



AUDIT COMMITTEE

2.00 PM - MONDAY, 14 SEPTEMBER 2020

REMOTELY VIA TEAMS

PART 1

1. Declarations of Interest
2. Minutes of Previous Meeting (*Pages 5 - 8*)
3. Annual Governance Statement Report 2019-2020
4. Audit Wales Statement of Accounts 2019-2020 (*Pages 9 - 28*)
5. Statement of Accounts 2019-2020 (*Pages 29 - 118*)
6. Internal Audit Annual Report 2019-2020 (*Pages 119 - 130*)
7. Internal Audit Update 2020-2021 (*Pages 131 - 152*)
8. Internal Audit Plan for the Period 1 September 20 – 31 December 2020 (*Pages 153 - 166*)
9. Treasury Management Monitoring 2020-2021 - Q1 (*Pages 167 - 174*)
10. Urgent Items
Any urgent items at the discretion of the Chairman pursuant to Section 100B(4)(b) of the Local Government Act 1972.
11. 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

12. Higher Risk Ratings (*Pages 175 - 182*)

S.Phillips
Chief Executive

Civic Centre
Port Talbot

Thursday, 10 September 2020

Committee Membership:

Chairperson: Councillor J.D.Morgan

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

Members: Councillors S.E.Freeguard, J.Miller, R.W.Wood,
O.S.Davies, A.N.Woolcock, A.J.Richards,
H.C.Clarke, S.Renkes and R.Mizen

**Voting Lay
Member:** J.Jenkins

This page is intentionally left blank

AUDIT COMMITTEE

(Remotely via Teams)

Members Present:

9 June 2020

Chairperson: Councillor J.D.Morgan

Vice Chairperson: Councillor L.M.Purcell

Councillors: S.apDafydd, S.E.Freeguard, J.Miller, R.W.Wood, O.S.Davies, A.N.Woolcock, A.J.Richards, H.C.Clarke, S.Renkes and R.Mizen

Officers In Attendance: H.Jenkins, C.Griffiths, H.Jones, D.Mulligan, S.M.Davies, C.Furlow-Harris, S.Blewett, A.Manchip, T.Davies and C.Davies

Representing the Wales Audit Office: C.Davies, G.Gillett and K.Havard

Voting Lay Member: J.Jenkins

1. **DECLARATIONS OF INTEREST**

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

Councillor H.C.Clarke	Report of the Director of Finance and Corporate Services re Closure of Accounts 2019/2020 as she is a governor of YGG Tyle'r Ynn which is mentioned in the report.
-----------------------	--

2. **AUDIT WALES REPORTS**

Members received a presentation from Audit Wales on the following three reports:

Audit Plan 2020
NPT Annual Audit Plan 2020 Impact of COVID-19

Audit Wales Work Programme

Following the presentation the following points/questions were raised:

- Does Audit Wales have confidence it can manage the financial audit work during the Covid 19 pandemic? In response Members were advised that Audit Wales had no issues with managing the financial audit work but advised that other, non-urgent work may be rescheduled.
- Was Audit Wales able to track the funding flow and put in place sufficient governance around this? Again Members received assurances that this would be undertaken.
- How would Audit Wales relay this information to the Local Authorities? Audit Wales reassured Committee that this would be done in the usual way subject to the Audit Committee being held.
- How would the Audit Committee discharge its function in respect of governance? The Director of Finance and Corporate Services advised Committee that the Annual Governance Statement which had previously been approved by Cabinet required amendment following the Covid 19 outbreak and that the Statement of Accounts would still be audited by Audit Wales. There was an issue however around the public inspection of the documents as the Authority's Civic buildings were closed to the public, and in order to address this Audit Wales had changed the date for receipt of public questions to 1 September 2020.
- The committee asked whether the McCloud Judgement had any implications for the Authority and was advised that the actuary had provided details of any financial impact on the Authority which had been included in the Statement of Accounts for 2019/2020.
- Members asked whether there had been any impact of the Statement of Accounts for 2019/2020 as a result of Covid 19 and were advised that this had been minimal. The Director of Finance and Corporate Services was preparing a report on the implications for the current financial year.
- What workplace changes had occurred/evolved and how would members be kept informed. The Director gave committee a brief overview of some of the arrangements in place around the democratic process in addition to such things as business rate relief supplying allowances in lieu of free school meals, etc. Audit Wales advised that there would be two work streams going forward namely the Covid Learning Project which would

share best practice, managing risk and what opportunities the 'new norm' could provide; and Recovery Planning.

- Concern was expressed that the current position would continue into next year and the implications this would have on the democratic process in particular. Members were particularly concerned that the various scrutiny committees were not being held. Committee was advised that the current process was being monitored and reviewed and that the newly established Member Recovery Panel would be involved in taking this forward.

Members were advised that Welsh Government would reimburse most of the Authority's additional expenditure as a result of Covid 19. The Authority had received payment for March and was awaiting payment for April. The invoice in relation to May would be submitted shortly in line with Welsh Government's deadline.

RESOLVED: That the above reports be noted.

3. **CLOSURE OF ACCOUNTS 2019/2020**

The Committee received an overview of the report by the Director of Finance and Corporate Services in relation to the Council's Outturn position for Revenue and Capital and Statement of Accounts for 2019/20, as detailed in the circulated report.

Members asked whether there were any implications on staff pension contributions as a result of the lockdown and were advised that as the Authority's staff were not furloughed there was no impact.

Members thanked staff for the work undertaken in producing the Draft Statement of Accounts in such unusual circumstances.

RESOLVED: that the report be noted.

CHAIRPERSON

This page is intentionally left blank

Audit of Accounts Report – Neath Port Talbot Council

Audit year: 2019-20

Date issued: September 2020

Document reference: 2011A2020-21

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

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

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.

Contents

We intend to issue an unqualified audit report on your Accounts. There are some issues to report to you prior to their approval.

Audit of accounts report

Introduction	4
Impact of COVID-19 on this year's audit	4
Proposed audit opinion	6
Significant issues arising from the audit	6
Recommendations	8
Appendices	
Appendix 1 – Final Letter of Representation	9
Appendix 2 – Proposed audit report	12
Appendix 3 – Summary of corrections made	16

Audit of Accounts Report

Introduction

- 1 We summarise the main findings from our audit of your 2019-20 statement of accounts in this report.
- 2 We have already discussed these issues with the Director of Finance and Corporate Services and his team.
- 3 Auditors can never give complete assurance that accounts are correctly stated. Instead, we work to a level of 'materiality'. This level of materiality is set to try to identify and correct misstatements that might otherwise cause a user of the accounts into being misled.
- 4 We set this level at £5.2 million for this year's audit.
- 5 There are some areas of the accounts that may be of more importance to the reader and we have set a lower materiality level for these, as follows:
 - Senior officers' remuneration - £1,000
 - Related party transactions and balances - £130,000.
- 6 We have now substantially completed this year's audit.
- 7 In our professional view, we have complied with the ethical standards that apply to our work; remain independent of yourselves; and, our objectivity has not been compromised in any way. There are no relationships between ourselves and yourselves that we believe could undermine our objectivity and independence.

Impact of COVID-19 on this Year's Audit

- 8 The COVID-19 pandemic has had a significant impact on all aspects of our society and continues to do so. You are required by law to prepare accounts and it is of considerable testament to the commitment of your accounts team that you have succeeded in doing so this year in the face of the challenges posed by this pandemic. We are extremely grateful to the professionalism of the team in supporting us to complete our audit in such difficult circumstances.
- 9 The pandemic has unsurprisingly affected our audit and we summarise in **Exhibit 1** the main impacts. Other than where we specifically make recommendations, the detail in **Exhibit 1** is provided for information purposes only to help you understand the impact of the COVID-19 pandemic on this year's audit process.

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

<p>Timetable</p>	<p>The deadline for Councils to complete their draft statement of accounts remained at 15 June 2020. In line with the Council’s original timetable, the draft accounts were submitted to us on 29 May 2020.</p> <p>The Audit Committee is due to consider and approve the audited statement of accounts on 14 September 2020 (replacing 29 July 2020). We expect your audit report to be signed on 15 September 2020 (replacing 31 July 2020).</p>
<p>Electronic signatures</p>	<p>If still necessary at the time of approval and signing, we will accept electronic signatures and electronic transfer of files. We anticipate that your audit report will be signed electronically.</p>
<p>Audit evidence</p>	<p>As in previous years, we received most of the audit evidence in electronic format. We have used various techniques to ensure its validity. Where we have been unable to obtain access to paper documents because of COVID-19 restrictions, we have devised alternative audit methodologies to obtain sufficient audit evidence. Specifically:</p> <ul style="list-style-type: none"> • Council officers provided electronic working papers in accordance with our agreed Audit Deliverables Report; • Council officers provided audit evidence to the audit team through remote access to the Council’s shared server; and • Audit Wales also secured remote read only access to the Council’s Oracle ledger which enabled the audit team to query the ledger and hence reduce the burden on officers to provide this information. <p>Despite the practical implications of lockdown and the additional workload pressures on your staff in responding to the pandemic, we did not encounter any significant delays in receiving audit evidence or timely responses to audit queries.</p>
<p>Other</p>	<ul style="list-style-type: none"> • Officers were available by video-conferencing for discussions which enabled the audit team to correspond effectively with officers throughout the audit. • Video-conference based Audit Committee meetings have enabled us to proficiently discharge our responsibility for reporting to those charged with governance. • We have drawn attention to valuations of certain property assets as at 31 March 2020, where the pension fund investment manager had declared ‘material valuation uncertainty’. We explain this matter at paragraph 20 and in Appendix 2.

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

Proposed audit opinion

- 11 We require you to provide us with a Letter of Representation based on that set out in **Appendix 1**. The letter contains certain confirmations we are required to obtain from you under auditing standards along with confirmation of other specific information you have provided to us during our audit.
- 12 Once you have provided us with your Letter of Representation, we intend to issue an unqualified audit opinion on the 2019-20 statement of accounts. Our proposed audit report is set out in **Appendix 2**. We issue a 'qualified' audit opinion where we have material concerns about some aspects of your accounts; otherwise we issue an unqualified opinion.
- 13 Our proposed audit report includes an emphasis of matter reference, drawing the reader's attention to Note 35 of the accounts. This note describes the impact of the COVID-19 pandemic on the valuation of pension scheme property assets where professional valuation reports have declared a 'material valuation uncertainty' in valuing these assets at 31 March 2020.
- 14 The Council has disclosed the nature and impact of the material uncertainty and my opinion is not modified in respect of this matter.

Significant issues arising from the audit

Uncorrected misstatements

- 15 During our audit, two misstatements were identified in the statement of accounts which have been discussed with management, but management have chosen not to adjust. We do not consider these to be material to our audit opinion.
- 16 The Council's historic cost property, plant and equipment records were incomplete and did not fully comply with the requirements of the Code of Practice on Local Authority Accounting. This requires that historic cost adjusted for the revaluation reserve value should equal the net book value of assets. The Council have now updated their records but have been unable to fully reconcile the historic cost and net book value of its assets. The unreconciled difference is not material, the Council estimates that the revaluation reserve is overstated £1,676,000 and the capital adjustment account understated. Management have confirmed that this will be corrected in the 2020-21 financial year.
- 17 Land and buildings at Harbour Court were revalued in 2019-20 as part of the Council's rolling revaluation programme. The property, which is leased by the Council includes a stepped rent for which an equivalent rent was calculated as part

of the valuation process. However, the Council's valuation software erroneously overwrote the equivalent rent input into the system by the valuer. The impact of this unadjusted misstatement is that other land and buildings are understated by £281,344 and the loss charged to the CIES overstated. We have confirmed that no further similar errors have occurred, and management have stated that this will be corrected in the 2020-21 financial year.

18 Whilst Auditing Standards require us to request that this is corrected, we accept management's view that given the number of entries required to amend the statements for relatively low values and the tight timescale for closure of the audit, there is little benefit in amending the statement of accounts. We request that the Audit Committee considers approving management's rationale for this and include this in the Letter of Representation.

Corrected misstatements

19 There were initially misstatements and disclosure errors in the draft statement of accounts. These have now been corrected by management and have no impact on the Council's reported net expenditure. However, we believe that these should be drawn to your attention and they are set out with explanations in **Appendix 3**.

Other significant Issues arising from the audit

20 In the course of the audit, we consider a number of matters relating to the accounts and report any significant issues arising to you. There were some issues arising in these areas this year as shown in **Exhibit 2**:

Exhibit 2 – significant issues arising from the audit

Significant issues arising from the audit		
<p>Material uncertainty arising from the valuation of pension scheme property assets</p>	<p>As a result of the pandemic, the Pension Fund investment manager declared a 'material valuation' uncertainty in their professional valuation reports at 31 March 2020 in respect of their valuation of UK property funds they manage on behalf of the City and County of Swansea Pension Fund. The Council's share of this fund at 31 March 2020 was £16.4 million.</p> <p>I have requested that the Council sets out in Note 35 – Defined benefit pension schemes – additional narrative to disclose the nature and extent of the uncertainty.</p>	<p>The Council has included the additional narrative disclosure.</p> <p>I have also drawn the readers' attention to this disclosure in an emphasis of matter paragraph in my audit report.</p> <p>My opinion is not modified in respect of this matter.</p>

Significant issues arising from the audit

<p>McCloud judgement</p>	<p>The draft financial statements were prepared before the Government published its consultation on its proposed remedy in response to the McCloud judgement on age discrimination in public sector pension schemes, including the local government pension scheme.</p> <p>The Government published its consultation on 16 July 2020 and we have confirmed that the Council's actuary has taken account of the main provisions of the proposed remedy in its valuation of the Council's pension liability.</p> <p>I have requested that the Council sets out in Note 35 – Defined Benefit Pension Schemes – the extent to which the proposed McCloud remedy has been accounted for.</p>	<p>The Council has included the additional narrative disclosure.</p>
<p>Asset valuation process</p>	<p>Our audit testing identified that significant changes had been made to the valuations of four properties as at 31 March 2020. The Council's capital finance team were unable to provide us with satisfactory explanation to support the changes made as they generally accept the valuations without any challenge or quality assurance. Although the Council's valuer was subsequently able to provide satisfactory evidence and explanations, there are procedural weaknesses in the valuation process and in the capital finance teams quality assurance processes.</p>	<p>We will work with officers early in the 2020-21 audit to improve these processes going forward.</p>

Recommendations

- 21 Following the audit certification by the Auditor General, we will continue to work with the Council's finance team to improve the accounts production process for 2020-21.

Appendix 1

Final Letter of Representation

Neath Port Talbot Council Letterhead

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

14 September 2020

Representations regarding the 2019-20 financial statements

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

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

Management representations

Responsibilities

We have fulfilled our responsibility for:

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

Information provided

We have provided you with:

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

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

Financial statement representations

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

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

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

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

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

The financial statements are free of material misstatements, including omissions. The effects of an uncorrected misstatement identified during the audit is immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of these items is set out below:

- The Council's historic cost property, plant and equipment records were incomplete and did not fully comply with the requirements of the Code of Practice on Local

Authority Accounting. This requires that historic cost adjusted for the revaluation reserve value should equal the net book value of assets. The Council have updated their records but have been unable to fully reconcile the historic cost and net book value of its assets. The unreconciled difference is not material, the Council estimates that the revaluation reserve is overstated £1,676,000 and the capital adjustment account understated. Management have confirmed that this will be corrected in the 2020-21 financial year.

- Land and buildings at Harbour Court were revalued in 2019-20 as part of the Council's rolling revaluation programme. The property, which is leased by the Council includes a stepped rent for which an equivalent rent was calculated as part of the valuation process. However, the Council's valuation software erroneously overwrote the equivalent rent input into the system by the valuer. The impact of this unadjusted misstatement is that other land and buildings are understated by £281,344 and the loss charged to the CIES overstated. We have confirmed that no further similar errors have occurred, and management have stated that this will be corrected in the 2020-21 financial year.

Representations by the Audit Committee

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

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Audit Committee on 14 September 2020.

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

Signed by:

Director of Finance and Corporate services:

Date: 14 September 2020

Signed by:

Chair of the Audit Committee

Date: 14 September 2020

Appendix 2

Proposed audit report

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

Report on the audit of the financial statements

Opinion

I have audited the financial statements of Neath Port Talbot Council for the year ended 31 March 2020 under the Public Audit (Wales) Act 2004.

Neath Port Talbot Council's financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and the related notes, including a summary of significant accounting policies.

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

In my opinion the financial statements:

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

Basis for opinion

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

Emphasis of matter – effects of the Covid-19 pandemic on the valuation of pension scheme property assets

I draw attention to Note 35 of the financial statements, which describes the impact of the COVID-19 pandemic on the valuation of pension scheme property assets as at 31 March 2020.

My opinion is not modified in respect of this matter.

Conclusions relating to going concern

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

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

Other information

The responsible financial officer is responsible for the other information in the annual report and accounts. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated later in my report, I do not express any form of assurance conclusion thereon.

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

Report on other requirements

Opinion on other matters

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

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

- The information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Governance Statement has been prepared in accordance with guidance.

Matters on which I report by exception

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

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

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

Certificate of completion of audit

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

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 9, the responsible financial officer is responsible for the preparation of the statement of accounts, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

24 Cathedral Road
Cardiff
CF11 9LJ

Appendix 3

Summary of corrections made

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

Exhibit 3: summary of corrections made

Value of correction	Nature of correction	Reason for correction
£9,351,000	Note 5 Expenditure and income analysed by nature Revaluation losses on property, plant and equipment had been incorrectly disclosed as other services expenditure when they should have been classified as depreciation, amortisation and impairment expenditure.	To correctly disclose the categorisation of expenditure.
£998,626	Note 11 Property, Plant and Equipment The net book value of service concession assets (residential care homes under the Pobl contract) disclosed in Note 11 had not been decreased by the annual depreciation charge and was therefore overstated by this amount.	To correctly disclose the value of service concession assets within Property, Plant and Equipment.
£3,752,000	Note 17 Creditors The short-term creditors' balance had been decreased by the debit balance on the inter-committee cash account. This should properly have been classified as a debtor (within Note 13 Debtors). Both creditors and debtors were correspondingly understated.	To correctly disclose creditors and debtors.

Value of correction	Nature of correction	Reason for correction
£61,558 £11,080	Note 27 Officers' Remuneration The salary and employer's pension contribution disclosed for the newly appointed Director of Environment incorrectly included remuneration from their previous role.	To correctly disclose the remuneration of the Director of Environment.
Disclosure only	Note 35 Defined Benefit Pension Schemes Additional wording added to explain the basis on which the actuary has valued liabilities arising from the McCloud judgement.	Additional wording which clarifies that the valuation is in line with the proposed remedy issued by the Government in July 2020.
£9,370,000	Note 35 Defined Benefit Pension Schemes The fair value of pension scheme assets was based on an estimated rate of return for March 2020 which understated the value by £9.37 million compared to the actual rate of return. The overall pension liability and pensions reserve (Note 20) are correspondingly overstated and the actuarial gains (CIES) understated.	To disclose pension scheme assets and liabilities in line with the scheme actuaries updated valuation.
Disclosure only	Note 35 Defined Benefit Pension Schemes Note added to explain that due to the impact of COVID-19, the Pension Fund investment manager reported a material uncertainty in their valuation reports for UK property funds managed on behalf of the City and County of Swansea Pension Fund as at 31 March 2020. The	Additional wording in the financial statements, to which the Auditor General's certificate (Appendix 2) draws attention as an 'emphasis of matter'. See paragraph 20.

Value of correction	Nature of correction	Reason for correction
	Council's share of this fund was £16.4 million.	
Narrative	<p>Annual Governance Statement Additional wording added to explain the impact of the COVID-19 pandemic on the Council's governance arrangements.</p>	To comply with CIPFA disclosure requirements.



Audit Wales

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

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

14th SEPTEMBER 2020

REPORT OF THE DIRECTOR OF FINANCE & CORPORATE SERVICES

Matter for Decision

Wards Affected – All wards

Statement of Accounts 2019/20

Purpose of the Report

The purpose of this report is to consider and approve the 2019/20 Statement of Accounts, following the completion of the external audit.

Background

For 2019/20 Local authorities were originally required to complete and submit a set of accounts to audit by the 15th June, with a requirement to gain Audit Committee approval, following the conclusion of the audit process, by the 15th September at the latest. Member should note that due to the impact of Covid-19 these dates were subsequently amended to later dates in 2020.

As previously mentioned to members this Council's Finance team recognised that the deadline dates will move to the end of July, so has previously worked to close early in advance of the legislative dates. Our external auditor, Audit Wales, supported this approach and included this Council in the early closure scheme for local government accounts. However due to the impact of Covid-19 it was necessary to amend the final sign off date for the accounts to 15th September 2020, although still in line with legislation.

The Accounts and Audit (Wales) (Amendment) Regulations 2018 update the timescales for the Section 151 officer/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
2019/20	15 th June 2020	15 th September 2020
2020/21	31 st May 2021	31 st July 2021

Closure of Accounts 2019/20

Neath Port Talbot's Statement of Accounts was submitted to the external auditor on the 29th May 2020 and they have now substantially completed their audit.

The final Statement of Accounts has been updated from the draft considered in June to reflect a number of amendments identified by Audit Wales during the course of their audit, details of which can be found in the Audit Wales ISA260 report.

For 2019/20 members should note that once again Audit Wales are issuing an unqualified audit opinion but have highlighted an emphasis of matter within their audit opinion. This has been necessary due to the Covid-19 pandemic which has led the pension fund property investment manager to disclose a material uncertainty as to the value of property asset investments included in the City and County of Swansea Pension Fund year-end valuation report.

Two other significant issues were identified during the audit only one of which required amendment to the accounts in the form of an additional disclosure. This is in relation to the McCloud/Sargeant pension requirements. Following the rejection of the UK Government appeal of July 2019, the UK Government published consultation proposals on a remedy to address the McCloud Issue during July 2020. The pension fund actuary, Aon Hewitt, confirmed that their pension fund information, projections and statements had already incorporated the major provisions of the remedy within the valuations they provided and which were included in the draft accounts, however there remains some uncertainty over the final outcome which will not be clarified until late 2020-21 and subsequently an additional disclosure note has been included in the accounts.

The other main issue related to asset valuations for 4 properties. Although subsequent satisfactory evidence was provided further procedural improvements will be enhanced during 2020/21. The Council's Finance team will work with Audit Wales and the Council's valuer to strengthen the current quality assurance arrangements.

Unadjusted Misstatements

Two unadjusted misstatements have been identified during the audit, both of which have not been adjusted as they are not considered to be material by the auditors and given the accounting entries required to amend the accounts. These relate to:

The Councils historic cost on property, plant and equipment records has been properly included in the Statement of Accounts but when this has been depreciated and valued in the accounts this has created an anomaly between 2 different unusable reserve balances meaning it did not fully comply with the Code of Practice on Local Government Authority Accounting. The Councils capital accounting team has been working to correct this position but currently there is a small difference to be reconciled. It is estimated that the revaluation reserve is overstated by £1.676m with a corresponding transfer of this amount needed to the capital adjustment account. I wish to thank Audit Wales for their support in undertaking this corrective and reconciliation work which as it falls below the de minimus levels will be corrected in 2020/21. It should be noted that there is no overall impact on the accounts as the adjustment will be between two unusable reserves.

A valuation on Harbour Court, a leased property which includes a step rent was undertaken in 2019-20. An equivalent rent was calculated by the valuer for the valuation process however the computer software utilised erroneously overwrote the equivalent rent input to the system. As part of the audit process Audit Wales have identified that no other similar issues had occurred but additional quality control checks will be looked at for next year.

Adjusted Misstatements

All other corrections identified as part of the audit of the draft accounts have been actioned in the final accounts and it should be noted that none of these has had an impact on the Council's reported net expenditure or usable reserves.

Members should note that the main changes to the Final Statement of Accounts relate to:

A disclosure error of £9.351m within note 5 to the accounts where the revaluation losses on property plant and equipment was incorrectly included in other service expenditure as opposed to depreciation, amortisation and impairment expenditure within the same note.

The separate disclosure of the service concession assets included within the Property plant and equipment totals within note 11 were omitted from the draft disclosure note.

An adjustment to the pensions reserve and the pension liability was required due to revised information being received from the scheme actuary, as a result of an under estimated rate in the original valuations. This resulted in £9.37m of actuarial gains being transacted through Comprehensive Income and Expenditure Statement to the pension reserve and pension liability account within the balance sheet.

Following the receipt of the certified Letter of Representation, after approval at this meeting, Audit Wales intend issuing an unqualified audit report.

Annual Governance Statement

Members will note the addendum to the Annual Governance Statement was approved by Cabinet in July 2020. The addendum was required to incorporate Covid-19 consequences on the Council's governance arrangements. These are included under a separate report to today's meeting.

Conclusions

Neath Port Talbot Council has closed its accounts and produced its Statement of Accounts within the originally prescribed statutory timeframe.

Audit Committee should note that the external auditor is once again able to issue an unqualified audit opinion.

Financial Impact

All financial impacts are contained within the body of the report.

Integrated Impact Assessment

There is no requirement for an integrated impact assessment in respect of this item.

Valleys Communities Impacts

There are no impacts in respect of this item.

Workforce impacts

There are no workforce impacts in respect of this item.

Legal Impacts

There are no legal impacts in respect of this item.

Risk Management

There are no risk management issues in respect of this item.

Consultation

There is no requirement under the Constitution for external consultation on this item.

Recommendations

It is recommended that:

- Members approve the Letter of Representation, included as Addendum 1;
- Members approve the final 2019/20 Statement of Accounts, as included in Addendum 2;
- The Chair of the Audit Committee be authorised to provide his electronic signature for the Letter of Representation and the Statement of Accounts.

Reason for proposed decisions

To ensure that the Council's Statement of Accounts is approved.

Implementation of Decision

The decision is proposed for immediate implementation.

Appendix/Addendum

Addendum 1 – Letter of Representation 2019/20

Addendum 2 – Statement of Accounts 2019/20

Background Papers

Closing working papers 2019/20

Officer Contact

For further information on this report item, please contact:

Mr Hywel Jenkins, Director of Finance and Corporate Services

☎ 01639 763251

E-mail: h.jenkins@npt.gov.uk

Mr Huw Jones, Head of Finance,

☎ 01639 763575

E-mail: h.jones@npt.gov.uk

Mrs Diane Mulligan, Group Accountant, Technical

☎ 01639 763603

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



Cyngor Castell-nedd Port Talbot
Neath Port Talbot Council

Dyddiad/ Date 14th September 2020
Rhif Ffôn/ Direct Line 01639 763251
Ebost/ Email h.jenkins@npt.gov.uk
Cyswllt/ Contact Mr Hywel Jenkins
Eich cyf/ Your ref
Ein cyf/ Our ref DOFCS/TJ

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

Dear Sir

Representations regarding the 2019-20 Financial Statements

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

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

Management representations

Responsibilities

We have fulfilled our responsibility for:

- the preparation of the financial statements in accordance with legislative requirements and the CIPFA Code of Practice on Local Authority Accounting in the UK 2019-20; in particular the financial statements give a true and fair view in accordance therewith; and

Hywel Jenkins Cyfarwyddwr Cyllid a Gwasanaethau Gorfforaethol
Cyngor Castell-Nedd Port Talbot
Y Ganolfan Ddinesig
Port Talbot SA13 1PJ
Ffôn 01639 763251

Hywel Jenkins Director of Finance & Corporate Services
Neath Port Talbot Council
Civic Centre
Port Talbot SA13 1PJ
Phone 01639 763251

www.npt.gov.uk

- the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

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

Financial statement representations

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

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

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

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

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

The financial statements are free of material misstatements, including omissions. The effects of an uncorrected misstatement identified during the audit is immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of these items is set out below:

- The Council's historic cost property, plant and equipment records were incomplete and did not fully comply with the requirements of the Code of Practice on Local Authority Accounting. This requires that historic cost adjusted for the revaluation reserve value should equal the net book value of assets. The Council have updated their records but have been unable to fully reconcile the historic cost and net book value of its assets. The unreconciled difference is not material, the Council estimates that the revaluation reserve is overstated £1,676,000 and the capital adjustment account understated. Management have confirmed that this will be corrected in the 2020-21 financial year.

- Land and buildings at Harbour Court were revalued in 2019-20 as part of the Council's rolling revaluation programme. The property, which is leased by the Council includes a stepped rent for which an equivalent rent was calculated as part of the valuation process. However, the Council's valuation software erroneously overwrote the equivalent rent input into the system by the valuer. The impact of this unadjusted misstatement is that other land and buildings are understated by £281,344 and the loss charged to the CIES overstated. We have confirmed that no further similar errors have occurred, and management have stated that this will be corrected in the 2020-21 financial year.

Representations by the Audit Committee

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

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Audit Committee on 14 September 2020.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you.

We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware

Signed by:

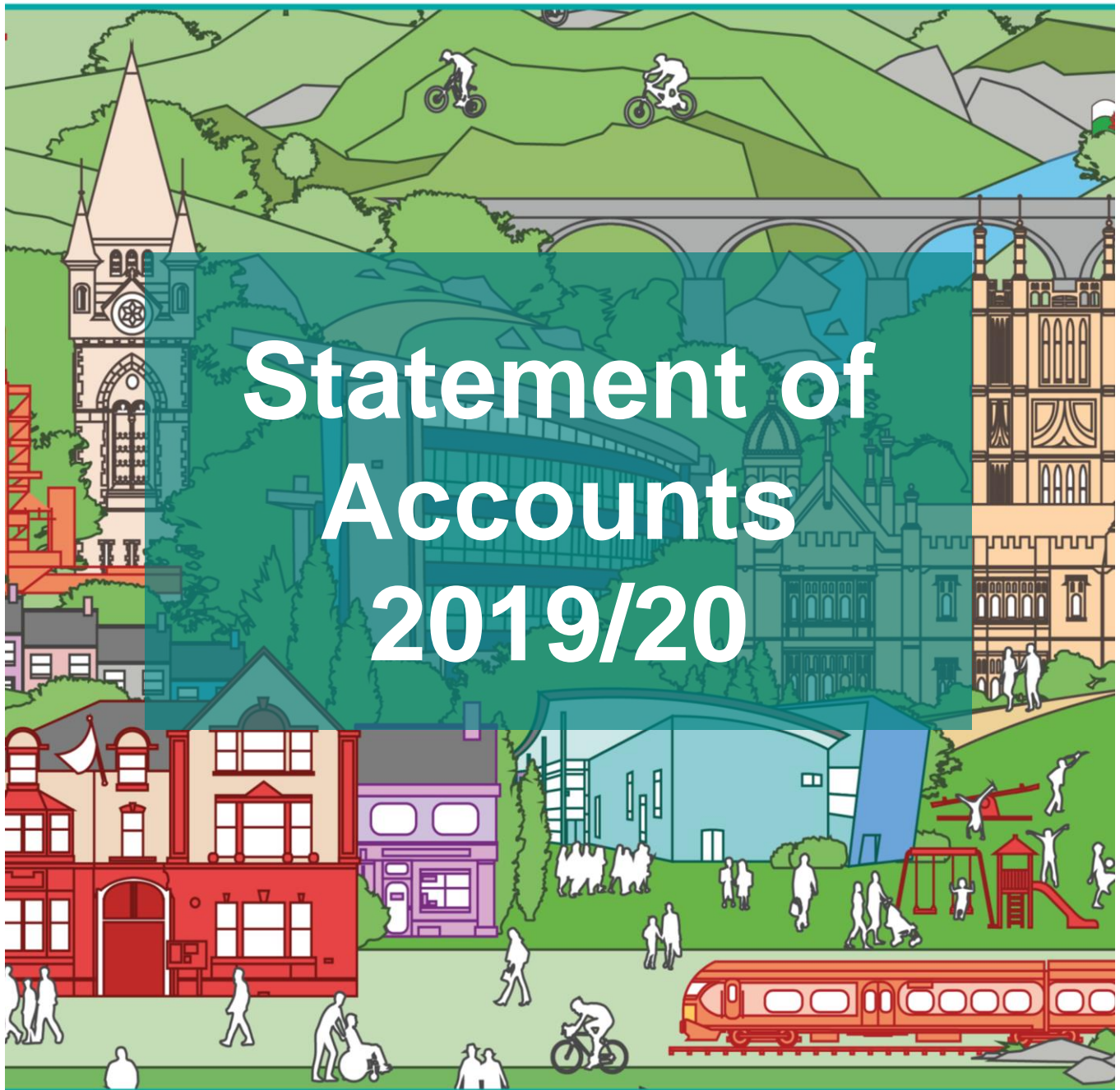
Signed by:

Director of Finance and Corporate Services:
Date: 14 September 2020

Chair of the Audit Committee
Date: 14 September 2020



Cyngor Castell-nedd Port Talbot
Neath Port Talbot Council



Statement of Accounts 2019/20

www.npt.gov.uk

CONTENTS

Section	Page
Narrative report	1-7
Statement of Responsibilities	8
Expenditure and Funding Analysis	9
Comprehensive Income and Expenditure Statement	10
Movement in Reserves Statement	11
Balance Sheet	12
Cash Flow Statement	13
Notes to the Accounting Statements	14-70
Auditors Report	71-74
Glossary of terms	75-77

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 is included at the front of the statement of accounts and 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 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.

NARRATIVE REPORT

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 income and expenditure statement. These are different from the statutory amounts required to be charged to the general fund balance.

Balance sheet

This 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 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 2019/20

The Authority's budget requirement for 2019/20 was set at £288.168m. Actual spending compared to the budget was as follows:

Neath Port Talbot management accounts	Revised budget £000	Actual £000
Expenditure		
Directly controlled expenditure	244,739	244,828
Capital financing	19,274	19,274
Levies, contributions and miscellaneous funds	7,624	7,619
Council tax support	18,108	17,737
Contingencies and reserves	(1,577)	(261)
Net expenditure	288,168	289,197
Income		
Revenue Support Grant / NNDR	(214,795)	(214,795)
Council tax	(73,703)	(73,703)
Less discretionary rate relief	330	348
Total income/budget requirement	(288,168)	(288,150)
NET BUDGET (SURPLUS)/DEFICIT TO BALANCES	0	1,047
General fund working balance		
Opening working balance 1st April		(20,968)
Movement in balance		1,047
Closing working balance 31st March		(19,921)

4. CAPITAL SPENDING IN 2019/20

	Actual £000
Capital investment	39,131
The expenditure was financed by:	
Government grants and other contributions	(24,684)
Loans	(14,265)
Direct revenue contributions and reserves	(182)
	(39,131)

The capital investment figure of £39.131m includes £38.019m incurred directly by the Council and £1.112m incurred on behalf of the Council by Caerphilly CBC. Caerphilly CBC are acting on behalf of all Welsh Authorities in purchasing schools ICT infrastructure as part of the Welsh Governments Hwb Programme. Whilst the expenditure is being incurred by Caerphilly, for accounting purposes each Authority is required to reflect their element within their Statement of Accounts.

NARRATIVE REPORT

5. EXTERNAL DEBT

At the year end, the Authority's total external debt was £307.872m, which excludes accrued interest of £2.923m 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 2020

	Actual £000
Earmarked reserves to support revenue expenditure	38,261
Revenue reserve to support capital expenditure	911
General reserve working balances	19,921
Total general reserve balance	59,093

7. REVALUATION OF ASSETS

The net book value of assets increased during 2019/20 by £4.150m. There was a £7.402m gain relating to the revaluation of assets undertaken by the Director of Environment / Strategic Property and Valuation Manager.

The Authority's property, plant and equipment are valued on a five year rolling programme by the Director of Environment / Strategic Property and Valuation Manager 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 2019/20, the following categories of assets were revalued:

- Community was valued as at 31st January 2020 and as at 1st February 2020 on a Current Value and Historic Cost basis;
- Property Plant and Equipment was valued as at 1st November 2019 on a Current Value Existing Use Valuation basis;
- Civic Amenities and Landfill Sites was valued as at 1st February 2020 on a Current Value Existing Use Valuation and Current Value Depreciated Replacement Cost

Assets held for sale are valued annually and nine assets with a value of £5.368m were valued at 31st March 2020.

NARRATIVE REPORT

The outbreak of the Covid-19 pandemic has impacted the global economy and property markets have experienced significantly lower activity. As at 31 March 2020, there was a shortage of market evidence for comparison purposes on certain asset categories, The Council's internal valuer therefore reported the valuations of these assets on the basis of 'material valuation uncertainty' as per the RICS Red Book Global Standards. Consequently, less certainty and a higher degree of caution should be attached to the valuations. It is currently not possible to quantify the effect of this material uncertainty but it is the opinion of the valuer that the valuations are as reliable as they can be in the current circumstances. More information can be found in note 11.

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 £3.6m to cover the likely cost of settling outstanding insurance liabilities. This is made up of a long term provision of £2.4m and a short term provision of £1.2m.
- A provision of £0.9m for housing warranties following the transfer of the Housing stock to Tai Tarian in March 2011.
- A provision of £0.325m to provide the costs of early retirements and redundancies which have been agreed by 31st March 2020, with leaving dates during 2020/21.

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.

NARRATIVE REPORT

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 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 is 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
- Income generation
- Council tax level

The Welsh Government's headline figures for the funding settlement for 2020/21 are 4.5% for the Council, with the All Wales position at 4.3%. The Welsh Government has only published budget plans for 2020/21, as they await the outcome of the UK Government Spending Review.

The UK Government has stated that austerity has come to an end, but the continued uncertainty around the financial impact of Brexit and the outcome of the spending review means that we do not have clarity on future years funding. This year's extreme weather has seen flooding in the area and uncertainty remains around the financial impact of these events. Also, the international impact of the virus Covid 19 may change funding availability and costs for local authorities.

This Council will prepare further work to update its Medium Term Financial Plan when more information is available, but identified in March 2020 that further savings will be required to address a predicted shortfall of £28m over the next three years.

On the 23rd March 2020 the UK Government's lockdown of services and business operations commenced due to the coronavirus pandemic (Covid 19). This resulted in the Council complying with Government legislation and responding initially through the provision of emergency response services only:

- some continued more or less as usual i.e. residential care, refuse collection;
- others were amended such as schools were closed but re-opened to provide services to key worker and vulnerable children;
- whilst some were new services such as providing food and medical support to shielded and vulnerable families, cash to families entitled to Free School Meals, building a Field Hospital and paying grants to businesses.

NARRATIVE REPORT

The UK and Welsh Government announced unprecedented levels of additional funding to pay for extra costs to keep adult care services, FSM and businesses afloat, they have also provided some assistance for loss of Council income. Further reports will be presented to Members in 2020/21 on the implications of the response to Covid 19 on Council Services and the overall Budget. As Government lockdown will be released the Council will then move to amend and deliver service provision to the public in line with National / Welsh Government announcements. The aim will be to recover / re-provide services and the local economy in a safe and effective way in line with announcements and legislation.

12. LOCAL GOVERNMENT PENSION FUND COVID-19 UPDATE

As the Covid 19 pandemic started its global spread early in 2020, global financial markets reflected the impending risks, with resultant material falls in valuations of most asset classes in February and March of 2020. Due to these market conditions, a material valuation uncertainty has been included by one of the pension fund investment managers in their year-end valuation report for the UK property fund they manage on behalf of the City and County of Swansea Pension Fund.

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

LGPS Scheme members can therefore be assured that both their contributions and their pension, whether in payment or built up to date, will be unaffected.

The lockdown imposed by HM Government on 23rd March 2020, presented operational hurdles for LGPS Administration Authorities, however with the implementation of contingency planning, leveraging the use of technology, flexible working and the professionalism and goodwill of staff, normal business has been maintained. The payment of members' pensions and the processing of pensioners/joiners has been prioritised and maintained throughout this period.

Employer/employee contributions have not been affected during this period, and the Administration Authority continues to liaise with employers to manage any cash flow issues which may arise.

13. 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.

14. 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 2020.



Director of Finance and Corporate Services

Date: 05th September 2020

I confirm that the Statement of Accounts was approved by Audit Committee on 14th September 2020.

Chair of Audit Committee

Date: 14th September 2020

EXPENDITURE AND FUNDING ANALYSIS

2018/19			2019/20			
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
108,632	17,211	125,843	Education, Leisure & Lifelong Learning	111,471	22,579	134,050
79,981	8,609	88,590	Social Services, Health & Housing	79,704	4,556	84,260
35,564	28,217	63,781	Environment	37,461	28,192	65,653
17,768	3,333	21,101	Corporate Services	18,382	1,751	20,133
(286)	99	(187)	Other Housing Services	(107)	(65)	(172)
23,281	(9,212)	14,069	Other Central Services	27,534	(9,925)	17,609
264,940	48,257	313,197	Net cost of services	274,445	47,088	321,533
(266,865)	(5,980)	(272,845)	Other income & expenditure	(272,144)	(8,774)	(280,918)
(1,925)	42,277	40,352	Surplus or deficit	2,301	38,314	40,615
59,469			Opening general fund balance	61,394		
1,925			In year movement surplus / (deficit)	(2,301)		
61,394			Closing general fund balance	59,093		

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

2018/19				2019/20		
Gross expenditure	Gross income	Net expenditure	Note	Gross expenditure	Gross income	Net expenditure
£000	£000	£000		£000	£000	£000
163,199	(37,356)	125,843		174,559	(40,509)	134,050
121,958	(33,368)	88,590		121,904	(37,644)	84,260
87,553	(23,772)	63,781		89,798	(24,145)	65,653
28,724	(7,623)	21,101		26,595	(6,462)	20,133
49,688	(49,875)	(187)		45,673	(45,845)	(172)
14,446	(377)	14,069		18,011	(402)	17,609
465,568	(152,371)	313,197		476,540	(155,007)	321,533
20,394	-	20,394	8	21,803	-	21,803
22,488	(509)	21,979	9	23,103	(497)	22,606
-	(315,218)	(315,218)	10	-	(325,327)	(325,327)
508,450	(468,098)	40,352		521,446	(480,831)	40,615
		5,567	20			(18,335)
		-	20			-
		30,450	20			(41,790)
		36,017				(60,125)
		76,369				(19,510)

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 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	(40,352)	-	-	(40,352)	(36,017)	(76,369)
Adjustments between accounting basis and funding basis under regulations (note 6)	42,277	171	369	42,817	(42,817)	-
Increase/(decrease) in Year	1,925	171	369	2,465	(78,834)	(76,369)
Balance at 31st March 2019	61,394	6,971	10,477	78,842	(148,726)	(69,884)
Movement in reserves during 2019/20						
Total comprehensive income and expenditure	(40,615)	-	-	(40,615)	60,125	19,510
Adjustments between accounting basis and funding basis under regulations (note 6)	38,314	1,105	1,152	40,571	(40,571)	-
Increase/(decrease) in Year	(2,301)	1,105	1,152	(44)	19,554	19,510
Balance at 31st March 2020	59,093	8,076	11,629	78,798	(129,172)	(50,374)

BALANCE SHEET

31st Mar 2019		Note	31st Mar 2020
£000			£000
704,992	Property, plant and equipment	11	709,142
1,183	Heritage assets		1,183
86	Long term investments	12	86
1,353	Long term debtors	12	1,262
707,614	Long term assets		711,673
55,135	Short term investments	12	56,541
3,536	Assets held for sale	16	5,368
589	Inventories		651
32,454	Short term debtors	13	41,489
3,507	Cash and cash equivalents	15	3,303
95,221	Current assets		107,352
(10,638)	Short term borrowing	12	(13,697)
(48,831)	Short term creditors	17	(42,048)
0	Grants Receipts in Advance - Capital		(153)
(2,022)	Short term provisions	18	(1,543)
(61,491)	Current liabilities		(57,441)
(18,601)	Long term creditors	12	(16,264)
(275,803)	Long term borrowing	12	(297,098)
(513,753)	Other long term liabilities	35	(495,303)
(3,071)	Long term provisions	18	(3,293)
(811,228)	Long term liabilities		(811,958)
(69,884)	Net assets		(50,374)
(78,842)	Usable reserves	19	(78,798)
148,726	Unusable reserves	20	129,172
69,884	Total reserves		50,374

CASH FLOW STATEMENT

2018/19 £000		Note	2019/20 £000
(40,352)	Net surplus or (deficit) on the provision of services		(40,615)
55,809	Adjustments to net surplus or deficit on the provision of services for non-cash movements	21a	51,824
(17,599)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	21b	(22,580)
<u>(2,142)</u>	Net cash flows from operating activities	*	<u>(11,371)</u>
(14,612)	Investing activities	22	(13,381)
16,127	Financing activities	23	24,548
<u>(627)</u>	Net increase or decrease in cash and cash equivalents		<u>(204)</u>
4,134	Cash and cash equivalents at the beginning of the reporting period		3,507
<u>3,507</u>	Cash and cash equivalents at the end of the reporting period	15	<u>3,303</u>

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

2018/19 £000		2019/20 £000
(651)	Interest received	(495)
9,919	Interest paid	10,810

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

i. General principles

The statement of accounts summarises the Council's financial transactions for 2019/20 and its position at 31st March 2020. 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 2019/20, supported by International Financial Reporting Standards (IFRS).

The accounts are prepared on a going concern basis.

ii. Recognition of income and expenditure

Activity is accounted for in the year that it takes place, not when cash payments are made or received. In particular:

- revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when 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.
- services received (including employees services) 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.
- Government grants and third party contributions are recognised when there is reasonable assurance that the Council will comply with any conditions attached to the payments, and that grant monies and contributions will be received. Where conditions attached to grants and contributions remain outstanding, monies received to date are carried forward in the balance sheet as creditors (receipts in advance) until the conditions have been satisfied.
- 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 are not considered collectable, the balance is reduced by a provision for doubtful debts.

iii. Changes in accounting policies and prior period adjustments

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.

iv. 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.

NOTES TO THE ACCOUNTS

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.

Assets are initially measured at cost, comprising of the purchase price and any costs attributable to bringing the asset to an operational condition. 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, that is estimated at highest and best use from a market participant's perspective. 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.

Assets are carried in the balance sheet using the following measurement basis:

Asset type	Measurement basis	Revaluation year	Depreciation basis (straight line unless not finite usable life)
Other operational land and buildings	Existing use value or depreciated replacement cost if no market based evidence.	Rolling programme across five years	Land n/a Buildings 3 to 40 years
Vehicles, Plant, Furniture and Equipment	Existing use value or depreciated historical cost if of low value or short life.	n/a	5 to 20 years
Infrastructure assets	Depreciated historical cost	n/a	40 years
Community assets	Depreciated historical cost	2019/20	5 to 40 years
Surplus assets	Fair value	2020/21	5 to 40 years
Assets under construction	Depreciated historical cost	n/a	n/a
Assets held for sale	Revalued immediately before reclassification	Every year	n/a
School assets	Depreciated replacement cost (modern equivalent asset)	2021/22	Land n/a Buildings usually 50 years, though varied for agreed closures
Service Concession	Existing use value or depreciated replacement cost if no market based evidence.	2022/23	Land n/a Buildings 3 to 40 years

NOTES TO THE ACCOUNTS

Revaluations

The Council's internal valuer undertake this exercise in accordance with the professional standards of the Royal Institution of Chartered Surveyors. 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. The Council must balance the requirement to include asset values at their fair or current value each year end with the costs involved in providing valuations. To ensure the information is materially correct, the Council valuer undertake an annual review to identify any significant impairments or change in the usage of assets.

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 and downward revaluation

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired in value because of a change in service potential or significant and permanent changes to the market value.

- 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, the carrying amount of the asset is written down against the relevant service lines in the comprehensive income and expenditure statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service lines in the comprehensive income and expenditure statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset in the balance sheet is written off to the other operating expenditure line in the CIES against any receipts arising from the disposal as a gain or loss on disposal. If more than £10,000 is received at disposal, this is treated as a capital receipt and kept in a reserve that can only be used for capital purposes.

Componentisation

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. These factors are:

- 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, i.e. 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

NOTES TO THE ACCOUNTS

non-land element as a whole, or that require a different method of depreciation will be identified for componentisation.

Assets that do not meet the test above can be disregarded for componentisation on the basis that any adjustment to depreciation charges would not result in a material misstatements in the accounts.

v. Charges to revenue for non-current assets

Services are charged 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.

vi. Financial instruments

These are recognised in the balance sheet when the Council becomes a party to the contractual provisions and are initially measured at fair value.

Financial liabilities are carried at their amortised cost. For most of the Council's borrowing, it means that the amount presented in the balance sheet is the outstanding principal repayable, plus accrued interest. Annual interest, which is the amount payable for the year according to the loan agreement, is charged to the financing and investment income and expenditure line within the comprehensive income and expenditure statement. The Council has spread the cost of historical premiums and discounts arising from debt rescheduling 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 are classified to reflect the business model for holding the financial assets and their cash flow characteristics and are held at fair value.

The Council's investments at 31st March 2020 had a historic rate of default of 0.02% and there is no impairment allowance included for these financial assets, as the risk is immaterial. The Council's debtors position, excluding council tax, is included within the financial assets statement. These debts have been reviewed and although there is no significant financing component, funds are set aside for any potential impairment based on a collective assessment of the value and age of the outstanding debt.

vii. Heritage assets

Heritage assets are defined as assets that have historical, artistic, scientific, technological, geographical or environmental qualities, which are held and maintained principally for their contribution to knowledge and culture.

The Council holds heritage assets on the balance sheet in relation to works of art. Assets are included when an insurance valuation has been undertaken and the valuation for the individual asset is £5,000 or more. In the absence of historic cost, the insurable sum is deemed as an appropriate and relevant method of valuation, with the last valuation undertaken by Sotheby's in 2003. These items are considered to have indeterminate lives and a high residual value, consequently the Council does not consider it appropriate to charge depreciation.

NOTES TO THE ACCOUNTS

viii. 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.

The Council holds one finance lease, as a lessee, for other land and buildings, which is recognised on the balance sheet. This is matched by a liability for the obligation to pay the lessor.

Where the Council grants an operating lease as a lessor for property or land, the asset is retained in the balance sheet and rental income is credited to the comprehensive income and expenditure statement.

ix. Service concessions

These are agreements for services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the contractor. The Council is deemed to control the services provided under the contract and as ownership of the assets will pass to them at the end of the contract period, the Council carries the assets on its balance sheet as part of property, plant and equipment.

Further details of service concession costs and liabilities can be found in note 32.

x. Revenue expenditure funded from capital under statute

Legislation requires defined items of revenue expenditure charged to services within the comprehensive income and expenditure statement to be treated as capital expenditure. This is transferred from the general fund balance via the movement in reserves statement to the capital adjustment account and is included in the capital expenditure and financing disclosure at note 31.

xi. Cash and cash equivalents

Cash includes cash in hand, overnight deposits and bank overdrafts. Cash equivalents can be quickly converted to known amounts of cash with low risk of change in value. Cash equivalents held as part of treasury management operations are included as short term investments.

xii. Employee Benefits

Short term employee benefits such as wages and salaries, paid annual leave, sick leave and expenses are paid on a monthly basis and reflected as expenditure on an accruals basis in the relevant service line in the comprehensive income and expenditure statement.

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. They are charged on an accruals basis to the comprehensive income and expenditure statement.

NOTES TO THE ACCOUNTS

xiii. Retirement Benefits

The Council participates in two formal pension schemes, the Local Government Pensions Scheme, which is administered by the City and County of Swansea Pension Fund and the Teachers' Pension Scheme, administered by the Teachers Pension Agency. Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees who worked for the Council.

The nature of the teachers' scheme prevents the Council's individual share of the pension liability from being separately identified. The scheme is therefore accounted for as if it were a defined contribution scheme.

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

- i. The assets attributable to the Council are measured at fair value at the balance sheet date, after deducting accrued expenses. The attributable liabilities are valued on an actuarial basis using the projected unit method, which assesses the future liabilities of the fund discounted to their present value. Net pension assets are recognised only to the extent that the Council is able to recover a surplus, either through reduced contributions in the future or through refunds from the scheme. Unpaid contributions to the schemes are recorded as creditors due within one year.
- ii. For pension charges, the change in defined benefit asset or liability is analysed and charged to the comprehensive income and expenditure statement as follows:
 - Current service cost, past service cost and gains / losses on curtailments and settlements are included within Cost of Services;
 - Net interest on the net defined benefit liability is included within financing and investment income and expenditure; and
 - Actuarial gains / losses are incorporated within other comprehensive income and expenditure.

Further details for pensions can be found in notes 34 and 35.

xiv. 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.

xv. Inventories

Inventories are included in the balance sheet at average purchase price or latest purchase price, which 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.

xvi. Overhead and support costs

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

NOTES TO THE ACCOUNTS

xvii. Provisions, contingent liabilities and contingent assets

Provisions are based on the Council's obligations arising from a past event, the probability that a transfer of economic benefit will take place and when a reliable estimate can be made of the value of the obligation. They are charged to the appropriate service revenue account in the year the obligation becomes known and are reviewed at each balance sheet date.

Contingent liabilities and assets are included where an event has taken place that gives a possible obligation or asset arising from past events, which will only materialise if certain events not wholly within the control of the Council take place. They are not recognised in the balance sheet, but disclosed in a note to the accounts when material.

xviii. Reserves

Usable reserves are set aside for future policy purposes or contingencies. Unusable reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement and employee benefits and do not represent usable resources for the Council.

xix. Schools

Schools assets, liabilities, reserves, transactions and cash flows are included in the Council's financial statements, which complies with the accounting Code.

xx. Value added tax (VAT)

VAT payable is excluded from spend except when it cannot be recovered from HMRC. VAT receivable is excluded from income.

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.

IFRS 16 Leases was due to be implemented during 2020/21 however CIPFA/LASAAC have agreed to defer the implementation for one year in line with the governments Financial Reporting Advisory Board proposals. This deferral has delayed the publication of the 2020/21 code.

The 2020/21 Code introduces changes arising from the accounting guidance in relation to:

- IAS19 Employee Benefits;
- IAS 28 Investments in Associates and Joint ventures;
- Annual Improvements to IFRS Standards 2015-2017 Cycle.

These amendments should not materially affect this Council.

The Code requires implementation after 1st April 2020, there is therefore no impact on the 2019/20 statement of accounts.

NOTES TO THE ACCOUNTS

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 2020, 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 £3.588m as at 31st March 2020 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.

	2019/20			
	Adjustments for capital purposes	Net charge for pensions	Other differences	Total adjustments
	£000	£000	£000	£000
Education, Leisure & Lifelong Learning	17,983	3,901	695	22,579
Social Services, Health & Housing	1,482	3,209	(135)	4,556
Environment	25,652	2,598	(58)	28,192
Corporate Services	82	1,652	17	1,751
Other Housing Services	-	-	(65)	(65)
Other Central Services	(9,957)	-	32	(9,925)
	35,242	11,360	486	47,088
Other income & expenditure	(21,064)	11,980	310	(8,774)
Difference between general fund and CIES surplus/deficit	14,178	23,340	796	38,314

	2018/19			
	Adjustments for capital purposes	Net charge for pensions	Other differences	Total adjustments
	£000	£000	£000	£000
Education, Leisure & Lifelong Learning	10,190	7,450	(429)	17,211
Social Services, Health & Housing	2,696	6,244	(331)	8,609
Environment	23,442	4,789	(14)	28,217
Corporate Services	35	3,287	11	3,333
Other Housing Services	-	-	99	99
Other Central Services	(9,218)	-	6	(9,212)
	27,145	21,770	(658)	48,257
Other income & expenditure	(17,608)	11,350	278	(5,980)
Difference between general fund and CIES surplus/deficit	9,537	33,120	(380)	42,277

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.

2018/19		2019/20
£000		£000
	Expenditure	
214,219	Employee benefits	213,849
226,190	Other service expenses	226,953
25,438	Depreciation, amortisation and impairment	36,048
22,209	Interest payable	22,793
20,321	Precepts and levies	21,703
73	Gain on the disposal of assets	100
508,450	Total expenditure	521,446
	Income	
(57,488)	Fees, charges and other service income	(56,975)
(509)	Interest and investment income	(497)
(130,803)	Income from Council Tax, National Non Domestic Rates	(135,466)
(279,298)	Government grants and contributions	(287,893)
(468,098)	Total income	(480,831)
40,352	(Surplus) / deficit for year	40,615

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:

2018/19		2019/20
£000		£000
	Income	
(11,964)	Education, Leisure & Lifelong Learning	(11,068)
(23,808)	Social Services, Health & Housing	(25,175)
(17,283)	Environment	(17,306)
(2,838)	Corporate Services	(2,132)
(1,595)	Other Central Services	(1,294)
(57,488)	Fees, charges and other service income	(56,975)

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			Movement in unusable reserves
	General fund balance	Capital receipts reserve	Capital grants unapplied	
2019/20	£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	26,697	-	-	(26,697)
Revaluation losses on property, plant and equipment	9,351	-	-	(9,351)
Capital grants and contributions applied	(21,475)	-	-	21,475
Revenue expenditure funded from capital under statute	14,232	-	-	(14,232)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the comprehensive income and expenditure statement	1,205	-	-	(1,205)
<i>Insertion of items not debited or credited to the comprehensive income and expenditure statement:</i>				
Statutory provision for the financing of capital investment	(10,009)	-	-	10,009
Capital expenditure charged against the general fund	(182)	-	-	182
Adjustments primarily involving the capital grants unapplied account:				
Capital grants and contributions unapplied credited to the comprehensive income and expenditure statement	(4,361)	-	4,361	0
Application of grants to capital financing transferred to the capital adjustment account	-	-	(3,209)	3,209
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	(1,105)	1,105	-	0
Use of the capital receipts reserve to finance new capital expenditure	-	-	-	0
Transfer from deferred capital receipts reserve upon receipt of cash	-	-	-	0
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	-	-	-	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	52,580	-	-	(52,580)
Employer's pension contributions and direct payments to pensioners payable in the year	(29,240)	-	-	29,240
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	796	-	-	(796)
Total adjustments	38,314	1,105	1,152	(40,571)

NOTES TO THE ACCOUNTS

	Usable reserves			Movement in unusable reserves
	General fund balance	Capital receipts reserve	Capital grants unapplied	
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
Transfer from deferred capital receipts reserve upon receipt of cash	-	-	-	0
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	-	-	-	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	60,540	-	-	(60,540)
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	42,277	171	369	(42,817)

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 2018 £000	Movement in 2018/19	Balance at 31st Mar 2019 £000	Movement in 2019/20	Balance at 31st Mar 2020 £000
Balances held by schools under a scheme of delegation	(2,868)	1,752	(1,116)	1,750	634
Other Education and Leisure	(335)	(745)	(1,080)	(620)	(1,700)
Hillside Secure Centre-equalisation	(1,687)	595	(1,092)	818	(274)
Other Social Services	(954)	(210)	(1,164)	(210)	(1,374)
Environment	(3,398)	(491)	(3,889)	(458)	(4,347)
Finance and Chief Executive	(2,666)	239	(2,427)	443	(1,984)
Accommodation	(2,485)	211	(2,274)	-	(2,274)
Treasury management	(5,755)	(1,071)	(6,826)	(813)	(7,639)
Housing warranties	(220)	-	(220)	-	(220)
Landfill site	(971)	(34)	(1,005)	(7)	(1,012)
Insurance	(6,619)	(2,424)	(9,043)	2,392	(6,651)
Fire Authority	(31)	21	(10)	10	0
Waste	(393)	-	(393)	-	(393)
ERVR transistional	(6,074)	1,256	(4,818)	282	(4,536)
Members community fund	(672)	125	(547)	156	(391)
Community resilience	(2,000)	-	(2,000)	-	(2,000)
Pantteg	(500)	-	(500)	-	(500)
Joint committees	(199)	(120)	(319)	5	(314)
Corporate other	(750)	(41)	(791)	(226)	(1,017)
Corporate contingency	-	-	0	(2,269)	(2,269)
Earmarked reserves	(38,577)	(937)	(39,514)	1,253	(38,261)
Capital	(912)	-	(912)	1	(911)
General fund	(19,980)	(988)	(20,968)	1,047	(19,921)
GRAND TOTAL	(59,469)	(1,925)	(61,394)	2,301	(59,093)

NOTES TO THE ACCOUNTS

Earmarked reserves		2019/20 £000
Education, Leisure and Lifelong Learning		
Schools	Delegated schools reserve-These reserves are ring-fenced for each individual school.	634
Education equalisation	This account will be used to fund any unforeseen pressures arising within the Education Leisure and Lifelong Learning budget.	(1,373)
Other	This includes funding to meet the cost of repairs and maintenance in schools, to equalise school transport costs, to assist primary schools in funding ERVR, and to fund building maintenance at the Margam discovery centre.	(327)
Education, Leisure and Lifelong Learning		(1,066)
Social Services and Health		
Hillside general	The fund has been established to equalise the capital investment required over time for the Hillside Secure Unit.	(274)
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.	(1,374)
Social Services and Health		(1,648)
Environment		
Environment equalisation	This reserve will be used to fund one off pressures across the Directorate.	(752)
Local development Plan	To meet statutory obligation for LD Plan.	(181)
Winter maintenance	To equalise the cost incurred during harsh winters.	(754)
Other	This includes a transport reserve, Asset recovery reserve, renewable energy projects, a fund for enforcement action to improve derelict buildings, and to equalise expenditure on volatile services.	(662)
Vehicle	This reserve will be used to fund a cost effective transport and plant renewal programme to meet service requirements.	(1,906)
General	This reserve will be used to fund vehicle tracking maintenance.	(92)
Environment		(4,347)

NOTES TO THE ACCOUNTS

Earmarked reserves	2019/20 £000
Finance and Chief Executive's	
IT renewals fund	This reserve will be used to fund the costs of major IT projects. (844)
Corporate equalisation	This reserve will fund one off pressures arising across the directorate. (535)
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. (197)
Other	This includes reserves for health and safety, member development and voluntary organisations. (168)
Finance and Chief Executive's Reserves	<u>(1,984)</u>
Corporate issues	
Accommodation	This reserve will be used to support the Council'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 fund future borrowing decisions, including the financing of the Swansea Bay City Deal. (7,639)
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 Management Ltd) has insufficient resources. (1,012)
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. (6,651)
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. (4,536)
Members community fund	The reserve is set up to enable members to invest in activities and projects that improve outcomes within their local wards. (391)
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)

NOTES TO THE ACCOUNTS

		£000
Corporate issues (continued)		
Joint committees	This reserve is for Intermediate Care pooled fund, the Western Bay Safeguarding Board, Substance Misuse, SWTRA and Workways Regional Fund.	(314)
Other	This reserve will be used to fund costs relating to the Swansea Bay City Deal, income generation project work, and schools IT costs.	(1,017)
Corporate Contingency	To fund unforeseen future pressures in delivering the forward financial plan.	(2,269)
Corporate issues		(29,216)
Total earmarked reserves		(38,261)
Capital reserves	Revenue reserves earmarked for capital purposes.	(911)
General reserve working balances	Revenue reserve to fund non-specific future expenditure.	(19,921)
Total reserves		(59,093)

8. OTHER OPERATING EXPENDITURE

2018/19 £000		2019/20 £000
1,997	Community council precepts	2,044
18,324	Precepts and levies (Police and Fire)	19,659
73	(Gains)/losses on the disposal of non current assets	100
20,394	Total	21,803

NOTES TO THE ACCOUNTS

9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2018/19 £000		2019/20 £000
10,859	Interest payable and similar charges	10,813
11,350	Pension interest cost and expected return on pension assets	11,980
279	Changes in impairment loss allowance	310
(509)	Interest receivable and similar income	(497)
21,979	Total	22,606

10. TAXATION AND NON SPECIFIC GRANT

2018/19 £000		2019/20 £000
(85,420)	Council tax income	(89,714)
(45,383)	Non domestic rates	(45,752)
(166,733)	Non ring fenced government grants	(168,695)
(17,682)	Capital grants and contributions	(21,166)
(315,218)	Total	(325,327)

NOTES TO THE ACCOUNTS

11. PROPERTY, PLANT AND EQUIPMENT

2019/20	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 2019	438,362	31,327	399,046	701	14,002	2,065	885,503	18,563
additions	8,310	3,766	9,297	42	-	13,146	34,561	-
revaluation increases/(decreases) recognised in the revaluation reserve	15,796	-	-	-	-	-	15,796	-
revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(11,491)	-	-	(53)	(1,767)	-	(13,311)	-
derecognition-disposals	(67)	(1,750)	-	-	-	-	(1,817)	-
derecognition-other	(12,561)	(4)	(1,320)	(43)	-	-	(13,928)	-
assets reclassified (to)/from held for sale	(1,411)	-	-	-	75	-	(1,336)	-
change in asset classification	419	-	-	-	1,605	(2,024)	0	-
At 31st March 2020	437,357	33,339	407,023	647	13,915	13,187	905,468	18,563
Accumulated depreciation and impairment								
At 1st April 2019	(45,979)	(19,149)	(115,314)	-	(65)	(4)	(180,511)	(890)
depreciation charge	(13,847)	(2,839)	(9,909)	-	(102)	-	(26,697)	(999)
depreciation written out to the revaluation reserve	734	-	-	-	244	-	978	-
depreciation written out to the surplus/deficit on the provision of services	2,180	-	-	-	1,760	-	3,940	-
impairment losses/(reversals) recognised in the revaluation reserve	-	-	-	-	-	-	0	-
impairment losses/(reversals) recognised in the surplus/deficit on the provision of services	-	-	-	-	-	-	0	-
recognition of depreciation on finance leases	-	-	-	-	-	-	0	-
depreciation written out to revaluation reserve on revaluation of finance leases	-	-	-	-	-	-	0	-
derecognition-disposals	-	1,698	-	-	-	-	1,698	-
derecognition-other	4,266	-	-	-	-	-	4,266	-
change in asset classification	1,973	-	-	-	(1,973)	-	0	-
At 31st March 2020	(50,673)	(20,290)	(125,223)	0	(136)	(4)	(196,326)	(1,889)
Net book value								
At 31st March 2020	386,684	13,049	281,800	647	13,779	13,183	709,142	16,674
At 31st March 2019	392,383	12,178	283,732	701	13,937	2,061	704,992	17,673

NOTES TO THE ACCOUNTS

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
Cost or valuation	£000	£000	£000	£000	£000	£000	£000	£000
At 1st April 2018	390,683	30,650	392,394	695	10,691	45,692	870,805	18,563
additions	3,156	2,489	7,995	476	1,698	22,297	38,111	-
revaluation increases/(decreases) recognised in the revaluation reserve	(6,384)	-	-	(871)	(61)	-	(7,316)	-
revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(8,633)	-	-	-	(2,226)	-	(10,859)	-
derecognition-disposals	(154)	(1,781)	-	-	-	-	(1,935)	-
derecognition - charged to the revaluation reserve	-	-	-	-	-	-	0	-
derecognition-other	(2,791)	(31)	(1,128)	(476)	(294)	-	(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	-	-	-	-	-	-	0	-
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	1,750	-	-	-	20	-	1,770	-
depreciation written out to the surplus/deficit on the provision of services	4,088	-	-	-	2,264	-	6,352	-
derecognition - disposals	-	1,770	-	-	-	-	1,770	-
derecognition - other	-	-	-	-	-	-	0	-
change in asset classification	2,279	-	5	-	(2,284)	-	0	-
other movements in depreciation and impairment	-	-	-	-	-	-	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

Depreciation

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

Land	Depreciation not applicable
Buildings	At least 20 years
Vehicles, plant, furniture and equipment	3 - 20 years
Infrastructure	40 years

NOTES TO THE ACCOUNTS

Effects of changes in estimates

During 2019/20, 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.

The outbreak of the Covid-19 pandemic has impacted the global economy and property markets have experienced significantly lower activity. As at 31 March 2020, there was a shortage of market evidence for comparison purposes, to inform the valuations for surplus assets of £429,000 and assets held for sale of £5,368,000. The Council's internal valuer therefore reported the valuations of these assets on the basis of 'material valuation uncertainty' as per the RICS Red Book Global Standards. Consequently, less certainty and a higher degree of caution should be attached to the valuations. It is currently not possible to quantify the effect of this material uncertainty but it is the opinion of the valuer that the valuations are as reliable as they can be in the current circumstances. These asset classes will be kept under regular review and re-valued when the effects of COVID-19 on the property market are known.

NOTES TO THE ACCOUNTS

12. FINANCIAL INSTRUMENTS

Categories of financial instruments

The following categories of financial instrument are carried in the balance sheet:

2019/20	Long term (Non-current)		Short term (Current)	
	Investments	Debtors	Investments	Debtors
	31st Mar 2020 £000	31st Mar 2020 £000	31st Mar 2020 £000	31st Mar 2020 £000
	Financial Assets			
Amortised cost	86	1,262	56,541	39,080
Total financial assets	86	1,262	56,541	39,080

	Long term (Non-current)		Short term (Current)	
	Borrowings	Creditors	Borrowings	Creditors
	31st Mar 2020 £000	31st Mar 2020 £000	31st Mar 2020 £000	31st Mar 2020 £000
	Financial liabilities			
Amortised cost	(297,098)	(16,264)	(13,697)	(42,048)
Total financial liabilities	(297,098)	(16,264)	(13,697)	(42,048)

2018/19	Long term (Non-current)		Short term (Current)	
	Investments	Debtors	Investments	Debtors
	31st Mar 2019 £000	31st Mar 2019 £000	31st Mar 2019 £000	31st Mar 2019 £000
	Financial Assets			
Amortised cost	86	1,353	55,135	29,995
Total financial assets	86	1,353	55,135	29,995

	Long term (Non-current)		Short term (Current)	
	Borrowings	Creditors	Borrowings	Creditors
	31st Mar 2019 £000	31st Mar 2019 £000	31st Mar 2019 £000	31st Mar 2019 £000
	Financial liabilities			
Amortised cost	(275,803)	(18,601)	(10,638)	(48,831)
Total financial liabilities	(275,803)	(18,601)	(10,638)	(48,831)

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.

NOTES TO THE ACCOUNTS

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 2020 £000	31st Mar 2019 £000
Net gains / losses on:		
Financial liabilities measured at amortised cost	10,813	10,859
Total net gains/losses	10,813	10,859
Interest expense	(497)	(509)

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 2020, 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.
- 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 2020, 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.

NOTES TO THE ACCOUNTS

The values calculated are as follows:

	31st Mar 2020		31st Mar 2019	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
PWLB debt	(241,804)	(272,659)	(217,771)	(262,007)
Non-PWLB debt	(64,500)	(92,833)	(64,000)	(96,780)
Non-PWLB debt temporary borrowing	(1,568)	(1,568)	(1,553)	(1,553)
Total debt	(307,872)	(367,060)	(283,324)	(360,340)
Long term creditors	(16,264)	(16,264)	(18,601)	(18,601)

31st March 2020 – 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 2020, arising from a commitment to pay interest to lenders above market rates.

Fair value of assets:

	31st Mar 2020		31st Mar 2019	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Loans and receivables	56,500	56,500	55,100	55,100
Long term debtors	1,262	1,262	1,353	1,353

13. DEBTORS

31st Mar 2019 £000		31st Mar 2020 £000
16,180	Central government bodies	23,746
3,085	Other local authorities	1,813
4,383	NHS bodies	3,461
10,158	Other entities and individuals	12,898
3,259	Payments in advance	4,561
(4,611)	Less provision for impairment loss	(4,990)
32,454	Total	41,489

NOTES TO THE ACCOUNTS

14. 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 2019 £000		31st Mar 2020 £000
1,432	Less than one year	1,480
2,158	More than one year	2,127
(1,131)	Less provision for impairment loss	(1,198)
2,459	Total	2,409

15. CASH AND CASH EQUIVALENTS

The balance of cash and cash equivalents is made up of the following elements:

31st Mar 2019 £000		31st Mar 2020 £000
94	Cash held by the Authority	110
3,413	Bank current accounts	3,193
3,507	Total	3,303

16. ASSETS HELD FOR SALE

	Current Assets	
	2018/19 £000	2019/20 £000
Balance outstanding at start of year	5,129	3,536
Assets newly classified as held for sale:		
Property, plant and equipment	188	3,100
Revaluation losses	(106)	(6)
Revaluation gains	10	1,589
Assets declassified as held for sale:		
Property, plant and equipment	(1,605)	(1,764)
Assets sold	(80)	(1,087)
Balance outstanding at year end	3,536	5,368

NOTES TO THE ACCOUNTS

17. CREDITORS

31st Mar 2019 £000		31st Mar 2020 £000
(5,225)	Central government bodies	(7,923)
(6,904)	Other local authorities	(5,860)
(486)	NHS bodies	(82)
(33,914)	Other entities and individuals	(26,077)
(2,302)	Receipts in advance	(2,106)
(48,831)	Total	(42,048)

18. PROVISIONS

Long term provisions

	Injury and damage compensation claims £000	Other provisions- housing warranty £000	Total £000
Balance at 1st April 2018	(3,441)	(923)	(4,364)
Net transfer from	1,293	-	1,293
Balance at 31st March 2019	(2,148)	(923)	(3,071)
Net transfer from	(222)	-	(222)
Balance at 31st March 2020	(2,370)	(923)	(3,293)

Short term provisions

	Injury and Damage Compensation Claims £000	Other provisions- redundancy £000	Total £000
Balance at 1st April 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)
Net transfer from	38	766	804
Net transfer (to)	-	(325)	(325)
Balance at 31st March 2020	(1,218)	(325)	(1,543)

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 2020.

NOTES TO THE ACCOUNTS

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.

19. USABLE RESERVES

Movements in the Council's usable reserves are detailed in the movement in reserves statement and summarised below:

31st Mar 2019 £000		31st Mar 2020 £000
(61,394)	Earmarked and general reserve working balance	(59,093)
(10,477)	Unapplied grants	(11,629)
(6,971)	Usable capital receipts	(8,076)
(78,842)	Total	(78,798)

20. UNUSABLE RESERVES

31st Mar 2019 £000		31st Mar 2020 £000
(78,299)	Revaluation reserve	(91,441)
(292,429)	Capital adjustment account	(281,012)
1,840	Financial instruments adjustment account	1,665
513,753	Pensions reserve	495,303
(15)	Deferred capital receipts reserve	(15)
3,876	Accumulated absences account	4,672
148,726	Total	129,172

NOTES TO THE ACCOUNTS

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.

2018/19		Revaluation reserve	2019/20	
£000	£000		£000	£000
	(85,625)	Balance at 1st April		(78,299)
(3,412)		Upward revaluation of assets	(18,953)	
8,979		Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	618	
-		Impairment losses on non-current assets	-	
	5,567	Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services		(18,335)
1,597		Difference between fair value depreciation and historical cost depreciation	5,154	
162		Accumulated gains on assets sold or scrapped	39	
	1,759	Amount written off to the capital adjustment account		5,193
	(78,299)	Balance at 31st March		(91,441)

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.

NOTES TO THE ACCOUNTS

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.

2018/19		Capital adjustment account	2019/20	
£000	£000		£000	£000
	(300,921)	Balance at 1st April		(292,429)
25,438		Reversal of items relating to capital expenditure debited or credited to the CIES:	26,697	
		Charges for depreciation and impairment of non current assets		
4,583		Revaluation losses on property, plant and equipment	9,351	
10,004		Revenue expenditure funded from capital under statute	14,232	
244		Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the comprehensive income and expenditure statement	1,205	
	40,269 (1,759)	Adjusting amounts written out of the revaluation reserve		51,485 (5,193)
	(262,411)	Net written out amount of the cost of non current assets consumed in the year		(246,137)
(20,196)		Capital financing applied in the year:	(24,684)	
		Application of grants to capital financing from the capital grants unapplied account		
(9,216)		Statutory provision for the financing of capital investment charged against the general fund	(10,009)	
(606)		Capital expenditure charged against the general fund	(182)	
	(30,018)	Use of capital receipts reserve to repay loans	-	(34,875)
-		Deferred sale proceed to comprehensive income and expenditure account	-	
	0			0
	(292,429)	Balance at 31st March		(281,012)

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.

2018/19		Financial instruments adjustment	2019/20	
£000	£000		£000	£000
(175)	2,015	Balance at 1st April	(175)	1,840
		Proportion of premiums incurred in previous financial years to be charged against the general fund balance in accordance with statutory		
	(175)			(175)
	1,840	Balance at 31st March		1,665

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.

2018/19 £000	Pension reserve	2019/20 £000
450,183	Balance at 1st April	513,753
30,450	Actuarial (gains) or losses on pensions assets and liabilities	(41,790)
60,540	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	52,580
(27,420)	Employer's pensions contributions and direct payments to pensioners payable in the year	(29,240)
513,753	Balance at 31st March	495,303

NOTES TO THE ACCOUNTS

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.

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.

2018/19		Accumulated absences account	2019/20	
£000	£000		£000	£000
(4,255)	4,255	Balance at 1st April	(3,876)	3,876
3,876		Settlement or cancellation of accrual made at the end of the preceding year		
		Amounts accrued at the end of the current year	4,672	
	(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		796
	3,876	Balance at 31st March		4,672

21. CASH FLOW STATEMENT – OPERATING ACTIVITIES

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

2018/19 £000		2019/20 £000
25,438	Depreciation and impairment on non current assets	26,697
4,583	Revaluation losses on property, plant and equipment	9,351
135	(Increase)/decrease in long term debtors	91
7,469	(Increase)/decrease in short term debtors	(9,035)
(25)	(Increase)/decrease in inventories	(62)
(12,732)	Increase/(decrease) in short term creditors	(6,783)
(6,027)	Increase/(decrease) in long term creditors	(2,337)
41	Increase/(decrease) in short term provisions	(479)
(1,293)	Increase/(decrease) in long term provisions	222
244	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	1,205
33,120	Increase/ (decrease) in pension liability	23,340
4,856	Other non-cash items charged to net surplus/deficit on the provision of services	9,614
55,809		51,824

NOTES TO THE ACCOUNTS

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

2018/19 £000		2019/20 £000
171	Proceeds from the sale of property, plant and equipment	1,105
17,428	Other receipts from investing activities	21,475
17,599		22,580

22. CASH FLOW STATEMENT – INVESTING ACTIVITIES

2018/19 £000		2019/20 £000
(38,111)	Purchase of property, plant and equipment	(34,561)
(2,009,880)	Purchase of short term and long term investments	(4,964,342)
171	Proceeds from the sale of property, plant and equipment	1,105
2,015,780	Proceeds from short term and long term investments	4,962,942
17,428	Other receipts from investing activities	21,475
(14,612)	Net cash flows from investing activities	(13,381)

23. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2018/19 £000		2019/20 £000
21,311	Cash receipts of short and long term borrowing	30,516
(5,184)	Repayments of short and long term borrowing	(5,968)
16,127	Net cash flows from financing activities	24,548

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	(30,500)	(16)	(30,516)
Repayments	-	5,968	5,968
Net cash flows from financing activities	(30,500)	5,952	(24,548)

24. 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

25. 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 Swansea Bay University Health Board and the City and County of Swansea Council. 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.

2018/19			2019/20	
£000	£000		£000	£000
(354)		Funding provided to the pooled		
(705)		Grant	(526)	
(470)		City and County of Swansea	(624)	
(1,175)		Neath and Port Talbot Council	(351)	
		The Health Board	(1,525)	
	(2,704)	In year contributions		(3,026)
	(2,704)	Total income		(3,026)
	2,333	Expenditure met from the pooled budget:		2,233
	(371)	Net (surplus)/deficit arising on the pooled budget during the year		(793)
	(74)	Authority share of the net (surplus)/deficit arising on the pooled budget		(111)

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, any underspend will be put into a ring-fenced reserve or distributed to partners as agreed by the partnership board.

NOTES TO THE ACCOUNTS

2018/19			2019/20	
£000	£000		£000	£000
(2,881)		Funding provided to the pooled	(2,728)	
(2,511)		Neath and Port Talbot Council	(2,579)	
		The Health Board		
	(5,392)	Total contributions		(5,307)
	5,392	Expenditure met from the pooled budget:		5,280
	0	Net (surplus)/deficit arising on the pooled budget during the year		(27)
	0	Authority share of the net (surplus)/deficit arising on the pooled budget		(27)

26. MEMBERS REMUNERATION

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

2018/19 £000		2019/20 £000
1,329	Basic and senior salaries	1,342
7	Expenses	6
1,336	Total	1,348

27. 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 £23,369. The ratio is:

	Pay multiple
Median employee earnings : Chief Executive's earnings	1 : 6.10

NOTES TO THE ACCOUNTS

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	2019/20	142,485	-	25,647	168,132
	2018/19	136,952	-	24,651	161,603
Director of Education, Leisure & Lifelong Learning	2019/20	115,277	-	20,750	136,027
	2018/19	113,017	-	20,343	133,360
Director of Environment	2019/20	** 26,150	-	4,707	30,857
	2019/20	* 89,288	-	-	89,288
	2018/19	113,017	-	-	113,017
Director of Social Services, Health & Housing	2019/20	110,037	-	-	110,037
	2018/19	105,222	-	-	105,222
Director of Finance and Corporate Services	2019/20	115,277	-	-	115,277
	2018/19	113,017	-	-	113,017
Assistant Chief Executive & Digital Officer	2019/20	91,179	-	16,412	107,591
	2018/19	87,210	-	15,698	102,908

The Employers pension contribution of 18% (18% in 2018/19) 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.

The figures do not include any remuneration for the Chief Executive in his role as returning officer. The amount paid to the Chief Executive in 2019/20 was £9,500 (2018/19 £165), which is based on rates defined by the respective election bodies.

The Director of Environment post was filled by appointment on 3rd January 2020 after the retirement of the former Director of Environment. There are two lines showing for the Director of Environment to show the pay of the **newly appointed Director, followed by the figures of the *retiring Director.

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. The number of employees has increased in 2019/20 due to Head Teachers remuneration exceeding the threshold following their pay award.

NOTES TO THE ACCOUNTS

			Number of employees	
			2019/20	2018/19
£60,000	-	£64,999	43	24
£65,000	-	£69,999	20	15
£70,000	-	£74,999	7	10
£75,000	-	£79,999	7	8
£80,000	-	£84,999	10	4
£85,000	-	£89,999	2	1
£90,000	-	£94,999	-	4
£95,000	-	£99,999	3	1
£100,000	-	£104,999	-	1
£105,000	-	£109,999	1	-
			93	68

As a result of a voluntary redundancy scheme in 2019/20, a number of additional employees received remuneration above £60,000. These individuals were paid the following amounts:

			Number of employees	
			2019/20	2018/19
£60,000	-	£64,999	2	1
£65,000	-	£69,999	-	2
£70,000	-	£74,999	1	1
£80,000	-	£84,999	-	1
£90,000	-	£94,999	1	1
			4	6

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	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
							£000	£000
£0 - £20,000	7	8	37	67	44	75	392	702
£20,001 - £40,000	-	2	14	35	14	37	369	965
£40,001 - £60,000	-	-	4	4	4	4	199	194
£60,001 - £100,000	-	-	2	3	2	3	166	240
Total	7	10	57	109	64	119	1,126	2,101

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

NOTES TO THE ACCOUNTS

28. 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:

2018/19 £000		2019/20 £000
176	Fees payable to Wales Audit Office for external audit services carried out by the appointed auditor for the year	177
100	Fees payable to Wales Audit Office for statutory work carried out under the local government measure	100
46	Fees payable to Wales Audit Office for the certification of grant claims and returns for the year	45
322	Total	322

29. GRANT INCOME

The Council credited the following grants and contributions to the comprehensive income and expenditure statement:

Restated 2018/19 £000	Grant income	2019/20 £000
	Credited to taxation and non specific grant income	
166,733	Revenue Support Grant	168,695
50	Harbour Way peripheral development road (PDR)	-
-	Regeneration and town centre redevelopments	6,405
9,192	21st Century schools	5,852
700	Intermediate care fund	50
1,328	Local transport fund	320
652	Safe routes / Accident reduction measures	564
317	Port Talbot integrated transport hub	-
134	Coastal risk management projects	15
540	Active travel	521
-	Additional infrastructure funding	1,496
903	Collaborative change funding for waste	-
-	Flood prevention grants	9
2,495	Additional general capital grant	-
199	Flying start	7
510	Childcare offer capital grant	167
-	Additional Schools Funding	1,928
-	Hillside	2,000
-	HWB	1,113
662	Other capital grants	719
184,415	Total	189,861

NOTES TO THE ACCOUNTS

Restated 2018/19 £000	Grant income	2019/20 £000
	Credited to services	
1,428	Post 16	1,453
234	Youth	653
240	Active Young People	241
687	Childcare Offer	2,139
5,091	RCSIG	5,181
869	Teachers Pension	1,827
125	LA Education Grant	2,715
5,156	Pupil Deprivation Grant	5,132
253	PDG LAC	255
355	RDP	294
2,731	Other Education Grants	1,638
2,493	Concessionary Bus Fares	2,394
107	Bus Services Grant	114
393	Local Transport fund	-
154	Other Highways Grants	121
1,944	Families First	1,912
354	Social Care Workforce Development	354
218	Youth Justice Board	411
3,655	Substance Misuse	3,076
3,812	Flying Start	3,807
-	Safe & Resilient Communities	1,494
157	Syrian Vulnerable Person Resettlement	152
1,132	Other Social Services Grants	505
877	HB Admin	701
48,203	Mandatory Rent Allowances	44,447
454	Mandatory Rent Rebate	421
2,695	General Capital Grant for Housing Expenditure	4,245
188	Housing Energy Efficiency Grant	425
4,827	Supporting People	4,804
200	Recreation & Sport	177
1,663	Community Purposes	1,486
58	Single Environment Grant	-
2,206	Workways	2,483
767	Sustainable Waste	886
-	Enabling Natural Resources & Wellbeing	459
-	Schools ICT HWB grant	326
1,157	Other services grants	1,304
94,883	Total	98,032

NOTES TO THE ACCOUNTS

30. 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 29.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total paid to members in 2019/20, including on-costs, is shown in note 26.

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 former Director of Environment both terminated their appointments as unpaid directors of Baglan Bay Company Ltd and Coed Darcy Ltd in February 2020 and December 2019 respectively. 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.

NOTES TO THE ACCOUNTS

The former Director of Environment, was a paid director of Neath Port Talbot Waste Management Company Ltd and Neath Port Talbot Recycling Ltd who provided waste disposal services to Neath Port Talbot County Borough Council.

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

The former Director of Environment was 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

Swansea Bay City Deal

The Swansea Bay City Deal is a £1.3bn investment in 11 major projects across the Swansea Bay City Region, which is made up of Carmarthenshire, Neath Port Talbot, Pembrokeshire and Swansea.

The Swansea Bay City Deal is being led by the four regional local authorities through a Joint Committee Agreement, together with non-voting partners, Swansea Bay and Hywel Dda University Health boards, Swansea University and the University of Wales Trinity Saint David.

Within the Joint Committee Agreement there is acknowledgement that all partners will contribute £50,000 per annum to support the central administrative functions of the programme. Neath Port Talbot Council contribution is fully paid up to 31st March 2020.

The City Deal is being funded, subject to the approval of project business cases by the UK Government, the Welsh Government, the public sector and private sector.

On the successful approval of project business cases the Accountable Body, on behalf of the Joint Committee, will release Government grant funding to Project Lead Authorities up to the maximum of the agreed allocated value. Grant values are subject to change, however this will be supported by a full business case and approval by the Joint Committee and both UK and Welsh Governments, as outlined within the Joint Committee Agreement

To date no grant funding has been receipted by Neath Port Talbot Council from the Accountable Body of the Swansea Bay City Deal.

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), which stopped trading on 30th September 2019.

The Council paid waste management charges to NPT Recycling Ltd in 2019/20 on behalf of Neath Port Talbot CBC and Bridgend CBC of £4.544M (£9.025m in 2018/19) and received income from Bridgend CBC. The waste services provided by NPTRL was TUPE transferred into Neath Port Talbot Council on 1st October 2019.

NOTES TO THE ACCOUNTS

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 2019/20 was £1.593m (£1.74m in 2018/19). There was £99,000 (£16,000 in 2018/19) outstanding balance owed by Celtic Leisure on 31st March 2020.

31. 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.

2018/19 £000		2019/20 £000
38,111	Capital investment	34,561
5,284	Property, plant and equipment	4,570
	Revenue expenditure funded from capital under statute	
43,395		39,131
	Sources of finance	
(20,196)	Government grants and other contributions:	(24,684)
	Sums set aside from revenue	
(606)	Direct revenue contributions and reserves	(182)
(22,593)	Loans	(14,265)
(43,395)		(39,131)

As at 31st March 2020, the Authority has entered into a number of contracts for the construction of Property, Plant and Equipment. The budgeted cost of these commitments for 2019/20 and future years are shown in the table below. There were no similar major commitments at 31st March 2019.

The major commitments are:

Major Capital Commitments	2020/21 £000	Future £000	Total £000
Coastal Risk Management Programme - Aberavon Promenade (Phase 2)	892	0	892
Crown Buildings Development	3,120	0	3,120
Replacement Comprehensive School at Cefn Saeson	10,763	9,388	20,151
	14,775	9,388	24,163

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.

NOTES TO THE ACCOUNTS

2018/19 £000		2019/20 £000
(325,241)	Opening capital financing requirement	(338,618)
(4,433)	Increase in underlying need to borrow (supported by government financial assistance)	(4,486)
(18,160)	Increase in underlying need to borrow (unsupported by government financial assistance)	(9,778)
9,216	Minimum revenue provision and prudential borrowing	10,009
(338,618)	Closing capital financing requirement	(342,873)

32. SERVICE CONCESSION

On 1st April 2012, the Council entered into a service concession arrangement with Tai Gwalia CYF 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 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	90	162	5,492
Within 2 to 5 years	18,140	420	589	19,149
Within 6 to 10 years	18,213	691	571	19,475
Within 11 to 15 years	16,022	935	327	17,284
Years 16 to 17	9,613	461	44	10,118
Total	67,228	2,597	1,693	71,518

The future service liability for reimbursing capital expenditure is:

2018/19 £000		2019/20 £000
2,762	Balance outstanding at 1st April	2,682
(80)	Payments during the year	(85)
2,682		2,597

NOTES TO THE ACCOUNTS

33. LEASES

Council as lessee

Finance leases

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

31st Mar 2019 £000		31st Mar 2020 £000
3,305	Other land and buildings - asset value	3,232

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:

31st Mar 2019 £000		31st Mar 2020 £000
	Finance lease liabilities	
10	Current	11
865	Non current	855
875	Finance lease costs payable in future years	834
1,750	Minimum lease payments	1,700

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

	Minimum lease payments		Finance lease liabilities	
	31st Mar 2019 £000	31st Mar 2020 £000	31st Mar 2019 £000	31st Mar 2020 £000
Not later than one year	52	52	10	11
Between 1 and 5 years	206	206	46	49
Later than 5 years	1,492	1,442	819	806
	1,750	1,700	875	866

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.

The lease income received in 2019/20 was £1.295m and in 2018/19 was £1.244m.

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.

NOTES TO THE ACCOUNTS

34. 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.

In 2019/20, the Council paid £9.699m to Teachers' Pensions in respect of teachers' retirement benefits, based on a new rate of 23.68% from 1st September 2019. The figures for 2018/19 were £7.608m and 16.48%, which was the effective rate to the 31st August 2019.

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 35.

35. 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.

NOTES TO THE ACCOUNTS

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.

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.

COVID-19 – Valuation of assets

The outbreak of the Coronavirus (COVID-19) pandemic, has impacted global financial and property markets. Due to these market conditions, a material valuation uncertainty has been included by one of the pension fund investment managers in their year-end valuation report for the UK property fund they manage on behalf of the City and County of Swansea Pension Fund. The specific wording included in their report is “As at 31st March 2020, RICS (Royal Institute of Chartered Surveyors) have advised there is currently material valuation uncertainty of UK Real Estate Funds due to market conditions.”

The total value of this fund as at 31st March 2020 was is £51.3m and Neath Port Talbot Council’s share of this fund amounts to £16.4m. As NPT’s share of the property fund is material and as assets make up part of the net liability, this means that overall net liability is similarly uncertain

McCloud

During 2019, the Supreme Court rejected the Government’s request to appeal against a judgement relating to “McCloud/Sargeant” a judge and a fire fighter who represented their pension scheme members in claiming unlawful discrimination. This concerned the transitional protections given to older scheme members as part of pension reforms introduced in 2014/15, which have been judged age discriminatory.

The net pension liability reported in the accounts includes a potential liability related to the McCloud judgement. In July 2020, the UK Government published proposals for consultation on a remedy to address the McCloud issue. The pension fund actuary, Aon Hewitt, has based the estimate on the major provisions of the remedy, however there remains some uncertainty over the final outcome which will not be clarified until late 2020-21 at the earliest.

NOTES TO THE ACCOUNTS

	Local Government Pension Scheme		Discretionary benefits arrangements	
	2019/20	2018/19	2019/20	2018/19
	£m	£m	£m	£m
Comprehensive income and expenditure statement (CIES)				
Cost of services:				
current service cost	40.36	31.41	-	-
past service costs	0.24	18.44	-	-
(gain)/loss from settlements	-	(0.66)	-	-
Financing and investment income and expenditure				
Net interest expense	11.17	10.45	0.81	0.90
Total post-employment benefit charged to the surplus or deficit on the provision of services	51.77	59.64	0.81	0.90
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)	62.94	(32.32)	-	-
Actuarial gains and losses arising on changes in financial assumptions	(21.94)	60.25	(0.26)	-
Actuarial gains and losses arising on changes in demographic assumptions	(40.44)	-	(1.27)	0.88
Actuarial gains and losses due to liability experience	(40.66)	1.54	(0.16)	0.10
Total amount recognised in other comprehensive income	(40.10)	29.47	(1.69)	0.98
Total post employment benefit charged to the CIES	11.67	89.11	(0.88)	1.88
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	(11.67)	(89.11)	0.88	(1.88)
Actual amount charged against the general fund balance for pensions in the year				
employers' contributions payable to scheme	26.68	24.90		
retirement benefit payable to pensioners			2.56	2.52

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:

	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Present value of liabilities:					
Local Government Scheme	(839.99)	(992.12)	(1,031.05)	(1,148.35)	(1,090.77)
Discretionary benefits	(36.70)	(38.51)	(35.76)	(35.12)	(31.68)
Total	(876.69)	(1,030.63)	(1,066.81)	(1,183.47)	(1,122.45)
Less					
Fair value of assets in the Local Government Pension Scheme	509.40	594.44	616.63	669.72	627.15
Total	(367.29)	(436.19)	(450.18)	(513.75)	(495.30)
Equals					
Surplus/(deficit) in the scheme:					
Local Government Pension Scheme	(330.59)	(397.68)	(414.42)	(478.63)	(463.62)
Discretionary benefits	(36.70)	(38.51)	(35.76)	(35.12)	(31.68)
Closing balance at 31st March	(367.29)	(436.19)	(450.18)	(513.75)	(495.30)

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

2018/19 £m		2019/20 £m
616.63	Opening fair value of scheme assets	669.72
16.10	Interest Income on assets	16.13
32.32	Remeasurement gains/(losses) on assets	(62.94)
24.90	Contributions by the employer	26.68
5.81	Contributions by participants	6.15
(25.13)	Net benefits paid out	(28.59)
(0.91)	Settlements	-
669.72	Closing fair value of assets	627.15

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	
	2019/20 £m	2018/19 £m	2019/20 £m	2018/19 £m
Opening balance at 1st April	(1,148.35)	(1,031.05)	(35.12)	(35.76)
Current service cost	(40.36)	(31.41)	-	-
Interest cost	(27.30)	(26.55)	(0.81)	(0.90)
Contributions from scheme participants	(6.15)	(5.81)	-	-
Remeasurement gains and (losses)				
Actuarial gains/losses arising from changes in financial assumption	21.94	(60.25)	0.26	(0.88)
Actuarial gains/losses arising from changes in demographic assumptions	40.44	-	1.27	-
Actuarial gains and losses due to liability experience	40.66	(1.54)	0.16	(0.10)
Net benefits paid out	28.59	25.13	2.56	2.52
Past service cost (incl. curtailments)	(0.24)	(18.44)	-	-
Settlements	-	1.57	-	-
Closing balance at 31st March	(1,090.77)	(1,148.35)	(31.68)	(35.12)

NOTES TO THE ACCOUNTS

Local Government Pension Scheme assets for Neath Port Talbot

The following table shows an analysis of the scheme assets.

	Fair value of scheme assets			Fair value of scheme assets		
	2019/20			2018/19		
	UK £000	Overseas £000	Total £000	UK £000	Overseas £000	Total £000
Equities						
Quoted	-	-	-	-	-	-
Pooled investments vehicles						
Managed funds:						
Quoted						
Equity	-	3,147	3,147	-	4,764	4,764
Fixed interest	-	35,713	35,713	-	38,860	38,860
Unquoted						
Equity	-	429,875	429,875	53,248	433,530	486,778
Fixed interest	28,015	5,864	33,879	20,810	5,491	26,301
Index-linked	10,912	-	10,912	11,305	-	11,305
Property unit trust	6,261	-	6,261	6,420	-	6,420
Property fund	9,679	15,094	24,773	11,977	10,878	22,855
Hedge fund	-	15,531	15,531	-	17,809	17,809
Private equity	-	28,592	28,592	-	26,185	26,185
Private Debt	-	3,667	3,667	-	-	-
Derivatives	-	563	563	-	-	-
Infrastructure	-	10,454	10,454	-	6,083	6,083
Total pooled	54,867	548,500	603,367	103,760	543,600	647,360
Total equities and pooled investment	54,867	548,500	603,367	103,760	543,600	647,360
Cash funds			240			252
Cash			13,572			21,376
Other investment balances due			-			-
Total investments			617,179			668,988
Net current assets			601			732
Total assets			617,780			669,720

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

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

	Neath Port Talbot share 2018/19		Neath Port Talbot share 2019/20	
	Value of net assets £000	Proportion of net assets %	Value of net assets £000	Proportion of net assets %
Blackrock ACS Low Carbon Tracker Fund	-	-	138,262	22.4
Blackrock UK Equity Index	53,248	8.0	-	-
Blackrock North America Equity Index	57,681	8.6	-	-
Goldman Sachs Global Libor Plus II	38,860	5.8	35,713	5.8
WPP Global Opportunities Fund	309,992	46.3	279,106	45.2

The total of the Funds' investments for 2019/20 was £2.7m (2018/19 £254,000), and transaction costs for managing the Fund that relate to Neath Port Talbot for 2019/20 were £832,000 (2018/19 £83,000).

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 31st March 2019.

The significant assumptions used by the actuary have been:

NOTES TO THE ACCOUNTS

	Local Government Pension		Discretionary benefits arrangements	
	2019/20	2018/19	2019/20	2018/19
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	22.2	23.0	22.2	23.0
Women	24.2	24.6	24.2	24.6
Longevity at 65 for future pensioners:				
Men	23.2	24.7	-	-
Women	25.7	26.4	-	-
Rate of inflation:				
RPI	-	3.3%	-	3.3%
CPI	2.0%	2.2%	2.0%	2.2%
Rate of increase in salaries	3.5%	3.7%	-	-
Rate of increase in pensions	2.0%	2.2%	2.0%	2.2%
Rate for discounting scheme liabilities	2.3%	2.4%	2.3%	2.4%

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 2020 and the projected service cost for the year ending 31st March 2021 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)	1,068.65	1,113.35
% change in present value of total obligation	-2.0%	2.1%
Projected service cost (£m's)	37.13	39.85
Approximate % change in projected service cost	-3.5%	3.6%

Rate of general increase in salaries

	+0.1% p.a.	-0.1% p.a.
Adjustment to salary increase rate		
Present value of total obligation (£m's)	1,094.28	1,087.30
% change in present value of total obligation	0.3%	-0.3%
Projected service cost (£m's)	38.47	38.47
Approximate % change in projected service cost	0.0%	0.0%

NOTES TO THE ACCOUNTS

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)	1,110.75	1,071.22
% change in present value of total obligation	1.8%	-1.8%
Projected service cost (£m's)	39.85	37.13
Approximate % change in projected service cost	3.6%	-3.5%

Post retirement mortality assumption

Adjustment to mortality age rating assumption	-1 year	+1 year
Present value of total obligation (£M's)	1,126.38	1,055.53
% change in present value of total obligation	3.3%	-3.2%
Projected service cost (£m's)	39.94	37.02
Approximate % change in projected service cost	3.8%	-3.8%

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 nineteen years from 1st April 2020, funding levels are monitored to achieve this. Cash flows used in the valuation were estimated based on the 2019 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 2021 is £26.97m. Expected payments to beneficiaries of the discretionary benefits schemes in the year to 31st March 2021 are £1.03m for the LGPS Scheme and £1.58m for Teachers.

NOTES TO THE ACCOUNTS

36. 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.

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 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 2019 £000		31st Mar 2020 £000
5,844	Current - up to one month	1,850
644	One to three months	555
440	Three to six months	609
436	Six months to one year	419
1,009	More than one year	1,094
8,373	Total	4,527

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 2019 £000		31st Mar 2020 £000
(7,521)	Less than 1 year	(10,774)
(10,207)	Between 1 and 2 years	(1,001)
(17,706)	Between 2 and 5 years	(37,706)
(1,232)	Between 5 and 10 years	(1,732)
(246,658)	More than 10 years	(256,659)
(283,324)	Total	(307,872)

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 2020 £000
Increase/decrease in interest received and credited to the CIES	515
Increase/decrease in external interest payable and debited to the CIES	3,043

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

NOTES TO THE ACCOUNTS

37. 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 2019/20 was £1,857.29. This was calculated by dividing the amount of council tax required by Neath Port Talbot Council, each community council, and the South Wales Police Authority by the council tax base of 47,349 (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	13,096	26,262	11,255	7,079	4,251	1,355	499	86	17	63,900

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 2019/20 was 52.6p (2018/19 51.4p). 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 2019/20, the total non-domestic rateable value at the year-end was £100.980m (2018/19 £101.407m).

NOTES TO THE ACCOUNTS

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:

Town or community councils	2019/20 £000
Blaengwrach	36
Blaenhonddan	220
Briton Ferry	148
Cilybebyll	99
Clyne and Melincourt	21
Coedffranc	380
Crynant	48
Cwmllynfell	39
Dyffryn Clydach	49
Glynneath	148
Gwaencaegurwen	83
Neath	330
Onllwyn	23
Pelenna	39
Pontardawe	183
Resolven	52
Seven Sisters	49
Tonna	29
Ystalyfera	68
	2,044
Other levies and demands	
Police and Crime Commission for South Wales	12,193
Fire Authority	7,466
	19,659

38. ANNUAL GOVERNANCE STATEMENT

The Council is required by statute to provide an Annual Governance Statement that covers all significant corporate systems, processing and controls, spanning the whole range of its activities. It is signed by the Council's Leader and Chief Executive and approved by Cabinet.

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

Report on the audit of the financial statements

Opinion

I have audited the financial statements of Neath Port Talbot Council for the year ended 31 March 2020 under the Public Audit (Wales) Act 2004.

Neath Port Talbot Council's financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and the related notes, including a summary of significant accounting policies.

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

In my opinion the financial statements:

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

Basis for opinion

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

Emphasis of matter – effects of the Covid-19 pandemic on the valuation of pension scheme property assets

I draw attention to Note 35 of the financial statements, which describes the impact of the COVID-19 pandemic on the valuation of pension scheme property assets as at 31 March 2020.

My opinion is not modified in respect of this matter.

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

Conclusions relating to going concern

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

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

Other information

The responsible financial officer is responsible for the other information in the annual report and accounts. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated later in my report, I do not express any form of assurance conclusion thereon.

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

Report on other requirements

Opinion on other matters

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

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

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

Matters on which I report by exception

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

- I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:
- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

Certificate of completion of audit

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

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 9, the responsible financial officer is responsible for the preparation of the statement of accounts, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Anthony J Barrett

For and on behalf of the Auditor General for Wales

15 September 2020

24 Cathedral Road

Cardiff

CF11 9LJ

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.

Audit Wales	Previously Wales Audit Office (WAO) - A body that independently examines the activities of the Council.
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.

GLOSSARY OF TERMS

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 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.

GLOSSARY OF TERMS

Public Works Loans Board (PWLB)	This is a Government Agency which provides longer term loans to local authorities.
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	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.

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.

This page is intentionally left blank



AUDIT COMMITTEE

14th September 2020

REPORT OF THE HEAD OF FINANCE – HUW JONES

2019/20 Internal Audit Annual Report

1. Purpose of the report

The purpose of this report is to provide the Head of Internal Audit's (HIA) Annual Opinion on the systems of internal control operating within the Council during the financial year 2019/20 and to provide Audit Committee with details of the Internal Audit achievement against the 2019/20 Internal Audit planned approved by Audit Committee on 27th March 2019.

2. Background

The Public sector Internal Audit Standards require the HIA to provide an Annual Audit Report which should include;

- An opinion on the adequacy of the internal controls operating within the Council
- Present a summary of the audit work undertaken and provide a comparison of the work undertaken against the 2019/20 audit plan.
- Comment on conformance with the Public Sector Internal Audit Standards (PSIAS).

The annual opinion of the HIA contributes to the Annual Governance Statement which is reported along with the annual Statement of Accounts.

3. Assurance Statement

In line with the mandatory PSIAS 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.

Taking into account the work carried out by Internal Audit; the risk ratings applied to individual audit assignments; the acceptance and implementation of internal audit recommendations by management; the overall coverage of internal audit work and considering other sources of assurance the HIA's opinion is that **reasonable assurance** can be given that there have been no major weaknesses noted in the relation to the internal control systems, governance arrangements and risk management processes operating within the Council. No significant cross directorate control issues have been identified which would impact on the Council's overall control environment and any weaknesses identified were service specific.

It must be stressed that in providing this annual audit opinion that assurance can never be absolute, the most that internal audit can provide this committee is reasonable assurance that there are no major weaknesses in the internal control systems examined during the year.

4. Internal Audit Performance

A comparison of the undertaken during 2019/20 with work planned is provided at Appendix 1 of this report.

In line with this committee's terms of reference quarterly updates of audit performance were provided throughout the year, with the exception of the last quarter as due to the Coronavirus pandemic the committee cycle was suspended. The quarterly updates provided to audit committee provide details of audits completed within the period together with the risk rating applied and a synopsis of the main findings of the audit.

Despite the challenges faced throughout the year and the disruption caused by the pandemic 83% of planned audits were undertaken, a total of 155 recommendations were made by internal audit and accepted by management and of the client satisfactions surveys returned 100% provided a good rating.

Post Audit Reviews were undertaken consistently throughout the year to test for compliance with agreed recommendations.

In addition to the formal audits undertaken staff also provided advice and guidance to managers throughout the year and supported a number of working parties. Members of the Audit team also provided support and guidance in relation to ensuring new ways of working; which have been necessary as a result of the Coronavirus pandemic, included appropriate and proportionate controls.

Members will note that a number of audits with a risk rating of high were not completed this was due in the main to circumstances outside the control of internal audit namely the Coronavirus pandemic and subsequent lockdown, the fraud officer post remaining vacant for most of the year and the high number (12) of special investigations undertaken. These audits will be undertaken as soon as circumstances allow.

5. Conformance with the PSIAS

The PSIAS which became effective on 1st April 2013 introduced a requirement for an external quality assessment to be conducted at least every 5 years.

The external quality assessment which was concluded in March 2018 concluded that internal audit generally conforms to the standards. Internal Audit work continues to comply with the standards.

The standards mandate that each internal audit service has in place a Quality Assurance and Improvement Programme (QAIP), this document is intended to increase the quality of the internal audit work. The current QAIP is in the process of being updated to take into account changes in audit processes and will be presented to audit committee when complete and will inform future reviews of the service by the HIA.

The organisational independence of Internal Audit remains unchanged with the day to day management of the service undertaken by the Audit Manager who has unrestricted access to the Chair of Audit Committee, the Chief Executive and all Chief Officers.

Annually all staff within internal audit make a declaration of interest in relation to land or property within the 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 sign a declaration acknowledging that they had received a copy of the PSIAS' Code of Ethics and agreed to conform to its principles.

6. Workforce Impacts

There are no workforce impacts arising from this report.

7. Legal Impacts

There are no legal impacts arising from this report.

8. Risk Management Impact

The work of Internal Audit is key in relation to ensuring compliance with internal controls. This work forms part of the Council's overall risk management arrangements.

9. Consultation

There is no requirement for external consultation on this item.

10. Recommendations

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

11. Reason for Proposed Decision

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

12. Appendices

Appendix 1 – Actual work undertaken compared to Internal Audit Plan

For further information on this report item, please contact:

Huw Jones – Head of Finance (Head of Internal Audit)
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

Appendix 1 – Monitoring of Internal Audit Work compared to Audit Plan
Position as at 31st March 2020

<u>Audit Plan Item 2019-20</u>	<u>Risk Factor</u>	<u>Progress</u>
<u>Education, Leisure and Lifelong Learning</u>		
<u>School Based Audits</u>		
20 Primary Schools	M	17 schools audited
3 Secondary Schools	H	1 school audited another audit had commenced but unable to complete due to Covid lockdown
Schools Data Protection Registration (not in original plan added following findings in other audits)	M	Audit Completed
<u>Other Education</u>		
Unofficial Funds (Primary)	H	Audit complete but unable to agree draft report due to Covid 19 lockdown
Unofficial Funds (Secondary)	H	Audit complete but unable to agree draft report due to Covid 19 lockdown
Education Grants	M	3 grants audited
<u>Leisure, Culture and Lifelong Learning</u>		

Appendix 1 – Monitoring of Internal Audit Work compared to Audit Plan
Position as at 31st March 2020

<u>Audit Plan Item 2019-20</u>	<u>Risk Factor</u>	<u>Progress</u>
Margam Country Park & Orangery	M	2 reports issued, Charlotte's Pantry & Gift Shop. Orangery audit started but not completed due to Covid 19 lockdown and main park audit not started due to Covid 19 lockdown. Rolled forward to 20-21
<u>Finance and Corporate Services</u>		
Revenue Collection		
Council Tax	L	CRSA* completed
Council Tax Recovery	M	Audit completed
NNDR	L	CRSA* completed
Sundry Debtors	L	CRSA* completed
Cash Collection	H	Unannounced visits undertaken throughout the year
Benefits Administration		
Housing Benefits	L	CRSA completed
Exchequer		
Payroll	L	CRSA completed
Creditor Payments	L	CRSA completed
Creditor (FIS Checks)	H	Regular monthly checks undertaken
Off Payroll Payments (IR 35)	H	Advice given to various

Appendix 1 – Monitoring of Internal Audit Work compared to Audit Plan
Position as at 31st March 2020

<u>Audit Plan Item 2019-20</u>	<u>Risk Factor</u>	<u>Progress</u>
		sections/managers throughout the year
Accountancy		
Treasury Management	M	Audit completed
VAT	M	Audit commenced but unable to complete due to Covid 19 lockdown
Other		
Financial Assessments	M	Audit completed
Court Deputy	M	Audit completed
Contingency	N/A	
Legal Services		
None		
<u>Chief Executive's</u>		
Members' Driver Declarations	M	Replaced by Chief Executive Directorate Travel & Subsistence Claims
Chief Executive Directorate Travel & Subsistence Claims	M	Audit completed
<u>Social Services, Health and Housing</u>		
Housing General Fund:		
None		
Social Services		

Appendix 1 – Monitoring of Internal Audit Work compared to Audit Plan
Position as at 31st March 2020

<u>Audit Plan Item 2019-20</u>	<u>Risk Factor</u>	<u>Progress</u>
Hillside Secure Unit	M	Audit completed but due to Covid 19 lockdown report not issued until new financial year
Grant Certification	M	3 grants audited
Safeguarding - Children & Adult Services		
Child Sexual Exploitation	H	Audit not done rolled forward to 20-21
Professional Abuse Strategy Meetings	H	Audit commenced but not completed due to Covid 19 lockdown will be completed in new year
Contingency	N/A	Attendance at Quality & Practice Strategic Group advice provided
<u>Environment</u>		
Stores/Equipment attendance at stock takes	H	Audit completed however due to Covid 19 lockdown report not issued until new financial year
Stores processes	H	Audit completed
Equipment Tracking /Write Offs	M	Audit completed
Winter Gritting Processes	M	Audit not done rolled forward to 20-21

Appendix 1 – Monitoring of Internal Audit Work compared to Audit Plan
Position as at 31st March 2020

<u>Audit Plan Item 2019-20</u>	<u>Risk Factor</u>	<u>Progress</u>
Town Centre Regeneration Programme	M	Replaced by Concessionary Fares Audit
Live kilometre grant	M	Audit completed
Concessionary Fares Grant	M	Audit completed
<u>Cross Directorate</u>		
Special Investigations	N/A	12 investigations were undertaken
Advice & Guidance Requests	N/A	Advice and guidance provided throughout the year
Corporate Governance Arrangements	N/A	Audit not done rolled forward to 20-21
Data Security	H	Audit not done rolled forward to 20-21
Contract Audit	M	3 final accounts processed
Officer Declarations	M	Audit completed
Risk Registers	M	Audit not done rolled forward to 20-21
DBS Checks	H	3 audits completed
Complaints Processes	M	Audit completed
Procurement	H	Audit not done rolled forward to 20-21
Money Laundering	M	Audit not done rolled forward to 20-21

Appendix 1 – Monitoring of Internal Audit Work compared to Audit Plan
Position as at 31st March 2020

<u>Audit Plan Item 2019-20</u>	<u>Risk Factor</u>	<u>Progress</u>
Fraud	H	Due to the postholder leaving mid-year and difficulties in filling the vacancy the level of pro active fraud work undertaken was minimal
GDPR	M	Audit not done rolled forward to 20-21
<u>Other Commitments</u>		
Banking Administrator	N/A	Work undertaken throughout the year
Attendance at working parties	N/A	Advice given to a number of working parties as required
Servicing Audit Committee	N/A	Committee reports produced and committees attended
Vision Impaired West Glamorgan	L	Audit completed
SWTRA	N/A	Audit completed on SWTA stores
FOI Requests	N/A	All requests actioned
Staff association/lottery	N/A	Year end accounts audited and Auditor's Statement provided.
National Fraud Initiative	N/A	Matches reviewed and investigated

Appendix 1 – Monitoring of Internal Audit Work compared to Audit Plan
Position as at 31st March 2020

<u>Audit Plan Item 2019-20</u>	<u>Risk Factor</u>	<u>Progress</u>
* CRSA = Control Risk Self Assessment		

This page is intentionally left blank



Cyngor Castell-nedd Port Talbot
Neath Port Talbot Council

NEATH PORT TALBOT COUNTY BOROUGH COUNCIL

AUDIT COMMITTEE

14th September 2020

Report of the Head of Finance – Huw Jones

Matter for Information

Wards Affected:

All Wards

Internal Audit Update Report

1. Purpose of the Report

The purpose of this report is to provide details of the internal audit work undertaken since the last Audit Committee in December 2019.

2. Executive Summary

When lockdown was imposed the focus of the Authority shifted to their response to the pandemic and business as usual was to a large extent paused. As a result of the change in priorities planned audit work was suspended. This report will detail the work that was undertaken by internal audit during the lockdown period.

3. 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, an update is given below outlining internal audit work undertaken since the December 2019 committee meeting.

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

4. Audit Work Undertaken

Appendix 1 is the Progress Report which would have been presented to Members at the Audit Committee Meeting which was scheduled for 18th March 2020 and provides details of all work undertaken to 28th February 2020.

Work undertaken during the lockdown period

- The bulk of the audit work undertaken took the form of advice and guidance to staff as they adapted their working processes whilst working from home. Proposed changes were discussed and changes to internal controls agreed in a number of areas including creditor payments; payroll; ordering of goods and services; authorisation processes and stock control.
- The Audit Manager provided support to the NPT Safe & Well Programme from its inception and attended all programme board meetings. Members of internal audit provided additional assistance to the programme by way of advice around ordering of goods, stock control processes, record keeping and the data base being used. Staff also undertook a number of stock takes at the food hub to test the effectiveness of the processes in place.

- A review of the ordering and stock control of PPE was undertaken. No issues were identified.
- 13 formal audit reports were issued during the lockdown period details of which are included at appendix 2 of this report.
- The majority of the team were redeployed the Test, Trace & Protect Service, from May, which was managed by the Audit Manager until her return to internal audit in late August. All staff returned to their audit roles on 1st September.

5. Financial Impacts

No implications

6. Integrated Impact Assessment

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

7. Valleys Communities Impacts

No implications

8. Workforce Impacts

No implications

9. Legal Impacts

No implications

10. Risk Management Impacts

The work of Internal Audit is key in relation to ensuring compliance with internal controls. This work forms part of the Council's overall risk management arrangements.

11. Consultation

There is no requirement for external consultation on this item

12. Appendices

Appendix 1 – Progress Report to 28th February

Appendix 2 – Audit Reports Issued

13. 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

AUDIT COMMITTEE

18th March 2020 (Cancelled)

Report of the Head of Finance – Huw Jones

Matter for Information

Wards Affected:

All Wards

Internal Audit Progress Report to 28th February 2020

14. 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.

15. 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.

16. 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.

17. Audit Assignments Completed

A total of 16 formal audit reports have been issued since 18th November 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;

- 5 Private Reports
- 3 Primary Schools
- Treasury Management
- Court Deputy Service
- Education Improvement Grant
- Pupil Deprivation Grant
- Charlotte’s Pantry – Margam Park
- Gift Shop – Margam Park
- Vision Impaired West Glamorgan
- Schools Data Protection Registration

18. Post Audit Reviews Undertaken

The following Post Audit Reviews (PARS) have been undertaken

Audit	Date of PAR	Issues
Assistive Technology	28/11/2019 (2ndPAR)	Stock control remains a concern. Assistance will be provided at annual stocktake.
YGG Tyle'r Ynn	08/01/2020	No Issues
Youth Service	14/02/2020	No Issues
Cilffriw Primary School	25/02/2020	No Issues
Fleet Workshops	28/02/2020	No Issues

19. Progress against Plan

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

There are currently 3 special investigation in progress.

20. Staffing.

The vacant Fraud Officer Post is in the process of being filled. The section has suffered an increase in sickness absence which will have an impact on achieving the planned audits.

21. Financial Impacts

No implications

22. Integrated Impact Assessment

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

23. Valleys Communities Impacts

No implications

24. Workforce Impacts

No implications

25. Legal Impacts

No implications

26. Risk Management Impacts

No implications

27. Consultation

There is no requirement for external consultation on this item

28. 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
R21	Blaengwarch Primary School Head of Participation	Good controls were found to be in place and the school is complying in full with current DBS guidance.	1
R22	St. Joseph's Catholic Infant School Head of Participation	Generally good controls were found to be in place and the school is complying with current DBS guidance. Recommendations were made in relation to the school unofficial fund and compliance with IR35 legislation.	2
R23	Waunceirch Primary School Head of Participation	Generally good controls were found to be in place and the school is complying with current DBS guidance in respect of staff. Recommendations were made in relation to Governors' DBS and the school unofficial fund.	2
R24	St. Joseph's Catholic Junior School Head of Participation	Generally good controls were found to be in place and the school is complying with current DBS guidance. Recommendations were made in relation to school meal debt, coding of procurement card purchases and the school unofficial fund.	2
R25	Private Item		
R26	Central Primary School Head of Participation	Good controls were found to be in place and the school is complying in full with current DBS guidance.	1

Report Ref	Report Subject & Responsible Head of Service	Report Conclusion	Risk Category
R27	Cwmafan Primary School Head of Participation	Good controls were found to be in place and the school is complying in full with current DBS guidance.	1
R28	Equipment Tracking Head of Engineering & Transport	Generally good controls were found to be in place and recommendations were made which will further enhance the existing controls.	2
R29	YGG Pontardawe Head of Participation	Generally good controls were found to be in place and the school is complying with current DBS guidance. Recommendations were made in relation to raising orders and the school unofficial fund.	2
R30	Concessionary Fares – First Cymru Head of Engineering & Transport	Good controls were found to be in place and no issues were identified.	1
R31	Complaints & Compliments All Chief Officers	Good controls were found to be in place for Complaints Officers' identifying, resolving and reporting of complaints. Recommendations were made in relation to training for complaints officers, risk assessments, enhancements to the	2

Report Ref	Report Subject & Responsible Head of Service	Report Conclusion	Risk Category
		Corporate Complaints and Compliments Policy and deploying the IT system used within Social Services to all complaints officers.	

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 bay 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

Appendix 1 – Internal Audit Progress report from March 2020 Cancelled Meeting

Page 142

<u>Audit Plan Item 2019-20</u>	<u>Risk Factor</u>	<u>Quarter 1</u>	<u>Quarter 2</u>	<u>Quarter 3</u>	<u>Quarter 4</u>
<u>Education, Leisure and Lifelong Learning</u>					
<u>School Based Audits</u>					
20 Primary Schools	M	1 school audited	3 schools audited	7 schools audited	4 schools audited
3 Secondary Schools	H		1 school audited	1 Audit being undertaken.	1 report issued. Final school postponed due to unavailability of key staff within school
<u>Other Education</u>					
Unofficial Funds (Primary)	H			Audit in progress	Report being finalised
Unofficial Funds (Secondary)	H			Audit in progress	Report being finalised
Education Grants	M	1 grant being audited	Grant audit finalised	2 Grants audited and draft reports issued.	2 reports issued. 2 certifications in progress.
<u>Leisure, Culture and Lifelong Learning</u>					
Margam Country Park & Orangery	M			Audit in progress	2 reports issued

Appendix 1 – Internal Audit Progress report from March 2020 Cancelled Meeting

Page 143

<u>Audit Plan Item 2019-20</u>	<u>Risk Factor</u>	<u>Quarter 1</u>	<u>Quarter 2</u>	<u>Quarter 3</u>	<u>Quarter 4</u>
<u>Finance and Corporate Services</u>					
Revenue Collection					
Council Tax	L				CRSA* issued
Council Tax Recovery	M				Audit complete draft report prepared
NNDR	L				CRSA Issued
Sundry Debtors	L				CRSA Issued
Cash Collection	H	Unannounced visits undertaken	Unannounced visits undertaken	Unannounced visits undertaken	
Benefits Administration					
Housing Benefits	L				CRSA Issued
Exchequer					
Payroll	L				CRSA Issued
Creditor Payments	L				CRSA Issued
Creditor (FIS Checks)	H	Regular monthly checks undertaken	Regular monthly checks undertaken	Regular monthly checks undertaken	Regular monthly checks undertaken
Off Payroll Payments (IR 35)	H		Advice given	Advice given to a number of service areas	Advice given to a number of service areas

Appendix 1 – Internal Audit Progress report from March 2020 Cancelled Meeting

Page 144

<u>Audit Plan Item 2019-20</u>	<u>Risk Factor</u>	<u>Quarter 1</u>	<u>Quarter 2</u>	<u>Quarter 3</u>	<u>Quarter 4</u>
Accountancy					
Treasury Management	M		Audit in planning stage	Audit in progress	Audit complete and report issued
VAT	M				Audit in progress
Other					
Financial Assessments	M	Audit in progress	Audit complete		
Court Deputy	M	Audit in progress		Draft Report issued	Audit complete report issued
Contingency	N/A	Mobile phone audit in progress		Third Sector Grant audit in planning stage.	Audit in progress.
Legal Services					
None					
<u>Chief Executive's</u>					
Members' Driver Declarations	M	Audit in progress	Audit ceased following legal advice	Replaced with Chief Executive Directorate Travel & Subsistence Claims to be undertaken in Q4	Audit in progress
<u>Social Services, Health and Housing</u>					

Appendix 1 – Internal Audit Progress report from March 2020 Cancelled Meeting

Page 145

<u>Audit Plan Item 2019-20</u>	<u>Risk Factor</u>	<u>Quarter 1</u>	<u>Quarter 2</u>	<u>Quarter 3</u>	<u>Quarter 4</u>
Housing General Fund:					
None					
Social Services					
Hillside Secure Unit	M			Audit in planning stage	Audit in progress
Grant Certification	M	1 grant being audited	2 grants audited		1 grant certified.
Safeguarding - Children & Adult Services	H				
Child Sexual Exploitation	H				Audit in progress
Professional Abuse Strategy Meetings	H				Audit in progress
Contingency	N/A			Warm Homes Fund to be Audited in Q4.	Audit in progress
Environment					
Stores/Equipment attendance at stock takes	H				Attendance at annual stocktake arranged
Stores processes	H			Audit in progress	Audit in progress

Appendix 1 – Internal Audit Progress report from March 2020 Cancelled Meeting

Page 146

<u>Audit Plan Item 2019-20</u>	<u>Risk Factor</u>	<u>Quarter 1</u>	<u>Quarter 2</u>	<u>Quarter 3</u>	<u>Quarter 4</u>
Equipment Tracking /Write Offs	M	Audit in progress	Draft report issued	Final report issued	
Winter Gritting Processes	M				Audit in planning stage
Town Centre Regeneration Programme	M				
Contingency	N/A				
<u>Cross Directorate</u>					
Special Investigations	N/A	3 in progress	5 in progress	4 in progress	3 in progress
Advice & Guidance Requests	N/A	Ongoing	Ongoing	Ongoing	Ongoing
Corporate Governance Arrangements	N/A				
Data Security	H				
Contract Audit	M		1 final account processed	2 final accounts processed	1 final account processed
Officer Declarations	M	Audit complete			
Risk Registers	M				Advice given
DBS Checks	H		1 Audit Completed	Audit in progress	Audit complete and report issued
Complaints Processes	M	Audit in progress	Audit in progress	Final report issued	
Procurement	H			Audit in planning stage	Audit postponed to next year

Appendix 1 – Internal Audit Progress report from March 2020 Cancelled Meeting

<u>Audit Plan Item 2019-20</u>	<u>Risk Factor</u>	<u>Quarter 1</u>	<u>Quarter 2</u>	<u>Quarter 3</u>	<u>Quarter 4</u>
Money Laundering	M				Audit postponed to next year
Fraud	H	Work ongoing	Blue Badge Audit in progress	Blue Badge Audit still ongoing	Audit complete
GDPR	M			Audit in planning stage	Audit postponed to next year
<u>Other Commitments</u>					
Banking Administrator	N/A	Work ongoing	Work ongoing	Work ongoing	Work ongoing
Attendance at working parties	N/A	Work ongoing	Work ongoing	Work ongoing	Work ongoing
Servicing Audit Committee	N/A	Work ongoing	Work ongoing	Work ongoing	Work ongoing
Vision Impaired West Glamorgan	L				Audit complete and report issued
SWTRA	N/A		Audit in progress		Audit complete and report issued
FOI Requests	N/A	All requests have been replied to.	All requests have been replied to	All requests have been replied to	All requests have been replied to
Staff association/lottery	N/A	Year end accounts audited and Auditor's Statement provided.		Advice given when requested	Advice given when requested
National Fraud Initiative	N/A	Matches being reviewed	Matches being reviewed	Matches being reviewed	Matches being reviewed

Appendix 1 – Internal Audit Progress report from March 2020 Cancelled Meeting

<u>Audit Plan Item 2019-20</u>	<u>Risk Factor</u>	<u>Quarter 1</u>	<u>Quarter 2</u>	<u>Quarter 3</u>	<u>Quarter 4</u>
* Control Risk Self Assessment					

Appendix 2 – Audit Reports Issued

Report Ref	Report Subject & Responsible Head of Service	Report Conclusion	Risk Category
R1	YGG Cwmllynfell Head of Transformation	Good controls were found to be operating in all areas audited.	1
R2	Hillside Secure Children's Home Head of Children's Services	Good controls were operating in relation to budgetary control, ordering and payment of goods and services, medication records and staffing levels. Recommendations were made which will strengthen existing controls in relation to the treatment of VAT, use of purchasing cards and the service delivery plan.	2
R3	CRSAs – Fundamental Financial Systems Head of Financial Systems	All of the Control Risk Self Assessments undertaken returned satisfactory results.	1
R4	General Primary School Report 2019/20 Head of Transformation	This purpose of the report is to inform all Headteachers of the findings of and recommendations made following all of the audits undertaken in year.	N/A
R5	NFI matches – Private Residential Care Homes to	All matches identified by NFI had previously been actioned by staff within the Financial Assessment Team in a timely manner. No issues were identified.	1

Appendix 2 – Audit Reports Issued

Report Ref	Report Subject & Responsible Head of Service	Report Conclusion	Risk Category
	DWP deceased records Head of Finance		
R6		Private Item	
R7	Glamorgan Education Trust Fund Director of Finance & Corporate Services	Good controls were found to be operating in all areas of the grant administration.	1
R8	NFI matches – Personal Budgets (direct payments) to DWP deceased records Head of Finance	All matches identified by NFI had previously been actioned by staff within the Financial Assessment Team in a timely manner. No issues were identified.	1
R9	Employment Status Assessments for Tax Purposes (IR35) – Schools	There was a lack of clear evidence on the Financial Information System in relation to the schools sampled to confirm that an IR35 assessment had been undertaken on all suppliers paid. Recommendations were made which will enhance the controls in place and mitigate the risk of a	2

Appendix 2 – Audit Reports Issued

Report Ref	Report Subject & Responsible Head of Service	Report Conclusion	Risk Category
	Head of Finance	supplier being without an IR35 assessment having been undertaken.	
R10	Employment Status Assessments for Tax Purposes (IR35) – SWTRA Head of Finance	There was a lack of clear evidence on the Financial Information System to confirm that an IR35 assessment had been undertaken on all suppliers sampled during the audit. Recommendations were made which will enhance the controls in place and mitigate the risk of a supplier being without an IR35 assessment having been undertaken.	2
R11	NFI – Payroll to Payroll Head of Finance	No issues were identified with any of the matches reported by NFI.	1
R12	NFI – Duplicate Creditor Payments Head of Finance	No issues were identified with any of the matches reported by NFI.	1
R13		Private Item	

Risk Categories

Category 1 – testing found good controls to be in place

Appendix 2 – Audit Reports Issued

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



NEATH PORT TALBOT COUNTY BOROUGH COUNCIL

AUDIT COMMITTEE

14th September 2020

Report of the Head of Finance – Huw Jones

Matter for Decision

**Wards Affected:
All Wards**

Internal Audit Plan for the Period 1st September 20 – 31st December 2020

1. Purpose of Report

- 1.1 The purpose of this report is to seek members' approval of the attached Internal Audit Plan for the period 1st September 2020 – 31st December 2020.

2. Internal Audit Plan

- 2.1 It is customary to prepare an Internal Audit Plan for the forthcoming financial year and for this Committee to approve that plan in the March committee meeting. However this year the committee meeting planned for 18th March 2020 did not go ahead due to restrictions imposed due to the Coronavirus pandemic and therefore the proposed full year plan was not approved. When lockdown was imposed the focus of the Authority shifted to their response to the pandemic and business as usual was to a large extent paused, this had the effect that audit work was severely curtailed and internal audit staff moved initially to providing advice and guidance to staff throughout the Authority as they moved to home working and

revised working practices. From May the majority of the team were redeployed to work within the Test, Trace and Protect Service.

- 2.2 In light of the above and the uncertainty still surrounding when business as usual will recommence it is deemed appropriate given the unprecedented circumstances we find ourselves in to for this year only prepare short term audit plans. The first of which is detailed within appendix 1 of this report and covers a 4 month period.
- 2.3 During the next 4 months the Audit Manager will liaise with Chief Officers and service managers to discuss when their services are likely to return to a business as usual footing and what impact the working restrictions have had on their services. These discussions will inform the audit plan for the final quarter of this financial year and will be reported to this committee at the December meeting. Consideration will also be given to emerging risks and these will be factored into future plans.

3. Recommendation

It is recommended that members approve the Internal Audit Plan as set out in Appendix 1.

4. Reason for Proposed Decision

To ensure compliance with the terms of reference of the Audit Committee.

6. Financial Impact

There is no financial impact associated with this report.

7. 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.

8. Workforce Impacts

There are no workforce impacts associated with this report.

9. Legal Impacts

There are no legal impacts associated with this report.

10. Risk Management

The Audit Plan and the proposed audits contained therein form a fundamental part of the risk management processes used by the Council.

11. Consultation

There is no requirement under the Constitution for external consultation on this item.

12. Appendices

Appendix 1 – Internal Audit Plan for the period 1st September 20 – 31st December 2020

Officer contact

Huw Jones – Head of Finance
Tel. 01639 763575 – email h.jones@npt.gov.uk

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

NEATH PORT TALBOT COUNTY BOROUGH
COUNCIL

Finance & Corporate Services Directorate

Internal Audit Service

INTERNAL AUDIT PLAN
FOR THE PERIOD
1st September 2020 – 31st December 2020

Issue Date – 14th September 2020

CONTENTS

Heading

Foreword to Plan

Section 1

Legislative requirements

Section 2

Calculation of available days

Section 3

Detailed Audit Plan in respect of the period 1st September 2020
- 31st December 20

**STRATEGIC AUDIT PLAN IN RESPECT OF THE PERIOD
1st September 2020 – 31st December 2020**

1. INTRODUCTION

- 1.1 This plan outlines details of the Internal Audit Service involvement in Council services/functions for the period 1 September 2020 to 31st December 2020.
- 1.2 The plan has been prepared using the following assumptions and methodology.
- 1.3 The staffing complement for 2020/21 is 7.19 FTE.
- 1.4 An allowance has been made for special investigation type work i.e. fraud, theft, general malpractice issues in relation to employees and clients of Council services, along with requests for advice and guidance from service managers.
- 1.5 The focus of this plan is on auditing areas considered to be a higher risk due to remote working due to the pandemic and the subsequent changes in control processes.

2. INTERNAL AUDIT SERVICE PERFORMANCE MONITORING

Updates in line with corporate guidelines will continue to be given to the Council's Audit Committee and where required to the relevant Scrutiny Committee. The section's work will also follow the requirements of the Public Sector Internal Audit Standards.

3. AUDIT COMMITTEE

Since this Committee was established as a 'stand-alone' entity in May 2002, numerous reports on a variety of topics have been submitted and this has assisted Members' awareness of their role i.e. effective compliance with the laid down Terms of Reference of the Committee. Members of the Committee have also received training as appropriate.

The Committee undertakes its duties in line with the guidance given in the Public Sector Internal Audit Standards 2013 (updated 2017) which supersede The Code of Practice for Internal Audit in Local Government in the UK.

4. **THE YEAR AHEAD**

As for every year to date, a number of challenges lie ahead however this year the challenges are compounded by the Coronavirus Pandemic:

- Carry out audits remotely as staff across the Authority will in the most part work from home;
- Ensure that staff within the team continue to feel supported whilst working remotely;
- Develop new audit processes to accommodate remote working;
- Provide assurance to Members on the adequacy and effectiveness of internal controls on systems that have been affected by the budget reductions faced by the Authority;
- To further improve the assessment of risk in audit work;
- Continuing with the progress made to date in improving, and, enhancing the role of the Audit Committee;
- Continuing to work closely with service managers to improve the effectiveness of audit work, particularly with regard to the increasing emphasis on corporate governance issues and risk;
- Continuing to work closely with Wales Audit Office to maximise the effectiveness of audit work for the Authority.

In terms of ongoing requirements, there is a need to constantly monitor and review the progress being made in connection with the various assignments contained within the Audit Plan (aided by a computerised Audit Management System which has been developed in-house for our purposes). Progress reports will continue to be presented to Audit Committee. In addition, our External Auditor's report on the performance of Internal Audit in terms of compliance with the Public Sector Internal Audit Standards in line with their statutory responsibility in its entirety is submitted to the Audit Committee.

Finally, this Internal Audit Plan is submitted to the Audit Committee for approval at its meeting scheduled for 14th September 2020.

Huw Jones
Head of Finance

Anne-Marie O'Donnell
Audit Manager

SECTION 1

LEGISLATIVE REQUIREMENTS RELATING TO THE PROVISION OF THE INTERNAL AUDIT FUNCTION

- 1.1 This section deals with the legislative question and the manner in which compliance is effected by the Authority.
- 1.2 Section 151 of the Local Government Act 1972 requires that “every local authority shall make arrangements for the proper administration of their financial affairs and shall ensure that one of their officers has responsibility for the administration of those affairs.”
- 1.3 The responsible financial officer in this Authority is the Director of Finance & Corporate Services, and one of the more important ways in which he exercises his statutory responsibility for financial administration is through the work of the Internal Audit Service.
- 1.4 The Accounts and Audit (Wales) Regulations 2014 state ... (1) A relevant body must maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control. (2) Any officer or member of that body must, if the body requires (a) make available such documents of the body which relate to its accounting and other records as appear to that body to be necessary for the purpose of audit; and (b) supply the body with such information and explanation as that body considers necessary for that purpose. (3) a larger relevant body must, at least once in each year, conduct a review of the effectiveness of its internal audit. (4) The findings of the review referred to in paragraph (3) must be considered, as part of the consideration of the system of internal control refers to in regulation 5 (3), by the committee or body referred to in that paragraph.
- 1.5 It is a requirement of the Public sector Internal Audit Standards that each Internal Audit service has an Audit Charter. The 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 Standards. The chief audit executive must

periodically review the internal audit charter and present it to senior management and the board for approval.” This committee approved the service’s revised charter at the committee meeting in June 2019.

- 1.6 These Accounts and Audit Regulations are supplemented by this Authority’s Financial Regulation No 3.4.5 and Financial Procedures Nos. 4.9.8 and 4.9.9 which state:

Financial Regulation 3.4.5 – Audit Requirements

This states that the Accounts and Audit Regulations require every local authority to maintain an adequate and effective internal audit.

Financial Procedure Nos. 4.9.8 & 4.9.9

4.9.8 Responsibilities of the Director of Finance & Corporate Services

To ensure that internal auditors have the authority to:

- Access Authority premises at reasonable times
- Access all 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 his or her 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 mal practice.

4.9.9 Responsibilities of Corporate Directors (Chief Officers)

- To ensure that internal auditors are given access at all reasonable times to premises, personnel, documents and assets that the auditors consider necessary for the purposes of their work.

- To ensure that auditors are provided with any information and explanations that they seek in the course of their work.
- To consider and respond promptly to recommendations in audit reports
- To ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.
- To notify the Director of Finance & Corporate Services immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the Authority's property or resources. Pending investigation and reporting, the Corporate Director should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.

SECTION 2

INTERNAL AUDIT PLAN 1st September 2020 – 31st December 2020 CALCULATION OF AVAILABLE DAYS

- 2.1 The total number of days included in the Plan is based on a total of 7.19 (FTE) staff.
- 2.2 A number of allowances have to be made to the total number of days available to allow for annual leave, public holidays, sickness, training etc. An estimate also has to be made for staff vacancies arising from the possibility of staff turnover occurring over the year.
- 2.3 These allowances result in a total number of 'available' days to the section of 490. From this is deducted a number of days to allow for the general supervision and management of the Section and other 'non-chargeable' items such as attendance at seminars, team meeting etc. The total number allocated to these overhead type areas is 50 days.
- 2.4 This leaves a total of 440 days available for planned work.

SECTION 3 – INTERNAL DRAFT AUDIT PLAN 1st September 2020-31st December 2020

Service Area	Days Allocated	Risk Factor
Creditor Payments	25	H
Procurement Card use	20	H
Treasury Management Transactions	15	M
Council Tax	20	M
Housing Benefits	25	M
Payroll	20	M
Non Domestic Rates	20	M
Sundry Debtors	20	M
DBS – new starters	10	H
Free School Meals (Covid 19)	15	M
Urgency Actions	15	M
IT equipment (home working)	20	M
NFI data submission	10	M
Declarations of Interest	15	M
Travel & Subsistence	20	M
Covid 19 Business Grants	25	H
<u>Cross Directorate</u>		
Special Investigations	60	N/A
Advice & Guidance requests	25	N/A
New HR/Payroll System	15	H
19/20 Post Audit Reviews and completion of audits	20	N/A
<u>Other Commitments</u>		
Banking Administrator	5	N/A
Servicing Audit Committee	5	N/A
Vision Impaired West Glam	10	N/A
FOI requests	2	N/A
Staff association/lottery	3	N/A

This page is intentionally left blank



NEATH PORT TALBOT COUNTY BOROUGH COUNCIL

AUDIT COMMITTEE

REPORT OF THE HEAD OF FINANCE – HUW JONES

14th SEPTEMBER 2020

Matter for Information

Wards Affected - All

TREASURY MANAGEMENT MONITORING 2020/21

Purpose of Report

1. This report sets out treasury management action and information for the first quarter of 2020/21 as reported to Cabinet on 30th July 2020 which is now forwarded to Audit Committee for information.

Rates of Interest

2. The global outbreak of coronavirus has forced the UK Government to take drastic steps to stem the economic impact and this resulted in the Bank of England reducing the bank base rate.
3. During a special meeting of the Bank of England's Monetary Policy Committee on 10th March 2020, the Bank of England cut the rate from 0.75% to 0.25%, effective from 11th March, with a further reduction to 0.10% following shortly after on 19th March. The bank warned that the pandemic will result in a "sharp and large" economic shock.

The following table details the changes in bank rate:

Effective Date	Bank Rate
8th January 2009	1.50%
5th February 2009	1.00%
5th March 2009	0.50%
4th August 2016	0.25%
2nd November 2017	0.50%
2 nd August 2018	0.75%
11 th March 2020	0.25%
19 th March 2020	0.10%

4. The following table provides examples of external borrowing costs as provided by the Public Works Loans Board as at 7th July 2020:

	Equal Instalments of Principal		Annuity		Maturity	
	Previous 14Jan20	Current 07Jul20	Previous 14Jan20	Current 07Jul20	Previous 14Jan20	Current 07Jul20
	%	%	%	%	%	%
5-5.5 years	2.28	1.94	2.28	1.94	2.32	1.98
10-10.5 years	2.32	1.98	2.32	1.98	2.58	2.24
20-20.5 years	2.58	2.24	2.60	2.24	3.05	2.66
35-35.5 years	2.99	2.60	3.02	2.62	3.00	2.61
49.5-50 years	3.09	2.69	2.98	2.69	2.93	2.49

General Fund Treasury Management Budget

5. The following table sets out details of the treasury management budget for 2020/21 along with outturn figures for 2019/20. The budget consists of a gross budget for debt charges i.e. repayment of debt principal and interest, and interest returns on investment income

2019/20 Outturn £'000		2020/21 Original Budget £'000
19,925	Principal and Interest charges	19,720
	Investment Income	
(497)	- Total	(400)
147	- less allocated to other funds	130
(350)	Subtotal Income	(270)
(301)	Contribution from General Reserves	(170)
	Contribution to General Reserves	
	Contribution to/(from) treasury management reserve	
19,274	Net General Fund	19,280

NB: Other funds include Trust Funds, Social Services Funds, Schools Reserves, Bonds etc.

Borrowing

6. The following new loan has been entered into since the last quarterly monitoring report:

Date	Amount of Loan £'000	Type	Interest Rate %	Term of Loan (Yrs)
30/03/20	20,000	Maturity Loan	1.89	2.5

7. This loan was taken out to mitigate against any potential shortfall in cash, particularly in relation to paying out Small Business Grants on behalf of the Welsh Government and also concerns over the wider impact on cashflow from the Coronavirus outbreak.

Investments

8. The following are a list of investments that we have as at 30th June 2020:

<u>Counterparty</u>	<u>Value (£)</u>	<u>Investment type</u>	<u>Investment start</u>	<u>Investment maturity</u>	<u>Interest rate</u>
Surrey County Council	£10,000,000	Fixed	15/06/20	15/09/20	0.30%
London Borough of Barking & Dagenham	£7,000,000	Fixed	10/06/20	10/09/20	0.20%
Santander	£80,100,000	Call Account	N/A	N/A	0.10%

9. Please note – the Council’s investment criteria (TMP2 - appendix 1) allows for a maximum investment for an F1 rated counterparty to be £15m. Santander are currently an F1 rated counterparty – however, the policy also allows for this to be temporarily exceeded in exceptional circumstances. Member should note that during the COVID pandemic, this balance has been exceeded.

Investment Income

10. In line with the Council’s Investment Strategy, the 2020/21 original budget target for investment income is £400k, income for the financial year to date totals £67k. Due to the very low interest rates at present with base rate at 0.1%, it is unlikely that the investment income target will be met. Any unachieved income will be met from the treasury management equalisation reserve at year end, subject to the Council’s overall financial position.
11. Members should note that the majority of investments are classified as ‘specified’ i.e. up to 12 months and are currently deposited with Local Authorities and Santander Bank
12. The Council policy will allow investments up to a maximum of £25m for periods of more than 1 year and up to 5 years, and this will be considered when decisions on investing surplus funds are made. The Council has no such investments.

Financial Impact

13. All relevant financial information is provided in the body of the report.

Integrated Impact Assessment

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

Valleys Communities Impacts

15. No implications

Workforce Impacts

16. There are no workforce impacts arising from this report.

Legal Impacts

17. There are no legal impacts arising from this report.

Risk Management

18. There are no new risk management issues arising from this report. Borrowing and investment decisions are made in line with the Council's Treasury Management Policy. The Council has appointed Link Asset Services to provide support and advice in relation to this policy.

Consultation

19. There is no requirement under the Constitution for external consultation on this item.

Recommendation

20. It is recommended that Audit Committee members note the contents of this monitoring report.

Appendices

21. None

List of Background Papers

22. PWLB Notice Number 259/20

Officer Contact

Mr Huw Jones – Head of Finance
E-mail - h.jones@npt.gov.uk

Mr Ross Livingstone – Group Accountant – Capital and Corporate
E-mail – r.livingstone@npt.gov.uk

Appendix 1

Specified Investments

	Minimum 'High' Credit Criteria	Funds Managed	Max Amount	Max Duration
Term deposits				
Term deposits - Debt Management Office	N/A	In-house	Unlimited	1 year
Term deposits – local, police and fire authorities	N/A	In-house	£10m	1 year
Term deposits – Nationalised & Part Nationalised UK banks/Building Societies	Fitch short-term rating F1+, F1	In-house	£20m	1 year
Term deposits – UK banks/Building Societies	Fitch short-term rating F1+	In-house	£20m	1 year
Term deposits – UK banks/Building Societies	Fitch short-term rating F1	In-house	£15m	6 months or 185 days
Callable deposits				
Callable deposits – Debt Management Agency deposit facility	N/A	In-house	Unlimited	
Callable deposits – Nationalised & Part Nationalised UK banks/Building Societies	Fitch short-term rating F1+, F1	In-house	£20m	
Callable deposits – Nationalised & Part Nationalised UK banks/Building Societies	Fitch short-term rating F2	In-house	£10m	
Callable deposits - UK banks/Building Societies	Fitch short-term rating F1+ or F1	In-house	£15m *	
Term deposits – non UK banks	Fitch short-term rating F1+	In-house	£5m	6 months or 185 days

* Where necessary this limit may be temporarily exceeded with the Authority's bankers only.

This page is intentionally left blank

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

Document is Restricted

This page is intentionally left blank