be paid by the Council. These payments are made with proper consideration of declarations of interest and relevant Members do not take part in any discussion or decision relating to the grants.

Officers

The Chief Executive of the Council and the Director of Environment are both unpaid appointed directors of Baglan Bay Company Ltd and Coed Darcy Ltd. Baglan Bay Ltd has been established to oversee the transformation of the former BP Baglan Bay petrochemicals plant into a multi-million pound employment site by St Modwen, who is one of the UK's leading regeneration specialists. Coed Darcy Ltd has responsibility for overseeing the development of the former BP site at Llandarcy.

The Chief Executive and Head of Legal Services are unpaid shareholder representatives on behalf of the Council with Neath Port Talbot Waste Management Ltd. The role does not involve any decision making on the day to day running of the Company. The Council's Group Accountant-Environment is the Company Secretary for this company.

NOTES TO THE ACCOUNTS

The Director of Environment, is a paid director of Neath Port Talbot Waste Management Company Ltd and Neath Port Talbot Recycling Ltd who are the companies providing waste disposal services to Neath Port Talbot County Borough Council.

The Director of Environment is a board member of the Neath Canal Company which oversees the running and development of the canal network within the Council's boundary.

The Director of Environment is a board member of the Neath Port Authority which oversees the running and development of the Neath Estuary and Harbour.

Entities Significantly influenced by the Council

Waste

The Council owns a Waste Management Company (Neath Port Talbot Waste Management Company Ltd) and relevant transactions and details are included in notes to the Balance Sheet.

The Waste Management Company has a 100% shareholding in the operating company for the materials recycling plant (Neath Port Talbot Recycling Ltd). The Council paid waste management charges to NPT Recycling Ltd in 2018/19 on behalf of Neath Port Talbot CBC and Bridgend CBC of £9.025m (£9.07m in 2017/18) and received income from Bridgend CBC. At the 31st March 2019 the Council owed the Company £103,589.

Celtic Leisure

The Council has contracted with Celtic Leisure to manage its indoor leisure activities and the Gwyn Hall. This body is a company limited by guarantee. The Council pays Celtic Leisure an annual management fee to run the service (excluding the structural maintenance of buildings) which for 2018/19 was £1.74m (£1.84m in 2017/18). There was £16,000 (£4,000 in 2017/18) outstanding balance owed by Celtic Leisure on 31st March 2019.

Baglan Bay Company Limited

This is a company whose principal activity is that of monitoring the remediation of former BP sites in the Swansea Bay Area with the Council holding 50% of the shares. There is no ultimate controlling party for this company.

Coed Darcy Limited

The principal activity of this company is that of property investment and regeneration. The company is also responsible for monitoring the remediation of the former BP oil refinery at Llandarcy. It also has an aim to stimulate and promote the creation within Wales of new enterprises.

The Council holds a 46% share in Coed Darcy Limited and there is no ultimate controlling party for this company.

NOTES TO THE ACCOUNTS

33. 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.

2017/18 £000		2018/19 £000
53,425	Capital Investment	
5,538	Property, Plant and Equipment	38,111
	Revenue Expenditure Funded From Capital Under Statute	5,284
58,963		43,395
	Sources of Finance	
(30,345)	Government grants and other contributions: Sums Set aside from revenue	(20,196)
(605)	Direct revenue contributions and reserves	(606)
(28,013)	Loans	(22,593)
(58,963)		(43,395)

Where Capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

2017/18 £000		2018/19 £000
(305,661)	Opening Capital Financing Requirement	(325,241)
(4,433)	Increase In Underlying Need To Borrow (Supported By Government Financial Assistance)	(4,433)
(23,580)	Increase In Underlying Need To Borrow (Unsupported By Government Financial Assistance)	(18,160)
8,433	Minimum Revenue Provision and prudential borrowing	9,216
(325,241)	Closing Capital Financing Requirement	(338,618)

34. SERVICE CONCESSION

On 1st April 2012, the Council entered into a service concession arrangement with Tai Gwalia CYF (formerly Group Gwalia Cyfyngedig) to take over and operate the Council's long term care and short term respite care homes. As part of this arrangement, the Council transferred its existing care homes to Tai Gwalia CYF who have constructed two new residential care homes, Plas Bryn Rhosyn in Neath and Llys Y Seren in Port Talbot, on land owned by the Council. This arrangement is in place until 2037.

The agreement included the construction of two residential care homes with a commitment that the Council will purchase a guaranteed number of beds for the duration of the contract. The contract includes a series of events which could trigger termination of the contract. At the end of the contract the assets transfer into the

NOTES TO THE ACCOUNTS

ownership of the Council for no additional charge. The Council carries the non-current assets used under the contract on the Balance Sheet as service concession assets.

The following table shows the payments to be made under the service concession:

	Payment for Services £000	Reimburse Capital Expenditure £000	Interest £000	Total £000
Payable:				
Within 1 year	5,240	85	168	5,493
Within 2 to 5 years	19,081	395	614	20,090
Within 6 to 10 years	19,308	650	612	20,570
Within 11 to 15 years	16,022	880	382	17,284
Years 16 to 18	9,613	672	86	10,371
Total	69,264	2,682	1,862	73,808

The future service liability for reimbursing capital expenditure is:

2017/18 £000		2018/19 £000
12,837	Balance outstanding at 1st April	2,762
(10,075)	Payments during the year	(80)
2,762		2,682

35. LEASES

Council as Lessee

Finance Leases

The Council has one finance lease recognised in its balance sheet.

31st Mar 2018 £000		31st Mar 2019 £000
3,452	Other Land and Buildings - asset value	3,305

The Council is committed to making minimum payments under these leases comprising settlement of the long term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years, while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

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31st Mar 2018 £000		31st Mar 2019 £000
	Finance Lease Liabilities	
10	Current	10
876	Non current	865
916	Finance lease costs payable in future years	875
1,802	Minimum Lease Payments	1,750

These minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31st Mar 2018 £000	31st Mar 2019 £000	31st Mar 2018 £000	31st Mar 2019 £000
Not later than one year	52	52	10	10
Between 1 and 5 years	206	206	45	46
Later than 5 years	1,544	1,492	831	819
	1,802	1,750	886	875

Council as Lessor

Operating Lease

The Council currently leases out property under operating lease agreements ranging from Indoor Market units to shops, clubs, land etc. Following a review of the agreements no changes to the accounts are necessary.

The lease income received in 2018/19 was £1.244m and in 2017/18 was £1.325m. The leases are short term by nature and future income streams will be affected by external factors most noticeably economic conditions and therefore cannot be estimated with certainty.

36. PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

Teachers employed by the Council 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 Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

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 Council 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.

NOTES TO THE ACCOUNTS

In 2018/19, the Council paid £7.608m or 16.48% to Teachers' Pensions in respect of teachers' retirement benefits. The figures for 2017/18 were £7.341m and 16.48%.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a discretionary basis within the defined benefit detailed in Note 37.

37. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement. The Council participates in two post-employment schemes:

- the Local Government Pension Scheme, administered locally by the City and County of Swansea. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions' liabilities with investment assets. Benefits earned up to 31st March 2014 were linked to final salary, with benefits after this date based on a Career Average Revalued Earnings Scheme.
- arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there is no investment assets built up to meet these pensions' liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

The City and County of Swansea 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 City and County of Swansea Council. Policy is determined in accordance with the Pension Fund Regulations.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme, such as large-scale withdrawals, 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 the amounts required by statute.

NOTES TO THE ACCOUNTS

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 reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make 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 General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

NOTES TO THE ACCOUNTS

	Local Government Pension		Discretionary Benefits Arrangements	
	2018/19	2017/18	2018/19	2017/18
	£m	£m	£m	£m
Comprehensive Income and Expenditure Statement (CIES)				
Cost of Services:				
current service cost	31.41	29.08	-	-
past service costs	0.53	0.31	-	1.04
(gain)/loss from settlements	(0.66)	-	-	-
Financing and Investment Income and Expenditure				
Net interest expense	10.45	9.67	0.90	0.95
Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services	41.73	39.06	0.90	1.99
Other Post-employed Benefit Charged to the CIES				
Remeasurement of the net defined benefit liability comprising				
Return on plan assets (excluding the amount included in the net interest expense)	(32.32)	(4.23)	-	-
Actuarial gains and losses arising on changes in financial assumptions	60.25	(0.82)	0.88	0.17
Actuarial gains and losses due to liability experience	1.54	4.94	0.10	(2.46)
Total Amount recognised in Other Comprehensive Income	29.47	(0.11)	0.98	(2.29)
Total Post Employment Benefit Charged to the CIES	71.20	38.95	1.88	(0.30)
Movement in Reserves Statement				
reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(71.20)	(38.95)	(1.88)	0.30
Actual amount charged against the General Fund Balance for pensions in the year				
employers' contributions payable to scheme	24.90	22.21		
retirement benefit payable to pensioners			2.52	2.45

NOTES TO THE ACCOUNTS

Pensions Assets and Liabilities recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefits plan is as follows:

	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m
Present Value of liabilities:					
Local Government Scheme	(843.08)	(839.99)	(992.12)	(1,031.05)	(1,130.44)
Discretionary Benefits	(39.83)	(36.70)	(38.51)	(35.76)	(35.12)
Total	(882.91)	(876.69)	(1,030.63)	(1,066.81)	(1,165.56)
Less					
Fair value of assets in the Local Government Pension Scheme:	515.29	509.40	594.44	616.63	669.72
Total	(367.62)	(367.29)	(436.19)	(450.18)	(495.84)
Equals					
Surplus/(deficit) in the scheme:					
Local Government Pension Scheme	(327.79)	(330.59)	(397.68)	(414.42)	(460.72)
Discretionary Benefits	(39.83)	(36.70)	(38.51)	(35.76)	(35.12)
Closing balance at 31st March	(367.62)	(367.29)	(436.19)	(450.18)	(495.84)

Reconciliation of the movements in the fair value of the scheme (plan) assets.

2017/18 £m		2018/19 £m
594.44	Opening fair value of scheme assets	616.63
14.90	Interest Income on assets	16.10
4.23	Remeasurement gains/(losses) on assets	32.32
22.21	Contributions by the employer	24.90
5.40	Contributions by participants	5.81
(24.55)	Net benefits paid out	(25.13)
-	Settlements	(0.91)
616.63	Closing fair value of assets	669.72

NOTES TO THE ACCOUNTS

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Funded liabilities: Local Government Pension Scheme		Unfunded liabilities: Discretionary Benefits	
	2018/19 £m	2017/18 £m	2018/19 £m	2017/18 £m
Opening Balance at 1st April	(1,031.05)	(992.12)	(35.76)	(38.51)
Current service cost	(31.41)	(29.08)	-	-
Interest cost	(26.55)	(24.57)	(0.90)	(0.95)
Contributions from scheme participants	(5.81)	(5.40)	-	-
Remeasurement gains and (losses)				
Actuarial gains/losses arising from changes in financial assumption	(60.25)	0.82	(0.88)	(0.17)
Actuarial gains and losses due to liability experience	(1.54)	(4.94)	(0.10)	2.46
Net benefits paid out	25.13	24.55	2.52	2.45
Past service cost (incl. curtailments)	(0.53)	(0.31)	-	(1.04)
Settlements	1.57	-	-	-
Closing balance at 31st March	(1,130.44)	(1,031.05)	(35.12)	(35.76)

NOTES TO THE ACCOUNTS

Local Government Pension Scheme assets for Neath Port Talbot

The following table shows an analysis of the Scheme assets. The format of this table has been updated to reflect the latest guidance.

	Fair value of scheme assets			Fair value of scheme assets		
	2018/19			2017/18		
	UK £000	Overseas £000	Total £000	UK £000	Overseas £000	Total £000
Equities						
Quoted	-	-	0	136,627	153,965	290,592
Pooled Investments						
Vehicles						
Managed Funds:						
Quoted						
Equity	-	4,764	4,764	-	5,550	5,550
Fixed Interest	-	38,860	38,860	-	37,857	37,857
Unquoted						
Equity	53,248	433,530	486,778	49,026	105,143	154,169
Fixed Interest	20,810	5,491	26,301	19,636	5,037	24,673
Index-linked	11,305	-	11,305	10,485	-	10,485
Property Unit Trust	6,420	-	6,420	5,100	-	5,100
Property Fund	11,977	10,878	22,855	10,643	11,724	22,367
Hedge Fund	-	17,809	17,809	-	17,590	17,590
Private Equity	-	26,185	26,185	-	20,957	20,957
Infrastructure	-	6,083	6,083	-	-	-
Total pooled	103,760	543,600	647,360	94,890	203,858	298,748
Total equities and pooled investment	103,760	543,600	647,360	231,517	357,823	589,340
Cash Funds			252			245
Cash			21,376			24,821
Other Investment			-			1,183
Balances Due						
Total Investments			668,988			615,589
Net Current Assets			732			1,041
Total Assets			669,720			616,630

In January 2019, the three segregated equity funds were transitioned to the Wales Pension Partnership Global Opportunities Fund as a pooled Equity Investment Vehicle. The Scheme no longer has any segregated global equity mandates.

NOTES TO THE ACCOUNTS

All scheme assets have quoted prices in active markets.

The risks relating to assets in the scheme are analysed by company size below. The quoted equities instruments figure below differs from the table above as that includes Schroders Unit Trusts which do not fall into any of the Industry Type Categories:

	Neath Port Talbot Share	
	Fair value of scheme assets	
	2018/19 £000	2017/18 £000
Equity instruments		
By industry type		
Consumer	-	63,733
Manufacturing	-	45,489
Energy and utilities	-	41,082
Financial institutions	-	66,726
Health and care	-	31,732
Information Technology	-	29,001
Telecommunications Services	-	8,312
Property	-	623
Sub total	0	286,698

The risks relating to assets in the scheme are also analysed by company size below:

	Fair Value of scheme assets	
	2018/19 £000	2017/18 £000
	Equity instruments:	
By company size		
Large capitalisation	-	204,320
Small capitalisation	-	82,378
Sub total equity instruments	0	286,698

The following investments represented more than 5% of the Fund's net assets:

	Neath Port Talbot Share 2018/19		
	Value of Net Assets	Proportion of Net Assets	Proportion of Transaction Costs
	£000	%	£000
Blackrock UK Equity Index	53,248	8.0	7
Goldman Sachs Global Libor Plus II	38,860	5.8	66
Blackrock North America Equity Index	57,681	8.6	7
WPP Global Opportunities Fund	309,992	46.3	2

NOTES TO THE ACCOUNTS

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, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by AON Hewitt, an independent firm of actuaries, estimates for the City and County of Swansea Pension Fund being based on the latest full valuation of the scheme as at 30th 2017.

The significant assumptions used by the actuary have been:

	Local Government Pension		Discretionary Benefits Arrangements	
	2018/19	2017/18	2018/19	2017/18
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	23.0	22.9	23.0	22.9
Women	24.6	24.5	24.6	24.5
Longevity at 65 for future pensioners:				
Men	24.7	24.6	-	-
Women	26.4	26.3	-	-
Rate of inflation:				
RPI	3.3%	3.2%	3.3%	3.2%
CPI	2.2%	2.1%	2.2%	2.1%
Rate of increase in salaries	3.7%	3.6%	-	-
Rate of increase in pensions	2.2%	2.1%	2.2%	2.1%
Rate for discounting scheme liabilities	2.4%	2.6%	2.4%	2.6%

Sensitivity Analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31st March 2018 and the projected service cost for the year ending 31st March 2019 is set out below:

Discount Rate assumption

	+0.1% p.a.	-0.1% p.a.
Adjustment to discount rate		
Present value of total obligation (£m's)	1,110.62	1,150.62
% change in present value of total obligation	-1.8%	1.8%
Projected service cost (£m's)	34.44	36.40
Approximate % change in projected service cost	-2.7%	2.8%

NOTES TO THE ACCOUNTS

Rate of general increase in salaries

Adjustment to salary increase rate	+0.1% p.a.	-0.1% p.a.
Present value of total obligation (£M's)	1,136.12	1,124.82
% change in present value of total obligation	0.5%	-0.5%
Projected service cost (£m's)	35.41	35.41
Approximate % change in projected service cost	0.0%	0.0%

Rate of increase to pensions in payment and deferred and rate of revaluation of pension accounts assumption

Adjustment to pension increase rate	+0.1% p.a.	-0.1% p.a.
Present value of total obligation (£M's)	1,144.89	1,116.19
% change in present value of total obligation	1.3%	-1.3%
Projected service cost (£m's)	36.40	34.44
Approximate % change in projected service cost	2.8%	-2.7%

Post retirement mortality assumption

Adjustment to mortality age rating assumption	-1 year	+1 year
Present value of total obligation (£M's)	1,166.28	1,094.89
% change in present value of total obligation	3.2%	-3.1%
Projected service cost (£m's)	36.73	34.10
Approximate % change in projected service cost	3.7%	-3.7%

Asset Liability Matching Strategy

The City and County of Swansea Pension Fund has not formally adopted any asset liability matching strategies within its current statement of investment principles. The Pension Fund is an open defined benefit LGPS fund which is open to new membership. Noting the positive cash flow of the Fund at this present time, the Fund has adopted a medium/long term investment horizon in its allocation to growth assets, however, the need to meet on-going liabilities, is addressed by the allocation to cash distributing assets in the form of bonds, property and infrastructure.

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The City and County of Swansea Pension Fund has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next twenty five years and they monitor these funding levels. Cash flows used in the valuation were estimated based on the 2017 actuarial valuation data provided.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31st March 2020 is £26.04m. Expected payments to beneficiaries of the Discretionary Benefits schemes in the year to 31st March 2020 are £1.01m for the LGPS Scheme and £1.57m for Teachers.

NOTES TO THE ACCOUNTS

38. DISCLOSURE OF NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS

Key Risks

The Council'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 Council
- Liquidity Risk the possibility that the Council might not have funds available to meet its commitments to make payments
- Market Risk the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. Risk management is carried out by a central treasury team, under policies approved by Council in the Treasury Management Strategy, Annual Investment Strategy, Capital Strategy and Minimum Revenue Policy report. The full report can be accessed on the Council's web site

[Council Website](#)

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which is available on the Council's website.

[Council Website](#)

The key areas of the Investment Strategy in relation to minimum criteria for investment counterparties and investment limits are included within Appendix 2 of the Annual Investment Strategy.

The Council's maximum exposure to credit risk in relation to its investments in individual banks and building societies 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. A minimal risk of irrecoverability applies to all of the Council's deposits and by adopting stringent investment criteria this risk continues to be minimised.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

NOTES TO THE ACCOUNTS

The Council does not allow credit for its trade debtors. The following analysis shows the age profile of the due amounts:

31st Mar 2018 £000		31st Mar 2019 £000
3,152	Current - up to one month	5,844
1,710	One to three months	644
771	Three to six months	440
486	Six months to one year	436
1,750	More than one year	1,009
7,869	Total	8,373

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money and the Public Works Loan Board. There is no significant risk that it will be unable to raise finances to meet its commitments under financial instruments.

Refinancing and Maturity Risk

The Council 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 Council 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 treasury 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 Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters.

The maturity analysis of financial liabilities (excluding interest) is as follows:

31st Mar 2018 £000		31st Mar 2019 £000
(6,725)	Less than 1 year	(7,521)
(5,968)	Between 1 and 2 years	(10,207)
(15,357)	Between 2 and 5 years	(17,706)
(12,288)	Between 5 and 10 years	(1,232)
(226,858)	More than 10 years	(246,658)
(267,196)	Total	(283,324)

NOTES TO THE ACCOUNTS

Market Risk

Interest Rate Risk – The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, 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 Surplus or Deficit on the Provision of Services will rise;
- borrowings at fixed rates – the fair value of the liabilities borrowing will fall ;
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates – the fair value of the assets will fall.

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 Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. This Strategy is used to set a treasury indicator which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor the market and interest rate forecasts during the year and adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect at 31st March would be:

	31st Mar 2019 £000
Increase/decrease in interest received and credited to the CIES Account	568
Increase/decrease in external interest payable and debited to the CIES Account	2,803

Price Risk – The Council does not invest in equity shares or marketable bonds.

NOTES TO THE ACCOUNTS

39. LOCAL TAXATION

Council Tax

Council tax is the current form of local taxation for domestic properties. All domestic properties are placed into one of nine valuation bands according to their open market value at 1st April 2003. The average amount of council tax for a property in Band D in 2018/19 was £1,772.48. This was calculated by dividing the amount of council tax required by Neath Port Talbot CBC, each community council, and the South Wales Police Authority by the council tax base of 47,257 (which is the number of properties we collect council tax from, adjusted by discounts etc., and converted to the equivalent number of Band D properties). The amounts for properties in other bands are calculated by multiplying the Band D figure by the relevant multiplier in the table below:

Band	A	B	C	D	E	F	G	H	I	Total
Multiplier	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9	
No. of chargeable dwellings	13,077	26,256	11,235	7,030	4,250	1,355	492	89	16	63,800

Business Rates

Non domestic rates are calculated by multiplying a property's rateable value by the rating multiplier (or rate in the pound). Rateable values are determined by the Valuation Office Agency and the multiplier is set by the Welsh Government. The multiplier for 2018/19 was 51.4p (2017/18 49.9p). The Council is responsible for collecting rates due from businesses in its area but pays the proceeds into the NNDR pool administered by the Welsh Government. The Welsh Government redistributes the sums payable back to local authorities on the basis of a fixed amount per head of population.

In 2018/19, the total non domestic rateable value at the year end was £101.407m (2017/18 £103.373m).

Significant precepts or demands

An element of the council tax bill relates to funding which is paid over to other organisations. The main demands and precepts were:

NOTES TO THE ACCOUNTS

Town or Community Councils	2018/19 £000
Blaengwrach	36
Blaenhonddan	220
Briton Ferry	147
Cilybebyll	91
Clyne and Melincourt	21
Coedffranc	372
Crynant	46
Cwmllynfell	34
Dyffryn Clydach	47
Glynneath	145
Gwaencaegurwen	81
Neath	330
Onllwyn	22
Pelenna	38
Pontardawe	176
Resolven	50
Seven Sisters	48
Tonna	29
Ystalyfera	64
	1,997
Other Levies and Demands	
Police and Crime Commission for South Wales	11,036
Fire Authority	7,288
	18,324

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Section One – Scope and responsibility

Neath Port Talbot County Borough Council must ensure that its business is conducted in accordance with the law and proper standards, that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

The Council has a duty to implement the Well-being of Future Generations (Wales) Act 2015, (which commenced on 1 April 2016). The Act needs to be applied to our governance structures to secure the type of changes the Act expects. The Act is about improving the social, economic, environmental and cultural well-being of Wales. To make sure we are all working towards the same vision, the Act puts in place seven well-being goals (a prosperous Wales, a resilient Wales, a healthier Wales, a more equal Wales, a Wales of cohesive communities, a Wales of vibrant culture and thriving Welsh language and globally responsible Wales). Furthermore, the Council must set well-being objectives that maximise the Council's contribution to the national well-being goals and embrace the sustainable development principle.

The Council also has a general duty under the Local Government (Wales) Measure 2009 to “make arrangements to secure continuous improvement in the exercise of [its] functions” and in discharging this duty, the Council must have regard in particular to the need to improve the exercise of its functions in terms of the following seven aspects of improvement:

1. Making progress towards an authority's strategic objectives (as set out in the Corporate Improvement Plan).
2. Improving service quality
3. Improving service availability.
4. Fairness especially in reducing inequality in accessing or benefiting from services, or improving the wellbeing of disadvantaged groups.
5. Exercising functions in ways that contribute to the sustainable development of an area.
6. Improving the efficiency of services and functions.
7. Innovation and change which contributes to any of the above.

ANNUAL GOVERNANCE STATEMENT

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.

Section Two - The Purpose of the Governance Framework:

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have resulted in the delivery of appropriate, cost effective and efficient services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives and to evaluate the likelihood of those risks and the impact, and to manage them efficiently, effectively and economically.

Section Three - The Governance Framework:

The Annual Governance Statement complies with the new 2016, Delivering Good Governance in Local Government: Framework published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and in association with the Society of Local Authority Chief Executives (SOLACE). The Framework demonstrates the system of internal controls, which have been in place within the Council for the year ending 31st March 2019. The Framework illustrates examples of how the Council demonstrates compliance with good practice and meets the core and sub principles of effective governance. The Framework also provides details on the assurances taken during the year on the effectiveness of governance arrangements and the improvement work that arises from taking such assurances. The Council's governance environment embraces the seven core principles of the new Delivering Good Governance in Local Government: Framework (CIPFA/SOLACE, 2016).

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The improvement work identified following the development of the Annual Governance Statement is overseen by the Corporate Governance Group and progress is reported as follows:

- Corporate Directors Group receive a quarterly progress report on the improvement action plan;
- Cabinet receive a half year and end of year progress report on the improvement action plan, the Cabinet will discharge this responsibility from 2018-2019 civic year, and;
- Audit Committee receive the end of year progress via the Annual Governance Statement.

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Section Three - The Governance Framework

Acting in the public interest requires a commitment to and effective arrangements for:

Core Principle A	
Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	
Sub principle	Examples of our key systems, documents and processes
Behaving with integrity	<ul style="list-style-type: none"> ➤ The Council’s political leadership have provided clear and consistent direction in terms of what is expected from senior officers, i.e. a workplace culture based on trust, respect, early and meaningful consultation. ➤ Anti-fraud, corruption and malpractice policy/whistle blowing policy: conduct of Members is monitored by the Public Services Ombudsman for Wales and the Council’s Standards Committee. During 2018-2019, there were no referrals from the Public Services Ombudsman for Wales that required the Standards Committee to hear a matter. ➤ Whistle blowing Policy/Procedure: whistle blowing complaints are monitored by the Council’s Audit Section to ensure that complaints are responded to. All whistleblowing complaints received were dealt with in line with the Policy. ➤ Standards Committee: the Committee monitors the operation of the Council’s adopted Members Code of Conduct throughout the Authority. ➤ Annual monitoring of key employment policies, discipline, grievance, and whistle blowing takes place and is reported to Members in the annual equalities employment information report (published on the Council’s website). ➤ Standing declarations register: this is updated by Members as and when a declaration is made or amended when there has been a change in circumstances e.g. taking up new posts. ➤ Officers’ declarations are audited annually and Members on a cyclical basis. No material considerations were known during 2018-2019. The information for Members is provided on the

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Core Principle A

Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Sub principle	Examples of our key systems, documents and processes
Behaving with integrity	<p>Council's website.</p> <ul style="list-style-type: none"> ➤ Internal Audit Service: the service undertakes, when required, case-by-case checks on officer compliance with the Employee Code of Conduct. Last year a number of special investigations were undertaken in relation to non-compliance of the Employee Code of Conduct. Details of all such investigations and outcomes were fully reported to the Audit Committee. ➤ Audit Committee: the Committee meets on a quarterly basis throughout the year and is responsible for examining, approving and keeping under review the adequacy and effectiveness of risk assessment, risk management and internal controls/compliance. The Committee is also responsible for reviewing the work and performance of both internal and external audit and receives reports from both. The terms of reference of the Committee are consistent with those recommended in the Public Sector Internal Auditing Standards (PSIAS). During 2018-2019, training on a number of topics was undertaken with members of the Audit Committee to support their role. <p>The above arrangements ensure that Members and officers exercise leadership by behaving in ways that demonstrate high standards of conduct and effective governance.</p> <ul style="list-style-type: none"> ➤ Corporate Comments, Compliments and Complaints Policy: the policy is published on the Council's website with service related reports provided on a quarterly basis as part of the Council's performance management arrangements. Outcomes of investigations undertaken by service managers under stage 1 and the designated complaints officer under stage 2 of the policy should explain if the complaint was upheld/not upheld or partially upheld and lessons learned from the investigation should be recorded. This information helps to identify any systemic failings in service delivery provision. ➤ The Public Services Ombudsman Wales (PSOW) overview report as it relates to Neath Port Talbot County Borough Council (NPTCBC) is provided by the Head of Legal Services on an annual basis.

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Core Principle A	
Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	
Sub principle	Examples of our key systems, documents and processes
Behaving with integrity	<p>Complaints regarding the Welsh Language are separately reported within the Welsh Language annual report. That information must include the number of complaints received during the preceding year relating to the service delivery, operational and policy making standards with which the council is under a duty to comply.</p> <ul style="list-style-type: none"> ➤ All Wales complaints meetings are held twice yearly (also attended by the Public Services Ombudsman) to share learning and good practice across the 22 Welsh Local Authorities. The Principal Officer for Policy and Democratic Services attends these meetings as the NPTCBC representative. This group meets staff from the Public Services Ombudsman Wales office in Bridgend annually to help strengthen working relationships. ➤ The Council's Unreasonable/Unacceptable Customer Behaviour Policy has been utilised on a few occasions over the last year to help manage persistent face-to-face, telephone and email contacts in keeping with actions identified within the policy. Limitations on contact arrangements are reviewed as needed by the relevant Head of Service in keeping with the policy.
Demonstrating strong commitment to ethical values	<ul style="list-style-type: none"> ➤ Across the Council, we have a number of professions that are obliged to comply with their relevant professional body's code of ethics. For example, all of our social workers must meet the standards set out in the code of conduct or code of practice from the Social Care Wales.
Respecting the rule of law	<ul style="list-style-type: none"> ➤ Council's Constitution: the Constitution sets out how the Council operates and the process for policy and decision-making. Within this framework all the decisions are taken by Council, Cabinet or Cabinet Boards. The decisions are presented in a comprehensive written format in a standard template. The Cabinet Scrutiny Committee considers any decisions directly before the Cabinet meets. This is referred to as contemporaneous scrutiny.

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Core Principle A

Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Sub principle	Examples of our key systems, documents and processes
	<ul style="list-style-type: none"> ➤ The Council complies with a number of different legislation to ensure the proper running of the organisation, for example Employment statutory obligations, Health & Safety legislation and Financial Regulations, with an overall good track record (as confirmed by our regulators).

Core Principle B

Ensuring openness and comprehensive stakeholder engagement

Sub principle	Examples of our key systems, documents and processes
Openness	<p>We aim to be a transparent Council that encourages those who use our services to tell us what is important to them and to suggest how services might improve. Examples of how we engage with individual citizens and service users effectively are listed under the sub principle included below.</p> <ul style="list-style-type: none"> ➤ Corporate Communications and Community Relations Strategy 2018-2020: During 2018-2019, work continued to deliver on the requirements of the Corporate Communications and Community Relations Strategy. Good progress was made in adopting a different operating model, making a shift in emphasis from a largely reactive communications function to a more proactive service. The business partner model became more embedded and we improved our use of insight in delivering more effective communications. We adopted a more confident and positive style of communications and made more use of interactive and multi-media content for a range of different channels, including a more engaging approach to promoting the Council's Corporate plan. This resulted in substantial growth in the number of Facebook followers and a higher level of engagement, both of which contribute to increasing the reach of our communications. ➤ Consultation: A new Consultation and Engagement Strategy was developed and a Corporate Engagement Group (CEG) established to ensure a corporate and consistent approach to engagement and consultation activities across the Council and share learning and good practice. The Council's contract for Snap Survey Software, the corporate consultation software for internal and external stakeholder engagement, was renegotiated and renewed in line with the changing

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Core Principle B

Ensuring openness and comprehensive stakeholder engagement

Sub principle	Examples of our key systems, documents and processes
<p>Openness</p>	<p>requirements of the CEG, making consultation exercises more accessible. The Council's Planning Policy Service continues to use the Objective consultation software as that software enables consultation at all stages of Local Development Plan preparation and improves management of their consultee database.</p> <ul style="list-style-type: none"> ➤ Council Website: During the year, a dedicated 'Have your say' area was created on our website where all 'current' consultations can be accessed and responded to. This can be accessed from a 'button' on the homepage of the web and the friendly URLs www.npt.gov.uk/haveyoursay / www.npt.gov.uk/dweudeichdweud. An online newsroom was also launched where content from the Council, in a variety of formats, is curated. ➤ A new area on the Council's website 'ShapingNPT' has been designed to improve communications and engagement. The aim is to improve awareness of what the Council does and encourage engagement by simplifying the narrative around the Council's Corporate Plan and Annual Reports. We are using citizens' and wider stakeholders' stories to bring the Council's work to life and celebrate successes, but we are also highlighting areas where more work needs to be done to achieve our objectives. ➤ Scrutiny Committees: All Scrutiny Members are continuing to undertake specific training to enhance their skills. Training will continue throughout this Council term on a Scrutiny by Scrutiny Committee basis and collectively, building on the Members' individual skills and interests and focussing their work as a team to best enable them to discharge their functions and responsibilities. ➤ Performance reports: we have a number of channels where performance is reported to and scrutinised, e.g. quarterly budget and performance monitoring reports are submitted to chief officers and Cabinet Board / Scrutiny Committees and an Annual Report is published in October which contains an assessment of our overall performance in the previous financial year. The

ANNUAL GOVERNANCE STATEMENT

Core Principle B

Ensuring openness and comprehensive stakeholder engagement

Sub principle	Examples of our key systems, documents and processes
<p>Openness</p>	<p>above information is available for our citizens to view on our website.</p> <ul style="list-style-type: none"> ➤ NPT News: Our online e-newsletter was launched. This is accessed via a free subscription and is available in English, Welsh or bilingually. ➤ Integrated Impact Assessment (IA) Framework: following the initial revision of the Equality Impact Assessment framework during 2017-2018 in order to assist the Council in discharging its legislative duties (under the Equality Act 2010, the Welsh Language Standards (No.1) Regulations 2015, the Well-being of Future Generations (Wales) Act 2015 and the Environment (Wales) Act 2016), training for reporting officers took place during summer/autumn 2018. As a result of comments received during these sessions, the framework was further revised and is due to be rolled out, along with a revised reporting template, in April 2019. ➤ Record of decision-making and supporting materials: all publicly accessible reports are published on the Council’s website via Modern.gov. ➤ Decision making protocols: the Council agrees its meeting cycle at its Annual Meeting and this is published on the Council’s website. Forward work programmes are required to be maintained for the next three meetings of the relevant committee. Report templates ensure the relevant information and advice is presented to substantiate recommendations.
<p>Engaging comprehensively with institutional stakeholders</p>	<ul style="list-style-type: none"> ➤ Stakeholders: we have a list of key stakeholders that we engage with on major policies and plans. These include: Youth Council; Older Persons’ Council and the Black Minority Ethnic Community Association. ➤ Working in partnership with trade unions and the Council’s formal employee relations framework is an important feature in how we engage with our employees. We have Staff Council at the highest level in the organisation, the LGS Green Book Negotiating Forum, LSPG (Schools trade union partnership forum), Service Joint Consultative Groups, and the Corporate Health & Safety Trade Union forum. All of these groups meet regularly and are an opportunity for two-way information

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Core Principle B

Ensuring openness and comprehensive stakeholder engagement

Sub principle	Examples of our key systems, documents and processes
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 43 Engaging comprehensively with institutional stakeholders</p>	<p>sharing, consultation (formal and informal) and where necessary, negotiation. As part of our approach to partnership working, trade unions have representation in other forums; so for example, trade unions sit as an integral part of the Heads of Service Workforce Planning Group.</p> <ul style="list-style-type: none"> ➤ Partnership Governance Arrangements (including Terms of Reference): the Council has in place governance arrangements for partnerships which: <ul style="list-style-type: none"> ○ Clarify the roles of members both individually and collectively in relation to the partnership and to the Council; ○ Clearly set out the legal status of the partnership; and ○ Make clear the extent to which representatives or organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions. ➤ Partnership working arrangements: during 2018-2019 we continued to participate in a number of partnerships as follows: the Public Services Board, Think Family Partnership, Community Safety Partnership, Digital Inclusion Partnership, and Third Sector Partnership. Partnership working with our trade unions and teaching associations is a predominant feature of the Council’s culture in relation to workforce engagement. It involves elected Members, managers, employees and trade unions developing and implementing a way of working based on mutual respect and trust, shared objectives and joint ownership of problem solving. ➤ Regional collaborative arrangements: we continued with our regional working arrangements via Education through Regional Working, Western Bay, City Region, Area Planning Board and Waste Services. A number of reports have been brought forward to the Council to ensure that Governance arrangements remain robust and proportionate. These arrangements are reviewed regularly to ensure they meet required needs of the Council and where they do not reports are brought to members highlighting various risks and concerns for the decisions to be made on future

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Core Principle B

Ensuring openness and comprehensive stakeholder engagement

Sub principle	Examples of our key systems, documents and processes
	actions. The Council plays an active role in such regional collaborative arrangements to ensure the best return for our citizens and other stakeholders.
Engaging with individual citizens and service users effectively	<p>➤ Corporate communications and engagement activities: It is important that our citizens and other stakeholders have a voice at an early stage to influence the development of policies and strategies that affect their lives and inform the way services are planned and delivered. However, due to the complexity of the differing needs of citizens it is not always possible to meet all needs, but a good understanding means we are better placed to divert valuable resource into the right places, at the right times and in the right ways.</p> <p>➤ Corporate Communications and Community Relations Strategy (see above)</p> <p>➤ Consultation (see above)</p> <p>We have a number of channels of communication in place with all sections of the community, stakeholders and staff. Our corporate communications and engagement system comprises of internal and external networks.</p> <p>➤ Internal networks include:</p> <ul style="list-style-type: none"> ○ Staff monthly e-newsletter 'In the Loop' - features important information relevant to staff. ○ Staff Intranet which acts as an internal information portal (including staff news and a link to the Council's online Newsroom). ○ Employee Portal – during the year ICT colleagues made developments to this web-based tool to enable employees to access it via their personal devices from home (it was previously only accessible internally). The Portal enables employees to access relevant information about the Council and their own HR and payroll information. Approximately 4,400 employees have now registered to the Portal.
Engaging with individual citizens and service users effectively	

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Core Principle B

Ensuring openness and comprehensive stakeholder engagement

Sub principle	Examples of our key systems, documents and processes
<p>Page 34</p> <p>Engaging with individual citizens and service users effectively</p>	<ul style="list-style-type: none"> ○ Staff consultations – during the year we undertook a number of staff consultations e.g. 2019-2020 budget proposals; Smart & Connected – A Revised Digital Strategy 2018-2022; Social Services, Health and Housing staff survey (extended to adult services for the first time this year). ○ Chief Executive Roadshows – a series of Chief Executive’s Staff Engagement Sessions were held with staff to explain the Forward Financial Plan and its implications. These were attended by almost 200 staff. ○ Staff notice boards. <p>➤ External networks including:</p> <ul style="list-style-type: none"> ○ Key stakeholders that we engage with on major policies and plans. These include: Youth Council; Older Persons’ Council; and the Black Minority Ethnic Community Association. ○ Community Engagement events. ○ Public meetings - last year senior officers from the Council continued with public meetings to brief the public on developments with the Pantteg Landslip area. ○ Social media – we have corporate Facebook, Twitter, YouTube and LinkedIn accounts which are used to broadcast information and have two-way dialogue with stakeholders via facilities such as direct messaging and polls. In addition, there are more than 90 service specific accounts across the Council. ○ E-newsletter – the council has a monthly e-newsletter, NPT News. This is available in a choice of languages (English, Welsh or bi-lingual). It is issued on a monthly basis, but can be issued more frequently in the case of breaking news or a major announcement. The e-

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Ensuring openness and comprehensive stakeholder engagement	
Sub principle	Examples of our key systems, documents and processes
	<p>newsletter is available to stakeholders via a free subscription</p> <ul style="list-style-type: none"> ➤ Budget 2019-2020: an extensive public consultation exercise took place between 31st October 2018 and 11th January 2019, generating more than 1000 responses from a wide range of stakeholders, which shaped the final budget proposals. ➤ The Communications and Community Relations Strategy sets out a range of measures designed to improve the effectiveness of the Council's mechanisms for involving people in its work.

Core Principle C	
Defining outcomes in terms of sustainable economic, social, and environmental benefits	
Sub principle	Examples of our key systems, documents and processes
<p>Page 93</p> <p>Defining outcomes</p>	<p>The key plans listed below, describe the Council's short term and long term priorities to ensure citizens receive high quality services whether directly, or in partnership.</p> <p>Corporate Plan: The Council's strategic vision and priorities (well-being objectives) for the county borough are set out in the Corporate Plan. The delivery of our vision and well-being objectives is organised at three levels:</p> <ul style="list-style-type: none"> ○ Level 1- Improvement Priorities: these are the areas prioritised for service change by the Council to respond to the challenges and opportunities that have been identified and to deliver on manifesto promises. ○ Level 2 - Corporate Change Programme: the Council's corporate change programme was agreed by Council in 2017, focus continues to extending the use of digital technologies; exploiting new income sources and working differently with its communities. ○ Level 3 - Business Plans / Service Delivery: the Council delivers or commissions an

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Core Principle C

Defining outcomes in terms of sustainable economic, social, and environmental benefits

Examples of our key systems, documents and processes

Sub principle

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Defining outcomes

enormous range of services and functions that affect the day to day life of everyone who lives in the county borough. During 2018-2019, a new Corporate Performance Management System (CPMS) was implemented which enables the integration of the Council's strategic planning, performance management and risk management arrangements.

Since the Corporate Plan was last updated, the Neath Port Talbot Public Services Board, published its Well-being Plan. There are a number of links between the priorities set out in the Corporate Plan and the objectives in the Well-being Plan. The Council is also continuously reviewing the effectiveness of collaborative working arrangements. As the model of collaborative working further matures the Council is better able to discern what works and what is ineffective.

- **Strategic Equality Plan:** The Council has a Strategic Equality Plan to make sure we work towards treating all people fairly, promoting equality of opportunity, combating discrimination and harassment and promoting good community relations. During 2018-2019, the focus and membership of the Equality and Community Cohesion Group have been revised. Local equality groups are now represented on the Group and its focus is more outward looking with promoting cohesiveness, addressing issues and concerns of the various communities, monitoring progress of corporate equality policies and action plans and sharing expertise and experience amongst its aims. The Group has identified a number of 'business as usual' work area audits, the outcome of which will help inform the revision of the SEP which will be undertaken during 2019-2020.
- **Biodiversity Duty Plan:** The Environment (Wales) Act 2016 introduces a duty (the S6 Duty) on public authorities to maintain and enhance biodiversity, thereby promoting the resilience of ecosystems, in the exercise of its functions. The Council's Biodiversity Duty Plan was adopted on 8th December 2017. The Plan focuses on evaluating our existing work practices and assimilating the new statutory duty into wider Council functions. This will result in a more joined-up approach between services, fulfilling both the Environment (Wales) Act 2016 requirements and the sustainable

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Defining outcomes in terms of sustainable economic, social, and environmental benefits

Examples of our key systems, documents and processes

Sub principle

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Defining outcomes

development principle embedded in the Well-Being of Future Generations (Wales) Act 2015. The six objectives incorporated into the Plan, include requirements such as embedding biodiversity into decision making at all levels; managing and enhancing our habitats; improving our understanding and monitoring of biodiversity; and putting in place a framework for delivery. The Act further requires that before the end of 2019, and every third year thereafter, all public authorities must publish a report on what they have done to comply with the S6 Duty.

- **Property Asset Management Plan:** Progress on the Property Asset Management Plan (2016-2021) is reported via annual Property Performance Reviews. The Plan and annual progress statements continue to link, feed off, and react to a range of other corporate plans, programmes and strategies, including the Forward Financial Plan, the ICT Strategy and the Council's workforce planning arrangements.
- **ICT Asset Management:** An audit of the council's ICT equipment has been undertaken and the data is now held within the new Asset Management system. This information is being used to inform the ICT replacement programme.
- **Other Asset Management Plans/Registers:** we have well-established mechanisms in place to manage our other assets. Our other asset management plans and registers provide information on the number and condition of different classes of assets, these include the Highways Asset Management Plan (which also includes bridges and structures) and a Fleet Asset Register (includes vehicles, small plant and machinery).
- The asset management plans and registers inform our risk register and are an important consideration when determining revenue and capital budget priorities and our wider strategies.
- **The Corporate Asset Management Group** has continued to meet through 2018-2019. The emphasis has been to develop work streams from the reported accommodation strategy and the

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Core Principle C

Defining outcomes in terms of sustainable economic, social, and environmental benefits

Examples of our key systems, documents and processes

Sub principle	
	emerging agile working agenda. These priorities are being led by Property and ICT with support from HR and the remaining corporate members of the group.
Sustainable economic, social and environmental benefits Sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> ➤ Revenue and Capital Budgets: the Council's Annual Budget and Capital Programme were set in the context of the revised Forward Financial Plan and Corporate Plan. Monthly reports are produced for senior officers and quarterly reports for elected Members, to support the monitoring expenditure forecasts against the agreed cash limits for the revenue budget. A Capital Programme Steering Group meets regularly to review expenditure against budget on the capital programme and to update the capital programme as funding decisions are made on relevant specific grants, with reports to senior officers and elected Members as appropriate. Capital expenditure is also monitored and reported to Members quarterly. ➤ Well-being of Future Generations (Wales) Act 2015: The Corporate Plan 2018-2022 sets out the steps we will take to achieve the Council's well-being objectives and related improvement priorities through which we will maximise our contribution to the seven well-being goals and improve citizen's social, economic, environmental and cultural well-being. The Plan also demonstrates how the sustainable development principle has been applied in developing those steps. ➤ The Neath Port Talbot Public Services Board published its Well-being Plan in May 2018. There are a number of links between the priorities set out in the Corporate Plan and the objectives in the Well-being Plan. The Council is also continuously reviewing the effectiveness of collaborative working arrangements. As the model of collaborative working further matures the Council is better able to discern what works and what is ineffective. ➤ Budget 2018-2019: whilst the Council has made efforts to embrace the sustainable development principle in developing its budget proposals, it is inevitable, given the scale of changes that there will be some negative impacts arising from proposals.

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Core Principle D

Determining the interventions necessary to optimise the achievement of the intended outcomes

Sub principle	Examples of our key systems, documents and processes
Determining interventions	<ul style="list-style-type: none"> ➤ Record of decision making and supporting materials (see above) ➤ Decision making protocols (see above)
Planning interventions	<ul style="list-style-type: none"> ➤ Corporate Planning Arrangements: the Council has a number of robust corporate planning and control arrangements in place in the following areas: Strategic Plans, Forward Financial Plan, Workforce Plan, Asset Plans, Risk Management and Performance Management. ➤ Committee Cycle dates: committee dates are confirmed at the annual Council meeting and have clear terms of reference and membership. Amendments to committee arrangements are taken back to full Council for consideration and agreement during the civic year. The dates of committee meetings are circulated in the form of work programmes to ensure officers produce reports in a timely manner. Forward work programmes have also been developed for Cabinet Board and Scrutiny Committees. ➤ Key stakeholders: we have a list of key stakeholders (internally and externally) that we engage with on major policies and plans throughout the year. ➤ Corporate Risk Policy: The Council's Corporate Risk Management Policy has been updated to reflect improvements made to the way in which both strategic risks and operational risks are recorded, managed and reported. The revised Policy will continue to promote an open, consistent and proactive risk management attitude. ➤ Corporate Performance Management Framework: we have a range of performance indicators that enable the Council to measure performance of services. To support the delivery of the framework, there is a corporate performance management team as well as directorate performance management teams. <p style="text-align: center;">During 2018-2019, a new Corporate Performance Management System (CPMS) was implemented</p>

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Core Principle D

Determining the interventions necessary to optimise the achievement of the intended outcomes

Sub principle	Examples of our key systems, documents and processes
Planning interventions	<p>which enables the integration of the Council’s strategic planning, performance management and risk management arrangements. In implementing the new CPMS, the Council has taken the opportunity to ensure that there is a golden thread running from the three corporate well-being objectives, through to key corporate strategies and to service business plans. This enables the Council to clearly demonstrate how its services and functions contribute to the Council’s well-being objectives, which in turn support the seven national well-being goals.</p>
Optimising achievement of intended outcomes	<ul style="list-style-type: none"> ➤ Financial management arrangements: the Council has sound financial management arrangements in place (including a range of policies and procedures such as financial regulations, financial procedures, contract standing orders, accounting instructions and officer delegations). These arrangements conform to the governance requirements of the CIPFA Statement of the Role of the Chief Financial Officer in Local Government (2010), all relevant legislation and within the terms of its Constitution. ➤ The Director of Finance and Corporate Services is responsible for ensuring there are proper arrangements in place for the administration of the financial affairs of the Council. Corporate Directors are responsible for the financial management of their respective services and are supported by regular financial management information, which includes monthly financial monitoring reports. ➤ In addition, quarterly budget and Forward Financial Plan monitoring reports are submitted to the Council, Chief Officers and Scrutiny Committees, culminating in the production of the statutory Annual Statement of Accounts. ➤ The budget setting process for last year continued to be challenging and difficult decisions on cuts were unavoidable as a consequence, however the final settlement from Welsh Government was better than expected. The savings identified came from a prolonged and intense professional and Cabinet Member input and where appropriate subject to consultation with service users, staff and trade unions, and scrutinised by the relevant committee.

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Core Principle E

Developing the entity's capacity including the capability of its leadership and the individuals within it

Sub principle	Examples of our key systems, documents and processes
Developing the entity's capacity	<ul style="list-style-type: none"> ➤ In April 2018 the Council adopted a Corporate Workforce Plan with the ambition of ensuring the Council has the right number of people with the right skills and attitudes in place at the right time to deliver its services and functions. The Plan's action plan sets out how this will be achieved. A progress report will be presented to Members at Personnel Committee early in 2019.
Developing the capability of the entity's leadership and other individuals	<ul style="list-style-type: none"> ➤ The Council's Constitution clearly sets out the different, but complementary, responsibilities of Members and Officers to ensure there is effective leadership throughout the authority and there are clear job descriptions for all staff, which highlight their roles and responsibilities. ➤ Cross party panel: the panel which is made up elected Members (chaired by the Leader) undertakes the Chief Executive's appraisal and agrees the objectives for year ahead and personal learning aims. ➤ The Chief Executive (as Paid Head of Service) leads the Council Officers and chairs the Corporate Directors and Corporate Management Groups (includes all Heads of Service). The Director of Finance and Corporate Services is the Section 151 officer under the Local Government Act 1972 and the Designated Monitoring Officer (Head of Legal Services) carries overall responsibility for legal compliance. The Head of Democratic Services created by the Local Government Measure 2011 is the Assistant Chief Executive and Chief Digital Officer (previously the Head of Corporate Strategy and Democratic Services) and reports formally to the Democratic Services Committee on the adequacy of resources available to deliver the support related to the democratic functions of the Council. ➤ Members' induction programme: all new Members and those returning Members following an election, receive an induction programme to familiarise themselves with protocols, procedures, values and aims of the Council. Following Local Government Elections in May 2017, the Council saw the introduction of 64 Members who were offered a focussed and tailored Induction programme providing them with the skills and knowledge to perform their roles effectively. This included 27 Elected Members taking public office

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Core Principle E

Developing the entity's capacity including the capability of its leadership and the individuals within it

Sub principle	Examples of our key systems, documents and processes
<p>Developing the capability of the entity's leadership and other individuals</p> <p>Page 42</p>	<p>for the first time and those Members elected following by-elections held during the year.</p> <ul style="list-style-type: none"> ➤ Member Support and Development: A schedule of Member Seminars was delivered over the Civic Year covering a wide range of topics such as: substance misuse, asset based community development and Brexit as well as matters such as the 2018-2019 Budget Consultation. ➤ Officer Development (Performance Appraisal System and Employment Development Review): the Council's corporate training and development capacity has been reduced significantly over several years. Learning, training and development opportunities are primarily service-initiated, with staff within adult and children's services being best supported as a result of the Welsh Government Social Care Workforce Development Programme and Council match funding. Social workers receive a full induction programme in their first year of practice and ongoing support throughout their career. ➤ Resources have been made available support the digital development of the workforce, and this will commence early in 2019-2020 focusing the leadership development necessary to initiate the workforce changes necessary to deliver the Council's ambitious Digital Strategy. ➤ During 2018-2019, despite constraints on corporate training capacity, we continued to support and deliver a considerable amount of training and qualifications, supporting staff development and progression at all levels in the organisation. ➤ In 2018-2019, priority was given to workforce development across the social care sector through the Social Care Wales Workforce Development Programme (SCWWDP) Grant. The SCWWDP Grant has continued to be used to support the continued implementation of the Social Services and Well-being (Wales) Act 2014 as well as identified regional and local priorities. ➤ Other priority training areas for the wider workforce included; Awareness of Child Sexual Exploitation; Digital Literacy Skills; Welsh Language; Data Protection; Violence against Women Domestic Abuse and Sexual Violence and Workshops to Raise Awareness of PREVENT.

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Core Principle E

Developing the entity's capacity including the capability of its leadership and the individuals within it

Sub principle	Examples of our key systems, documents and processes
Developing the capability of the entity's Leadership and other individuals Page 143	<ul style="list-style-type: none"> ➤ In 2018-2019, we have supported a number of apprenticeships in various designations throughout the organisation with the aim of supporting people into work and career development. Apprenticeships in building, construction and engineering as well as social care have proved to have been successful. ➤ Health and wellbeing of the workforce: we have a number of arrangements in place to maintain the health and wellbeing of the workforce, these include: <ul style="list-style-type: none"> ○ Maximising Attendance at Work Policy, which has a number of options to support people to return to work and remain in work, for example, early occupational health referrals, rehabilitation and phased return ○ Stress risk assessments are available for everyone signed off work with stress even if its non-work related stress ➤ In 2019-2020, we will be working with Time to Change Wales to raise awareness in relation to Mental Health and developing an action plan to support the mental health of employees in the workplace.

Core Principle F

Managing risks and performance through robust internal control and strong public financial management

Sub principle	Examples of our key systems, documents and processes
Managing risk	<ul style="list-style-type: none"> ➤ Corporate Risk Policy, Corporate Risk Register and procedures for Risk management: The Director of Finance is responsible for overseeing the implementation and continuous development of corporate risk. During 2018-2019, a new Corporate Risk Management Policy was approved by Cabinet. The risk module of the CPMS performance management system is being utilised to strengthen and underpin risk management arrangements.

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Core Principle F

Managing risks and performance through robust internal control and strong public financial management

Sub principle	Examples of our key systems, documents and processes
	<p>➤ Senior Information Risk Owner (SIRO): during 2018-2019 the Head of Information and Communications Technology was the Authority's designated Senior Information Risk Owner (SIRO), a role recommended in the Local Government Data Handling guidance and which is reinforced by the Public Services Network (PSN) Information Assurance requirements. Following retirement, a new SIRO must be designated.</p> <p>It has been agreed that the SIRO will report directly to the Corporate Directors Group on information security matters. The SIRO is accountable for information risk throughout the Authority.</p>
<p>Page 144</p> <p>Managing performance</p>	<p>➤ Performance Management: during 2018-2019, a new Corporate Performance Management System (CPMS) was implemented which enables the integration of the Council's strategic planning, performance management and risk management arrangements. In implementing the new CPMS, the Council has taken the opportunity to ensure that there is a golden thread running from the three corporate well-being objectives, through to key corporate strategies and to service business plans. This enables the Council to clearly demonstrate how its services and functions contribute to the Council's well-being objectives, which in turn support the seven national well-being goals.</p>
<p>Robust internal control</p> <p>Robust internal control</p>	<p>➤ Internal Audit Section: 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.</p> <p>➤ In March 2018, the Internal Audit Service was externally assessed in accordance with the Public Sector Internal Audit Standards and the service was assigned the highest rating.</p> <p>➤ During 2018-2019, 56 formal reports were issued with recommendations made where appropriate and all audit work undertaken complied with the Public Sector Internal Audit Standards. Details of achievement against the 2018-2019 audit plan will be presented in June to the Audit Committee, in</p>

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Core Principle F

Managing risks and performance through robust internal control and strong public financial management

Sub principle	Examples of our key systems, documents and processes
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 145</p> <p style="text-align: center;">Robust internal control</p>	<p>addition an opinion will be given via the Annual Internal Audit Report that “<i>Reasonable assurance can be given that there have been no major weaknesses noted in relation to the various internal control systems operating within the Authority</i>”.</p> <ul style="list-style-type: none"> ➤ Each year, the section has a risk based Internal Audit Plan approved by Audit Committee, which involves carrying out a series of audits in order to provide an opinion on the internal controls, risk management and governance arrangements of the Council. In addition, the section also carries out a number of special investigations, which will include investigations into suspected incidents of fraud, irregularity and malpractice. No significant governance issues were identified during 2018-2019. The Audit Manager provides quarterly reports to Audit Committee highlighting any concerns and to give assurance to elected Members regarding the Council’s internal controls. ➤ The Audit Committee monitors the work plan of the Internal Audit Section, and the work of external audit, throughout the year. Enhancements have been made throughout the year to the reports provided to Members by Internal Audit. Work is ongoing to strengthen the role of Audit Committee. ➤ IT Health Checks: the Council continues to undertake annual IT Health Checks, which incorporate internal and external penetration testing as part of yearly PSN (Public Services Network) accreditation. The accreditation takes the form of an annual submission detailing how the Authority performs against a host of controls based upon ISO27001 and will give the Council confidence that effective arrangements are in place regarding the collection, storage and use of data (including personal data). The last reaccreditation, which was successful, took place in January 2019. <p>As well as this, as part of an all-Wales exercise, the ICT Service is working towards achieving Cyber Essentials Plus (CE+). The first stage has been successfully completed and forthcoming work will include on-site audits and health checks.</p> <ul style="list-style-type: none"> ➤ IT audits: we will work with both the Wales Audit Office and the Internal Audit Section to put in place a

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Core Principle F	
Managing risks and performance through robust internal control and strong public financial management	
Sub principle	Examples of our key systems, documents and processes
	<p>series of IT audits which will be undertaken during 2019-2020.</p> <ul style="list-style-type: none"> ➤ Annual Governance Statement: annually, officers undertake a review of the effectiveness of the Council’s governance framework when compiling the annual governance statement. This is a shared effort with wide input from a range of services outside the finance and audit functions (e.g. Legal, ICT, H&S and HR). The Annual Governance Statement is presented by senior officers of the Corporate Governance Group to the Corporate Directors Group and Cabinet for agreement.
<p>Managing Data Page 146</p>	<ul style="list-style-type: none"> ➤ Senior Information Risk Owner (SIRO) – see above - sub principle Managing Risk. ➤ General Data Protection Regulation (GDPR) - As a result of the implication of the General Data Protection Regulations, the Council has updated its data protection policies and information sharing protocols to ensure compliance with the same during the financial year 2018-2019 and will continue to develop this into 2019-2020. Ongoing review will take place to ensure the effectiveness of the policies and protocols. ➤ Strengthening and Modernising Democratic Arrangements - In 2018-2019, we continued to embed the ‘Modern.Gov’ Committee Administration Management software system. 100% of the elected Members now receive papers electronically via iPad or the ‘Modern Gov’ system.
<p>Strong public financial management</p>	<ul style="list-style-type: none"> ➤ The Director of Finance and Corporate Services is the responsible officer for the proper administration of the financial affairs of the Authority. This finance function provides support to directorates and determines the budget preparation and financial monitoring processes. This function also provides the annual statement of accounts for the Authority.
<p>Strong public financial management</p>	<ul style="list-style-type: none"> ➤ The budget setting process for last year continued to be challenging and difficult decisions on cuts were unavoidable as a consequence, however the final settlement from Welsh Government was better than expected. The savings identified came from a prolonged and intense professional and Cabinet Member input and subject to an extensive programme of consultation with service users, staff and

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Core Principle F

Managing risks and performance through robust internal control and strong public financial management

Sub principle	Examples of our key systems, documents and processes
Page 147	<p>trade unions, and scrutinised by the relevant committee. The Council also took steps to ensure the equality impact of budget proposals was explicitly considered when developing and agreeing the proposals within the revised Forward Financial Plan.</p> <ul style="list-style-type: none"> ➤ In addition, quarterly budget and Forward Financial Plan monitoring reports are submitted to the Council, Chief Officers and Scrutiny Committees, culminating in the production of the statutory Annual Statement of Accounts, all available for the public to view on the Council's website. ➤ The Annual Statement of Accounts is a statutory summary of the Council's financial affairs for the financial year and is prepared in accordance with the local government Accounting Code of Practice (ACOP). The purpose of the Statement of Accounts is to give electors, local taxpayers, council members and any other interested parties clear information on the overall finances of the Council and to demonstrate the good stewardship of public money for the year. ➤ Capital and revenue expenditure and related activities are subject to annual audit by the Wales Audit Office and an unqualified opinion (our information in the financial statements was sound) was provided on the Annual Statement of Accounts by WAO for 2017-2018.

Core Principle G

Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Sub principle	Examples of our key systems, documents and processes
Implementing good practice in transparency	<ul style="list-style-type: none"> ➤ Members' Allowance scheme and Staff Pay Structure: the Council has a clear scheme setting out the terms and conditions for remunerating members and officers and an effective structure for managing the process. No new non-compliance issues were identified by the Independent Remuneration Panel

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Core Principle G

Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Sub principle	Examples of our key systems, documents and processes
	for Wales in relation to the NPT Scheme during 2017-2018.
Implementing good practices in reporting	<ul style="list-style-type: none"> ➤ Annual Governance Statement: annually, officers undertake a review of the effectiveness of the Council's governance framework when compiling the annual governance statement. This is a shared effort with wide input from a range of services outside the finance and audit functions (e.g. Legal, ICT, H&S and HR). The Annual Governance Statement is presented by senior officers of the Corporate Governance Group to the Corporate Directors Group and Cabinet for agreement.
Assurance and effective accountability	<ul style="list-style-type: none"> ➤ Procurement: the Procurement Team aim to ensure that best use is made of resources and that tax payers and service users receive value for money. The team continue to make improvements to the way goods and services are procured and the roll out of the electronic ordering and receipting system is ongoing. The electronic systems replace the old fashioned, labour intensive paper based process and has resulted in better management information regarding the goods and services the Authority buys as well as better adherence to corporate, regional and national procurement frameworks. ➤ Internal Audit undertakes a review of all of the Authority's major financial systems on an annual basis. ➤ The Auditor General for Wales reports annually on his audit and assessment work in relation to whether the Council has discharged its duties and met the requirements under the Local Government (Wales) Measure 2009. At the time of preparing this Statement, the Council is yet to receive the WAO's Annual Improvement Report for 2018–2019.

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Section Four - Review of effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Chief Officers and the Internal Audit Service who have responsibility for the development and maintenance of the governance environment and also by comments made by the external auditors and other review agencies and inspectorates. A Corporate Governance Group, reporting to the Corporate Directors Group ensures that improvement work is scheduled, resourced and monitored.

The review mechanism includes:

- **Constitution review and monitoring** - the Chief Executive and the Head of Legal Services are required to monitor and review the operation of the Constitution, and to report to Council at least annually on any proposed changes. During 2018-2019, the Head of Legal Services reported to Council on a number of occasions with amendments to the Constitution relating to changes to scrutiny rules, designation of duties to officers and changes to rules of procedure to encourage and facilitate better scrutiny and decision making.
- **Standards Committee** – During the year, the committee met to consider reports relating to decisions of the Adjudication Panel for Wales and the Ombudsman grant of dispensations to Councillors. Last year there were no referrals from the Public Services Ombudsman for Wales that required the Standards Committee to hear a matter.
- **Audit Committee** - work has been ongoing to strengthen the role of the Audit Committee. In July 2018, members of the Audit Committee undertook training on risk management and they received a presentation from the Wales Audit Office on the role of Audit Committees.
- **Internal Audit Service** – the service prepares an annual plan of work, which is then monitored throughout the year by the Audit Committee. A series of audit reviews are carried out throughout the year, in order to provide an opinion on the internal control, risk management and governance arrangements of the Council. During 2018-2019, 56 formal reports were issued.
- **Wales Audit Office audit report** (Annual Improvement Report) – The Council did not receive any statutory recommendations within the report during the course of the year 2017-2018.

ANNUAL GOVERNANCE STATEMENT

- **Annual Reports** – the Council produces a number of annual reports throughout the year to give assurances on our governance arrangements. These include the following: Asset Management, Audit Service Annual Report, Complaints, Compliments and Comments Annual Report, Occupational Health and Safety and Joint Resilience Annual Report, Information Management & Information Governance Annual report, Ombudsman Annual Report, Performance Annual Report, Social Services Director’s Annual Report, Strategic Equality Plan Annual Report, Welsh Language Scheme - Annual Monitoring Report. The Corporate Governance Group will oversee any risks identified to governance arrangements, arising from these annual reports and none were received during 2018-2019.

Governance Issues – progress to date

The table below describes the governance issues identified during 2017-2018 and the progress made against these during 2018-2019.

Key Improvement Area	Lead Officer	Progress
1. Equalities – roll-out of training, implementation, review and evaluation of the revised Impact Assessment Tool	Caryn Furlow	<ul style="list-style-type: none"> • Integrated Impact Assessment (IIA) tool has been developed and training delivered to relevant officers across the Council. • Training sessions for those officers originally identified but unable to attend earlier sessions were held in early February 2019. • A number of additional officers have been identified to undertake training and sessions are to be held at the end of April 2019. • Report template has been revised to include IIA and WCFG Act and will be introduced by April 2019. • IIA and Report Template to be rolled out during April 2019.
2. General Data Protection	Craig Griffiths	<ul style="list-style-type: none"> • The documentation in respect of GDPR is continually being rolled out

ANNUAL GOVERNANCE STATEMENT

Key Improvement Area	Lead Officer	Progress
Regulation (GDPR) – monitoring of arrangements		<p>to officers of the Council and work is presently ongoing to ensure compliance with the same and to ensure the Council is meeting its legislative obligations. As new methods of working are being operated, the consideration of GDPR issues and the need for updated Privacy Statements are being implemented. Further work is presently ongoing to ensure that directorates are uploading their Service Specific Privacy Statements to the Internet.</p> <ul style="list-style-type: none"> • Training for elected Members has been developed and presented to Members in the first week of February 2019 to demonstrate what Members must consider in line with GDPR and they are to be provided with practical and easy to use documents to aid in compliance. Members have now been registered as individual data controllers with the Information Commissioner’s Office in their own right. • Officers are continuing to regularly provide advice to client departments on GDPR requirements and the need to consider data protection in all their areas of work to the extent that data protection is now factoring into all processes undertaken by the Council. Further work is required to continue with this rollout. • A report was taken to Corporate Directors Group on the 8th January 2019 regarding additional steps that the Head of Legal Services and Head of ICT feel should be implemented to ensure further safeguarding against GDPR non-compliance, including: <ol style="list-style-type: none"> a. Each Directorate nominates a member of staff to be a Data Protection Champion to undertake detail training and guidance in Data Protection matters and to assist directorates in compliance

ANNUAL GOVERNANCE STATEMENT

Key Improvement Area	Lead Officer	Progress
		<p>related issues. It is envisaged that this could be the current Information Officers.</p> <p>b. Information Security awareness to become a mandatory item for Employee Induction.</p> <p>c. Information Security training to be mandated for all staff who collect and/or handle data relating to individuals or families. Refresher training to also become mandatory and delivered as required.</p> <p>d. The Directorate based Champion(s) to be responsible for ensuring staff undertake both training and awareness sessions and to maintain a register of attendance. The Champion(s) also to be responsible for scheduling refresher training as required.</p>
<p>3. Information Management – update the Information Strategy and bring forward for approval</p>	Karen Jones	<p>The Information Strategy is currently under review in light of the change to the Council’s obligations introduced under the recent GDPR legislation. Once this exercise is complete the updated strategy will be forwarded to the Corporate Governance Group for ratification before being presented to Members for approval</p>
<p>4. Code of Corporate Governance – review of assurances in place to fully comply with Core Principle A on Behaviours and Values</p>	Caryn Furlow	<p>A desktop exercise has been undertaken to review what assurances the Council has in place (e.g. systems, documentation and evidence) to ensure we fully comply with Core Principle A on Behaviours and Values and good practice.</p>

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ANNUAL GOVERNANCE STATEMENT

Section Five - Governance Issues for 2019-2020 (including those carried forward from last year and new ones identified)

Key Improvement Area	Carried Over from 2018-2019	New 2019-2020
1. Integrated Impact Assessment – review and evaluate the revised Integrated Impact Assessment Tool	✓	
2. General Data Protection Regulation (GDPR) – monitoring of arrangements	✓	
3. Information Management – update the Information Strategy and bring forward for approval	✓	
4. Corporate Performance Management System – review system implementation		✓
5. Review of the Council’s collaborative / regional working arrangements		✓

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We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements and we will monitor their implementation and operation as part of our next annual review.

Signed:



Chief Executive: Steven Phillips

Date: 13th May 2019

Signed:



Leader of the Council: Councillor Rob Jones

Date: 13th May 2019

The independent auditor's report of the Auditor General for Wales to the members of Neath Port Talbot County Borough Council

The Independent Auditors Report will be incorporated into the final statement of accounts once the auditors have completed their audit work. It is a requirement that this is completed and reported when the Accounts are signed off.

The independent auditor's report of the Auditor General for Wales to the members of Neath Port Talbot County Borough Council

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GLOSSARY OF TERMS

This Glossary of Terms has been prepared on the basis that a basic knowledge of accountancy terms is held. It provides a description of specialist terms relating to local government finance.

Accumulated Absences	The Code of Practice requires an adjustment for accumulated absences which gives a monetary value to the cost of holidays accrued by staff but not taken at the end of the financial year. The net effect of this adjustment is reversed from the accounts.
Actuary	An actuary is someone who works with complex mathematical models to predict the likelihood of future years. Their skills are used to work out insurance and pension fund valuations, taking into account relevant factors such as trends in insurance claims and life expectancy.
Cash flow Statement	This statement summarises the movements in cash during the year for both revenue activities and capital activities.
CIPFA/LASAAC	CIPFA/LASAAC is the body that sets the Code of Practice on Local Authority Accounting in the United Kingdom.
Comprehensive Income and Expenditure Statement	This accounts records day to day spending and income on items such as salaries and wages, the running costs of services and the financing of capital expenditure. It shows the accounting cost in the year, in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.
Componentisation	Accounting standards require that assets are split into separate components where there are significant differences in the life of elements of the assets which would have a significant effect on the depreciation costs.
Contingent Asset	This is a possible asset that arises from past events but whose existence will only be confirmed after an uncertain future.
Contingent Liability	This is a possible obligation that may arise from past events and whose existence will be confirmed by the occurrence of uncertain future events.
Expenditure and Funding Analysis	This analysis is designed to provide a more direct link between the Council's budgeted spend and the figures reported under generally accepted accounting practices. It provides a link between management information and the figures included in the Comprehensive Income and Expenditure Statement.
Fair Value	This is the estimated value of an asset or liability at the balance sheet date. The 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.
Financial Instruments	This relates to any contract which gives rise to a financial asset in on organisation and a financial liability or equity instrument of

GLOSSARY OF TERMS

another. A collective name for investments, trade debtors and borrowings.

General Fund Balance	This represents the cumulative retained surpluses on the Council's revenue budget. It includes reserves the Council has earmarked to fund its plans as well as a cushion against unexpected events or emergencies. The level of the balance is considered as part of the annual budget process each year.
Impairment	This happens when fixed asset or investment values change significantly due to changes in circumstances. It can occur if there is a significant change in a fixed asset's market value or significant physical damage such as fire. The cost of impairment is charged to the revenue account in the year it occurs.
Minimum Revenue Provision (MRP)	A minimum annual charge that has to be made to the revenue accounts to systematically reduce the principal element of loans which have been raised and used to pay for capital schemes.
Movement in Reserves Statement	This statement shows the movement in the year on the different reserves held by the Council, analysed between the usable reserves which can be applied to fund expenditure or reduce local taxation and other reserves and the unusable reserves which cannot be utilised in this way.
National Non Domestic Rates (NNDR)	Also known as the Business Rate, it is the charge occupiers of business premises pay which is collected by this Council and paid to the Welsh Government for reallocation. The charge is based on the rateable value of the business premises.
Pension Reserve	The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits (pensions) and for funding benefits in accordance with statutory provisions.
Pooled Budgets	These are budgets which are joined up across differing organisations with similar objectives and used to ensure improvements through coordinating expenditure.
Precepts	Precepts are levied on the Council by non-billing organisations such as the police and community councils to enable them to cover their costs in the performance of their services or duties.
Provision	This is an amount set aside in the accounts for a past event which is likely or certain to result in a financial cost some time in the future, though the exact amount and date may be uncertain.
Public Works Loans Board (PWLB)	This is a Government Agency which provides longer term loans to local authorities.

GLOSSARY OF TERMS

Related Party Transactions	These are disclosed to highlight any relationships that may exist between the Council and third parties who may materially affect or influence the way the Council or third parties are able to operate.
Reserves	These are sums set aside to meet future expenditure. This Council splits the total reserve to show those earmarked to fund specific expenditure and those held to fund non-specific future expenditure in the general reserve.
Revaluation Reserve	This reserve is used to record gains in fixed asset values as a result of formal revaluations of the Council's fixed assets.
Revenue Expenditure funded from Capital under Statute	This represents revenue expenditure which the Council is allowed to apply to Capital under statutory provisions. It does not result in fixed assets controlled by the Council.
Revenue Support Grant/NNDR	This is general government grant in support of local council services which is paid by the Welsh Government. The distribution of this grant tries to take account of the differing needs in each Council.
Service Concession	A service concession arrangement arises when a Council grants a contract to a supplier who provides or maintains capital assets on the Council's behalf, which revert to the Council's ownership at the end of the contract. The grantor regulates the services the operator must provide using the assets and also controls any significant residual interest in the assets at the end of the term of the arrangement.
The Code of Practice	<p>The Code of Practice incorporates guidance in line with IFRS, IPSAS and UK GAAP Accounting Standards. It sets out the proper accounting practice to be adopted for the Statement of Accounts to ensure they 'present fairly' the financial position of the Council.</p> <p>Note: values throughout these accounts are presented rounded to whole values as shown throughout the accounts. Totals in supporting tables and notes may not appear to cast, cross-cast, or exactly match to the core statements or other tables due to rounding differences.</p>
Wales Audit Office (WAO)	A body that independently examines the activities of the Council.

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WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Audit Committee Update – Neath Port Talbot County Borough Council

Audit year: 2019

Date issued: June 2019

Document reference: APS062019

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Agenda Item 4

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

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

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

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Audit committee update

About this document

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

Audit plan

The dates we presented our audit plans for 2018 and 2019 are set out in Exhibit 1.

Exhibit 1: audit plan.

Area of work	Status
Audit Plan 2018	Presented to Audit Committee April 2018
Audit Plan 2019	Presented to Audit Committee March 2019

Financial audit update

- 3 Exhibit 2 provides members of the Audit Committee with a brief overview of progress against the planned financial audit key outputs and milestones set out in our 2019 audit plan.

Exhibit 2: financial audit update

Planned output	Scope	Status
Financial Statements 2018-19	Audit of the Council's 2018-19 financial statements.	Work on the Councils 2018-19 financial statements is in progress. Opinion planned to be issued July 2019.
Margam Crematorium Joint Committee Annual Return 2018-19	Audit of the Committees 2018-19 Annual Return	Opinion planned to be issued July 2019
Welsh Church Act Trust Fund 2018-19	Independent examination of the Trust Fund 2018-19 financial statements	Opinion planned to be issued October 2019
Certification of Grants 2018-19	Certification of grants and returns 2018-19	Planned for December 2019
Annual Audit Letter	Letter summarising our 2018-19 audit work.	Planned for December 2019

Performance audit update

- 4 Exhibit 3 summarises the progress of the performance audit work set out in the 2017 and 2018 audit plans which is still in progress and provides a brief overview of progress against the planned performance outputs and milestones set out in our 2019 audit plan.

Exhibit 3: performance audit update

Topic	Scope	Status	Timescale
Performance audit work - 2017 audit plan			
Service User Perspective Review	This project will test the service-user interface at all authorities. The review will evaluate what it feels like (as a member of the public) to deal with council services, involving a selection of services and scenarios. In Neath Port Talbot CBC we looked at the Council's Digital Strategy and specifically at the Council's approach to 'channel shift' (moving services online)	Draft report issued.	Issued May 2019
Performance audit work - 2018 audit plan			
Well-being of Future Generations Act (Wales) 2015 (WFG Act) examinations	Examination of the extent to which the Council has acted in accordance with the sustainable development principle when taking steps to meet one or more of its wellbeing objectives. The 'step' that is being reviewed is 'We will work with partners to ensure that we target support to those children at risk of adverse childhood experience in the first 1,000 days of their lives'.	Fieldwork complete. Draft report issued March 2019.	Waiting for Council response to the draft report. Officers to respond in June 2019

Topic	Scope	Status	Timescale
Thematic Review - Environmental Health	Review of the arrangements the Council has put in place to deliver environmental health services, building on the study previously undertaken by the Auditor General as part of the 'delivering with less' themed studies.	Fieldwork complete. Feedback presentation to Council officers June 2019	Key findings to be included in Annual Improvement Report
Thematic Review - Corporate Safeguarding Arrangements	Review of the effectiveness of corporate safeguarding arrangements, building on the study previously undertaken by the Auditor General in this area.	Fieldwork complete.	Draft report due July 2019
Thematic Review - Leisure Services	Review of the arrangements the Council has put in place to deliver leisure services building on the 'study previously undertaken by the Auditor General as part of the 'delivering with less' themed studies.	Fieldwork complete. Feedback presentation to Council officers June 2019	Key findings to be included in Annual Improvement Report
Annual improvement Report	Annual report summarising the audit work undertaken in the last year, which also includes a summary of the key findings from reports issued by 'relevant regulators'.	Work planned to be undertaken April 2018 – June 2019.	By August 2019.
Performance audit work - 2019 audit plan			
Well-being of Future Generations Act (Wales) 2015 (WFG Act) examinations	Examination of the extent to which the Council has acted in accordance with the sustainable development principle when taking steps to meet its wellbeing objectives.	Not started	Reporting - October 2019

Topic	Scope	Status	Timescale
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.	Not started	Feedback - January 2020
Financial Sustainability	A project common to all local councils that will assess financial sustainability in light of current and anticipated future challenges.	Not started	To be confirmed
Local Performance Audit Project	Review of the Council's performance management system.	Not started	Reporting – March 2020
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.	Improvement Plan audit – complete. Assessment of Performance Audit – not started	Improvement Plan Certificate issued. Reported to Cabinet June 2019 Assessment of Performance Certificate to be issued November 2019.

WAO local government improvement studies

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

Exhibit 4: local government improvement studies programme of work

Topic	Scope	Status	Timescale
2017-18 Local Government Improvement Studies – 2017 audit plan			
Integrated care fund	The review will examine if the Integrated Care Fund is being used effectively to deliver sustainable services that achieve better outcomes for service users. Interviews will be undertaken with a selection of officers on each of the Regional Partnership Boards and Welsh Government officials.	Local outputs presented at regional partnership board level.	National report due to be published 2 nd quarter 2019.
2018-19 Local Government Improvement Studies – 2018 audit plan			
First point of contact assessments under the Social Services and Well-being Act	The study will review the first point of contact and assessments for adult social care.	Report being drafted. Neath Port Talbot CBC was not a fieldwork site in this study.	National report due to be published in the 3 rd /4 th quarter of 2019.
Tackling Violence Against Women, Domestic Abuse and Sexual Violence	Our review will focus on determining whether local authorities and their partners are effectively working together to prevent gender-based violence and domestic abuse and protecting all of the people involved.	Fieldwork complete, drawing conclusions. Neath Port Talbot CBC was not a fieldwork site in this study.	National report due to be published in 3 rd /4 th quarter of 2019.

Topic	Scope	Status	Timescale
2019-20 Local Government Improvement Studies			
Review of Public Service Boards and the effectiveness of partnership working	This review will provide assurance and insight on how well PSBs are delivering the expectations of the Well-being of Future Generations Act, and by working together in tackling complex hard to shift problems.	Project set up and fieldwork underway in three local authorities. Neath Port Talbot CBC is not a fieldwork site in this study.	To be confirmed
The impact of austerity on LA discretionary services	This review will provide independent assurance that councils approaches to discretionary services are sustainable and that changes in provision or cessation of activity do not adversely impact future generations or those with protected characteristics.	Planning	To be confirmed
Commercialisation in local authorities	This review will focus on producing good practice case studies and support materials to help authorities develop their approaches to commercialisation. It will also comment on long-term approaches to financial sustainability and how commercial activity supports organisations to deliver their wider wellbeing objectives and corporate priorities.	Planning	To be confirmed

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WAO national studies

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

Exhibit 5: local authority related national studies

Topic	Findings	Status
Counter-Fraud Arrangements in the Welsh Public Sector	<p>Fraud is prevalent across all sectors including the public sector. Every pound stolen from the public sector means that there is less to spend on key services such as health, education and social services.</p> <p>At a time of austerity, it is more important than ever for all public bodies in Wales to seek to minimise the risk of losses through fraud</p>	<p>Published 11 June 2019</p> <p>http://www.audit.wales/publication/counter-fraud-arrangements-welsh-public-sector</p>
The effectiveness of local planning authorities in Wales	<p>This report considers the progress of local planning authorities in delivering their new responsibilities and the extent to which they are acting in accordance with the sustainable development principle contained within the Well-being of Future Generations (Wales) Act 2015</p> <p>The report also considers how efficient and effective the 'local planning system' is, focussing on their performance, income and expenditure to determine how resilient services are. The report also looks at decision making and stakeholder engagement.</p>	<p>Published 6 June 2019</p> <p>http://www.audit.wales/publication/effectiveness-local-planning-authorities-wales</p>

Topic	Findings	Status
Reflecting on Year One - How have public bodies responded to the Well-being of Future Generations (Wales) Act 2015?	<p>The report found that public bodies are able to give examples of how they have used the Act to make the changes needed for them to effectively apply the sustainable development principle. Public bodies now need to set out how they will continue developing their approach to the Act so that they can deliver on the ambition and maximise the opportunities it affords.</p>	<p>Published 10 May 2019 http://www.audit.wales/publication/reflecting-year-one</p>
Waste Management in Wales – Preventing Waste	<p>This report considers the level of priority that the Welsh Government has given to waste prevention and progress towards waste prevention targets</p> <p>It also considers whether the Welsh Government is keeping track with its waste prevention targets and the quality of data available to the Welsh Government with which to measure progress.</p>	<p>Published 21 March 2019 http://www.audit.wales/publication/preventing-waste</p>

Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone.: 029 2032 0660

E-mail: info@audit.wales

Website: www.audit.wales

Swyddfa Archwilio Cymru
24 Heol y Gadeirlan
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn testun: 029 2032 0660

E-bost: post@archwilio.cymru

Gwefan: www.archwilio.cymru

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

NEATH PORT TALBOT COUNTY BOROUGH COUNCIL

AUDIT COMMITTEE

26th June 2019

Report of the Head of Finance – Huw Jones

Matter for Information

Wards Affected:

All Wards

2018-19 Internal Audit Annual Report

Purpose of the report

To provide details of the work undertaken for the financial year 2018/19 compared to that included in the Internal Audit Plan and to highlight issues relevant to the performance of the section.

Background

One of the terms of reference of the Audit Committee is to 'monitor internal audit performance'. This report ensures compliance with this requirement by outlining Internal Audit work undertaken during the 2018/19 financial year.

Audit Performance

A comparison of the work undertaken during the financial year with the work planned is provided in Appendix 1 to this report. Members should note that 80% of the Internal Audit Plan for the year has been delivered including 100% of audits designated as 'high risk'.

In accordance with the Public Sector Internal Audit Standards (PSIAS) the Internal Audit Service was externally assessed during 2018 and

achieved the highest rating i.e. generally conforms to standards. The PSIAS require a review is undertaken every five years.

In addition to the external assessment the PSAIS require that the Head of Internal conducts an annual self-assessment of the Internal Audit Service. This self-assessment is provided in Appendix 2 to this report.

Assurance Statement

As part of the annual reporting procedures as governed by the mandatory PSIAS and the Account and Audit (Wales) Regulations 2014 the Head of Finance in his role as Head of Internal Audit, has to provide a statement of assurance on the systems of internal control operating within the Authority. This statement is based on the work carried out by the section whose independence remained unchanged during the year and whose work conforms to the mandatory PSIAS.

It is necessary to highlight to this Committee any problems in connection with non-implementation of significant recommendations contained within agreed Internal Audit reports. Non-implementation could point to continuing weak internal controls operating or non-compliance with existing satisfactory controls which then present risks to the Council. I can confirm that no issues of non-implementation have arisen during the year.

The remaining aspect that needs to be highlighted concerns, in general terms, the various Internal Control systems operating within the Authority.

This committee in line with its Terms of Reference and also to comply with the Councils Code of Corporate Governance i.e. *'to examine and keep under review the adequacy and relevance of .. internal controls and compliance'* requires a regular appraisal of the work undertaken by the Internal Audit Service.

It must be stressed that assurance on internal controls can never be absolute, the most the Internal Audit Service can provide this committee is reasonable assurance that there are no major weaknesses in the internal control systems examined during the year:

Based on the work of the Internal Audit Service during the year the conclusion is that:

Reasonable assurance can be given that there have been no major weaknesses noted in relation to the internal control systems operating within the Authority.

In addition to the assurance statement above, the work carried out by the Internal Audit Service is essential in enabling the Director of Finance and Corporate Services to review the effectiveness of the systems of internal financial control. This then supports the production of the Annual Governance Statement which is included in the Council's Statement of Accounts.

Issues Affecting Internal Audit Performance

During 2018/19 the Internal Audit Service was well staffed in relation to previous years. A new Fraud Auditor post was created with the post-holder commencing in January 2019. There is currently only one vacancy within the team, Grade 5 Audit Assistant. The proposal is to fill this post during 2019/20.

The increasing volume and complexity of Special Investigation work continues to place significant demands on the workload of the Audit Manager. Unfortunately, by its very nature, this work cannot be pre-planned and whilst an allocation is made in the Internal Audit plan there is no way of foreseeing whether this allocation will be sufficient.

Financial Impacts

No implications

Integrated Impact Assessment

There is no requirement to undertake an Integrated Impact Assessment as this report is for monitoring/information purposes.

Valleys Communities Impact

No implications

Workforce Impacts

No implications

Legal Impacts

No implications

Risk Management Impact

No implications

Consultation

There is no requirement for external consultation on this item

Recommendations

It is recommended that Audit Committee note the content of this report.

Reason for Proposed Decision

To ensure compliance with Public Sector Internal Audit Standards and the Council's code of Corporate Governance.

Appendices

Appendix 1 – Actual work undertaken compared to Internal Audit Plan
Appendix 2 – Internal Audit Service Self-Assessment

Officer Contact

For further information on this report item, please contact:

Huw Jones – Head of Finance

Tel: 01639 763575 E-mail: h.jones@npt.gov.uk

Anne-Marie O'Donnell, Audit Manager

Tel 01639 763628 E-mail: am.odonnell@npt.gov.uk

Monitoring Date**Year End****Audit Plan Item 2018-19****Risk
Factor****Education, Leisure and Lifelong Learning****School Based Audits**

20 Primary Schools

M 19 schools audited

3 Secondary Schools

H 4 schools audited

Other Education

Parent Pay

M Audit completed

Youth Service

M Audit completed

Education Grants

M 7 grants audited

Leisure, Culture and Lifelong Learning

None

Finance and Corporate Services**Revenue Collection**

Council Tax

L CRSA* undertaken

*Control Risk
Self-Assessment

NNDR

L CRSA undertaken

Sundry Debtors

L CRSA undertaken

Cash Collection

H Unannounced visits
undertaken
throughout the year

BACS

H Advice provided
when requested**Benefits Administration**

Housing Benefits

L CRSA undertaken

Exchequer

Payroll

L CRSA undertaken

Creditor Payments

L CRSA undertaken

Appendix 1 – Audit Plan Delivery

Creditor (FIS Checks)	M	Checks undertaken regularly throughout the year
Off Payroll Payments (IR 35)	H	Advice provided when requested

Accountancy

Treasury Management	H	Work undertaken by WAO
Bank Reconciliation	M	Audit completed
VAT	M	Audit postponed

General

Travel & Subsistence	M	Audit completed
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Legal Services

Margam Crematorium	L	Audit completed
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Other

Contingency	N/A	
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Chief Executive's

Members' Declarations of Interest	M	Audit Completed
Disciplinary Processes	M	Not undertaken due to changes and new training provided to officers by ACAS

Social Services, Health and Housing

Housing General Fund:

Supporting People Grant	M	Grant audited
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Social Services

Hillside Secure Unit	M	Audit completed
Abbey View Complex Needs Day Centre	M	Audit completed

Appendix 1 – Audit Plan Delivery

Complaints	M	Audit not completed will undertake as part of Corporate Complaints Audit in 19/20
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Safeguarding - Children & Adult Services

Assistive Technology	M	Audit undertaken.
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Environment

Stores/Equipment attendance at stock takes	H	Mid-year and year end stocktakes attended Advice given throughout the year by the Audit Manager
Stores processes	H	Advice given throughout the year by the Audit Manager
On call procedures	M	Audit completed
Tregelles Court Workshop	M	Audit completed
Car Parking	M	Audit completed

Cross Directorate

Special Investigations	N/A	17 investigations were undertaken
Advice & Guidance Requests	N/A	Advice and guidance was given continuously during the year
Corporate Governance Arrangements	N/A	Advice was given throughout the year
I.T. Audit	N/A	System access levels looked at during every audit undertaken
Contract Audit	N/A	3 final accounts audited and agreed

Appendix 1 – Audit Plan Delivery

Officer Declarations	M	Audit completed
Petty Cash	M	Audit completed
Settlement Agreements	N/A	Audit not completed will be finalised in 18/19
Risk Registers	M	Advice given throughout the year
DBS Checks	H	2 Audits completed
Travel & Subsistence	H	Audit Completed

Other Commitments

Banking Administrator	N/A	Work was undertaken throughout
Attendance at working parties	N/A	A number of working parties were attended and advice given
Servicing Audit Committee	N/A	Reports presented to all committee meetings.
Vision Impaired West Glamorgan SWTRA	N/A N/A	Audit completed No work requested
FOI Requests	N/A	All received were answered
Staff association/lottery	N/A	Mid and year end audits undertaken
National Fraud Initiative	N/A	Matches reviewed
Contingency	N/A	School meal income audit completed. Settlement Agreements audit completed Procurement Cards audit completed

Annual Internal Review of Internal Audit

It is a requirement of the Public Sector Internal Audit Standards (PSIAS) last updated and reviewed April 2017, that the Head of Internal Audit conducts an annual internal self-assessment of the effectiveness of the Internal Audit Service.

Below are details of the 2018/19 self-assessment.

Objective

Does the work of the Internal Audit Service comply with PSIAS?

Finding

As evidenced by the external assessment undertaken by Blaenau Gwent CBC in 2018 the service generally conforms to the standards. 'Generally conforms' is the highest level of compliance.

Objective

Is there an Internal Audit Charter in place which clearly outlines the purpose, authority and responsibilities of the Internal Audit Service?

Finding

An Internal Audit Charter is in place which satisfies the requirements of the standard.

Objective

Did all Internal Audit staff make the appropriate declarations required by the PSIAS?

Finding

All staff made declarations in relation to land and property within the County Borough, any personal relationships with other NPT employees or Members, any outside business interests and any gifts or hospitality offered/received/declined. In addition they signed a declaration acknowledging that they had received a copy of the PSIAS' Code of Ethics and agreed to conform to its principles.

Objective

Was a risk based Internal Audit Plan in place which had been approved by Audit Committee.

Finding

The 2018/19 Audit Plan was approved by Audit Committee on 5th April 2018.

Objective

Was the Internal Audit Plan Achieved?

Finding

80% of the planned audits were undertaken. The remainder will be undertaken during 2019/20.

Objective

Were all recommendations made via formal audit reports accepted and implemented?

Finding

100% of recommendations made were accepted.

Objective

Were investigations undertaken in respect of any suspected fraud, theft or malpractice either reported or identified by Internal Audit Staff?

Finding

A total of 17 Special Investigations were undertaken by senior Internal Audit staff.

Objective

Auditees were satisfied with the audit service provided.

Finding

58% of client satisfaction questionnaires were returned of which 96.5% indicated satisfaction with the service provided.

Conclusion of the Head of Internal Audit

I am satisfied that the Internal Audit Service conformed to the PSIAS when undertaking audits during 2018/19 and that the service provided was effective and of a high standard.

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Cyngor Castell-nedd Port Talbot
Neath Port Talbot Council

NEATH PORT TALBOT COUNTY BOROUGH COUNCIL

Audit Committee

26th June 2019

Report of the Head of Finance – Huw Jones

Matter for Decision

Wards Affected
All Wards

Updated Internal Audit Charter

Purpose of the Report

The purpose of this report is to seek Members' approval for the updated Internal Audit Charter.

Executive Summary

It is a requirement of the Public Sector Internal Audit Standards (PSIAS) that each Internal Audit service has an Internal Audit Charter which is approved by their Audit Committee and periodically reviewed and updated by the Head of Internal Audit.

Background

The Public Sector Internal Audit standards state "The purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the

Definition of Internal Auditing, the Code of Ethics and the Standards. The Chief Audit Executive (Head of Finance) must periodically review the internal audit charter and present it to senior management and the board for approval”.

Interpretation

“The internal audit charter is a formal document that defines the internal audit activity’s purpose, authority and responsibility. The internal audit charter establishes the internal audit activity’s position within the organisation, including the nature of the chief audit executive’s functional reporting relationship with the board; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities. Final approval of the charter resides with the board.

Public sector requirement

“The internal audit charter must also: define the ‘board’ and ‘senior management’ for the purposes of internal audit activity; cover the arrangements for appropriate resourcing; define the role of internal audit in any fraud-related work; and include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities.”

Financial Impacts

No implications.

Integrated Impact Assessment

The first stage assessment has indicated that a more in-depth assessment is not required

Valleys Communities Impacts

No implications

Workforce Impacts

No implications

Legal Impacts

No implications

Risk Management Impacts

No implications

Consultation

There is no requirement for external consultation on this item

Recommendation

That Members approve the revised Internal Audit Charter appended to this report.

Reasons for Proposed Decision

To ensure compliance with the Public Sector Internal Audit Standards.

Implementation of Decision:

The decision is proposed for implementation after the three day call in period

Appendices

Appendix 1 – Revised Internal Audit Charter

List of Background Papers

None

Officer Contact

Huw Jones, Head of Finance

h.jones@npt.gov.uk

01639 763575

Anne-Marie O'Donnell, Audit Manager

am.odonnell@npt.gov.uk

01639 763628

NEATH PORT TALBOT COUNTY BOROUGH COUNCIL

INTERNAL AUDIT CHARTER

Introduction

The purpose of this charter is to define what Internal Audit is and explain its purpose, authority and responsibility.

For the purposes of internal audit activity the following terms are defined as follows:

- “board” – the Audit Committee
- “senior management” - Chief Executive, Corporate Directors and Heads of Service

Purpose, Scope & Authority

Purpose

The Public Sector Internal Audit Standards (PSIAS), last updated and revised in April 2017, define Internal Audit as:

“... 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”

Scope

Financial Regulations 4.9.8 state that it is the responsibility of the Director of Finance & Corporate Services to ensure that internal auditors have the authority to:

- Access Authority premises at reasonable times
- Access assets, records, documents, correspondence and control systems
- Receive any information and explanation considered necessary concerning any matter under consideration;
- Require any employee of the Authority to account for cash, stores or any other Authority asset under their control
- Access records belonging to third parties, such as contractors, when required
- Directly access the Head of Paid Service, the Executive and Audit Committee
- To ensure that effective procedures are in place to investigate promptly any fraud, irregularity or malpractice.

Authority

The authority for an internal audit function for local authorities is implied by Section 151 of the Local Government Act 1972, which requires that authorities “make arrangements for the proper administration of their financial affairs”. The Accounts and Audit (Wales) Regulations 2014 Regulation 7 , more specifically require that (1) a “relevant body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of

internal control . (3) “A larger relevant body must, at least once in each year, conduct a review of the effectiveness of its internal audit.”

Objectives

Internal Audit’s main objectives are to:

- Provide a quality, independent and objective audit service that effectively meets the Council’s needs, adds value, improves operations and helps protect public resources
- Provide assurance to management that the Council’s operations are being conducted in accordance with external regulations, legislation, internal policies and procedures
- Provide advice and support to management to enable an effective control environment to be maintained
- Promote an anti-fraud, anti-bribery and anti-corruption culture within the Council to aid the prevention and detection of fraud
- Investigate allegations of fraud, bribery and corruption

Roles and responsibilities

Role of Internal Audit

To meet Internal Audit objectives, Internal Auditors are responsible for:

- Reviewing and assessing the soundness, adequacy and reliability of financial and non-financial management

- Reviewing and assessing the effectiveness of internal controls and making recommendations for improvement, where appropriate
- Reviewing and assessing procedures to check that the Council's assets and interests are adequately protected and risks are identified and effectively managed
- Checking for compliance with legislation, Council policies and procedures
- Promoting and assisting the Council in the effective use of resources
- Undertaking independent investigations into allegations of fraud and irregularities in accordance with Council policies and procedures and relevant legislation

Provision of the Internal Audit Function

The Internal Audit Function is provided "in house" and consists of the Audit Manager, 1 Senior Auditor, 4 Auditors, 1 Fraud Auditor and 2 Audit Assistants (9 people 8.18 FTE). The role of Head of Internal Audit is undertaken by the Head of Finance.

In his role as Head of Finance the Head of Internal Audit also has responsibility for the Authority's accountancy teams, payroll and exchequer services, revenues, housing benefits and financial assessments and the Authority's Court Deputy team. To maintain his independence in relation to the audit of other functions he has responsibility for he has no involvement in the scope, timing, or staffing of these audits other than to receive the final report in line with normal reporting arrangements.

Management Structure

Internal Audit is part of the Finance Division of the Finance & Corporate Services Directorate. However to ensure independence Internal Audit has the right of access to the Chief Executive and or the chair of Audit Committee should a situation warrant it.

Audit Manager's Responsibilities

- In managerial terms to the Head of Finance
- To manage and lead the Internal Audit Team
- For the performance of the Internal Audit Service
- Presenting the internal audit charter to the Chair of Audit Committee for approval
- Presenting and obtaining approval of the annual audit plan from Audit Committee
- Reporting quarterly to the Audit Committee on the work undertaken by the service
- Reporting to Audit Committee on any serious weaknesses found in the internal control systems and any instances where recommendations have not been acted upon

Code of Ethics

The Internal Audit Service operates in accordance with the mandatory Public Sector Internal Audit Standards (PSIAS) 2013 updated in 2017 by ensuring that all internal auditors conform to the Code of Ethics principles of integrity, objectivity, confidentiality and competency.

Internal Audit Staff are required to complete a declaration of interests on an annual basis and are aware of the need to make known any changes which may affect their declaration as and when the changes occur.

Each member of the Internal Audit Section receives a copy of the Code of Ethics and signs up to an annual declaration to confirm that they will work in compliance with the Code of Ethics as well as the Councils standards and policies such as the Code of Conduct. Where potential areas of conflict may arise during the year, the auditor will also be required to disclose this. It is critical that all Auditors maintain high standards of integrity, independence, objectivity, confidentiality and competence.

Service Standards

What you can expect from us

All internal audit work complies with the mandatory Public Sector Internal Audit Standards.

Internal Auditors will, at all times, exercise due professional care, act with integrity and take a professional, reliable, independent and innovative approach to their work.

It is essential that Auditors are impartial so that when an audit opinion is given it is unbiased and based on the facts available. Should a situation arise where impartiality could be questioned then another Auditor will be assigned to undertake the audit.

Where an Auditor was previously employed in a service area subject to audit then the Audit Manager will ensure that the Auditor concerned is not assigned audits in that area until at least 2 years have elapsed.

Annual Audit Plan

An annual audit plan is produced using a risk based methodology. During the planning process all Heads of Service are contacted and asked if there are any areas they wish to be included in the plan. The plan is then approved by the Audit Committee in March each year.

The plan is flexible and includes a contingency to allow for a change in priorities, emerging risks, specific service requests and ad hoc projects. An allowance is also included every year to allow for any special investigations i.e. allegations of fraud, theft of malpractice to be investigated.

In addition to the work carried out in line with the annual audit plan the Audit Manager and Senior Auditor also act as administrators for the Authority's online banking system. This is not deemed by either the Director of Finance & corporate Services in role as Section 151 Officer, the Head of Internal Audit or the Audit Manager to impair independence or provide any conflict of interest as the duties undertaken on the system are of a "housekeeping" nature and no transactions are undertaken.

Reporting

Audit Reports

Audit reports:

- Give an opinion of the service as at the time of the audit
- Provide a risk rating of the service audited
- Detail the work carried out and subsequent recommendations together with management responses where applicable

Reporting Standards

Upon completion of the audit a draft report is issued to the service manager for agreement of findings and recommendations made. In accordance with professional standards a post audit review is carried out after an agreed period to ensure that agreed recommendations have been implemented.

Any agreed recommendations not implemented within a reasonable timescale will be reported to Audit Committee.

Internal Audit works to the reporting quality standards of:

- Draft report issued within 10 days of field work being completed
- Final report issued within 2 working days of draft report being agreed

Quality Assurance

Internal Review

An internal self-assessment of the effectiveness of internal audit will be undertaken by the Head of Internal Audit annually.

Audits are fully reviewed by senior internal audit staff upon completion of field work, in addition to this all draft reports are reviewed by the Audit Manager prior to issue.

The Head of Internal Audit also monitors/reviews a sample of internal audit work programmes, working papers and reports to provide reasonable assurance that the work conforms to the relevant professional standards.

External Review

External assessments of the internal audit service are conducted annually by the Council's external auditor.

It is also a requirement of the PSIAS that all internal audit services are subject to a fully independent review every 5 years by a qualified independent assessor from outside the Authority.

Relationships

Internal Auditors will treat all staff with respect, courtesy and professionalism at all times. Any confidential or sensitive issues raised with or reported to Internal Audit staff will be dealt with in an appropriate manner. Where issues are likely to cause embarrassment to or adversely affect the reputation of the Authority these will be raised with senior management promptly and dealt with as a priority.

Internal Auditors will ensure that they explain fully the purpose of the audit and the various stages the audit will follow. Internal Audit will agree with service managers the timing and scope of the audit prior to its commencement.

The normal course of communication with Councillors will be via the Audit Committee which meets 4 times per year. The Audit Manager has access to the Chair of Audit Committee outside of the normal meetings should this be required in the event of a serious issue coming to light.

Internal audit will liaise with the Authority's external auditors in order to build a co-operative and professional working relationship, eliminate duplication of effort and ensure appropriate sharing of information.

Fraud and irregularities

Internal audit is responsible for investigating and reporting on all instances of suspected fraud, malpractice and theft whether reported directly to them or via the Authority's Whistleblowing Policy.

The Authority also participates in the National Fraud Initiative data matching exercise and Internal Audit investigate a range of the matches and co-ordinates the response to those best dealt with by the service areas.

Updated: 26/06/2019



Cyngor Castell-nedd Port Talbot
Neath Port Talbot Council

NEATH PORT TALBOT COUNTY BOROUGH COUNCIL

AUDIT COMMITTEE

26th June 2019

Report of the Head of Finance – Huw Jones

Matter for Information

Wards Affected:

All Wards

Internal Audit Progress Report to 31st May 2019

Purpose of the Report

The purpose of this report is to provide details of the work undertaken for the current financial year compared to that included in the Internal Audit Plan and to highlight issues relevant to the performance of the section.

Executive Summary

Details of achievement against the 2019/20 Audit Plan are outlined in appendix 1. Appendix 2 gives a summary of all reports issued in this reporting period.

Background

One of the terms of reference of this Committee is to 'monitor internal (and) external audit performance'. In order to comply with this requirement to monitor the in-house service, a progress report is given below outlining internal audit work undertaken in the last quarter. This work is then set against the original Internal Audit Plan to show what progress has been achieved.

In addition, information is provided for members on the current position regarding staff vacancies and other staffing issues within the team.

Audit Assignments Completed

A total of 11 formal audit reports have been issued since 1st March 2019 in line with normal distribution guidelines. Attached as appendix 1 is a schedule of the reports together with a brief summary of the finding and the risk rating applied following the audit.

The following is a list of the reports issued;

- 3 Primary Schools
- DBS Sample Checks (non schools)
- Standby & On Call Procedures
- Cemeteries
- Petty Cash
- Gnoll Visitor Centre
- Hillside Secure Centre
- Procurement Cards (cross directorate)
- Youth Service

Post Audit Reviews Undertaken

The following Post Audit Reviews (PARS) have been undertaken

Audit	Date of PAR	Issues
Assistive Technology	03.05.19	Limited implementation due to the service manager leaving NPTCBC. A follow up PAR will be undertaken.
Crymlyn Primary	09.05.19	None
St Joseph's RC School & 6 th Form Centre	10.05.19	None
Melin Primary School	10.05.19	None
St Joseph's Catholic Primary School	10.05.19	None
Abbeyview Complex Needs Centre	21.05.19	None

Progress against Plan

Appendix 2 gives detail of the work carried out to date against the 2019/20 Plan.

There are currently 3 special investigations in progress.

Staffing

There is currently one Assistant Auditor post vacant.

Financial Impacts

No implications

Integrated Impact Assessment

There is no requirement to undertake an Integrated Impact Assessment as this report is for monitoring/information purposes.

Valleys Communities Impacts

No implications

Workforce Impacts

No implications

Legal Impacts

No implications

Risk Management Impacts

No implications

Consultation

There is no requirement for external consultation on this item

Appendices

Appendix 1 – Published Reports

Appendix 2 – Audit Plan Monitoring 2019/20

List of Background Papers:

None

Officer Contact:

Huw Jones, Head of Finance

h.jones@npt.gov.uk

01639 763575

Anne-Marie O'Donnell, Audit Manager
am.odonnell@npt.gov.uk
01639 763628

Report Ref	Report Subject & Responsible Head of Service	Report Conclusion	Risk Category
R51	YGG Rhosafan Head of Participation	The school was complying in full with current DBS guidance. Recommendations were made in relation to payment of invoices and the need for a Section 19 permit for the mini bus.	2
R52	DBS Sample Checks Cross Directorate	The required DBS disclosure was in place for all new starters checked.	1
R53	Tywyn Primary School Head of Participation	In one instance the DBS Update Service was not checked until after the employee had commenced duties. Recommendations were also made in relation to reclaiming VAT where appropriate and the operation of the Unofficial Fund.	2
R54	Standby & On Call Procedures Head of Streetcare	Generally good controls were found to be in place and recommendations were made in relation to the need for a review of standby and call handling rates.	2
R55	Cemeteries Head of Streetcare	Strong controls were found to be in place and operating well.	1
19/20 R1	Petty Cash Cross Directorate	All of the Petty Cash Accounts examined as part of this audit could be reconciled and all were operated in accordance with the relevant Accounting Instruction.	1
R2	Gnoll Visitor Centre Head of Streetcare	Recommendations were made in relation to the café stock control, car park season tickets and lone working procedures.	2
R3	Hillside Secure Centre Head of Children's Services	This audit concentrated on the administration functions of the Centre and found generally good controls to be in place.	2

Report Ref	Report Subject & Responsible Head of Service	Report Conclusion	Risk Category
		Recommendations were made in relation to reclaiming VAT, inventory records and driver declarations.	
R4	Procurement Cards Cross Directorate	This audit concentrated on the coding and authorisation processes in place. Heads of Service were notified of all instances on non-compliance with policy in their service areas.	2
R5	Youth Service Head of Participation	Generally good controls were found to be in place and recommendations were made in relation to reclaiming VAT, payment of invoices and inventory records.	2
R6	YGG Gwaun Cae Gurwen Head of Participation	This extended audit was undertaken following the Special Investigation undertaken last year, all recommendations made following that investigation have been implemented and the new school clerk is to be commended for the work she has undertaken since being in post. Recommendations were made which will further enhance the existing controls.	2

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Risk Categories

Category 1 – testing found good controls to be in place

Category 2 – testing found some controls that need enhancing which will be achieved by the implementation of the recommendations

Category 3 – testing revealed a number of areas where improvements in controls are required. A verbal update will be provided

Category 4 – testing revealed areas of concern, the Head of Service will provide a written response to the audit report for consideration by Members of Audit Committee

Category 5 – testing revealed areas of significant concern. The Head of Service and/or Service Manager will attend audit committee

Monitoring Date

31st May 2019

Audit Plan Item 2019-20

**Risk
Factor**

Quarter 1

Quarter 2

Quarter 3

Quarter 4

Education, Leisure and Lifelong Learning

School Based Audits

20 Primary Schools

M

1 school audited

3 Secondary Schools

H

Other Education

Unofficial Funds (Primary)

H

Unofficial Funds (Secondary)

H

Education Grants

M

1 grant being audited

Leisure, Culture and Lifelong Learning

Margam Country Park & Orangery

M

Finance and Corporate Services

Revenue Collection

Council Tax

L

Council Tax Recovery

M

NNDR

L

Sundry Debtors

L

Cash Collection

H

Monitoring Date

31st May 2019

Audit Plan Item 2019-20

Risk

Quarter 1

Quarter 2

Quarter 3

Quarter 4

Benefits Administration

Housing Benefits

L

Unannounced visits undertaken

Exchequer

Payroll

L

Creditor Payments

L

Creditor (FIS Checks)

H

Regular monthly checks undertaken

Off Payroll Payments (IR 35)

H

Accountancy

Treasury Management

M

VAT

M

Other

Financial Assessments

M

Audit in progress

Court Deputy

M

Audit in progress

Contingency

N/A

Mobile phone audit in progress

Legal Services

None

Monitoring Date

31st May 2019

Audit Plan Item 2019-20

Risk

Quarter 1

Quarter 2

Quarter 3

Quarter 4

Chief Executive's

Members' Driver Declarations

M

Audit in progress

Social Services, Health and Housing

Housing General Fund:

None

Social Services

Hillside Secure Unit

M

Grant Certification

M

1 grant being audited

Safeguarding - Children & Adult Services

H

Child Sexual Exploitation

H

Professional Abuse Strategy Meetings

H

Contingency

N/A

Environment

Stores/Equipment attendance at stock takes

H

Stores processes

H

Monitoring Date**31st May 2019****Audit Plan Item 2019-20****Risk****Quarter 1****Quarter 2****Quarter 3****Quarter 4**

Equipment Tracking /Write Offs

M

Audit in
progress

Winter Gritting Processes

M

Town Centre Regeneration Programme

M

Contingency

N/A

Cross Directorate

Special Investigations

N/A

3 in progress

Advice & Guidance Requests

N/A

Ongoing

Corporate Governance Arrangements

N/A

Data Security

H

Contract Audit

M

Officer Declarations

M

Audit complete

Risk Registers

M

DBS Checks

H

Complaints Processes

M

Audit in
progress

Procurement

H

Money Laundering

M

Fraud

H

Work ongoing

GDPR

M

Other Commitments

Banking Administrator

N/A

Work ongoing

Attendance at working parties

N/A

Work ongoing

Monitoring Date**31st May 2019****Audit Plan Item 2019-20****Risk****Quarter 1****Quarter 2****Quarter 3****Quarter 4**

Servicing Audit Committee

N/A

Work ongoing

Vision Impaired West Glamorgan

L

SWTRA

N/A

FOI Requests

N/A

All requests
have been
replied to.
Year end
accounts
audited and
Auditor's
Statement
provided.

Staff association/lottery

N/A

National Fraud Initiative

N/A

Matches being
reviewed

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By virtue of paragraph(s) 14 of Part 4 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

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