

*Rydym yn croesawu gohebiaeth yn Gymraeg.
Rhowch wybod i ni os mai Cymraeg yw eich
dewis iaith.*

*We welcome correspondence in Welsh. Please
let us know if your language choice is Welsh.*



**Gwasanaethau Gweithredol a Phartneriaethol /
Operational and Partnership Services**

Deialu uniongyrchol / Direct line /: (01656)
643148/643147

Gofynnwch am / Ask for:

Ein cyf / Our ref:

Eich cyf / Your ref:

Dyddiad/Date: Friday, 22 June 2018

Dear Councillor,

AUDIT COMMITTEE

A meeting of the Audit Committee will be held in the Committee Rooms 2/3 - Civic Offices Angel Street Bridgend CF31 4WB on **Thursday, 28 June 2018 at 14:00.**

AGENDA

1. Election of Chairperson
2. Election of Vice-Chairperson
3. Apologies for Absence
To receive apologies for absence from Members.
4. Declarations of Interest
To receive declarations of personal and prejudicial interest (if any) from Members/Officers in accordance with the provisions of the Members' Code of Conduct adopted by Council from 1 September 2014
5. Approval of Minutes 3 - 10
To receive for approval the minutes of the Audit Committee of 26/04/2018
6. Audit Committee's Terms Of Reference 11 - 16
7. Annual Governance Statement 2017-18 17 - 40
8. Statement Of Accounts 2017-18 (Unaudited) 41 - 168
9. Community Action Fund 2017-18 Update 169 - 188
10. Annual Treasury Management Outturn Report 2017-18 189 - 210
11. Incident And Near Miss Reporting Procedure (Excluding Health And Safety) 211 - 226
12. Proposal To Incorporate The Shared Internal Audit Service (Riass) Into A 227 - 232

By receiving this Agenda Pack electronically you will save the Authority approx. £6.20 in printing costs

Larger Service Hosted By The Vale Of Glamorgan Council To Include Two Additional Councils

- | | | |
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| 13. | <u>Internal Audit - Outturn Report - April To May 2018</u> | 233 - 248 |
| 14. | <u>Audit Report - Healthy Organisation Review</u> | 249 - 306 |
| 15. | <u>Updated Forward Work Programme 2018/19</u> | 307 - 310 |
| 16. | <u>Urgent Items</u> To consider any other items(s) of business in respect of which notice has been given in accordance with Rule 4 of the Council Procedure Rules and which the person presiding at the meeting is of the opinion should by reason of special circumstances be transacted at the meeting as a matter of urgency. | |

Yours faithfully

P A Jolley

Corporate Director Operational and Partnership Services

Councillors:

CA Green
JE Lewis
MJ Kearn
B Sedgebeer

Councillors

RM Granville
LM Walters
A Williams
AJ Williams

Councillors

PA Davies
P Davies
TH Beedle
T Giffard

Lay Member

Mrs J Williams

AUDIT COMMITTEE - THURSDAY, 26 APRIL 2018

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD IN COMMITTEE ROOMS 2/3 - CIVIC OFFICES ANGEL STREET BRIDGEND CF31 4WB ON THURSDAY, 26 APRIL 2018 AT 14:00

Present

Councillor LM Walters – Chairperson

CA Green
A Williams

JR McCarthy
AJ Williams

MJ Kearn
MC Clarke

RMI Shaw
A Hussain

Apologies for Absence

JE Lewis, B Sedgebeer and RM Granville

Officers:

| | |
|------------------|---|
| Mark Jones | Financial Audit Manager, Wales Audit Office |
| Helen Smith | Chief Internal Auditor |
| Mary Williams | Chief Accountant |
| Mark Galvin | Senior Democratic Services Officer - Committees |
| Gill Lewis | Interim Head of Finance and Section 151 Officer |
| John Llewellyn | Financial Audit Team Leader, Wales Audit Office |
| Sarah-Jane Byrne | Local Government Manager, Wales Audit Office |

Lay Member:

Josephine Williams

45. DECLARATIONS OF INTEREST

Councillor JR McCarthy declared a personal interest in Agenda item 8, in his capacity as Deputy Mayor of Bridgend County Borough Council.

46. APPROVAL OF MINUTES

RESOLVED: That the Minutes of a meeting of the Audit Committee dated 18 January 2018, be approved as a true and accurate record.

47. EXTERNAL AUDIT ANNUAL AUDIT PLAN 2017-18

The Chief Executive submitted a report, the purpose of which, was to submit the External Auditor's Annual Audit Plan 2017-18, together with a schedule of authorised grant signatories for the Council both for noting.

The key elements of the audit engagement of the Appointed Auditor were outlined in Appendix A of the report.

Mr. John Llewellyn from the Wales Audit Office confirmed that the purpose of Plan was to set out the proposed work, when it was to be undertaken, how much it would cost, and finally who was going to undertake it.

He advised that the Plan also outlined the Performance Audit, the Certification of Grant Claims and Returns, as well as certain other work undertaken.

Attached at Appendix B to the report, was the schedule of authorised grant signatories for noting purposes.

Mr Llewellyn referred Members to page 15 of the Audit Plan and Exhibit 2, that summarised in table format the key financial audit risks identified at the planning stage of the audit, relating to Housing benefit expenditure, Bank reconciliations, Related party disclosures and the Cardiff Capital Region City Deal. This section of Appendix A also gave the proposed audit responses to these highlighted risks. He added that claims tested in relation to the Housing Benefit Annual Accounts had been positive when compared with a similar testing process that had been carried out last year, that revealed that some claims had been processed erroneously. He added that the City Deal audit was not material to the 2017/18 accounts, though this would be far more relevant to the 2018/19 accounts as projects progressed as part of the initiative.

A Member pointed out that he was keen for an audit to be undertaken by the Internal Shared service, as well as one being carried out by the lead authority of Cardiff City Council and/or the Cardiff City Deal Joint Committee, so as to ensure that accountability was being shown by BCBC as a participating Authority involved in the City Deal scheme.

Sarah-Jane Byrne also from the Wales Audit Office, then took Members through the remainder of the reports attachments.

RESOLVED: That Members noted the content of the External Auditor's Annual Audit Plan 2017-18 attached at Appendix A to the report, and the schedule of authorised grant signatories attached at Appendix B.

48. CERTIFICATION OF GRANTS AND RETURNS 2016-17

Mark Jones and John Llewellyn from the Wales Audit Office jointly presented a report on behalf of the Chief Executive, the purpose of which, was to present the Council's External Auditor's report on the grant work undertaken for the period 2016-17.

By way of background information the Officers confirmed that the Wales Audit Office (WAO) as appointed auditors of the Council, is asked on behalf of the Auditor General for Wales to certify larger grant claims made by the Council. For 2016-17 they audited 14 grant claims and returns, with a total value of £123m (15 grant claims with a total value of £121m in 2015-16).

The report gave a summary of all claims and returns subject to certification in the attached Appendix A, together with the certification fee and outcome of the External Auditor's review.

Paragraph 4.2 of the report summarised the certification results, and the Officers from the WAO gave a resume of these for the benefit of Members. The certification results it was confirmed compared well on all Wales average.

Members were advised that there was only one significant adjustment which was as a result of an incorrect calculation of the Bad Debt Provision for Non-Domestic Rates. It was pointed out however, that this affected the income to Welsh Government, and not any funding due to the Council. The net effect of the other grant adjustments resulted in an increase of £75 to the Council.

Members were then referred to paragraph 4.4 of the report, whereby the External Auditors had made 3 recommendations in respect of the Certification of Grants and Returns for 2016-17.

RESOLVED: That the Committee noted the content of the External Auditor's Report on the grant work undertaken for 2016-17, attached at Appendix A to the report.

49. HOUSING BENEFIT SUBSIDY RETURN 2016/17

The Interim Head of Finance and Section 151 Officer presented a report, in order to inform the Committee of the checking and training activities that have been undertaken to date, and actions planned for 2018/19 to address the issues identified during the 2016/17 Housing Benefit subsidy audit.

By way of background information, she advised that the above audit had revealed a number of processing issues which had affected the accuracy of the subsidy claim. These were outlined in paragraph 3.1 of the report.

The Interim Head of Finance and Section 151 Officer confirmed that steps to address these issues commenced during the audit and the next sections of the report, from paragraphs 4.2 to 4.17, detailed the problems that had been experienced, and the actions either completed or planned for 2018/19 in order to improve the accuracy of these work processes in future.

These were in relation to the following areas of Housing Benefits:-

- General guidance/training
- Identified rent issues
- Occupational pensions/earned income, and
- Subsidy checking process

A Training Plan for staff devised to concentrate on the specific issues identified was detailed at Appendix 1, whilst Appendix 2 contained the high-level checking plan that will be carried out for the 2017/18 subsidy claim.

The Interim Head of Finance and Section 151 Officer then completed her submission by referring to the report's financial implications.

A Member asked why this level of error had been revealed at the time it had in 2016/17, ie were there capacity issues with staffing levels in the section at the time or any other reason(s) Officers had identified.

The Interim Head of Finance and Section 151 Officer confirmed that there had been a reduction in staffing levels in the Housing Benefit section, as there had been in most other service areas of the County Borough the last few years, and this would have brought about extra pressure for staff. The main problems in Housing Benefits however, related to system misinterpretation errors. However, stringent checking processes had now been put in place so as to ensure that this type of error would be eliminated or at the very least, significantly reduced in the future due to all the various checking plans that either had or were in the process of being put in place. She added that the mistakes outlined in the report, had not resulted from careless errors of a widespread nature.

RESOLVED: That the Committee noted the report.

50. COUNCIL TAX REDUCTION FRAUD INVESTIGATIONS: APRIL 2017 TO MARCH 2018

The Interim Head of Finance and Section 151 Officer submitted a report, which informed Members of the activities that have been undertaken during 1 April 2017 to 31 March

2018, with regard to Council Tax Reduction (CTR) fraud investigations. In addition, the report also summarised the results achieved during 2017/18, as compared with the position from November 2015 to March 2017 (effectively as a new process, this period covers the first year of CTR only investigations.)

The report gave some background information, particularly with regard to the Single Fraud Investigation Service, and explained that most of the Fraud Investigation team had now been transferred to the Department of Works and Pension (DWP) other than one Fraud Officer who had remained with BCBC.

She then referred to Table 1 in paragraph 4.3 of the report, which illustrated the source of fraud referrals during the relevant periods outlined in this table. 41% of these fraud referrals had been initiated through a claim review exercise. The newly introduced Claim Review System had allowed the Authority to access more information of people potentially abusing claims, than had previously been the case.

The Interim Head of Finance and Section 151 Officer added that almost 33% of the referrals were received via the public, with the majority of these relating to DWP benefits or Housing Benefits. She added that during 2017/18, the Council's Fraud Investigator referred 63 cases to the DWP.

The Table (ie 2) shown in paragraph 4.7 of the report, illustrated a breakdown of the types of allegations that were referred during the period outlined in the table, ie November 2015 – March 2017.

Paragraph 4.9 of the report then confirmed that during 2017/18, 82 cases were closed (as compared to 91 for the above period), and the closure categories were detailed in Table 3 in this part of the report.

The Interim Head of Finance and Section 151 Officer then referred to Table 4 in paragraph 4.11 of the report that provided the CTR and incidental Housing Benefit savings that have been achieved as a result of the fraud investigations concluded during the relevant periods.

Table 5 in paragraph 4.13 of the report showed the penalties and fines issued in the relevant period shown, and in addition to these, the Fraud Investigator had also raised administration-penalties totalling £11,859 (£6,523 in 2016/17), following DWP investigations into Housing and Council Tax Benefit claims.

RESOLVED: That Committee noted the report.

51. **INTERNAL AUDIT - FINAL OUTTURN REPORT - APRIL 17 TO MARCH 18**

The Chief Internal Auditor introduced a report, that presented the Committee with the Council's Internal Audit Strategy and Annual Risk Based Audit Plan for the year April 2018 to March 2019.

Attached at Appendix A to the report, was the draft Internal Audit Strategy document for 2018/19. This demonstrated how the Internal Audit Service will be delivered and developed, in accordance with the relevant Terms of Reference and how it links to the Council's objectives and priorities. The Strategy would be reviewed and updated annually, in consultation with stakeholders, namely the Audit Committee, Corporate Management Board, External Auditors and Senior Management.

The Chief Internal Auditor added that the 2018/19 draft Annual Risk Based Plan of work had been formulated to ensure compliance with the Standards as contained within the

PSIAS. She further added that in order to keep Members of the Audit Committee fully informed, and to ensure compliance with Standards for Internal Audit, the draft detailed Plan was attached to the report at Appendix B.

The Chief Internal Auditor then referred Members to the audits that had been undertaken between the above period in the different service areas of the Directorates so specified, and then referring back to Appendix A, she pointed out those audits that had identified some significant Internal Control Weaknesses, such as in the Mayoral Review where following a review a number of weaknesses were identified, so much so, that no assurance could be provided on the overall internal control environment. This had resulted in work with the Charity Committee being ceased until such time a meeting was set-up between the Committee and the Council's Chief Executive on the way forward. The Chief Internal Auditor further added, that the main concern was the Charity Committees governance arrangements which were extremely weak.

The second such audit that had given only a limited assurance was in place in respect of the SWTRA Grant Verification, and the Chief Internal Auditor referred to page 89 of the report, where three key issues had been highlighted to be addressed, and she expanded upon these for the benefit of Members.

The Chief Internal Auditor then referred to the School Agency audit undertaken in April 2016 and followed up in June 2017, both of which had resulted in the issue of Limited Assurance reports. As there was a potential risks arising from the outcome of these audits, a review had been undertaken, to ensure that the recommendations agreed by management had been implemented in an attempt to reduce these risks. These were outlined in this section of the report.

She proceeded by confirming that the current follow-up review confirmed that a number of recommendations remained outstanding, with the following areas of concern being identified:-

- Low use of the approved provider, New Directions
- No monitoring of spend/usage at a central level
- No assurance of compliance with Contract Procedure Rules relating to procurement
- No assurance of required checks being carried out by the agencies

The Head of Education and Family Support and the Group Manager School Improvement were then invited into the meeting to give an explanation on what action was being taken so as to address the above areas of concern.

The Head of Education and Family Support advised that though there was a Framework Agreement in place recommending that the approved provider New Directions be used by schools for recruitment of staff etc, the company was not being utilised by all schools, and furthermore, there was no ability to require schools to use the company for this purpose, so they often pursued this through other methods.

This was resulting in problems, for example in the monitoring of spend of secondary schools for advertising in the recruitment of teaching and agency staff.

There was also a problem by not using this approved provider she added, in that there was less control over health and safety checks of potential new staff if any school recruited through a different provider.

The reason schools were giving for not using New Directions, was that this provider could not always provide staff within certain specialist areas. A proforma had therefore

been issued to all schools, asking for them to give detailed reasons for not using this approved organisation for recruitment purposes.

It was directed in the Headteachers handbook and Induction Programme, that New Directions should be used, and they were being challenged to follow this directive.

The Chairperson asked what percentage of agency staff were being provided by this preferred supplier, adding her concerns that nothing had been in place to address the concerns raised as part of the first audit carried out in April 2016.

The Head of Education and Family Support advised that there was an issue that was proving problematic, namely that New Directions should be used by all 22 local authorities under an agreed procurement arrangement. A considerable number of schools however, were not conforming to this arrangement.

She added that only around 10% of all school staff employed were being recruited through this agreed provider, with schools choosing to use a better local provider or recruiting through 'word of mouth' methods.

The Chairperson reiterated that if the situation didn't change in the future, then this would inevitably result in the issue of further Limited Assurance reports in the future, which seemed a bit nonsensical.

A Member asked if there was any significant benefits as a result of schools using this provider.

The Head of Education and Family Support confirmed that the main benefit was that New Directions as a matter of course, carried out all the required security checks on potential employers, whereas this could not be guaranteed to be undertaken by other smaller recruitment agencies. Schools who used this agency were 100% indemnified she added. She further added that there was no financial disadvantage however, if schools used a different provider to New Directions for recruitment purposes.

A Member was aware that New Directions was also based in Cardiff, and therefore schools often wished to use more local providers for recruitment of staff.

The Head of Finance and Section 151 Officer stated that it was difficult in changing to different providers to New Directions, due to the fact that the agency had been secured by way of a National Procurement Agreement, where all 22 local authorities had been contracted to use the agency to secure efficiencies and potential savings. She felt that it may be that there is a need to review the terms of the Contract currently in place.

The Chief Internal Auditor then outlined some of the key points of the Bridgend and Vale Internal Audit Service: Head of Internal Audit's Outturn and Annual Opinion Report – April 2017 to March 2018 (Appendix A to the report).

She added that processing all the work planned was becoming increasingly difficult to achieve, given the ongoing problems that had been experienced for some considerable time in the Internal Audit Section with the recruitment and subsequent retention of staff, with the former being particularly difficult to achieve. In effect therefore, the Section was functioning with a significant reduced staffing compliment which was showing little sign of improving.

If the latest recruitment exercise for staff proved unsuccessful, she would look for continued support to be given to Bridgend from the joint partnership in the Vale of Glamorgan CBC.

RESOLVED: That Members considered the Internal Audit Final Outturn Report covering the year ending March 2018, including the Head of Audit's Annual Opinion, in order to ensure that all aspects of their core functions are adequately being reported.

52. INTERNAL AUDIT SHARED SERVICE CHARTER 2018/19

The Chief Internal Auditor submitted a report, which presented to Members the Council's Internal Audit Shared Service Charter for 2018/19.

She advised Members that as at 1 April 2013, the Public Sector Internal Audit Standards (PSIAS) came into force and superseded the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Auditors.

One of the key roles which demonstrated the Audit Committee's oversight is the approval of the Internal Audit Charter, which Members approved for the period 2013/14 at its meeting on 21 March 2013.

She proceeded by advising that the PSIAS required the Head of Audit to review the Charter periodically, though final approval resided with the Audit Committee. The Internal Audit Shared Service Charter for 2018/19 was attached to the report at Appendix A. It had been reviewed to ensure it continues to reflect the requirements of the PSIAS.

Referring to updated Charter, the Chief Internal Auditor advised that the changes were on pages 107 (with the addition of the last penultimate paragraph and bullet points); page 108 where the former Organisational Objectives were now Council Objectives, page 109 where paragraphs 1.10 through to 1.17 inclusive had been added. Finally, there had also been a change in respect of paragraph 3.6 on page 115, where it now stated that the Head of Internal Audit must hold a professional qualification, defined as CCAB, CMIIA or equivalent professional membership and adhere to professional values and the Code of Ethics, etc.

RESOLVED: That Members considered and approved the Internal Audit Shared Service Charter for 2018/19 as attached to the report at Appendix A.

53. INTERNAL AUDIT STRATEGY AND ANNUAL RISK BASED AUDIT PLAN 2018/19 APRIL 2018 TO MARCH 2019

The Chief Internal Auditor outlined a report to Committee, that presented the Council's Internal Audit Strategy and Annual Risk Based Audit Plan for the year April 2018 to March 2019.

She explained that resource requirements were reviewed each year as part of the audit planning process and are discussed with the Internal Audit Shared Service Board (IASSB).

She further advised, that following a staff restructure in 2017/18, the current establishment for 2018/19 was based on 14 full time equivalents. However, currently Members should note that the Section was carrying approximately 50% in vacant posts. With this in mind, the Chief Internal Auditor explained that it was important to be prudent when looking to determine the number of productive days that could be realistically achieved for 2018/19.

AUDIT COMMITTEE - THURSDAY, 26 APRIL 2018

The following therefore, were assumptions that had been made for 2018/19:-

1. Quarter 1 and 2 – Status remains the same at 50% capacity;
2. Quarter 3 and 4 – Status will increase to a maximum of 70% capacity

The Chief Internal Auditor added that in order to address the shortfall in resources, it is envisaged that once again the services of the South West Audit Partnership would be commissioned to help assist with taking up any shortfall of work planned but subsequently not undertaken.

Together with other issues such as plans for the extension of the Shared Internal Audit Service, the proposed plan provided for a maximum of 1,000 productive days being delivered during 2018/19

She referred Committee to Appendix A of the report, which contained the draft Internal Audit Strategy document for 2018/19. The Strategy would be reviewed and updated annually in consultation with key stakeholders, she added.

The 2018/19 draft Annual Risk Based Plan of work, had been formulated to ensure compliance with the Standards as contained within the PSIAS. In order to keep Members of the Audit Committee fully informed, and to ensure compliance with Standards for Internal Audit the draft detailed plan was attached at Appendix B to the report.

A Member was of the opinion, that due to the ongoing problems regarding the recruitment of Auditors, future audit work to be undertaken be carried out on a risk based method, ie the higher the level of risk of the service area being audited the more priority should be given to this area being audited.

A Member added also that risk areas of the Authority be regularly monitored in view of the deficiency in staffing levels, coupled with the problem regarding recruitment and/or retention of audit staff.

RESOLVED: (1) That Committee considered and approved the draft Internal Audit Strategy and draft Annual Risk Based Audit Plan for 2018/19.
(2) That Members wished it placed on record their concerns regarding the difficulty in recruiting and/or retaining professionally qualified audit staff.

54. UPDATED FORWARD WORK PROGRAMME 2017/18 AND PROPOSED FORWARD WORK PROGRAMME FOR 2018/19

The Chief Internal Auditor presented a report, which attached at Appendices A and B, the Schedule of Committee Meetings and Forward Work Programmes for 2017/18 (updated) and 2018/19 (proposed), respectively.

RESOLVED: That Committee considered, noted and accepted the updated Forward Work Programmes for the above periods.

55. URGENT ITEMS

None.

The meeting closed at 16:00

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

28 JUNE 2018

REPORT OF THE INTERIM SECTION 151 OFFICER

AUDIT COMMITTEE'S TERMS OF REFERENCE

1. Purpose of this report

- 1.1 The purpose of this report is to submit the revised Terms of Reference for the Committee attached at **Appendix A** for noting.

2. Connections to Corporate Improvement Objectives / Other Corporate Priorities

- 2.1 Achievement of the aims and objectives in the Corporate Plan is underpinned by ensuring that effective governance arrangements are in place.

3. Background

- 3.1 The terms of reference of the Audit Committee have not been reviewed nor amended within the Constitution of the Council for a number of years. A desktop review of the existing terms of reference has been undertaken to ensure that it is up to date and fit for purpose.

4. Current Situation / Proposal

- 4.1 Effective Audit Committees bring many benefits to an organisation and to ensure that the Council continues to provide an effective Audit Committee, the Audit Committee's Terms of Reference are considered and approved as appropriate by members. Attached at Appendix A are the amendments to the Terms of Reference that were approved by Council on the 20 June 2018. The amendments are highlighted via tracked changes.

5. Effect upon Policy Framework & Procedure Rules.

- 5.1 The Constitution governs the operation of the Council and thereby has an effect upon the operation of the Policy Framework. It will be amended to include the new terms of reference for Audit Committee.

6. Equality Impact Assessment.

- 6.1 Although there are no direct impacts, the Constitution as the key governance framework document for the Council is critical in

demonstrating commitment to the Council's duties under the Equality Act 2010.

7. Wellbeing of Future Generations (Wales) Act 2015 Implications

7.1 The report supports all the wellbeing objectives.

8. Financial Implications.

8.1 None.

9. Recommendations.

- 9.1 It is recommended that the Audit Committee:
- Note the revised Terms of Reference for the Audit Committee (Appendix A)

**Gill Lewis CPFA
Interim Section 151 Officer
30 May 2018**

Contact Officer : Mary Williams

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E-mail : mary.williams2@bridgend.gov.uk

Background Documents: Council's Constitution

| | <u>Membership</u> | Functions | APPENDIX A Delegation of Functions |
|--|--|---|---------------------------------------|
| | <p>12 County Borough Councillors and Lay Members (as set out in Article 8)</p> | <ul style="list-style-type: none"> • Review, scrutinise and issues reports and recommendations in relation the Council Authority's financial affairs, • <u>Review, scrutinise and issues reports and recommendations on the appropriateness of the Authority's Council's risk management, internal control, <u>arrangements to secure value for money</u> and corporate governance arrangements.</u> • <u>To consider the report on the annual risk assessment, any interim reports and the Corporate Risk Management Policy.</u> • Oversee the Authority's Council's internal and external audit arrangements (including the performance of external providers of Internal Audit) and review its financial statements. • To approve the Internal Audit Charter. • To approve the risk-based internal audit plan and to approve significant interim changes to the risk-based internal audit plan. • To contribute to the Quality Assurance and Improvement Programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years. • To consider <u>and approve</u> the Head of Internal Audit's annual report and opinion, a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements. • To consider <u>and approve</u> reports from Internal Audit on the adequacy of internal control. | <p>None.</p> |

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| | | <ul style="list-style-type: none"> • To consider <u>and approve</u> reports dealing with the management and performance of the providers of internal audit services. • To consider reports from Internal Audit on agreed recommendations not implemented within a reasonable timescale <u>and approve necessary remedial action.</u> • To identify issues from the <u>Annual Improvement Report</u> by the Wales Audit Office. • To receive the Regulatory Programme. • To identify areas for examination by Internal and External Audit. • To be responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies, in accordance with the Treasury Policy Statement and Treasury Management Prudential Indicators. • To maintain an overview of the Council's Constitution in respect of Contract and Finance Procedure Rules. • To review any issue referred to it by the Chief Executive Officer, the Monitoring Officer and the Section 151 Officer. • To monitor Council's <u>Anti-Fraud and Bribery Strategy, Whistleblowing Policy and Anti-Money Laundering Policy.</u> policies on anti-fraud and anti-corruption arrangements. • To <u>review and approve</u> consider the Council's Annual Governance Statement <u>and Code of Corporate Governance.</u> • To assess the Council's compliance with its own and other published standards and controls. • To review and approve the Annual Statement of Accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from | |
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| | | <p>the audit that need to be brought to the attention of the Council.</p> <ul style="list-style-type: none"> • To consider <u>and approve</u> the External Auditor's report in relation to those charged with governance on issues arising from the audit of the accounts. • <u>To review and consider reports from the External Auditor on the Council's performance, financial probity and corporate governance and providing the opportunity for direct discussion with the auditor on these.</u> • <u>To receive reports from the External Regulators as appropriate.</u> • <u>To attend relevant training sessions in accordance with the Members Training programme eg. Treasury management</u> | |
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BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

28 JUNE 2018

REPORT OF THE INTERIM HEAD OF FINANCE AND SECTION 151 OFFICER

ANNUAL GOVERNANCE STATEMENT 2017-18

1. Purpose of the Report

- 1.1 The purpose of this report is to consider the Annual Governance Statement 2017-18 and approve its inclusion in the Statement of Accounts 2017-18.

2. Connection to Corporate Improvement Objectives and Other Corporate Priorities

- 2.1 This report assists in the achievement of the following corporate priority/priorities:

- Smarter use of resources – ensuring that all its resources (financial, physical, human and technological) are used as effectively and efficiently as possible and support the development of resources throughout the community that can help deliver the Council's priorities.

- 2.2 Achievement of the corporate priorities and well-being objectives defined by the Corporate Plan is underpinned by ensuring that effective governance arrangements are in place.

3. Background

- 3.1 Regulation 5 (2) of the Accounts and Audit (Wales) Regulations 2014 requires an authority to undertake, as part of its arrangements for corporate governance, an annual review of governance and report on internal control.

- 3.2 The CIPFA Code of Recommended Practice (the Code) states that the preparation and publication of an Annual Governance Statement (AGS) in accordance with 'Delivering Good Governance in Local Government' fulfils the statutory requirement regarding the production of a statement of internal control in England, Wales and Northern Ireland.

- 3.3 In 2016, CIPFA published its new "Delivering Good Governance in Local Government Framework", which positions the attainment of sustainable economic, social, and environmental outcomes as a key

focus of governance processes and structures. Guidance Notes related to the new framework were also published for Welsh Local Authorities. The Guidance has considered the requirements of the Well-being of Future Generations (Wales) Act 2015 and embedded the five ways of working into the CIPFA framework.

4. Current Situation / Proposal

4.1 Good corporate governance requires the active participation of Members and Officers across the Council. These arrangements are reviewed on an annual basis and the findings used to update the AGS. This helps to ensure the continuous improvement of the Council's corporate governance culture. The inclusion of the AGS within the Statement of Accounts provides an overall assessment of the Council's corporate governance arrangements and an appraisal of the controls in place to manage the Council's key risks and identifies where improvements need to be made.

4.2 The AGS 2017-18 was produced by the same working group that had previously been established to review the 2016-17 Code of Corporate Governance. Comments from Corporate Management Board have also been taken into consideration. It was prepared using the new CIPFA framework. It now needs to be approved by the Audit Committee for inclusion within the Statement of Accounts 2017-18 and is attached as **Appendix A**.

5. Effect upon Policy Framework & Procedural Rules

5.1 There are no implications upon policy framework and procedural rules.

6. Equality Impact Assessment

6.1 There are no equality implications.

7. Well-being of Future Generations (Wales) Act 2015 Implications

7.1 The wellbeing goals identified in the Act were considered in the preparation of this report. It is considered that there will be no significant or unacceptable impacts upon the achievement of wellbeing goals/objectives as a result of this report.

8. Financial Implications

8.1 There are no financial implications.

9. Recommendations

9.1 It is recommended that Audit Committee:

- Consider the Annual Governance Statement 2017-18 (Appendix A) and approve its inclusion in the Statement of Accounts 2017-18.

Gill Lewis CPFA
Interim Head of Finance and Section 151 Officer
11 June 2018

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Background Papers: Accounts and Audit (Wales) Regulations 2014
CIPFA/SOLACE: Delivering Good Governance in Local
Government - Framework

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Annual Governance Statement

Annual Governance Statement 2017-18

1. Scope of Responsibility

- 1.1 Bridgend County Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.
- 1.2 The Council has a duty under the Local Government (Wales) Measure 2009 to make arrangements to secure continuous improvement in the exercise of its functions in terms of strategic effectiveness, service quality, service availability, fairness, sustainability, efficiency and innovation.
- 1.3 The Council also has a duty under the Well-being of Future Generations (Wales) Act (WFGA) 2015 to carry out sustainable development, including setting and publishing well-being objectives that are designed to maximise its contribution to achieve each of the well-being goals and take all reasonable steps to meet those objectives.
- 1.4 In discharging its overall responsibilities, the Council is responsible for ensuring that it has proper arrangements for the governance of its affairs and a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.
- 1.5 The Council reviewed its Code of Corporate Governance and adopted the Delivering Good Governance in Local Government Framework, developed by the Chartered Institute of Public Finance and Accountancy (CIPFA, 2016) and the Society of Local Authority Chief Executives (SOLACE). This statement explains how the Council has complied with the Governance Framework and meets the requirements of the Accounts and audit (Wales) Regulations 2014.

2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems, processes and values by which the Council is directed and controlled and the means by which it accounts to, engages with and leads the local community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to make appropriate use and prevent loss of public funds. It also assists with managing the risk of failure to achieve policies, aims and objectives. It does not eliminate all risk; the system of internal control is designed to identify and prioritise risks, evaluate the likelihood of those risks materialising and manage their impact.
- 2.3 The following paragraphs summarise the governance framework and the system of internal control, which has been in place within the Council for the year ended 31 March 2018. The description of the arrangements in place is built around the core principles set out in the Council's Code of Corporate Governance.

2.4. The Governance Framework



3. Review of Effectiveness

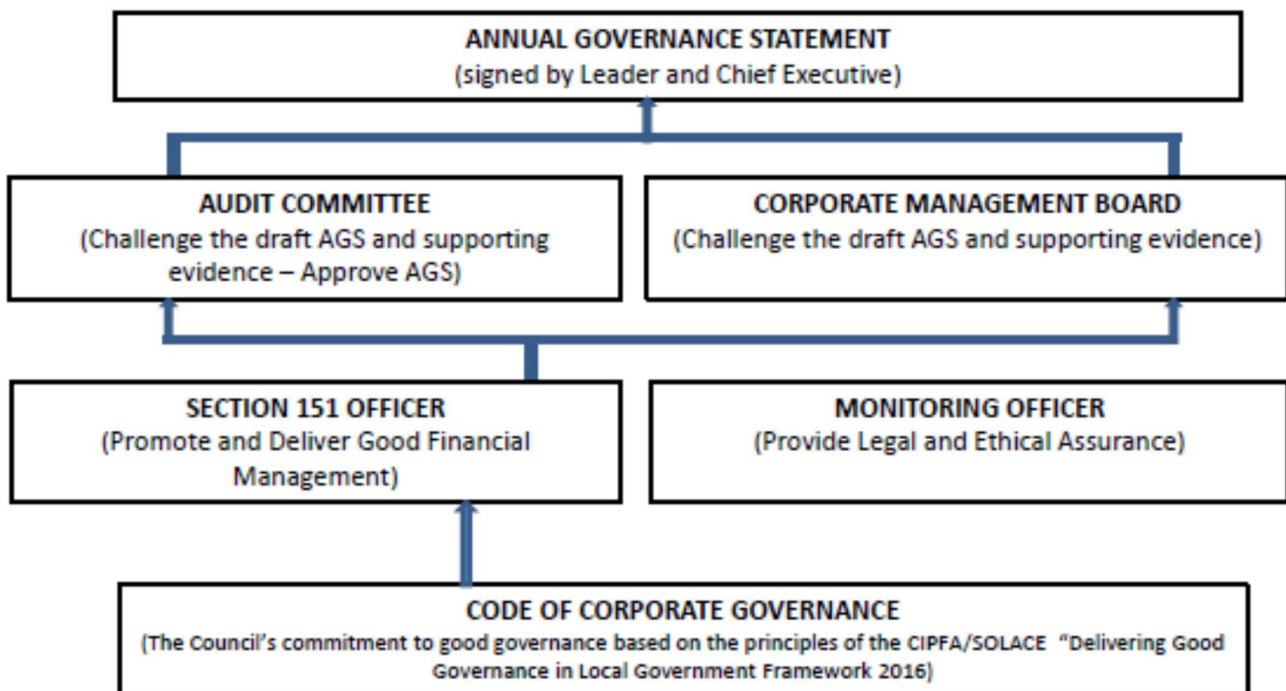
3.1 The control environment comprises the Council's policies, procedures and operational systems and processes in place to:

- Establish and monitor the achievement of the Council's objectives;
- Facilitate policy and decision making;
- Ensure the economical, effective and efficient use of resources;
- Ensure compliance with established policies, procedures, laws and regulations;
- Safeguard the Council's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption.

During 2017-18, core financial and administrative systems were reviewed by Internal Audit either through specific reviews (e.g. Debtors, Council Tax, Housing Benefit, Treasury Management etc.) or generally in the reviews undertaken in respect of Directorate systems. In addition, during the year the South West Audit Partnership on behalf of the Bridgend & Vale Internal Audit Shared Service, carried out an audit of the Council's governance framework as part of the Healthy Organisation Review. On the basis of the audit work undertaken during the year and taking into account all available evidence, the Head of Internal Audit has concluded that "a reasonable assurance level can be applied to standards of internal control at Bridgend CBC for the period stated". The Annual Opinion Report of the Head of Internal Audit for the period April 2017 to March 2018 is available here:

<https://democratic.bridgend.gov.uk/ieListDocuments.aspx?CId=132&MId=2981&Ver=4>

3.2 The Council has responsibility for annually reviewing the effectiveness of its governance framework, including the system of internal control. This is informed by the work of Internal Audit and chief officers within the Council who have responsibility for the development and maintenance of the internal control environment. The Council also draws assurance on its governance arrangements from independent sources and in particular Internal Audit, External Audit and other external regulators. Roles within the Corporate Governance Framework are set out below:



3.3 The following elements are key to the Council in monitoring and reviewing its governance:

- The Constitution, is kept under continual review and sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. It also includes the Codes of Conduct for both members and employees. Whilst the Constitution is required by statute, its content is not fully prescribed. The Council is satisfied that it is consistent with statute, regulations and guidance.
- The Cabinet (as Executive) who are responsible for considering overall financial and performance management. The Cabinet is also responsible for key decisions based on the information provided to them through comprehensive officer reports.
- The Scrutiny function which holds the Cabinet to account. In total there are four Scrutiny Committees. The Corporate Overview and Scrutiny Committee is responsible for maintaining an overview of the Authority's financial performance including value for money. This Committee also co-ordinates the Scrutiny Forward Work Programme and prioritises the work of the three Subject Overview and Scrutiny Committees. The Subject Overview and Scrutiny Committees do not have any specific remits which enable each committee to deal with any topic that is allocated. Scrutiny Committees establish Research and Evaluation panels (including the review of budget proposals); they undertake reviews of specific areas of Council operations and make recommendations to Cabinet for improvement.
- The Audit Committee which provides the focus for reviewing the effectiveness of the system of internal control. Much of this work is primarily based upon reviewing the work of Internal Audit and receiving reports from the Council's external auditors. The Committee met regularly throughout the year and provided independent assurance to the Council in relation to the effectiveness of the risk management framework, internal control environment and governance matters.

- Regulatory Committees (e.g. Licencing, Development Control) are in place to determine matters as defined within the Council's Constitution;

3.4 Requirements of the Local Government (Wales) Measure 2011 included:

- the election of the Chairperson of the Audit Committee by the Audit Committee itself rather than by an appointment by Council;
- the requirement that Audit Committee must have at least one lay-member, a professional representative with no connections to the Council that is able to assist in the role of the Audit Committee. The number of lay-members required to support the committee is being kept under review;
- the appointment of a Head of Democratic Services

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

4.1 The Council has a clear vision, that is, always to act as “One Council working together to improve lives” and is available here:<https://www.bridgend.gov.uk/media/2267/1-corporate-plan-2016-2020-reviewed-for-2017-2018.pdf>

4.2 The Council is committed to the sustainable development principle and the five ways of working provided by the Well-being of Future Generations (Wales) Act 2015. The Council has appointed a Cabinet Member for Well-being and Future Generations. The Council has integrated well-being planning into its corporate and business planning process, as well as incorporated it into the Performance Management Framework.

4.3 Elected members are provided with training in accordance with the Elected Member Learning and Development Strategy which is approved by Council. Topics include code of conduct, declarations of interest and other subjects which clarify the behaviours of elected members. Some training particularly relating to regulatory functions has been identified as “essential” to ensure that Elected Members have a full understanding of their role before they make key decisions.

4.4 During 2017/18 an Ethics Review was undertaken as part of the 2017/18 Internal Audit Risk Based Plan. The work undertaken provided reasonable assurance on the control environment as the Council have key aspects in place to enable them to operate in an ethical manner. However there are areas which could be improved further.

4.5 Conduct of Members is governed by the Members Code of Conduct. The Public Services Ombudsman for Wales monitors complaints and the standards reflect Welsh Government Public Service Values. The Council's Standards Committee can consider alleged breaches of the Code of Conduct. There has not been a referral to the Standards Committee in Bridgend for a number of years. The Monitoring Officer utilises the local resolution protocol approved by the Public Services Ombudsman for Wales.

4.6 All Committees have clear terms of reference that set out their roles and responsibilities and work programmes. The Audit Committee, through its work programme, provides assurance to the Council on the effectiveness of the governance arrangements, risk management framework and internal control environment.

4.7 The Audit Committee helps raise the profile of internal control and risk management within the Council. This enhances public trust and confidence in the financial governance of the Council.

4.8 The Council takes fraud, corruption and maladministration very seriously and has the following procedures and policies in place, which aim to prevent or deal with such occurrences;

- Anti-Fraud and Bribery Policy
- Whistleblowing Policy
- Anti-Money Laundering Policy
- HR policies regarding the disciplining of staff involved in such incidents
- Corporate Complaints Policy
- Social Services Representations & Complaints Procedure
- Financial Procedure Rules
- Contract Procedure Rules

4.9 The Code of Conduct and Secondary Employment Policy for Officers requires employees to disclose any personal interest which may conflict with their duties and seek approval for secondary employment.

5. Principle B – Ensuring openness and comprehensive stakeholder engagement

- 5.1 The Council makes a large amount of information available to its citizens in an open way. Information can be obtained through the Council website and many other publications. The Freedom of Information Act requires the provision of a Publication Scheme. The Scheme has been approved by the Information Commissioner's Office who is responsible for ensuring compliance with the legislation. The Scheme provides a guide to the information routinely made available to the public. Not all the information the Council publishes is detailed in the Publication Scheme. Information that is not published can be requested by making a FOI request. The Council considers all requests under the provisions of the legislation.
- 5.2 All Council meetings are open to the public except where exempt items are discussed. The criteria for exempt information is set out in legislation. All public agendas, reports and minutes are available on the Council's website. Work Programmes with agreed timescales for report, submission, approval by Legal and Finance, publication and distribution aid decision making at a strategic level. This ensures a corporate check on the impact of decisions and also probity both in legal and financial authorisations. The Council implemented a webcasting facility in 2016 which provides live streaming and an archive facility. The number of webcast viewers is monitored and the results are reported to the Democratic Services Committee. Meetings are identified which are considered to be of key public interest and suitable for webcasting. Members of the public and "expert" witnesses can participate by speaking at Overview and Scrutiny Committees similar to arrangements already in place for Development Control Committee.
- 5.3 The Council is committed to understanding and learning from the views of the public and using their feedback to help shape services and policies. There is a consultation and engagement toolkit in place to help managers to ensure consultation activities are robust as well as following legal guidance (Gunning's principles) and Participation Cymru's National Principles for Public Engagement in Wales that have been adopted by the Council. The planning and decision-making processes are designed to include consultation with stakeholders.
- 5.4 The Council has a protocol for the use of Social Media and is available here <https://www.bridgend.gov.uk/my-council/customer-services/our-social-media-policy> The aim of this is to be clear about how the Council will engage with users and manage expectations.
- 5.5 The Authority has made significant steps in its use of the Welsh Language and has implemented the majority of the standards. The Council is negotiating with the Welsh Language Commissioner in relation to implementing the few remaining standards.
- 5.6 The Council has a Citizens' Panel made up of over 1,700 residents aged 16 or over from across the county borough. The panel members agree to take part in several surveys a year on a range

of issues relating to Council services and policies. The Citizens' Panel has helped the Council to understand residents' opinions about the services it provides so as to help improve things in the future. The panel is currently representative of residents aged 25 and over. The consultation team has key performance indicators in place to increase representation of 16-24 year olds, Welsh speakers and disabled residents, as well as indicators to increase representation across each ward to a minimum 1 per cent.

- 5.7 Social media is used to promote services and engage with the public. Targeted paid advertising and Q&A sessions/debates are undertaken to raise awareness of and drive responses to consultation exercises, and to capture citizens' feedback. The use of social media has been successfully used as part of the "Shaping Bridgend's Future" consultation. In line with its commitment to the Welsh Language Standards, the Council introduced bilingual social media accounts in December 2017.
- 5.8 Increasingly, surveys are being made available on desktop, tablet and mobile formats to increase the likelihood of residents responding. The Council has a database of over 1,650 residents who are interested in receiving HTML emails regarding key consultations within the Borough.
- 5.9 Citizens' Panel members and residents who opt to receive key consultation updates are sent engagement details on projects that may be of interest to them. Bridgend Business Forum members, the Youth Council and the Bridgend Equality Forum are all invited to share their views (when relevant) to improve representation.
- 5.10 There is regular communication with staff through managerial arrangements which is supplemented by Bridgend's, Bridgend's emails and staff newsletter as well as updates by the Chief Executive.
- 5.11 HR officers have a monthly timetable of meetings on organisational restructures as well as ad hoc issues to which local and regional trade union officers are invited. Cabinet members are invited on a bi-monthly basis. The model is successful in maintaining good relationships with both trade unions and employees respectively.
- 5.12 The Council operates both a Corporate Complaints Procedure and a Social Services Representations & Complaints Procedure which helps to identify areas where service quality is not satisfactory, and to take action to improve where relevant. Complaints can be made electronically, in writing and, for Social Services, can also be made verbally. The Council has set target times for responding to all complaints received to ensure that the complaint is dealt with in a timely manner and to ensure accountability. Both the operation of the Corporate Complaints Policy and report on Social Services Representations are reported annually to Cabinet.
- 5.13 The Public Services Ombudsman for Wales reports on each Council in Wales on the number of complaints received and investigated. In July 2017 the Council received its Annual Letter for 2016-17. The letter noted an increase in the number of complaints received, 44 in 2016-17 compared to 38 in 2015-16. The comparative figure for the local authority average was 39 for 2016-17 (41 for 2015-16). Two investigations were commenced by the Ombudsman in 2016-17. The Annual Letter noted that Children's Social Services was the biggest single area of complaints, followed by Housing. One S16 report was issued upholding the complaint, 4 complaints were settled by early resolution, 10 were closed after initial consideration, 18 were premature and 9 out of jurisdiction.
- 5.14 The Council is one of four statutory members of Bridgend Public Services Board (PSB), whose role is to sustain and improve the economic, social, environmental and cultural well-being of Bridgend County by engaging and working collaboratively and strengthening joint working across the county's public services. The Board also includes "Invited Participants". The work of

the PSB can be found at Public Services Board - Bridgend County Borough Council: <https://www.bridgend.gov.uk/my-council/council-priorities-and-performance/bridgend-public-services-board/>

- 5.15 In 2017 to 2018 the PSB used the Wellbeing Assessment published in April 2017 to develop four wellbeing objectives which are included in the Wellbeing Plan for Bridgend County. The Plan will be published in May 2018. During the year the PSB has developed a partnership structure comprising of 5 sub boards. The boards are responsible for ensuring wellbeing objectives are met. Each board will report progress to PSB at least twice a year.

6 Principle C – Defining outcomes in terms of sustainable economic, social, and environmental benefits

- 6.1 The Council's Corporate Plan sets out three corporate priorities - the long term outcomes that the Council wants to achieve. These priorities, reviewed each year, are the Council's improvement objectives under the Local government (Wales) Measure 2009 and wellbeing objectives under the Well-being of Future Generations (Wales) Act 2015. The Plan has also embedded the Council's wellbeing statement, required by the Act, into the document, and sets out how our priorities link to the seven national wellbeing goals.
- 6.2 The vision, principles and improvement priorities set out in the Corporate Plan give the direction for the development of Directorate Business Plans. The Corporate Plan identifies a number of indicators, which are aimed at measuring the success of our outcomes and evidence our joined up working with citizens and partners, as well as providing a measure of performance. These are reported to the Corporate Performance Assessment (CPA) panel on a regular basis and subject to scrutiny on a bi-annual basis. An annual report on the Council's performance is also produced for the general public.
- 6.3 Alongside the Corporate Plan, the Council approved a Medium Term Financial Strategy (MTFS) for the period 2017-18 to 2020-21 available here: <https://www.bridgend.gov.uk/media/2233/budget-book-2017-to-18-and-medium-term-financial-strategy.pdf>. The MTFS provides an integrated planning and financial framework for the next four years, including the detailed budget strategy for the next financial year. This enables the Council to align its financial resources with its new priorities. Quarterly budget monitoring reports are submitted to Cabinet and to the Corporate Overview Scrutiny Committee.
- 6.4 The Council works collaboratively with a number of partners providing joint services to maximise efficiencies and improve outcomes for our citizens. Key collaborations include: Shared Regulatory Service, Central South Consortium, HALO, Awen, Coychurch Crematorium and Western Bay. Connections are now being made with colleagues in the Cwm Taff region in light of the consultation on the potential health board boundary change which could result in Bridgend County moving to Cwm Taf University Health Board. These partnerships are initially monitored by those elected members appointed by Cabinet / Council to represent the Council's interests on the outside body.
- 6.5 The Corporate Overview and Scrutiny Committee also receive reports from Council partners which enable Elected Members to monitor the governance arrangements and the outcomes being delivered. The Council is leading on the joint scrutiny of the Cardiff Capital Region City Deal, with terms of reference for the Committee yet to be agreed. The Council is also working with the Centre for Public Scrutiny (CfPS) to develop the effectiveness of its scrutiny of the Public Services Board.
- 6.6 During 2017-18 the Council consulted on a range of issues engaging with the public on the goal of delivering sustainable services which included Shaping Bridgend's Future, Public Service

Board and Remodelling Childrens Services. The Shaping Bridgend's Future consultation included a presence at community events and an online survey among other activities which captured the views of the public on how the Council aims to change particular areas of service delivery and the financial consequences of doing so.

7.0 Principle D – Determining the interventions necessary to optimise the achievement of the intended outcomes

- 7.1 In the Medium Term Financial Strategy 2017-18 to 2020-21, 7% of budget reductions identified over the 4 year period were identified as coming from collaboration and service transformation. Council agreed that collaboration should focus on projects which have the potential to generate the greatest benefit, make a clear contribution to the Council's corporate priorities and result in a clear service benefit. In the recently published consultation Green Paper "Strengthening Local Government, Delivery for People", the Welsh Government sets out its ambitions for local government. It presents options which could lead to larger and more sustainable local authorities in Wales which could deliver effective and sustainable public services going forward. Whilst the authority is already operating collaboratively in a number of these service areas, the Council continues to explore areas where joint working can be progressed and awaits the outcome of the consultation, which could lead to mergers between authorities and lead to the creation of fewer local authorities which are larger, stronger and more powerful.
- 7.2 The budget approved for 2017-18 included savings proposals of £5.852 million (2.71% of net service budgets). However, at year end, £1.840 million of these proposals were still not realised, but the expenditure associated with them had in some instances been offset by vacancy management and other savings elsewhere within the budget. The impact of this is that there is still a recurrent pressure on 2018-19 budgets which will need to be addressed by implementing the proposals or identifying and delivering alternatives. Future monitoring reports will review achievement against these targets in addition to current year budget reductions.
- 7.3 The Council operates a category management approach to procurement. This strategic approach enables the authority to focus and organise procurement resources on specific areas of spend. Category specialists are able to focus their time and conduct in depth market analysis to fully leverage procurement decisions on behalf of the Council. The results can be significantly greater than traditional transactional-based purchasing methods. The corporate procurement unit also utilises and promotes collaborative frameworks.
- 7.4 The Committee Administrative system is used to automate many of the administrative duties in respect of elected members and the formal decision making process. The system aids decision making, enables the tracking of actions and monitoring of decisions and provides a web-based decision register.
- 7.5 The asset management plan and capital strategy plan ensures investment is linked to strategic objectives and outcomes. The capital strategy demonstrates that the Council takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability. It also sets out the long term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes. Strong links exist between the capital planning process, regeneration and asset management planning. The capital planning process is an integral part of the MTFs and links with the revenue budget planning process to ensure that options for the most cost effective service provision are properly considered. The Council will revise its capital strategy during 2018-19 to

reflect the requirements of CIPFA's recently revised Prudential Code for Capital Finance in Local Authorities.

- 7.6 The Council has a range of projects and programmes in progress to support the delivery of the improvement priorities to support changes throughout the Council. The Corporate Programme Management Board (PMB) oversees the implementation of those programmes and projects, including the School modernisation programme, remodelling of Adult and Children's services, Digital Transformation and strategic collaboration projects such as the City Deal to deliver change. Projects and programmes have their own governance arrangements and these are documented in a project initiation document or terms of reference.
- 7.7 The Remodelling Social Care Programme Boards remain. Work has been completed in both Children's and Adult Social Care to make sure that there is one point of contact for people who require our help in line with the new way of working laid down by the Social Services and Wellbeing (Wales) Act to provide information, advice and assistance.
- 7.8 In Adult Social Care the assessment framework, has been changed in line with the Act, in order to improve the outcomes for people who need care and support, whilst also reducing the numbers of people who require long term support.
- 7.9 The new Multi-Agency Safeguarding Hub (MASH) will see staff from adult and children's social care, South Wales Police, education, housing, substance misuse, probation, health, early help services and the Wales Community Rehabilitation Company working together in partnership to provide effective safeguarding services for children, young people and adults. Coinciding with the implementation of the Social Services and Well Being (Wales) Act 2014, the Bridgend MASH will enable earlier, higher-quality information sharing, analysis and decision-making to take place.
- 7.10 Outcome / performance measures are set and used to assess intended outcomes as per the Corporate Plan and in line with available resources. These are monitored throughout the year via CPA and Scrutiny. Quarterly financial monitoring is reported to Cabinet and Scrutiny.

8.0 Principle E - Developing the entity's capacity, including the capability of its leadership and the individuals within it

- 8.1 The Council aims to ensure that the roles and responsibilities for governance are defined and allocated so that accountability for decisions made and actions taken are clear. It operates a Leader and Cabinet system which:
- The Council sets the overall budget and appoints the Leader of the Council. The Leader appoints members of the Cabinet and announces the Deputy Leader and the portfolio of Cabinet Members, details of which are published on the website;
 - In the case of executive functions which are not exercised by Cabinet as a whole, functions may be discharged by: -
 - a committee of the Cabinet;
 - an individual member of the Cabinet;
 - an officer;
 - an area committee;
 - joint arrangements; or
 - another local authority

Clear arrangements are in place to record decisions made by Cabinet Members and officers under delegated powers.

- 8.2 There is a Standards Committee to promote and maintain high standards of conduct by Town and Community Councillors and County Borough Councillors, lay members, co-opted members and Church and Parent Governor Representatives.
- 8.3 The Council aims to ensure that members and officers of the Council have the skills, knowledge and capacity they need to discharge their responsibilities as outlined in their job/role descriptions. New members and staff are provided with an induction to familiarise them with protocols, procedures, values and aims of the Council.
- 8.4 The Council's Chief Executive (as Head of Paid Service) leads the Council's officers and chairs the Corporate Management Board (CMB). The Corporate Director, Operational and Partnership Services is also the Monitoring Officer appointed under Section 5 of the Local Government and Housing Act 1989. The Head of Finance has been nominated as the Council's Section 151 Officer, as required by the 1972 Local Government Act, and carries overall responsibility for ensuring that the Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). The Corporate Director, Social Services and Wellbeing is statutory Director for Social Services, as defined by the Local Authority Social Services Act 1970, which outlines the six core responsibilities across all the Social Services functions, including ensuring that the Council has proper safeguards to protect vulnerable children and adults. The Corporate Director – Social Services and Wellbeing holds line management responsibility for the social care functions for children and adults which enables the new ways of working laid down by the Social Services and Wellbeing (Wales) Act 2014 to continue to be embedded within the service. The Corporate Director – Education and Family Support is the Chief Education Officer, as prescribed by the Education Act 1996 and statutory Director for Children and Young People, as defined by the Children Act 2004.
- 8.5 Organisational structures in respect of Member responsibility and Directorate portfolios are contained within the constitution and are available on the BCBC website. The Council has adopted the WLGA model of role descriptions for all committee Member and Chairpersons, including the Audit Committee. These have been adapted to reflect the specific roles undertaken in the Council, which enables members to better understand their role and identify any further support or training that they may require to carry out their duties effectively. This will increase the ability of Audit Committee members to analyse, monitor and challenge the effective performance of the Council.
- 8.6 There is an Elected Member Learning & Development Strategy 2017-22, which provides a framework for supporting elected members in the roles that they are required to undertake. The Strategy helps members to develop and strengthen their ability to be confident and effective political and community leaders and can be found here: <https://democratic.bridgend.gov.uk/documents/s13931/171129%203%20Elected%20Member%20Learning%20Development%20Strategy%20Appendix%201.pdf?LLL=0>: Council has agreed to work towards achieving the WLGA Charter for Member Support in September 2018.
- 8.7 The Member Development Programme is regularly reviewed to ensure that any training activities are appropriate, relevant and timely. In 2017-18, training was provided for Elected Members on the WFG Act 2015, enabling Members to consider the WFG Act in the scrutiny and making of decisions. Elected Members also received training on performance management to help them take a whole systems approach in accordance with the Council's performance management framework when discharging their scrutiny duties. In addition, the Council encouraged attendance at the WAO event "The role of scrutiny in relation to the WFG Act". All Elected Members were offered training on Treasury Management to assist them in scrutinising the Annual Treasury Management Strategy of the Council. The effectiveness of member

training in relation to school performance data has been recognised by Estyn, which noted that training provided to elected members increased their understanding. Members have a key role to play in safeguarding children and adults at risk. Members have been able to access training to further their understanding of their responsibilities in relation to safeguarding children and adults. The training considered safeguarding within the context of the Social Services & Wellbeing (Wales) Act 2014.

- 8.8 The Council takes a pragmatic approach to delegation of powers for decision making, enabling lower level decisions to be subject to “calling to account” but not “call in” by scrutiny. The scheme is reviewed in detail regularly, updated to reflect any changes in legislation and to the corporate structure and is published to the intranet. The Authority is informed of any changes that have been made using Bridgenders messages. Delegated powers and limits are clearly set out as are the use of sub delegations enabling effective and timely decision making. The Councils Scheme of Delegation has now been published on the BCBC website to provide greater transparency of the Council’s decision making processes.
- 8.9 The Corporate Plan and the Medium Term Financial Strategy (MTFS) set out a significant change agenda that will have an impact on how the Council’s priorities are taken forward, and the way in which services will be delivered in the future. The Workforce Plan recognises that the Council’s ability to meet these challenges will depend on strong leadership, management of change and effective planning and deployment of employees’ skills and expertise against the backdrop of a reducing workforce.
- 8.10 The following workforce priority areas have been identified within the Plan and actions are set and monitored on an annual basis to progress these:
- Implementing new organisational structures and change to affect new ways of working
 - Maximising skills and performance of the existing workforce to allow greater flexibility
 - Developing responses to recruitment and retention issues
 - Supporting the Council in reducing levels of sickness absence and supporting the health and wellbeing of employees
- 8.11 Officer performance is reviewed through the Council’s Employee Appraisal process, which provides a framework for employees and managers to discuss work performance and behavior, as well as learning and development needs
- 8.12 The corporate learning and development provision comprises targeted face to face training and a range of learning resources available on the Corporate Learning and Development Website. Training for managers to assist them fulfil their line management responsibilities has been prioritised. This commitment is further evidenced through the provision of externally funded accredited training (at level 4 and 5) which has been made available to all managers.
- 8.13 The Corporate Health and Safety policy, protocols and guidance are developed in consultation with stakeholders and regularly reviewed to ensure they remain in line with statutory duty, current best practice and reflect the needs of the organisation. The Health and Safety policy is approved by Cabinet.

9.0 Principle F – Managing risks and performance through robust internal control and strong public financial management

- 9.1 All decisions made by the Cabinet are taken on the basis of written reports, including assessments of the legal, financial, and equalities implications. Consultation (including with ward members when appropriate) is a routine part of the process.

- 9.2 The decision-making process is monitored by four Overview and Scrutiny Committees, which support the work of the Council as a whole. The Council's constitution provides for the Chairs of these committees to be appointed based on the political balance of the elected members forming the Council. The members of a Scrutiny Committee can "call in" a decision that has been made by the Cabinet but not yet implemented. They may recommend that the Cabinet reconsider the decision. They may also be consulted by the Cabinet or the Council on forthcoming decisions and on the development of policy.
- 9.3 Other decisions are made by Cabinet Members individually or by officers under delegated powers. The authority to make day-to-day operational decisions is detailed within the Schemes of Delegation.
- 9.4 Policies and procedures that assist the governance of Council's operations include those set out under the Governance Framework. All managers have responsibility to ensure compliance with these policies.
- 9.5 The Council has developed a robust approach to the management of risk. The Corporate Risk Management Policy is aligned with Directorate Business Plans and the Council's performance management framework. All risks identified are assessed against the corporate criteria.
- 9.6 Risks are viewed from both a Service and Council-wide perspective which allow the key risks to be distilled in the Corporate Risk Register. Key corporate risks are monitored at the highest level within the Council, including Cabinet, Senior Management Team, Programme Management Board, CPA Overview and Scrutiny Committees and Audit Committee. The Council's approach ensures that key risks are considered when determining Council priorities, targets and objectives and are incorporated in Directorates' Business Plans. The main risks facing the Council that were identified during 2017-18 are set out in the Council's Corporate Risk Register which can be accessed here:
<https://democratic.bridgend.gov.uk/documents/s14781/Schedule%20B%20-%20Corporate%20Risk%20Assessment.pdf>
- 9.7 In 2017, the Council reviewed and simplified its Performance Management Framework to reflect the Council's current practice, in particular, the "one council" approach, and make it more meaningful for the users. The reviewed Performance Management Framework is accessible here: <https://www.bridgend.gov.uk/media/2281/bcbc-performance-management-framework-2017-version.pdf>.
- 9.8 The Corporate Performance Assessment (CPA) is undertaken on a quarterly basis and is attended by Cabinet Members, CMB, and Heads of Service. The purpose of the CPA is to oversee the Council's performance as defined by the Corporate Plan, challenging areas of poor performance and risks to delivery, whilst also identifying service improvement opportunities and associated resource implications. When necessary, the CPA may monitor progress against relevant national and collaborative initiatives.
- 9.9 The Council has a Corporate Health and Safety Steering group comprising elected members, directorate health and safety champions and trade unions. Health and safety objectives are incorporated into all corporate and directorate business plans and linked to the Corporate objectives. Directorates are required to maintain risk registers of current significant risks within their services.
- 9.10 The Council is committed to demonstrating due regard to the Equality Act 2010 and the Public Sector Equality Duty. It published its Strategic Equality Plan 2016-2020 on 1 April 2016. The plan outlines the Council's approach to ensuring equality of opportunity for customers, citizens, residents and visitors and seeks to ensure that Bridgend County Borough is a fair and welcoming place to be. The plan has been written based on what we know about our services

and on the views and needs of Bridgend County Borough citizens and the people who use them. The Council has a duty to publish Strategic Equality Plan annual reports with the most recent going to Cabinet Equalities Committee in March 2018. The annual reports review and reflect on previous work and outline progress made by the Council on each of its equality objectives and themes. Heads of Service and Senior Service Managers are responsible for ensuring the actions in the Strategic Equality Action Plan are achieved. Updates are provided to the Cabinet Equalities Committee and to the Bridgend Equality Forum. Committee and Council reports requiring a policy decision are supported by equality impact assessments.

10.0 Principle G – Implementing good practices in transparency, reporting, and audit, to deliver effective accountability

- 10.1 Annual council meet in May of each year to establish Committees, their size and allocation of seats based on political balance. Terms of reference and each committees decision making powers are set out in the Councils Constitution.
- 10.2 The Corporate Plan and Annual Report is published annually on the Council's website, is approved by Members through the normal democratic process, is communicated to staff and is available in key public buildings for citizens to read. Performance data is also published on the Web, to support the Council's achievements in delivering its improvements for the year. Notifications for the Corporate Plan and the Annual Report are published on the website and the local gazette annually.
- 10.3 The financial management of the Council is conducted in accordance with all relevant legislation and the Constitution. In particular, the Financial Procedure Rules, Contract Procedure Rules and the scheme of delegation provide the framework for financial control. The Section 151 Officer has responsibility for establishing a clear framework for the management of the Council's financial affairs and for ensuring that arrangements are made for their proper administration. As part of its performance management framework, the Council links the strategic planning process with the budget process and ensures alignment between them, facilitating the allocation of resources to corporate priorities. This work informs the production of the statutory annual Statement of Accounts.
- 10.4 The Council's Performance Management Framework continues to guide the Council's integrated Corporate, business and financial planning and performance management processes and practice. The Framework is structured around the "Plan, Do, Review, Revise" model. In 2017-18, Cabinet and CMB led the development of the Council's new Corporate Plan 2018-2022, the MTFs for the next four years, and directorate business plans to implement the Corporate Plan and the MTFs. Members and officers were part of that process. While holding Cabinet and CMB to account, the Council's Scrutiny Committees provided challenge, scrutiny and recommendations.
- 10.5 The Council continues to improve and strengthen its performance management arrangements to make them fit for purpose, including further development of the Corporate Performance Assessment (CPA), which has been recognised by the WAO Corporate Assessment as "positive practice Service specific challenges (sort of "mini CPA)", championed by the Chief Executive, were introduced during the year. Those "mini CPAs", focusing on service specific performance and issues, have proved to be effective in driving service improvement. Chairpersons of the Council's Scrutiny Committees joined the CPA panel, adding a new dimension to the self-assessment process.
- 10.6 Social Services is a regulated service area and there is an annual programme of inspection carried out by the Care Inspectorate Wales (CIW). In addition, regular performance review

meetings are held with CIW which ensure regulatory requirements are met and that significant service developments, challenges, workforce, performance and consultation activity is discussed.

- 10.7 There was an inspection of children's social care during January/February 2017, which focused on how children and families are empowered to access help and care and support services and on the quality of outcomes achieved. The inspection also evaluated the quality of leadership, management and governance arrangements in place to develop and support service delivery. A report to Cabinet in July 2017 included the findings and an action plan to progress the recommendations and is available here:
<https://democratic.bridgend.gov.uk/documents/s12385/1a%20CSSIW%20Inspection%20of%20Childrens%20Services%203%203.pdf>
- 10.8 The Statutory Director of Social Services annual report 2016-17 was submitted to CIW, who confirmed that the annual report was people friendly, balanced and thorough and that BCBC was reaping the benefits of transformation and remodelling social care. CIW recognised the challenges of the MTFs and the potential boundary change.
- 10.9 Internal Audit completed a programme of reviews in accordance with the Annual Audit Plan for 2017-18. As part of the normal audit reporting process, recommendations to address any issues that could impact upon the system of internal control were made and agreed with the relevant chief officers. The internal audit arrangement enables the Chief Internal Auditor to provide an opinion on the internal control, risk management and governance arrangements. In addition, Internal Audit undertakes fraud investigation and is proactive in fraud detection work. This includes reviewing the control environment in areas where fraud or irregularity has occurred. Any significant weaknesses in the control environment identified are reported to senior management, the Audit Committee and Cabinet as appropriate.
- 10.10 Internal Audit also provides independent and objective assurance. It undertakes a continuous audit of Council services that are assessed and prioritised according to relative risk. This risk assessment draws upon the corporate and service risks identified as part of the Service planning process. During 2017-18, in carrying out its duties, Internal Audit worked to the Public Sector Internal Audit Standards (PSIAS). The PSIAS is applicable to all areas of the United Kingdom public sector and is based on the Chartered Institute of Internal Auditor's (CIIA's) International Professional Practices Framework. In accordance with the Public Sector Internal Standards the Internal Audit Shared Service underwent an external assessment, which was agreed by the Council's Audit Committee. Following a procurement exercise, CIPFA were commissioned to undertake the assessment which commenced at the end of January 2017 and concluded in February 2017. The outcome of the assessment was reported to the Council's Audit Committee on 27 April. It indicated that the assessment had identified no areas of non-compliance with the standards that would affect the overall scope or operation of the internal audit activity. A number of recommendations were made and all have now been actioned.
- 10.11 The Head of Internal Audit has found that Bridgend County Borough Council is committed to the principles of good governance and as a result has adopted a formal Code of Corporate Governance (COCG) for the last seven years. In 2017-18, the Council's financial management arrangements were found to be conforming to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).
- 10.12 For 2016-17, the Auditor General undertook improvement assessment work at all councils under three themes: governance, use of resources, and improvement planning and reporting. For some Councils, local risk-based audits were also carried out. (The Auditor General's audit work for 2017-18 is yet to be completed.)

- 10.13 The Wales Audit Office undertook the following individual projects under the above mentioned themes for Bridgend County Borough Council during 2016-17:
- Good governance when determining service changes
 - Annual audit letter 2015-16, under the Public Audit (Wales) Act 2014
 - Savings planning
 - Corporate assessment follow up
 - Annual improvement plan audit
 - Annual assessment of performance audit
- 10.14 The Auditor General's overall conclusion is that the Council is meeting its statutory requirements in relation to continuous improvement, and that based on the work carried out by the WAO and relevant regulators the Council is likely to comply with the requirements of the Local Government Measure (2009) during 2017-18.
- 10.15 The Auditor General's **Annual audit letter**, which formed part of his Annual Improvement Report 2016-17 about the Council confirmed that "the Council complied with its responsibilities relating to financial reporting and use of resources".
- 10.16 Headline findings of the Auditor General's Annual Improvement Report about the Council is accessible here: <http://www1.bridgend.gov.uk/media/484852/bridgend-annual-improvement-report-2016-eng.pdf>. The Action Plan for any identified improvement issues is set out in Appendix A. In addition the 2018 Audit Plan considered by Audit Committee in April 2018 is available here: <https://democratic.bridgend.gov.uk/documents/s15237/457A2018-19%20BCBC%202018%20Audit%20Plan%20Final.pdf> and sets out a number of identified areas of risk which have been considered by WAO as significant and therefore require special audit consideration.

12. Significant Future Challenges

- 12.1 Across the whole of the United Kingdom, local councils are facing unprecedented challenges following reduced Government funding and increased demands on essential services. Between 2017-18 and 2020-21, the Council is expecting to have to make budget reductions of £32.8 million. Budget cuts of this scale present a significant challenge that will require the Council to make many difficult decisions about which services can be maintained and which cannot. It will mean that "business as usual", however well managed, will not be enough. The challenge will be to consider alternative delivery models for services across the Council and this will be essential to mitigate the impact of cuts and assist in continuing to provide priority services. It is necessary to ensure that the control environment, including governance and risk management, remains robust, proportionate and as efficient and effective as possible.
- 12.2 The Council remains unwavering in its commitment towards improving and finding ways of delivering local services, providing better outcomes for residents and achieving savings that will ensure they can deliver a succession of balanced budgets.
- 12.3 During the year, either specific reviews (e.g. Debtors, Council Tax, Housing Benefit, Treasury Management etc.) or general reviews were undertaken in respect of Directorate systems. Due to resourcing issues within Internal Audit, the number of audit days delivered fell short of those proposed. In order to partly address this, audit work was commissioned from the South West Audit Partnership who undertook an Ethics Review and a Healthy Organisation Review focusing on five of the eight corporate themes (Governance, Risk Management, Commissioning & Procurement, Programme & Project Management and Information Management). This review

indicates an overall High Assurance opinion, although SWAP were unable to form a conclusion on Information Management as they were not provided with the evidence needed to complete their work at the time of the Audit. Based on the internal audit work carried out for the year 2017-18, the Head of Internal Audit concluded that the Council's framework of governance, risk management and control is considered to be reasonable and that "there are no significant cross cutting internal control weaknesses identified which would have an impact on the Council's Annual Governance Statement".

13. Certification of Annual Governance Statement

Steps to address and mitigate the matters referred to the Action Plan below will be taken to further enhance our governance arrangements.

Signed:

Chief Executive Officer 

Date 30.5.18

Leader of the Council 

Date 30 05 18

Action Plan for any Identified improvement issues identified from 2016-17

| Identified from | Issue and Description | Progress |
|---|---|---|
| 2016-17 – Corporate Performance | The Performance Management Framework was to be reviewed to incorporate the requirements of the WFG(Wales) Act 2015 | The revised Performance Management Framework which incorporated the requirements of the WFG (Wales) Act 2015 was approved and adopted by Cabinet in October 2017 |
| 2016-17 – Corporate Performance | It was identified there was a need to promote the new Code of Corporate Governance and WFG (Wales) Act 2015 to ensure they underpin everything the Council does | The new Code was approved and adopted by Cabinet. Training on the Act to Members was provided. Training to Officers has been planned and an e-learning module is being developed. |
| 2016-17 – Democratic Services | To improve transparency and access to Council information, an exercise was to be undertaken to update and publish the Cabinet Forward Work Programme on the website. The scheme of delegation was also to be published | The Council has published its Forward Work Programme for Cabinet, Council and Scrutiny on its website for the period 1 Jan 2018 – 30 April 2018. The programmes are scheduled for review on a quarterly basis to cover those topics being considered by Cabinet and Council during the subsequent 4 month period. Further work is being undertaken to harmonise procedures for the Scrutiny work programmes. |
| 2016-17 – CIPFA Delivering Good Governance in Local Government Framework 2016 | The working group producing the Annual Governance Statement would work together to review the Council's Code of Corporate Governance to reflect the CIPFA new principles 2016 | A review of the Code of Corporate Governance and its Governance Framework was undertaken and approved and adopted by Cabinet in June 2017. |
| 2016-17 – WAO Financial Resilience Report | Council recognised that it needed to put measures in place to respond to the recommendations within the Financial Resilience Report and ensure that financial planning arrangements were strengthened with more robust savings, delivery plans and implementation timescales. | Budget Reduction Proposals are reviewed by Directors and the S151 Officer prior to the start of the financial year to ensure they are still deliverable within the timescales agreed. Directors provide information on any issues or risks preventing achievement, and any action that can be taken to mitigate potential non-achievement. These proposals are then monitored as part of the formal budget monitoring process and reported accordingly, with action taken where necessary to prevent overspend. |

| | | |
|------------------------------|---|---|
| Audit Committee – April 2018 | The 2016-17 Housing Benefit subsidy audit identified a number of processing issues which affected the accuracy of the subsidy claim. The main issues were in relation to the recording of rent (increases/services charges) and the treatment of earned income and occupational pensions. | Identified errors were immediately corrected with overpayments recovered where permitted by the Housing Benefit regulations, and underpayments paid accordingly. Further actions are planned for 2018-19, in order to improve accuracy. |
|------------------------------|---|---|

Action Plan for any recommended or identified areas for improvement for 2017-18

| Identified from | Issue and description | Progress within the year |
|--|--|---|
| May 2017 – WAO Good Governance when determining Significant Service Changes Report | The Council should resolve how it will embed the sustainable development principle into decision-making | Elected Members have been offered training for the WFG (Wales) Act 2015 to ensure that sustainable development is included in all aspects of decision making. An e-learning package is being finalised, which will enable officers to undertake a sustainable development assessment to support the decision making process. |
| May 2017 – WAO as above | The Council should clearly set out how the impact of service changes will be monitored at the point of decision, with a clear set of criteria and a detailed options appraisal process considered when producing Council's decision reports | The Well-being of Future Generations Assessment Form ensures that the five ways of working and the seven Wellbeing Goals are considered as part of the decision making process. Use of the revised template will enable any potential impacts of service changes to be identified and proposals to maximise any positive impacts or minimise any negative impacts to be provided as necessary. |
| May 2017 – WAO as above | That the Scrutiny Forward Work Programme is not easily accessible on the website and that the website search function for officer and member decisions was not working properly There were no links to items pre 2014. This limits transparency and access arrangements. | A scrutiny mini-site has been created which includes its Forward Work Programme and can be accessed here: https://www.bridgend.gov.uk/my-council/democracy-and-elections/overview-and-scrutiny-committees/forward-work-programme/ The Corporate website is being redesigned and will be relaunched. As part of this process improvements will be made to the search facilities which will increase transparency and access. |

| | | |
|---|--|---|
| Audit Committee April 2017 (Committee resolution) | Committee considered the Internal Audit Outturn Report, including the Head of Audit's annual opinion and in doing so, expressed its concern at the vacancy rate of 50% and that it wished to consider the review of resources in internal audit at a future meeting as part of setting the Internal Audit Plan. | This action was completed in November 2017 with a report presented to the Audit Committee. |
| Audit Committee April 2017 (Committee resolution) | Committee considered it needed to exercise caution in approving the Audit Plan and expressed concern at the lack of staff resources in Internal Audit could have on achieving the set targets. The seriousness of the situation had been recognised by the Service and an amended draft Internal Audit Strategy and draft Annual Risk Based Audit Plan for 2017-18 was to be brought to the next meeting of the Committee taking account of the concerns raised. | With the exception of the IASS Charter which is scheduled for the Audit Committee meeting to be held in April 2018 the actions have been completed. |
| WAO Corporate Assessment | The Corporate website has received a 1 star rating, with work needed to upgrade and redesign and website. | The Corporate website is being redesigned The new website is planned to be launched to the public in the late spring of 2018. |
| 2017-18 Chief Executive | Identified the need to ensure that key policies and procedures are subject to a regular review process and / or in line with statutory timescales | |

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

28 JUNE 2018

REPORT OF THE INTERIM HEAD OF FINANCE AND SECTION 151 OFFICER

STATEMENT OF ACCOUNTS 2017-18 (UNAUDITED)

1. Purpose of this report

1.1 The purpose of this report is to present to Audit Committee:-

- the unaudited Statement of Accounts for 2017-18 for noting and;
- the Harbour Authority Annual Return for 2017-18 for approval.

2. Connections to Corporate Improvement Objectives / Other Corporate Priorities

2.1 This report assists in the achievement of the following corporate priority/priorities:

- Smarter use of resources – ensuring that all its resources (financial, physical, human and technological) are used as effectively and efficiently as possible and support the development of resources throughout the community that can help deliver the Council's priorities.

2.2 The Council's financial performance is an important element in determining the extent to which the Corporate Objectives can be delivered.

3. Background

3.1 The preparation of the Statement of Accounts is a requirement of the Accounts and Audit (Wales) Regulations 2014 (as amended 2018) and its content is defined by the 'Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

3.2 In accordance with these regulations, the Statement of Accounts for 2017-18 has to be signed and dated by the responsible financial officer before the 30 June 2018, certifying that it presents a true and fair view of the financial position of the Council. The audited Statement of Accounts then has to be approved by 30 September 2018 by Audit Committee in accordance with the Committee's Terms of Reference. The Code sets out the accounting principles and practices required to prepare a Statement of Accounts. However, it is the role of the responsible financial officer to make appropriate decisions in

accordance with her professional judgement about the best and proper practices to be followed.

4. Current Situation / Proposal

4.1 The Council's Statement of Accounts for the financial year ended 31 March 2018 has been prepared and a copy is attached as **Appendix A**. The Statement of Accounts comprises a number of different statements relating to financial performance and reserves as well as a statement on corporate governance arrangements. Also attached at **Appendix B** is the Annual Return for the Harbour Authority for approval.

4.2 The Statement of Accounts 2017-18 was signed by the Section 151 Officer and passed to Wales Audit Office on the 30 May 2018, a calendar month before it was required to be signed in accordance with Regulations. This demonstrates the Council's commitment to Earlier Closing of Accounts.

4.3 The Accounts include the following Core Financial Statements (pages 14 to 17):-

- Comprehensive Income and Expenditure Statement
- Expenditure and Funding Statement
- Movement in Reserves Statement
- Balance Sheet
- Cash Flow Statement

These are produced in accordance with International Financial Reporting Standards (IFRS) rather than the amount to be funded in cash terms when the budget is set. Therefore these statements include items such as depreciation on property, plant and equipment, the estimated cost of the shortfall on the pension scheme and other technical adjustments.

4.4 The net under-spend for the financial year, after allowing for capital financing and contingency costs, transfers to and from Earmarked Reserves and additional Council Tax income, is £0.387 million. This is transferred to the Council Fund which increases to £8.347 million as at 31 March 2018 (£7.960 million at 31 March 2017). This represents a 4.9% increase on the Council Fund from the balance at the 31 March 2017. The Expenditure and Funding Statement (page 36) shows how this Surplus on the Council Fund is adjusted to a deficit of £14.519 million on the Comprehensive Income and Expenditure Statement as a result of technical adjustments between the funding and accounting basis and transfers to earmarked reserves.

4.5 The Council's Reserves for 31 March 2018 are summarised in the table below with further details available on pages 60 to 65 within the Statement of Accounts:

| Opening Balance 2017-18 £'000 | Reserve | Movement during 2017-18 | | Closing Balance 2017-18 £'000 |
|----------------------------------|-------------------------------------|--|--------------------------------------|----------------------------------|
| | | Additions/ Re- classification £'000 | Drawdown by Directorates £'000 | |
| 7,960 | Council Fund Balance | 387 | - | 8,347 |
| 866 | Delegated Schools Balance | - | (506) | 360 |
| 3,949 | Maesteg School PFI Equalisation | (3,949) | - | - |
| 46,344 | Earmarked Reserves | 11,568 | (10,197) | 47,715 |
| 59,119 | TOTAL INCLUDING COUNCIL FUND | 8,006 | (10,703) | 56,422 |

- 4.6 The Council Fund balance now exceeds £8 million. It ties in with the Medium Term Financial Strategy (MTFS) Principle 8 that the balance “will be maintained at a minimum of £7 million over the MTFS period at reach 2.7% of the Gross Revenue Expenditure by 2019-20”. Though it is too earlier to calculate the percentage for 2017-18 as the Welsh Government’s Revenue Outturn Return 2017-18 has not been completed, the calculation for 2016-17 would result in a requirement for the Council Fund balance to be £8.740 million.
- 4.7 As can be seen above, School balances have decreased by £506,000 to £360,000 at the end of the financial year, representing 0.39% of the funding available. Out of a total of 59 schools there are 22 schools (17 primary, 4 secondary and 1 special) with deficit budgets and 9 schools (7 primary, 1 secondary, 1 special) with balances in excess of the statutory limits (£50,000 primary, £100,000 secondary and special schools) in line with the School Funding (Wales) Regulations 2010. These balances will be analysed by the Corporate Director - Education and Family Support, in line with the agreed ‘Guidance and procedures on managing surplus school balances’.
- 4.7 The Maesteg School PFI Equalisation Fund has been unwound during 2017-18 as it is no longer required due to a change in the mechanism for allocating the PFI funding through the Revenue Support Grant and then the associated accounting treatment as a result. The released reserve was then used to enhance the Capital Programme Contribution Reserve for Band B Schools funding.
- 4.8 There has been a net increase in Earmarked Reserves of £1.371 million to £47.715 million at 31 March 2018 (£46.344 million at 31 March 2017). There have been additions to existing reserves or new reserves created of £11.568 million and drawdown by Directorates from reserves to match expenditure of £10.197 million. The below table shows some of the more significant movements on reserves:-

| Opening Balance 2017-18 £'000 | Reserve | Movement during 2017-18 | | Closing Balance 2017-18 £'000 |
|----------------------------------|---------------------------------|--|--------------------------------------|----------------------------------|
| | | Additions/ Re- classification £'000 | Drawdown by Directorates £'000 | |
| 11,380 | Capital Programme Contribution | 6,016 | (5,314) | 12,082 |
| - | Corporate Pressures Contingency | 1,000 | - | 1,000 |
| 8,103 | Service Reconfiguration | 1,130 | (1,276) | 7,957 |
| - | City Deal Reserve | 1,088 | - | 1,088 |
| 651 | Directorate Issues | 1,438 | (137) | 1,952 |
| 20,134 | | 10,672 | (6,727) | 24,079 |

4.9 As can be seen above, there is a new Corporate Pressures Contingency Reserve of £1 million, which Cabinet approved in December 2017, to provide one off temporary relief in the event of unforeseen over-spends on corporate budgets following significant reductions proposed in the 2018-19 budget. The Service Reconfiguration Reserve has been increased by £1.130 million to meet the potential costs relating to service remodelling and consequential severance costs. A new City Deal Reserve has been set up to finance capital expenditure in 2018-19 following approval of the City Deal Business Plan. Both the Capital Programme Contribution Reserve and the Directorate Issues Reserves have been increased following a review of capital and service priorities over the MTFS period.

4.10 In addition to spending money providing services on a day to day basis, the Council also spends money providing new facilities, enhancing assets within the Council's portfolio or providing capital grants to others. The total capital spending during 2017-18 was £36.584 million. Assets created, improved or under development as a result of this spend included:

- Investment in the Cardiff Capital City Deal
- Extra Care Living Schemes
- Replacement Betws Primary School
- Disabled Facilities Grants
- Carriage reconstruction and street lighting

4.11 There are various notes within the Accounts which detail how the capital expenditure is financed and what assets have been produced or enhanced.

4.12 The Annual Governance Statement (AGS) on page 88 highlights the challenges the Council faces in the delivery of the £32.8 million savings identified in the Medium Term Financial Strategy. It also includes an Action Plan for 2018-19.

4.13 The unaudited Statement of Accounts is now being reviewed by Wales Audit Office. Again with the principle of faster closing of accounts, a fair amount of external audit work was actually done in advance of the date when the certified Accounts were passed to them. A final audited

version of the Accounts will be brought back to Audit Committee in September and it will be these that will need Committee Approval in accordance with the Accounts and Audit (Wales) Regulations 2014 (as amended 2018) and signed by the Chair of Audit Committee.

- 4.14 The Annual Return 2017-18 for the Harbour Authority is attached at **Appendix B**. This has been audited as correct by Internal Audit. It is now requested that Audit Committee approves this Return and submits it to Wales Audit Office for review.

5. Effect upon policy framework & procedural rules

- 5.1 There is legal requirement for the Statement of Accounts to be signed by the responsible financial officer by the 30 June following the end of the financial year.

6. Equality Impact Assessment

- 6.1 Whilst the production of the Statement of Accounts itself does not itself raise any equality issues, it does summarise the financial consequences of the budget reductions and service reconfigurations identified in the Council's Medium Term Financial Strategy. When these proposals were being developed consideration was given to their potential impact on protected groups within the community.

7. Well-being of Future Generations (Wales) Act 2015 Implications

- 7.1 This report links to the Council's long-term well-being objectives. It presents a positive picture in respect of both the 2017-18 revenue position and the accumulated reserves position.

8. Financial implications

- 8.1 These are reflected in the body of the report.

9. Recommendation

- 9.1 It is recommended that Audit Committee:-
- note the unaudited Statement of Accounts for 2017-18 (Appendix A);
 - approve the Harbour Authority Annual Return 2017-18 (Appendix B).

Gill Lewis CPFA
Interim Head of Finance and Section 151 Officer
6 June 2018

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Background Documents:

Statement of Accounts 2017-18
Harbour Authority Annual Return 2017-18



Statement of Accounts

DRAFT SUBJECT TO AUDIT

Bridgend County Borough Council • 2017-18



**Bridgend County Borough Council
Civic Offices
Angel Street
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CF31 4WB
(01656) 643643**

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Narrative Report

1. Bridgend as a place

Bridgend is conveniently situated between Wales’ Capital, Cardiff to the East and Swansea to the West, approximately 20 miles from each. Nestled just south of the M4 corridor, with easy access from both major cities, bounded by the Bristol Channel to the South, it is at the heart of the South Wales industrial and coastal belt. Bridgend as a County Borough is home to over 140,000 and continues to grow. The Borough’s towns are undergoing redevelopment and a number of historic buildings and the town centres have been rejuvenated over recent years. To the North is the residential town of Maesteg and to the South West is the coastal town of Porthcawl. Bridgend is one of 22 Councils in Wales, and accounts for approximately 9% of the Principality’s population.

- Welsh Government funding is falling year-on-year, and made up 54% of core funding in 2016-17, reducing to 52% in 2017-18
- The Council manages an asset base, excluding the road network, of £495 million to deliver its services
- The Council employs over 6,000 staff to deliver a wide range of services including education, social care, highways maintenance and economic development.
- An increasingly ageing population will continue to present challenges on the Council’s budget in years to come

The Council has identified three priorities that are intended to improve the quality of life of people in the county while significantly changing the nature of the Council:

| Supporting a successful economy | Helping people to become more self-reliant | Smarter use of resources |
|---|--|---|
| A successful, sustainable and inclusive economy that will be supported by a skilful, ambitious workforce. | Individuals and families that will be more independent and less reliant on traditional Council services. | A Council that has lean, robust processes and a skilful workforce. A supported third/community sector with the opportunity to take on services that meet citizens’ needs. |

Alongside this in April 2016, the Well-being of Future Generations (Wales) Act 2015 came into effect. The Act is about improving the economic, social, environmental and cultural well-being of Wales. It places a duty upon all public bodies to apply the principles of sustainable development to ensure that present needs are met without compromising the ability of future generations to meet their own needs. The Act sets out seven long-term national goals:

- A prosperous Wales
- A resilient Wales
- A healthier Wales
- A more equal Wales
- A Wales of cohesive communities
- A Wales of vibrant culture and thriving Welsh language
- A globally responsible Wales.

As a public body, we have a duty towards achieving the seven goals. The Act requires that we set our well-being objectives and take steps to realise them. The three priorities set out above are our well-being objectives and it is through these objectives that we will contribute most to the seven goals.

2. Governance

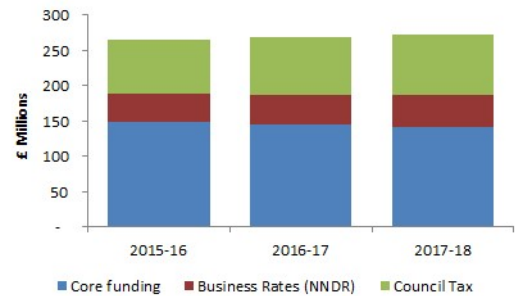
The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. This includes ensuring that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government (Wales) Measure 2009 to make arrangements to secure continuous improvement in delivering its functions in terms of strategic effectiveness, service quality, service availability, fairness, sustainability, efficiency and innovation. The Annual Governance Statement included within these Statement of Accounts sets out in detail the Council’s governance arrangements.

3. Financial Performance

Financial context of the Council

The Council:

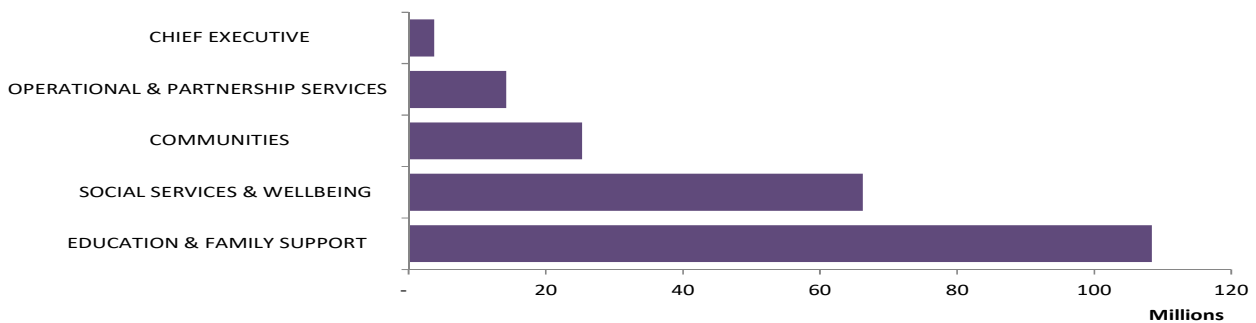
- Manages cash-flows and assets in excess of £687 million
- Holds £495 million of fixed assets, including £480 million of operational assets for delivering services, £9 million of long-term investments and £5 million intangible assets
- Generates £66 million of fees, internal and external charges and other service income used to deliver services



In common with the rest of local government, the Council has seen a real-terms reduction in its core funding but has been able to continue to deliver its services through achievement of efficiencies and innovative approaches to service delivery rather than through cuts to service delivery.

Council Spending

Council spending by Department was within 99.85% of budget for all departments reflecting sound financial management and budgetary control. The table below shows the net spend by Directorate.



The council achieved underspend in the year of £0.387 million, or 0.15% of its net budget. This demonstrates its sound financial management throughout the year and its commitment to ensuring it does not spend beyond its means.

4. Addressing future challenges

The Council faces significant challenges moving forward. These include demographic pressures, such as an ageing population and an increasing number of young people with complex disabilities living into adulthood and adding progressively to the demand for care. In addition to this there are inflationary pressures arising from specific contractual commitments and significant increases in staffing costs arising not only from the increase in the national living wage but also the agreed two-year deal for local government workers. Whilst the Welsh Government settlement for Bridgend for 2018-19 is an increase of 0.1%, the impact of new responsibilities on the Council in respect of increased capital limits on residential care, targeted relief to support local businesses and homelessness prevention means that the true position for Bridgend is a reduction of 0.25% year-on-year. Indications for the Welsh Government Settlement for Council's in 2019-20 suggests a funding reduction of 1% year-on-year, which again will not meet all of the pressures that the Council is facing. Whilst the Council continues to face increasing pressures on its budget, it has approved a balanced budget for 2018-19.

FINANCIAL POSITION

The Council maintains a strong balance sheet despite the financial challenges.



Borrowing

The council has long term borrowing outstanding as at 31 March 2018 of £97.421 million. This is a mixture of Public Works Loan Board (PWL) of £77.617 million and Lender's Option Borrower's Option (LOBO's) of £19.804 million, to finance capital expenditure. More detail in relation to borrowing is provided in note 31. The borrowing should be seen in the context of the total value of the Council's long-term assets, which are shown in the Balance Sheet at £495 million. Borrowing is permitted in line with the Prudential Code for Capital Finance in Local Authorities regulations as long as, in the opinion of the Chief Finance Officer, the revenue costs are capable of being met and are in keeping with prudential indicators and guidelines. Given the strength of the Balance sheet, the Council's borrowing levels are reasonable.

Pensions Liability: £269 million

The requirements of international accounting regulations (IAS19) in relation to post-employment benefits – i.e. pensions, have been fully incorporated into the Comprehensive Income and Expenditure Statement, with actuarial gains and losses being recognised in Other Comprehensive Income and Expenditure, as note 30 explains in detail.



A pensions reserve and a pension liability are incorporated within the Council's accounts, reflecting the amount by which the Bridgend element of the Rhondda Cynon Taff County Borough Council pension fund is under-funded compared with the assessed payment liabilities to pensioners now and in the future. The overall pensions' liability of the Council as at 31 March 2018 was £268.62 million (£252.45 million as at 31 March 2017).

CAPITAL

The Council has a ten year capital programme of £192 million as set out in the table below, which also includes the 2017-18 outturn.

| | OUTTURN | TEN YEAR PLAN | | | |
|--|---------------|---------------|---------------|----------------|----------------|
| | 2017-18 | 2018-19 | 2019-20 | 2020-21 | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| EXPENDITURE | | | | to 2027-28 | |
| Education & Family Support | 18,676 | 12,192 | 1,676 | 41,964 | 55,832 |
| Social Services and Well-being | 1,341 | 3,655 | 30 | 240 | 3,925 |
| Communities | 12,562 | 24,715 | 10,919 | 63,836 | 99,470 |
| Operational & Partnership Services | 4,005 | 4,474 | 2,250 | 18,000 | 24,724 |
| Unallocated | | - | - | 8,183 | 8,183 |
| Total Expenditure | 36,584 | 45,036 | 14,875 | 132,223 | 192,134 |
| FUNDING | | | | | |
| Grants and Contributions | 16,629 | 5,422 | 2,694 | 77,625 | 85,741 |
| Capital Receipts and Revenue Contributions | 10,102 | 29,465 | 3,147 | 10,425 | 43,037 |
| Borrowing | 9,853 | 10,149 | 9,034 | 44,173 | 63,356 |
| Total Funding | 36,584 | 45,036 | 14,875 | 132,223 | 192,134 |

This capital programme includes a number of new and existing projects which will:

Help to support a successful economy:

- Significant new investment in road carriageways and footways to ensure they are of a good standard
- Road safety improvements
- Investment in the Cardiff Capital Region City Deal (CCRCD), which will raise economic prosperity, job prospects and improving digital and transport connectivity. The CCRCD is a significant investment into the South Wales economy and consists of 10 partner Local Authorities. Further information is included within Note 18 to the accounts.



Help people to be more self-reliant:

- 2 Extra Care schemes expected to open in 2018-19, enabling people to live more independently
- ARCH – a healthy living and wellbeing centre
- A 'children's accommodation hub' through remodelling existing facilities to reduce the number of children who need to be accommodated in out of county provision.

Enable Smarter Use of resources:

- Continuing the significant investment in the Schools Modernisation Programme supported through 21st Century Schools funding.
- Energy efficiency schemes investing in street lighting and across Council buildings

Significant capital schemes during 2017-18 included the completion of Betws Primary School, and the commencement of a new primary school in Pencoed.



Phase 1 of the new Betws Primary school completed in 2017-18. Phase 2 to build the new Welsh primary school commenced during the year and is anticipated to be completed during October 2018. Both were supported by the Welsh Government's 21st Century Schools Programme.



Work commenced on a new primary at Pencoed jointly financed through the Welsh Government 21st Century Schools Programme.

ACCOUNTS PREPARATION

These Accounts have been produced in line with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) for 2017-18, which is underpinned by International Financial Reporting Standards (IFRS). There have been no significant changes since the prior year.

The accounts consist of the following financial statements:

a) Statement of Responsibilities for the Statement of Accounts

This sets out the respective responsibilities of the Council and the Section 151 officer for the preparation and approval of the Statement of Accounts.

b) The Financial Statements

i. The Comprehensive Income & Expenditure Statement (CIES)

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with statutory requirements; this may be difference from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

The Comprehensive Income and Expenditure Statement is split into two parts.

The first part reflects the full economic cost of providing the services of the Council with the results summarised at the Surplus or Deficit on the Provision of Services line. It represents the operating costs of providing the services of the Council in the year. In the private sector this would be the equivalent to the profit or loss of a company.

The second part, other comprehensive income and expenditure, shows the gains or losses in the measurement of the assets and liabilities of the Council. Those gains or losses arise as a result of changes in market valuations, interest rates or changes in measurement assumptions relating to pensions assets and liabilities.

ii. Movement in Reserves Statement (MiRS)

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'usable reserves' (ie those that can currently be used to fund expenditure or reduce local taxation) and 'unusable' reserves, which must be set aside for specific purposes. It shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory Council Fund balance movements in the year following those adjustments.

iii. Balance Sheet

The Balance sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, ie those reserves that the Council 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 may only be used to fund capital expenditure or repay debt). The second category of reserves represents those that the Council 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 in 'Adjustment between accounting basis and funding basis under regulations'.

iv. Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council 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 Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

c) **Notes to the Accounts**

These set out the Accounting Policies adopted for the Statement of Accounts and disclosures relating to the financial statements and include pensions and financial instruments disclosures. These include the Expenditure and Funding Analysis which shows how annual expenditure is used and funded from resources (government grants, fees and charges, council tax and business rates) by the Council in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's Directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

d) **Annual Governance Statement**

This statement provides a continuous review of the effectiveness of the Council's governance framework including the system of internal control and risk management systems, so as to give assurance on their effectiveness and/or address identified weaknesses.

The Statement of Responsibilities for the Statement of Accounts

The Council's responsibilities

The Council 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 Council that officer is the Head of Finance.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

Section 151 Officer's Responsibilities

The Section 151 Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Section 151 Officer 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 Section 151 Officer has also:

- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Section 151 Officer's Certificate

I certify that the Statement of Accounts presents a true and fair view of the financial position of Bridgend County Borough Council as at 31 March 2018 and of its income and expenditure for the year ended 31 March 2018

Signed:

G. M. Lewis

Dated:

30/5/2018



Financial Statements

Comprehensive Income and Expenditure Statement

| 2016-17 (restated) | | | | | 2017-18 | | | | Notes |
|----------------------------|----------------------|-----------------------|--------------------------|--|----------------------------|----------------------|-----------------------|--------------------------|-------|
| Gross Expenditure £'000 | Govt Grants £'000 | Other Income £'000 | Net Expenditure £'000 | | Gross Expenditure £'000 | Govt Grants £'000 | Other Income £'000 | Net Expenditure £'000 | |
| 156,831 | (23,128) | (18,018) | 115,685 | Education and Family Support | 158,109 | (23,977) | (16,546) | 117,586 | |
| 85,871 | (4,415) | (16,718) | 64,738 | Social Services and Wellbeing | 92,805 | (6,199) | (16,792) | 69,814 | |
| 63,758 | (8,347) | (15,595) | 39,816 | Communities | 62,946 | (7,512) | (14,108) | 41,326 | |
| 28,001 | (6,748) | (6,134) | 15,119 | Operational and Partnership | 28,167 | (6,708) | (5,389) | 16,070 | |
| 54,702 | (49,917) | (1,256) | 3,529 | Services | 54,513 | (49,338) | (1,087) | 4,088 | |
| 17,879 | (4) | (5,713) | 12,162 | Chief Executives and Finance | 18,366 | - | (962) | 17,404 | |
| | | | | Central Services | | | | | |
| 407,042 | (92,559) | (63,434) | 251,049 | Cost Of Services | 414,906 | (93,734) | (54,884) | 266,288 | |
| | | | | Other Operating Expenditure | | | | | |
| 12,700 | | | 12,700 | Precepts payable | 13,567 | | | 13,567 | 7 |
| 6,881 | | | 6,881 | Levies payable | 6,968 | | | 6,968 | 7 |
| 1,050 | | | 1,050 | (Gain) / loss on disposal of non current assets | 1,815 | | | 1,815 | |
| 20,631 | - | - | 20,631 | Other Operating Expenditure | 22,350 | - | - | 22,350 | |
| | | | | Financing and Investment Income and Expenditure | | | | | |
| 4,576 | | | 4,576 | Interest payable on debt | 4,567 | | | 4,567 | |
| 65 | | | 65 | Interest element of finance leases (lessee) | 60 | | | 60 | |
| 1,395 | | | 1,395 | Interest payable on PFI unitary payments | 1,352 | | | 1,352 | 13 |
| 8,050 | | | 8,050 | Net Interest on Net Defined Benefit Liability | 6,350 | | | 6,350 | 30 |
| | | (942) | (942) | Investment Interest & Other Interest Receivable | | | (959) | (959) | |
| | | | | Changes in fair value of investment properties | | | (350) | (350) | |
| 14,086 | - | (942) | 13,144 | Financing and Investment Income and Expenditure | 12,329 | - | (1,309) | 11,020 | |
| | | | | Taxation and Non-Specific Grant Income | | | | | |
| | (145,233) | | (145,233) | Revenue Support Grant | | (141,610) | | (141,610) | 8 |
| | | (42,142) | (42,142) | National Non Domestic Rates | | | (45,888) | (45,888) | 9 |
| | | (81,049) | (81,049) | Council Tax | | | (84,617) | (84,617) | 10 |
| | (6,486) | | (6,486) | Recognised capital grants and contributions | | (13,024) | | (13,024) | 11 |
| - | (151,719) | (123,191) | (274,910) | Taxation and Non-Specific Grant Income | - | (154,634) | (130,505) | (285,139) | |
| 441,759 | (244,278) | (187,567) | 9,914 | (Surplus) or Deficit on Provision of Services | 449,585 | (248,368) | (186,698) | 14,519 | |
| | | (8,705) | (8,705) | (Surplus) or deficit on revaluation of Property, Plant and Equipment | | | (10,830) | (10,830) | |
| 3,941 | | | 3,941 | Impairment losses on non-current assets charged to the Revaluation reserve | 4,580 | | | 4,580 | |
| | | (1,960) | (1,960) | Actuarial (gains) / losses on pension liabilities | 4,360 | | | 4,360 | 30 |
| | | | (6,724) | Other Comprehensive (Income) and Expenditure | | | | (1,890) | |
| | | | 3,190 | Total Comprehensive (Income) and Expenditure | | | | 12,629 | |

Movement in Reserves Statement

| | Council Fund Balance £'000 | Earmarked Reserves £'000 | Capital Receipts Reserves £'000 | Capital Grants Unapplied £'000 | Total Usable Reserves £'000 | Total Unusable Reserves £'000 | Total Council Reserves £'000 |
|--|-------------------------------------|--------------------------------|--|---|--------------------------------------|--|---------------------------------------|
| Balance at 31 March 2016 brought forward | 7,604 | 44,913 | 18,352 | 183 | 71,052 | 71,001 | 142,053 |
| <u>Movement in Reserves during 2016-17</u> | | | | | | | |
| Total Comprehensive (Income) and Expenditure | (9,914) | | | | (9,914) | 6,724 | (3,190) |
| Adjustments between accounting basis & funding basis under regulations (Note 20) | 16,516 | | 3,012 | - | 19,528 | (19,528) | - |
| Transfers to Earmarked Reserves (Note 28) | (6,246) | 6,246 | - | - | - | - | - |
| Increase/(Decrease) in 2016-17 | 356 | 6,246 | 3,012 | - | 9,614 | (12,804) | (3,190) |
| Balance at 31 March 2017 carried forward | 7,960 | 51,159 | 21,364 | 183 | 80,666 | 58,197 | 138,863 |

| | Council Fund Balance £'000 | Earmarked Reserves £'000 | Capital Receipts Reserves £'000 | Capital Grants Unapplied £'000 | Total Usable Reserves £'000 | Total Unusable Reserves £'000 | Total Council Reserves £'000 |
|--|-------------------------------------|--------------------------------|--|---|--------------------------------------|--|---------------------------------------|
| Balance at 31 March 2017 brought forward | 7,960 | 51,159 | 21,364 | 183 | 80,666 | 58,197 | 138,863 |
| <u>Movement in Reserves during 2017-18</u> | | | | | | | |
| Total Comprehensive (Income) and Expenditure | (14,519) | | | | (14,519) | 1,890 | (12,629) |
| Adjustments between accounting basis & funding basis under regulations (Note 20) | 11,822 | | (203) | 105 | 11,724 | (11,724) | - |
| Transfers to Earmarked Reserves (Note 28) | 3,084 | (3,084) | | | - | | |
| Increase/(Decrease) in 2017-18 | 387 | (3,084) | (203) | 105 | (2,795) | (9,834) | (12,629) |
| Balance at 31 March 2018 carried forward | 8,347 | 48,075 | 21,161 | 288 | 77,871 | 48,363 | 126,234 |

Balance Sheet

| 31 March 2017 £'000 | | 31 March 2018 £'000 | Notes |
|---------------------------|--|---------------------------|------------|
| | Property, Plant & Equipment | | 21c |
| 379,014 | Other Land and Buildings | 381,032 | |
| 4,605 | Vehicles, Plant, Furniture and Equipment | 4,732 | |
| 70,047 | Infrastructure | 63,702 | |
| 5,015 | Community Assets | 4,914 | |
| 4,067 | Assets under Construction | 7,739 | |
| 8,237 | Surplus Assets not Held for Sale | 15,128 | |
| 73 | Heritage Assets | 220 | |
| 5,060 | Investment Property | 4,360 | 22 |
| 4,375 | Intangible Assets | 4,109 | 21d |
| 4,003 | Long Term Investments | 9,010 | 31 |
| 8 | Long Term Debtors | 1 | |
| 484,504 | Long Term Assets | 494,947 | |
| 26,572 | Short Term Investments | 20,084 | 31 |
| 1,730 | Assets Held for Sale | 5,961 | 24 |
| 513 | Inventories | 583 | |
| 29,467 | Short Term Debtors | 31,058 | 23 |
| 1,664 | Cash and Cash Equivalents | 88 | 31 |
| 59,946 | Current Assets | 57,774 | |
| (952) | Short Term Borrowing | (2,623) | 31 |
| (27,310) | Short Term Creditors | (32,254) | 25 |
| (1,214) | Provisions due in 1 year | (1,979) | |
| (29,476) | Current Liabilities | (36,856) | |
| (2,451) | Provisions due after 1 year | (2,222) | 26 |
| (97,432) | Long Term Borrowing | (97,421) | 31 |
| | Other Long Term Liabilities | | |
| (21,064) | PFI & Other Long Term Liabilities | (20,267) | 27 |
| (252,450) | Net Pensions Liability | (268,620) | 30 |
| (2,714) | Capital Receipts in Advance | (1,101) | |
| (376,111) | Long Term Liabilities | (389,631) | |
| | | | |
| 138,863 | Net Assets | 126,234 | |
| | Usable reserves | | 28 |
| 7,960 | Council Fund | 8,347 | |
| 51,159 | Earmarked reserves | 48,075 | 28b |
| 21,364 | Capital Receipts Reserve | 21,161 | 28a |
| 183 | Capital Grants Unapplied | 288 | |
| | Unusable Reserves | | 29 |
| 124,703 | Revaluation Reserve | 126,378 | 29a |
| (252,450) | Pensions Reserve | (268,620) | 29b |
| 189,468 | Capital Adjustment Account | 194,640 | 29c |
| (731) | Financial Instruments Adjustment Account | (723) | |
| (2,793) | Short-term Accumulating Compensated Absences Account | (3,312) | |
| 138,863 | Total Reserves | 126,234 | |

Cash Flow Statement

| 2016-17 £'000 | | 2017-18 £'000 | Notes |
|------------------|--|------------------|-----------|
| 9,914 | Net (surplus)/deficit on the Provision of Services | 14,519 | |
| (31,442) | Adjustments to net deficit on the provision of services for non-cash movements | (41,329) | 34 |
| 11,778 | Adjustments for Items included in the net deficit on the provision of services that are investing and financing activities | 13,598 | |
| (9,750) | Net Cash Flows from Operating Activities | (13,212) | 35 |
| 22,614 | Investing Activities | 27,861 | 36 |
| (7,346) | Financing Activities | (13,073) | 37 |
| 5,518 | Net (Increase) / Decrease in Cash & Cash Equivalents | 1,576 | |
| (7,182) | Cash & Cash Equivalent at the beginning of the Reporting Period | (1,664) | |
| (1,664) | Cash & Cash Equivalent at the end of the Reporting Period | (88) | |

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.



Notes to the Financial Statements

Notes to the Financial Statements

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1. Accounting Policies

1.1 General principles

The Statement of Accounts summarises the Council's transactions for the 2017-18 financial year and its position at the year end of 31 March 2018. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014 in accordance with proper accounting practices. These practices comprise the *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code) 2017-18 and the *Service Reporting Code of Practice 2017-18* supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

1.2 Standards that have been issued but not yet adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 (the Code) requires that the Council discloses information relating to the anticipated impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This requirement applies to the adoption of the following new or amended standards within the 2017-18 Code:

| Standard | Effective date | Further details |
|--|----------------|---|
| IFRS 9 Financial instruments | 2018-19 | IFRS 9 financial instruments will replace IAS 39 and includes a new principles-based approach for the classification and measurement of financial assets. It also introduces a new impairment methodology for financial assets based on expected losses rather than incurred losses. This will result in earlier and more timely recognition of expected credit losses. The accounting requirements for financial liabilities are almost all carried forward unchanged from IAS 39. |
| IFRS 15 Revenue from contracts with customers | 2018-19 | IFRS 15 revenue from contracts with customers introduces a principles-based five-step model for recognising revenue arising from contracts with customers. It is based on a core principle requiring revenue recognition to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration the body expects to be entitled to, in exchange for those goods or services. It will also require more extensive disclosures than are currently required. |
| IFRS 16 Leases | 2019-20 | IFRS 16 will replace the current leases standard IAS 17. The key change is that it largely removes the distinction between operating and finance leases for lessees by introducing a single lessee accounting model that requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. It will lead to all leases being recognised on the balance sheet as an asset based on a 'right of use' principle with a corresponding liability for future rentals. This is a significant change in lessee accounting. |

As their implementation is for financial years starting after from 1 April 2018 they would not have any impact on the 2017-18 Statements.

1.3 Accruals of income and expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- 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 stocks on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

1.4 Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For example, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year and where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances

where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

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

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

1.5 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the Council Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the Council Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, employee and retirement benefits and are 'Unusable' reserves as set out in Note 29 to the accounts.

1.6 Government grants and contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grant / contribution will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the Council Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied

Reserve. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

1.7 Employee benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave, paid sick leave and bonuses for current employees. These are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlement earned by employees but not taken before the financial year-end which employees can carry forward into the next financial year. The accrual is charged to the relevant Service Cost line in the Comprehensive Income and Expenditure Statement, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an Officer's employment before the normal retirement date or an Officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant Service Cost line in the Comprehensive Income and Expenditure Statement, when the Council is demonstrably committed to the termination of the employment of an Officer or group of Officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the Council Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

Employees of the Council are members of two separate pension schemes. Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

- The *Teachers' Pension Scheme*, administered by Teachers' Pensions on behalf of the Department for Education (DfE). The arrangements for this scheme mean that liabilities for benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme and no liability for future payment of benefits is recognised in the Balance Sheet. The Education and Family line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.
- The *Local Government Pension Scheme* - other employees are entitled to be members of the Rhondda Cynon Taf County Borough Council Pension Fund. The Local Government Scheme is accounted for as a defined benefit scheme:-
- The liabilities of the pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on

assumptions about mortality rates, employee turnover rates, and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate.
- The assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:-
 - Quoted securities – current bid price
 - Unquoted securities – professional estimate
 - Property – market value
- The change in the net pensions liability is analysed into the following components:-
 - Current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
 - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to Central Services in the Comprehensive Income and Expenditure Statement
 - Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
 - Re-measurements comprising:-
- The return on plan assets – excluding amounts included in the net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve and Other Comprehensive Income and Expenditure
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions reserve as Other Comprehensive Income and expenditure:-
 - Contributions to the pension fund – cash paid as employer's contribution to the pension fund in settlement of liabilities; not accounted for as an expense.
- In relation to retirement benefits, statutory provisions require the Council Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners any amounts payable to the fund but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the Council Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.
- The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member

of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

1.8 VAT

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

1.9 Overheads and Support Services

In line with changes in the Code of Practice on Local Authority Accounting (the Code) for 2017-18, overheads and support services are shown in the relevant service where they are incurred and are not recharged out to supported service areas. Any internal income as a result of transactions between departments is shown in the supplying service line with the corresponding charge being shown in the recipient service line.

Non-distributable costs are not chargeable to direct services in relation to the costs of discretionary benefits awarded to employees retiring early. These costs are accounted for as a separate heading in the Comprehensive Income and Expenditure Statement as part of the Cost of Services.

1.10 Intangible Assets

The Council accounts for software as intangible assets to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The most significant intangible asset is the Wales Community Care Information System (WCCIS) software development costs and licence.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful life used by the Council of the WCCIS is 8 years. Amortisation of the intangible asset is charged on a straight line basis over the useful life and is charged to the Social Services and Wellbeing line in the Comprehensive Income and Expenditure Statement.

1.11 Property, Plant and Equipment

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the 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 (i.e. repairs and maintenance) is charged as an expense when it is incurred.

All expenditure on Property, Plant and Equipment is recognised irrespective of value. Expenditure below £40,000 is considered non-enhancing and is immediately impaired unless cumulatively over more than one year the expenditure would amount to more than this value.

Measurement

Assets are initially measured at cost, comprising its purchase price and all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the balance sheet using the following measurement bases:

- **Land and buildings** – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)
- **Non-specialised operational properties** – existing use value (EUV)
- **Specialised operational properties (such as schools)** – depreciated replacement cost (DRC)
- **Vehicles, plant and equipment** – depreciated historical cost
- **Community assets** – historical cost
- **Assets under construction** – historical cost (until they become operational)
- **Infrastructure assets** – depreciated historical cost
- **Surplus assets and investment properties** – fair value
- **Assets held for sale** – lower of fair value and market value less costs of sale

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flow of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

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

Revaluations

Assets included in the Balance Sheet at fair value or current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value or current value at the year-end. Revaluations of the Council's property assets are undertaken on a 3 year rolling programme basis. Revaluation gains since 1 April 2007 only are recognised in the Revaluation Reserve, the date of its inception. Previous revaluation gains have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall. Where there have been previous revaluation gains against the asset held in the Revaluation Reserve, any subsequent loss is firstly written out against the accumulated Revaluation Reserve with any balance being charged against the Comprehensive Income and Expenditure Statement.

Depreciation

Depreciation is provided for on Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. Exceptions are made for:

- Heritage assets
- Assets without a determinable finite useful life such as freehold land
- Assets that are not yet available for use i.e. assets under construction, and assets held for sale.

Depreciation is calculated on the value of the asset at the start of the year and on the following bases:

| Asset | Policy | Life |
|-------------------------------|--|---|
| Land | No depreciation charged | N/A |
| Buildings | Straight line depreciation on estimated remaining life | As advised by Valuer (between 1 - 79 years) |
| Vehicles, plant and equipment | Straight line depreciation on estimated remaining life | 3 - 10 years |
| Infrastructure - Bridges | Straight line depreciation on estimated remaining life | 30 years |
| Infrastructure - Roads | Straight line depreciation on estimated remaining life | 15 years |
| Infrastructure - Other | Straight line depreciation on estimated remaining life | 1 - 30 years |

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Componentisation

Assets purchased or revalued during the year are reviewed to confirm whether any part of the asset will have a significantly different useful life and a material impact on depreciation. Where this is the case the asset will be 'componentised' and the differing parts will be depreciated over their respective useful lives. Within the Council's asset portfolio there are a number of asset classes where componentisation is not considered, including:

- Equipment – as this is considered immaterial
- Asset classes which are not depreciated – such as land, investment property, heritage assets, community assets, surplus assets and assets held for sale.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The criteria for recognising assets as being held for sale are:

- Available for immediate sale in present condition
- Sales highly probable
- Actively marketed
- Sales completion expected within 12 months.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts.

1.12 Heritage Assets

Heritage Assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical worth. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. The Council recognises its Civic Regalia and a number of paintings in the Balance Sheet at insurance value. The value of the paintings were added to the Balance Sheet during 2017-18 based on an insurance valuation carried out by professional valuers during the year. According to the Code there is no prescribed minimum period between valuations and the Council does not intend to revalue its Heritage Assets in the near future unless

there is evidence of impairment such as physical deterioration or damage, or doubts to their authenticity arise.

1.13 Charges to revenue for non-current assets

Services are debited with the following amounts to record the real cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.

The Council is not required to raise council tax to fund depreciation, revaluation or impairment losses or amortisation. However, it is required to make an annual prudent provision from revenue to contribute towards the reduction in its overall borrowing requirement. This is detailed in the Council's Annual Minimum Revenue Provision Statement, and differentiates between supported capital expenditure, unsupported capital expenditure, and Finance Leases / PFI. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by this *Minimum Revenue Provision* (MRP) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

1.14 Revenue Expenditure Funded from Capital Resources under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of non-current assets has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Examples of such expenditure include home improvement grants, town improvement grants and land feasibility studies. Where the Council has determined to meet the cost of these from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the Council Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so there is no impact on the level of council tax. Where this expenditure is funded by grants or contributions, this is also taken to the relevant service area where the expenditure has been charged.

1.15 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as a Lessee

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. if there is a rent-free period at the commencement of the lease).

The Council as a Lessor

Operating Leases

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

1.16 Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure Section of the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable together with any accrued interest and interest charged to the Comprehensive Income and Expenditure Statement for the year according to the loan agreement.

The Council has three Lender's Option Borrower's Option loans (LOBOs) with stepped interest rates. An effective interest rate has been used for these so that these are re-measured amounts for the LOBOs on the Balance Sheet.

1.17 Financial Assets

Loans and Receivables are assets that have fixed or determinable payments but are not quoted in an active market. They are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

1.18 Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. Work in progress is subject to an interim valuation at the year end and recorded in the Balance Sheet at cost plus any profit reasonably attributable to the works.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

1.19 Private Finance Initiatives (PFI)

PFI contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under the PFI scheme and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current Assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed as follows:-

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement
- payment towards the liability – applied to write down the Balance Sheet liability towards the PFI operator

PFI assets are subject to MRP. The Annual MRP Policy for the Council has deemed this charge to be equivalent to the finance lease liability written down for the year.

1.20 Joint Arrangements

The Council is part of a number of joint arrangements including the Joint Committee for the Cardiff Capital Region City Deal (CCRCD) which consists of 10 Partner Authorities: Blaenau Gwent; Caerphilly; Cardiff; Merthyr Tydfil; Monmouthshire; Newport; Rhondda-Cynon-Taf; Torfaen and the Vale of Glamorgan. The Joint Committee has been established to oversee delivery of a range of programmes designed to increase connectivity and to improve physical and digital infrastructure. The contributions to the Joint Committee are classified as Revenue Expenditure Funded from Capital Under Statute (REFCUS). The Council has not consolidated the assets or liabilities of the Joint Committee.

The Council continues to have administrative responsibilities for Coychurch Crematorium and independent financial statements continue to be prepared and reviewed for this joint committee. The activities of these joint arrangements are excluded from the Council's single entity financial statements on the basis of materiality of both assets and population.

1.21 Council Tax Income

All Council Tax income is shown in the Comprehensive Income and Expenditure Statement of the Council with the major preceptors' precepts (principally Police and Crime Commissioner for South Wales) being included as expenditure.

1.22 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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.

1.23 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty of notice of not more than 24 hours. Cash equivalents are investments that mature in no more than a month or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

1.24 Events after the Balance Sheet date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

1.25 Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

The Council instructed external valuers Cooke & Arkwright to provide valuations as at 31 December for all of the Council's investment portfolio in line with IFRS13. When the fair values of Investment Properties, Surplus Assets and Assets Held for Sale cannot be measured based on quoted prices in active markets (that is **Level 1 inputs**), their fair value is measured using the following valuation techniques:

Level 2 inputs: quoted prices for similar assets or liabilities in active markets at the valuation date

Level 3 inputs: valuations based on most recent valuations, adjusted to current valuation by the use of indexation and impairment review

The majority of the investment properties were valued at Level 2 inputs with a number valued at Level 3 inputs.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the Council Fund Balance. However, revaluation and disposal

gains and losses are not permitted by statutory arrangements to have an impact on the Council Fund Balance. The gains and losses are therefore reversed out of the Council Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.26 Carbon Reduction Commitment Allowances

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the services and is apportioned to services on the basis of energy consumption.

1.27 Local Authority Schools

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

2. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out above, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

The Council is deemed to control the services provided under the outsourcing agreement for the provision of a Comprehensive School in Maesteg and also to control the residual value of the school at the end of the agreement. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement and the School (valued at £24.1 million) has been recognised as Property, Plant and Equipment on the Council's Balance Sheet.

The Council has a number of interests in other entities however the arrangements are not sufficiently material to warrant producing consolidated financial statements when reviewing both quantitative and qualitative information. In order to ensure compliance with the Code, a range of narrative disclosures have been made in other sections of the accounts.

3. Assumptions made about the future and other major sources of estimated 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 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Plant, Property and Equipment

Revaluation of the Council's assets is undertaken on a 3-year rolling programme. The value of those assets is based upon calculations and estimation techniques following the Royal Institute of Chartered Surveyors (RICS) guidance, and in accordance with IFRS. Revaluation takes account of the value and condition of the asset, relevant components and also de-recognition where appropriate.

Depreciation of Property, Plant and Equipment

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate may result in spending on repairs and maintenance having to be reduced thus, bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets will fall.

Investment Properties, Surplus Assets and Assets Held for Sale

Fair Value estimations:

The Council instructed external valuers Cooke & Arkwright to provide valuations as at 31 December 2017 for all of the Council's investment portfolio and these were valued in line with IFRS13.

When the fair values of Investment Properties, Surplus Assets and Assets Held for Sale cannot be measured based on quoted prices in active markets (**Level 1 inputs**), their fair value is measured using the following valuation techniques:

Level 2 inputs: quoted prices for similar assets or liabilities in active markets at the balance sheet date;

Level 3 inputs: valuations based on the most recent valuations adjusted to current valuation by the use of indexation and impairment review.

Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgment is required in establishing fair values. These judgments typically include considerations such as uncertainty and risk. Changes in assumptions used could affect the fair value. The external valuers used the most appropriate valuation techniques to determine fair value.

Pensions Liability

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

Notes to the Comprehensive Income and Expenditure Statement

4. Expenditure and Funding Analysis

| 2016-17 | | | | 2017-18 | | |
|--|---|---|--|--|---|---|
| Net Expenditure Chargeable to the Council Fund | Adjustments between the Funding and Accounting Basis & transfers to Earmarked Reserves (Note 5) | Net Expenditure in the Comprehensive Income and Expenditure Statement | | Net Expenditure Chargeable to the Council Fund | Adjustments between the Funding and Accounting Basis & transfers to Earmarked Reserves (Note 5) | Net Expenditure in the Comprehensive Income and Expenditure Statement |
| £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 |
| 107,653 | (8,032) | 115,685 | Education and Family Support | 108,387 | (9,199) | 117,586 |
| 62,560 | (2,178) | 64,738 | Social Services & Wellbeing | 66,281 | (3,533) | 69,814 |
| 24,517 | (15,299) | 39,816 | Communities | 25,271 | (16,055) | 41,326 |
| 13,238 | (1,881) | 15,119 | Operational & Partnership Services | 14,259 | (1,811) | 16,070 |
| 3,467 | (62) | 3,529 | Chief Executives | 3,746 | (342) | 4,088 |
| 33,428 | 21,266 | 12,162 | Central Services | 29,635 | 12,231 | 17,404 |
| 244,863 | (6,186) | 251,049 | Cost Of Services | 247,579 | (18,709) | 266,288 |
| (245,219) | (4,084) | (241,135) | Other income and Expenditure | (247,966) | 3,803 | (251,769) |
| (356) | (10,270) | 9,914 | Surplus or Deficit | (387) | (14,906) | 14,519 |
| 7,604 | | | Opening Council Fund Balance | 7,960 | | |
| 356 | | | Surplus or (Deficit) on Council Fund for year | 387 | | |
| 7,960 | | | Closing Council Fund Balance as at 31 March | 8,347 | | |

5. Note to the Expenditure and Funding Analysis

| Adjustments between Funding and Accounting Basis 2016-17 - restated | | | | |
|--|---|--|----------------------------|-------------------|
| Adjustments from Council Fund to arrive at the Comprehensive Income and Expenditure Statements amounts | Adjustments for Capital Purposes (Note 1) | Net change for the Pensions Adjustments (Note 2) | Other Differences (Note 3) | Total Adjustments |
| | £'000 | £'000 | £'000 | £'000 |
| Education and Family Support | (6,296) | (241) | (1,495) | (8,032) |
| Social Services & Wellbeing | (177) | (185) | (1,816) | (2,178) |
| Communities | (13,761) | (78) | (1,460) | (15,299) |
| Operational & Partnership Services | (925) | (62) | (894) | (1,881) |
| Chief Executives | - | (24) | (38) | (62) |
| Central Services | 8,776 | (500) | 12,990 | 21,266 |
| Net cost of services | (12,383) | (1,090) | 7,287 | (6,186) |
| Other income and expenditure from the Expenditure and Funding Analysis | 5,425 | (8,050) | (1,459) | (4,084) |
| Difference between Council Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services | (6,958) | (9,140) | 5,828 | (10,270) |

Note: the above figures have been restated for adjustments between Capital and Other Differences.

| Adjustments between Funding and Accounting Basis 2017-18 | | | | |
|--|---|--|----------------------------|-------------------|
| Adjustments from Council Fund to arrive at the Comprehensive Income and Expenditure Statements amounts | Adjustments for Capital Purposes (Note 1) | Net change for the Pensions Adjustments (Note 2) | Other Differences (Note 3) | Total Adjustments |
| | £'000 | £'000 | £'000 | £'000 |
| Education and Family Support | (4,957) | (2,215) | (2,027) | (9,199) |
| Social Services & Wellbeing | (650) | (1,720) | (1,163) | (3,533) |
| Communities | (9,978) | (727) | (5,350) | (16,055) |
| Operational & Partnership Services | (816) | (572) | (423) | (1,811) |
| Chief Executives | - | (226) | (116) | (342) |
| Central Services | 5,343 | - | 6,888 | 12,231 |
| Net cost of services | (11,058) | (5,460) | (2,191) | (18,709) |
| Other income and expenditure from the Expenditure and Funding Analysis | 11,558 | (6,350) | (1,405) | 3,803 |
| Difference between Council Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services | 500 | (11,810) | (3,596) | (14,906) |

Note 1 - Adjustments for Capital Purposes

The adjustments for capital purposes column adds in depreciation and impairment, revaluation gains and losses and Revenue Expenditure Funded by Capital under Statute (REFCUS) in the services line, and for:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets
- Financing and investment income and expenditure – the statutory charges for capital financing (i.e. the Minimum Revenue Provision) and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Note 2 - Net Change for the Pensions Adjustments

The net change for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income:

- For Services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs
- For Financing and Investment Income and Expenditure – the net interest on the defined benefit liability is charged to the CIES.

Note 3 - Other Differences

Other differences between amounts debited / credited to the Comprehensive Income and Expenditure Statement and amounts payable / receivable to be recognised under statute:

- For financing and investment income and expenditure the other differences column recognises adjustments to the Council Fund for the timing differences for premiums and discounts
- The charge under Taxation and Non-Specific Grant Income represents the difference between what is chargeable under statutory regulations for council tax and NNDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices.

6. Expenditure and Income Analysed by Nature

This table sets out how the funding to the Council has been used in providing services in line with generally accepted accounting practices. This will include cash and non-cash transactions including accounting adjustments in line with International Financial Reporting Standards.

| 2016-17 £'000 | | 2017-18 £'000 |
|------------------|--|------------------|
| | Expenditure | |
| 174,030 | Employee expenses | 180,687 |
| 209,003 | Other services expenses | 209,767 |
| 24,009 | Depreciation, amortisation, impairment | 24,451 |
| 14,086 | Interest payments | 12,329 |
| 19,581 | Precepts and levies | 20,535 |
| 1,050 | Loss on disposal of assets | 1,816 |
| 441,759 | Total expenditure | 449,585 |
| | Income | |
| (59,699) | Fees, charges and other service income | (51,924) |
| (123,191) | Income from council tax, non-domestic rates | (130,505) |
| (248,013) | Government grants and contributions | (251,328) |
| (942) | Interest and investment income | (959) |
| - | Other income | (350) |
| (431,845) | Total income | (435,066) |
| 9,914 | (Surplus) or Deficit on the provision of services | 14,519 |

7. Precepts and levies

Precepts are the amounts paid to non-billing authorities (e.g. community councils) so that they can cover their expenses. Levies are the amounts payable when services are operated over areas covering more than one Council, either on a joint service basis, where one Council administers the service where other Councils contribute to the costs, or by external bodies who levy on the appropriate Councils. The amounts paid were as follows:

| 2016-17 £'000 | | 2017-18 £'000 |
|------------------|---|------------------|
| | Precepts | |
| 10,791 | Police and Crime Commissioner for South Wales | 11,514 |
| 1,909 | Community Councils | 2,053 |
| 12,700 | Total Precepts | 13,567 |
| | Levies | |
| 6,542 | South Wales Fire and Rescue Authority | 6,603 |
| 226 | Coroners Service | 255 |
| 93 | Archive Service | 92 |
| 20 | Swansea Bay Port Authority | 18 |
| 6,881 | Total Levies | 6,968 |
| 19,581 | Total Precepts and Levies | 20,535 |

8. Revenue Support Grant (RSG)

This is the principal source of finance towards revenue expenditure from Welsh Government with the amount receivable fixed at the start of each financial year. The amount received in 2017-18 was £141.6 million (£145.2 million for 2016-17).

9. National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Welsh Government specifies the rate in the pound to be charged and, subject to the effects of transition arrangements, local businesses pay rates calculated by multiplying their rateable value by the rate in the pound. This was 49.9p in 2017-18 (48.6p in 2016-17). The Council is responsible for collecting rates due from ratepayers in its area but pays the proceeds into the NNDR pool administered by WG. WG then redistributes the sums payable back into local authorities on the basis of a fixed amount per head of population.

The Council receives a contribution from the NNDR pool direct. The income from this is reflected separately in the Comprehensive Income and Expenditure Statement. This amount was £45.888 million in 2017-18 (£42.142 million in 2016-17).

10. Council Tax

Council Tax Income derives from charges raised according to the value of residential properties, which have been classified into ten valuation bands estimating 1 April 2005 values for this specific purpose. Charges are calculated by taking the amount of income required for Bridgend County Borough Council, each Community Council and the Police and Crime Commissioner for South Wales and dividing this by the Council Tax base. The Council Tax base is the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts – 52,759.01 dwellings for 2017-18 (51,916.19 in 2016-17). The average amount for a Band D property is £1,592.58 in 2017-18 (£1,542.40 in 2016-17 on average) and is multiplied by the proportion specified for the particular band to give the individual amount due.

Council Tax bills were based on the following multipliers for bands A* to I and the number of properties in each band were as follows:

| Band | A* | A | B | C | D | E | F | G | H | I |
|----------------------|-----|--------|--------|--------|--------|-------|-------|-------|------|------|
| Multiplier | 5/9 | 6/9 | 7/9 | 8/9 | 9/9 | 11/9 | 13/9 | 15/9 | 18/9 | 21/9 |
| Chargeable Dwellings | 26 | 10,099 | 14,815 | 13,990 | 10,171 | 7,351 | 4,136 | 1,390 | 283 | 90 |

Analysis of the net proceeds from Council Tax is as follows:

| 2016-17 £'000 | | 2017-18 £'000 |
|------------------|--|------------------|
| (81,049) | Council Tax Collectable | (84,617) |
| | Less: | |
| 1,909 | Payable to Community Councils | 2,053 |
| 10,791 | Payable to Police and Crime Commissioner for South Wales | 11,514 |
| (1,084) | Provision for non-payment of Council Tax increase/(decrease) | 403 |
| (69,433) | Net Proceeds from Council Tax | (70,647) |

11. Grants

In addition to the Revenue Support Grant, the Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement:

| 2016-17 £'000 | Specific Grants credited to Services | 2017-18 £'000 |
|------------------|--|------------------|
| (48,571) | Housing Benefit Subsidy | (48,612) |
| (6,331) | DCELLS Post 16 Grant | (6,446) |
| (4,951) | Education Improvement Grant | (5,142) |
| (6,823) | Other Education & Family Support | (7,605) |
| (1,704) | Other Social Services & Wellbeing | (4,755) |
| (5,013) | Others | (2,959) |
| (5,816) | Supporting People | (5,890) |
| (405) | Sport Play & Active Wellbeing | (445) |
| (2,996) | Concessionary Fares Grant | (2,699) |
| (3,287) | Flying Start | (3,301) |
| (2,777) | Sustainable Waste Grant | (2,650) |
| (595) | Housing/Council Tax Benefit Administration | (545) |
| (1,550) | Communities First | (995) |
| (1,740) | Families First | (1,690) |
| (92,559) | Total | (93,734) |

| 2016-17 £'000 | Other Government Grants credited to Taxation and Non-specific Grant Income | 2017-18 £'000 |
|------------------|--|------------------|
| (6,486) | Capital Grants and Contributions | (13,024) |
| (6,486) | Total | (13,024) |

| | | |
|-----------------|--------------|------------------|
| (99,045) | Total | (106,758) |
|-----------------|--------------|------------------|

12. LeasesCouncil as a LesseeOperating Leases

The future minimum lease payments due under non-cancellable leases in future years are:

| 2016-17 £'000 | | 2017-18 £'000 |
|------------------|--|------------------|
| (768) | Not later than one year | (692) |
| (1,943) | Later than one year but less than five years | (1,698) |
| (7,026) | Later than five years | (6,756) |
| (9,737) | Total | (9,146) |

Expenditure charged in the year to the Service areas was £0.776 million made up of minimum lease payments of £0.232 million and £0.544 million for contingent rents (£0.843 million in 2016-17 made up of £0.299 million minimum lease payments and £0.545 million contingent rents).

Council as a LessorOperating Leases

The Council leases out property for economic purposes to provide affordable accommodation for local businesses. The future rentals receivable under operating leases are:-

| 2016-17 £'000 | | 2017-18 £'000 |
|------------------|--|------------------|
| 88 | Not later than one year | 105 |
| 139 | Later than one year but less than five years | 139 |
| 875 | Later than five years | 849 |
| 1,102 | Total | 1,093 |

13. Private Finance Initiative (PFI)

During the 2008-09 financial year, the Council commenced payment under the Private Finance Initiative (PFI) arrangement for the provision of a Secondary School in Maesteg that was entered into in 2007-08 which will run until August 2033. There is a commitment of £30.5 million (Net Present Value) over the duration of the contract, which is to be funded by a combination of PFI Credits, agreed by the Welsh Government, and Council / Delegated School resources.

The total unitary payment is divided into the service charge element, the repayment of the liability element and the interest element. The charges are shown below:-

| 2016-17 £'000 | Unitary Charge | 2017-18 £'000 |
|------------------|-------------------------|------------------|
| 638 | Service Charge Element | 660 |
| 1,395 | Interest Element | 1,352 |
| 552 | Finance Lease Liability | 595 |
| 2,585 | Total | 2,607 |

These payments will be made over the life of the PFI contract and estimates for subsequent years are as detailed below at current prices:-

| Unitary Charge | 2018-19 £'000 | 2019-20 to 2023-24 £'000 | 2024-25 to 2028-29 £'000 | 2029-30 to 2033-34 £'000 | TOTAL £'000 |
|-------------------------|------------------|--------------------------------|--------------------------------|--------------------------------|----------------|
| Service Charge Element | 502 | 2,511 | 2,511 | 2,504 | 8,028 |
| Interest Element | 1,306 | 5,708 | 3,895 | 1,288 | 12,197 |
| Finance Lease Liability | 641 | 4,026 | 5,839 | 7,134 | 17,640 |
| Total | 2,449 | 12,245 | 12,245 | 10,926 | 37,865 |

The Council meets the costs of the Unitary Charge from its own resources and funding from the WG allocated through the revenue settlement. The profile of funding from WG reduces annually until the expiry of the contract term whereas the unitary charge payable by the Council increases annually over the same period however the Council has recognised this reduction as a revenue budget pressure to be funded via an earmarked reserve set aside for this purpose.

14. Pooled Fund Arrangements

There are some formal pooled budget arrangements between the Council and Abertawe Bro Morgannwg University Local Health Board under Section 33 NHS (Wales) Act 2006 and a pooled fund arrangement between 3 Councils for the delivery of an Integrated Family Support Service under s.166-169 Social Services Wellbeing (Wales) Act 2014.

| 2016-17 | | | Partner | Purpose of Partnership | 2017-18 | | |
|--------------------------------------|---|---------------------------------|---|--|--------------------------------------|---|---------------------------------|
| Gross Income Of Partnership £'000 | Gross Expenditure of Partnership £'000 | Council's Contribution £'000 | | | Gross Income Of Partnership £'000 | Gross Expenditure of Partnership £'000 | Council's Contribution £'000 |
| (596) | 596 | 318 | Abertawe Bro-Morgannwg University Health Board | Provision of day opportunities for people recovering from mental health problems. | (560) | 560 | 280 |
| (2,645) | 2,574 | 629 | Rhondda Cynon Taff CBC Merthyr Tydfil CBC Cwm Taf LHB Abertawe Bro Morgannwg University Health Board | Provision of specified community equipment for service users to enable them to continue to live in their own homes. Rhondda Cynon Taf are the lead partner | (2,646) | 2,734 | 609 |
| (4,595) | 4,595 | 2,473 | Abertawe Bro-Morgannwg University Health Board | Provision of integrated community support services | (4,730) | 4,730 | 2,595 |
| (825) | 825 | 275 | Neath Port Talbot CBC, City and County of Swansea Council | Provision of an Integrated Family Support Service | (657) | 657 | 198 |

15. Officers' Remuneration

Four separate disclosures are required to ensure compliance with either the Accounts and Audit (Wales) Regulations 2014 or the CIPFA Code.

Disclosure 1 – Ratio of the Remuneration of the Chief Executive to the median remuneration of all the body's employees

The ratio for Bridgend is 6.67 (2016-17: 6.64) and median salary is £20,055 (2016-17: £19,939), i.e. the Remuneration of the Chief Executive is 6.67 times more than the median remuneration of the Council's employees.

Disclosure 2 : Table of Officers' Remuneration over £60,000

The number of employees (including teachers) whose remuneration, excluding pension contributions, was £60,000 or more for the year is as follows:

| 2016-17 including Redundancy Costs | Remuneration Band | Number of Employees | | | | |
|------------------------------------|---------------------|----------------------|---------------------------------------|---------------------------------------|---|---|
| | | Movement in Bandings | 2017-18 inc Redundancy Costs (Note 1) | 2017-18 exc Redundancy Costs (Note 2) | Number of Teachers inc in Figures exc Redundancy (Note 2) | Number of Non-Teachers inc in Figures exc Redundancy (Note 2) |
| 19 | £60,000 - £64,999 | 3 | 22 | 21 | 19 | 2 |
| 13 | £65,000 - £69,999 | (2) | 11 | 11 | 11 | - |
| 6 | £70,000 - £74,999 | (2) | 4 | 4 | 4 | - |
| 8 | £75,000 - £79,999 | (1) | 7 | 7 | 5 | 2 |
| 6 | £80,000 - £84,999 | 3 | 9 | 6 | 1 | 5 |
| 1 | £85,000 - £89,999 | - | 1 | 1 | 1 | - |
| 1 | £90,000 - £94,999 | 1 | 2 | 1 | 1 | - |
| 2 | £95,000 - £99,999 | (2) | - | - | - | - |
| 2 | £100,000 - £104,999 | - | 2 | 2 | 1 | 1 |
| 6 | £105,000 - £109,999 | (4) | 2 | 2 | - | 2 |
| - | £110,000 - £114,999 | 1 | 1 | - | - | - |
| 1 | £115,000 - £119,999 | (1) | - | - | - | - |
| 1 | £120,000 - £124,999 | (1) | - | - | - | - |
| - | £125,000 - £129,999 | 1 | 1 | 1 | 1 | - |
| 1 | £130,000 - £134,999 | - | 1 | 1 | - | 1 |
| 1 | £135,000 - £139,999 | (1) | - | - | - | - |
| - | £335,000 - £339,999 | 2 | 2 | - | - | - |
| 68 | | (3) | 65 | 57 | 44 | 13 |

Note 1: These costs include redundancy costs and payments in lieu of notice at time of departure as well as any applicable strain costs, which are the costs of the early payment of benefit payable by the Council to the Pension Fund when a member of staff over 55 is made redundant.

Note 2: There are 57 individuals with remuneration of £60,000 or more, including:-

- a) 44 Headteachers and Deputy Headteachers, and
- b) 13 Senior Managers of the Council, including the Senior Officers shown in Disclosure 3 below, and Heads of Service.

Disclosure 3 : Table of Senior Officer's Remuneration (including Pensions Contributions)

| Job Title | Salary | | Pension Contributions (note 2) | | Total Remuneration including Pension Contributions | |
|--|---------|---------|--------------------------------|--------|--|---------|
| | 17-18 | 16-17 | 17-18 | 16-17 | 17-18 | 16-17 |
| | £ | £ | £ | £ | £ | £ |
| Chief Executive Officer & Head of Paid Service (Note 1) | 133,726 | 132,402 | 28,484 | 28,202 | 162,210 | 160,604 |
| Corporate Director - Education and Family Support (Note 4) | 81,618 | 105,109 | 17,385 | 22,388 | 99,003 | 127,497 |
| Interim Corporate Director - Education and Family Support (Note 4) | 102,602 | 3,238 | 21,854 | 690 | 124,456 | 3,928 |
| Corporate Director - Communities | 106,160 | 105,109 | 22,612 | 22,388 | 128,772 | 127,497 |
| Corporate Director - Social Service & Wellbeing | 106,160 | 105,109 | 22,612 | 22,388 | 128,772 | 127,497 |
| Corporate Director - Resources & s151 Officer (Note 5) | - | 2,650 | - | 862 | - | 3,512 |
| Head of Finance - s151 Officer (Note 5) | 61,562 | 78,700 | 13,113 | 16,763 | 74,675 | 95,463 |
| Corporate Director - Operational and Partnership Services | 103,682 | 100,227 | 22,084 | 21,348 | 125,766 | 121,575 |

Notes

Note 1: The Chief Executive Officer's salary excludes payment for Election Duties. These amounted to £18,824 for 2 Parliamentary, 39 County Borough and 49 Community Council Elections.

Note 2: Pension Contributions relate to actual payments made.

Note 3: No 'Expenses' or 'Benefits in Kind' were paid in the year.

Note 4: The Corporate Director – Education and Family Support was seconded to Welsh Government until leaving the Council on 7 January 2018. All costs of the secondment were recovered from the Welsh Government. An interim Director was appointed during 2016-17 to cover this role.

Note 5: The Corporate Director – Resources left the Council in April 2016 and the Head of Finance assumed the role of s.151 Officer and member of the Corporate Management Board. The Head of Finance left the Council in December 2017 and an interim Head of Finance and s.151 Officer was appointed under a contractual arrangement with the Welsh Local Government Association. The costs incurred in this arrangement during the year were £26,355.

Disclosure 4: Table on Exit Packages

The number of exit packages with total cost per band (£'s) and total cost of the compulsory and other redundancies are set out in the table below:

| Exit Package Cost Band (including Special Payments) | Number of Compulsory Redundancies | | Number of Other Departures Agreed | | Total Number of Exit Packages by Cost Band | | Total Cost of Exit Packages in Each Band | |
|---|-----------------------------------|-----------|-----------------------------------|-----------|--|-----------|--|------------------|
| | 17-18 | 16-17 | 17-18 | 16-17 | 17-18 | 16-17 | 17-18 | 16-17 |
| | £ | £ | £ | £ | £ | £ | £ | £ |
| £0 - £20,000 | 13 | 12 | 24 | 20 | 37 | 32 | 324,861 | 302,137 |
| £20,001 - £40,000 | 4 | 4 | 18 | 4 | 22 | 8 | 576,770 | 247,684 |
| £40,001 - £60,000 | 6 | 2 | 4 | 4 | 10 | 6 | 478,481 | 305,452 |
| £60,001 - £80,000 | 1 | 3 | 1 | - | 2 | 3 | 125,264 | 198,796 |
| £80,001 - £100,000 | - | 1 | - | - | - | 1 | - | 93,884 |
| £100,001 - £120,000 | - | - | - | 2 | - | 2 | - | 217,963 |
| £220,001 - £240,000 | 1 | - | - | - | 1 | - | 233,281 | - |
| £240,001 - £260,000 | 1 | - | - | - | 1 | - | 254,462 | - |
| | 26 | 22 | 47 | 30 | 73 | 52 | 1,993,119 | 1,365,916 |

16. Members' allowances

As a result of the December 2011 Report of the Independent Remuneration Panel for Wales, a new system of 'salary' payments for Members came into effect in full from 16 May 2012. The Council now has in place a 'Basic Salary' for all members, a 'Senior Salary', and a Civic Salary.

| 2016-17 £'000 | | 2017-18 £'000 |
|------------------|----------------------------|------------------|
| 526 | Basic Salary (all Members) | 573 |
| 521 | Senior Salary | 465 |
| 42 | Civic Salary | 25 |
| 1,089 | Total | 1,063 |

Full details of the 'salary' arrangements are available on the Council's website, and details of all Member earnings are also published annually on the Council's website.

17. External audit costs

In 2017-18 Bridgend County Borough Council incurred the following fees relating to external audit and inspection. Of the amount incurred, £5,083 (2016-17 - £15,030) was claimed against grants:

| 2016-17 £'000 | | 2017-18 £'000 |
|------------------|--------------------------------|------------------|
| 200 | Financial Statement Audit | 196 |
| 97 | Performance Audit | 97 |
| 297 | External Audit Services | 293 |
| 62 | Grant Claims and Returns | 61 |
| 359 | Total | 354 |

18. Associates, Subsidiaries, Joint Ventures and Joint Operations

Associates, Subsidiaries and Joint Ventures

The Council has no Subsidiary or Associate companies as defined by the CIPFA Code.

The main joint arrangements the Council has are set out below.

Cardiff Capital Region City Deal (CCRCD)

The Council is a partner of the Joint Committee for CCRCD which consists of 10 Partner Authorities: Blaenau Gwent; Caerphilly; Cardiff; Merthyr Tydfil; Monmouthshire; Newport; Rhondda-Cynon-Taf; Torfaen and the Vale of Glamorgan. All partner Councils ratified the City Deal on 1 March 2017. The Joint Committee has been established to oversee delivery of a range of programmes designed to increase connectivity and to improve physical and digital infrastructure over the course of 20 years. The City Deal includes funding of £734 million for the South Wales Metro, of which over £500 million is provided by the Welsh Government and £125 million from the UK Government. In addition, the UK Government has provided a £375 million contribution and the ten Councils have agreed a commitment to borrow a combined total of £120 million as part of the Wider Investment Fund, of which the Council's commitment is £11 million. Bridgend made a capital contribution to the Joint Committee of £2,285,187 during the year (2016-17: £Nil) and a revenue contribution of £73,364 (2016-17 - £16,899). During the year the total expenditure of the partnership was £1,614,085 (2016-17 - £179,177).

Capita Glamorgan Consultancy Ltd

Capita Glamorgan Consultancy Ltd is a Joint Venture between Capita Symonds, the Council, Merthyr Tydfil and Rhondda Cynon Taf County Borough Councils. The Council owns 14.7% of the shares of the company, and holds voting rights to this value on the board. The Corporate Director –

Communities is a member of the Board. During 2017-18 the Council was charged £1,038,722 (2016-17: £1,178,601) in respect of goods, services and capital works.

Central South Consortium Joint Education Service

The Central South Consortium Joint Education Service (CSCJES) provides a range of school improvement services within the local authority areas of Bridgend, Cardiff, Merthyr Tydfil, Rhondda Cynon Taf and the Vale of Glamorgan. Bridgend CBC contribution to the joint arrangement for the year was £621,381 (2016-17 - £654,157).

Integrated Family Support Service (IFSS)

This is a joint arrangement between the Council (lead authority), Neath Port Talbot CBC and City and County of Swansea Council. During 2017-18 the contribution to the joint service by Bridgend CBC was £198,476 (2016-17 - £274,854).

Joint Adoption Service

The Joint Adoption Service is between the Council, Neath Port Talbot CBC and City and County of Swansea. Bridgend's contribution to the service in 2017-18 was £949,000 (2016-17 - £824,789)

Shared Regulatory Service

This is a joint arrangement with Cardiff City Council and the Vale of Glamorgan CBC for the provision of a joint regulatory service established in 2015-16. The Council's contribution to the joint service was £1,620,637 (2016-17 - £1,823,700)

Shared Internal Audit Service

The Council and the Vale of Glamorgan CBC operate a joint Internal Audit Service. The Council's contribution to this joint service was £250,692 (2016-17 - £305,107)

Western Bay Youth Justice and Early Intervention Service

This is a joint arrangement between the Council (lead authority), Neath Port Talbot CBC and City and County of Swansea Council for the provision of Youth Justice and early intervention services for children and young people. The contribution to the joint service by Bridgend CBC for the year was £274,668 (2016-17 - £286,942)

Civil Parking Enforcement

The Council provides Civil Parking Enforcement for both Bridgend and Vale of Glamorgan CBC. The cost of providing the service on behalf of the Vale of Glamorgan CBC are fully recharged to them, the total cost being £213,209 (2016-17 - £197,966).

Joint Committees

The Council participates in a number of Joint Committees, the amounts contributed and where to access further information is set out below.

| Joint Committee | 2016/17 contribution | 2017/18 contribution | |
|------------------------|-----------------------------|-----------------------------|--|
| Glamorgan Archives | £92,540 | £91,560 | www.cardiff.gov.uk |
| Coychurch Crematorium | £25,000 | £Nil | www.bridgend.gov.uk |
| Margam Crematorium | £439 | £441 | www.npt.gov.uk |

Joint arrangements under Section 33 NHS (Wales) Act 2006

The Council is in joint arrangements under Section 33 NHS (Wales) Act 2006 arrangements involving pooled funds. Further details of these are provided in note 14 to the accounts.

19. Related Party Transactions

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.

Welsh Government

Welsh 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 (e.g. council tax bills). Grants received from government departments are set out in Notes 8 and 9 above.

Members

Members of the Council have direct control over the Council's financial and operating policies. Members' external interests are maintained in a register, which is available for inspection on the Council's website. The total of members' allowances paid in 2017-18 is shown in Note 16. Grants were made to organisations whose senior management included Members including Bridgend County Borough Citizens Advice Bureau £224,515 (£247,046 in 2016-17) and Bridgend Association of Voluntary Organisations £104,500 in 2017-18 (£95,370 in 2016-17). In all instances, the grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. Other payments made to organisations where members declared interests totalled £451,462 (£179,345 in 2016-17).

Chief Officers

During 2017-18 the Corporate Director – Communities sat on the Board of Capita Glamorgan Consultancy Ltd. The Council owns 14.7% of the shares of the company and holds voting rights to this value on the Board. During 2017-18 the Council was charged £1,038,722 (2016-17: £1,178,601) in respect of goods, services and capital works. In addition the Corporate Director sat on the Board of CSC Foundry Ltd, a special purpose vehicle which is a wholly owned subsidiary of the City Deal Joint Committee. Details of the payments made to the Cardiff Capital Region City Deal are included in note 18 to the accounts. The Corporate Director – Social Services and Wellbeing was an Associate Board Member of Abertawe Bro-Morgannwg University Health Board. The Council and the Health Board have a range of formal pooled funding arrangements as set out in note 14 – Section 33 NHS (Wales) Act 2006.

The Head of Regeneration, Development and Property Services is a Board Member for Bridgend College and also a Director of the newly formed Bridgend Business Improvement District (BID). During 2017-18 the value of payments to the College totalled £295,640 (2016-17: £217,514 (restated)). The Council acts as the collector of Business Rates on behalf of the Business Improvement District and transfers those monies to the company. The Council has no business transactions with the BID Company. No Directors received any remuneration for these roles.

Joint Committees

Details of the amounts paid under Joint Committees is shown in Note 18.

Glamorgan Archives Joint Committee

The Glamorgan Record Office is managed and administered by the Glamorgan Archives Joint Committee under powers conferred by the Local Government (Wales) Act 1994.

Coychurch Crematorium

Coychurch Crematorium is subject to the control of a Joint Committee of Members from Bridgend CBC, Rhondda Cynon Taf CBC and the Vale of Glamorgan CBC. Financial statements for this Joint Committee are available on the Bridgend CBC website (www.bridgend.gov.uk).

Margam Crematorium

Margam Crematorium is subject to the control of a Joint Committee of Members from Neath Port Talbot County Borough Council, who manage the Crematorium. Financial Statements for this Joint Committee are available on the Neath Port Talbot CBC website (www.npt.gov.uk)

Other Public Bodies

The Council has a number of pooled budget arrangements with Abertawe Bro-Morgannwg University Health Board as detailed in Note 14. It also pays a management fee to the Awen Trust for cultural related services which is a not for profit organisation. The Board of Awen Trust has a Member and a Member's family member as Directors.

Notes to the Movement in Reserves Statement

20. 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.

Council Fund Balance

This 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 Council Fund Balance, which is not necessarily in accordance with proper accounting practice. The Council Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit or resources that the Council is required to recover) 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.

The tables below detail the adjustments for 2016-17 for comparative purposes and the adjustments for 2017-18.

Unusable Reserves

This includes the Revaluation Reserve which contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment; the Pensions Reserve which 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 Capital Adjustment Account which absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing and acquisition, construction or enhancement of those assets under statutory provisions; the Financial Instruments Adjustment Account which 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 benefitting from gains per statutory provisions; and the Short-term Accumulated Compensated Absences Account which absorbs the differences that would otherwise arise on the Council Fund Balance from accruing holiday entitlements earned but not taken in the year.

| 2016-17 | Usable Reserves | | | Unusable Reserves |
|---|----------------------|--------------------------|--------------------------|-------------------|
| | Council Fund Balance | Capital Receipts Reserve | Capital Grants Unapplied | |
| | £'000 | £'000 | £'000 | £'000 |
| Adjustment to the Revenue Resources | | | | |
| <i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i> | | | | |
| Pensions costs (transferred to (or from) the Pensions Reserve) | 9,140 | | | (9,140) |
| Financial Instruments (transferred to the Financial Instruments Adjustment Account) | (8) | | | 8 |
| Holiday Pay (transferred to the Accumulated Absences Reserve) | 435 | | | (435) |
| Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (those items are charged to the Capital Adjustment Account) | 31,134 | | | (31,134) |
| Total Adjustments to Revenue Resources | 40,701 | - | - | (40,701) |
| Adjustments between Revenue and Capital Resources | | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | (5,293) | 5,293 | | |
| Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account) | (10,301) | | | 10,301 |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) | (2,105) | | | 2,105 |
| Total adjustments between Revenue and Capital Resource | (17,699) | 5,293 | - | 12,406 |
| Adjustments to Capital Resources | | | | |
| Use of the Capital Receipts Reserve to finance capital expenditure | | (2,285) | | 2,285 |
| Application of capital grants to finance capital expenditure | (6,486) | | | 6,486 |
| Cash payments in relation to deferred capital receipts | | | | 6,486 |
| Other Amounts (including mortgage payments) | | 4 | | (4) |
| Total adjustments to Capital Reserves | (6,486) | (2,281) | - | 15,253 |
| Total Adjustments | 16,516 | 3,012 | - | (13,042) |

| 2017-18 | Usable Reserves | | | Unusable Reserves £'000 |
|---|-------------------------------|-----------------------------------|-----------------------------------|----------------------------|
| | Council Fund Balance £'000 | Capital Receipts Reserve £'000 | Capital Grants Unapplied £'000 | |
| Adjustment to the Revenue Resources | | | | |
| <i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i> | | | | |
| Pensions costs (transferred to (or from) the Pensions Reserve) | 11,810 | | | (11,810) |
| Financial Instruments (transferred to the Financial Instruments Adjustment Account) | (8) | | | 8 |
| Holiday Pay (transferred to the Accumulated Absences Reserve) | 519 | | | (519) |
| Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (those items are charged to the Capital Adjustment Account) | 30,199 | | | (30,199) |
| Total Adjustments to Revenue Resources | 42,520 | - | - | (42,520) |
| Adjustments between Revenue and Capital Resources | | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | (573) | 573 | | |
| Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account) | (7,179) | | | 7,179 |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) | (9,922) | | | 9,922 |
| Total adjustments between Revenue and Capital Resource | (17,674) | 573 | - | 17,101 |
| Adjustments to Capital Resources | | | | |
| Use of the Capital Receipts Reserve to finance capital expenditure | | (783) | | 783 |
| Application of capital grants to finance capital expenditure | (13,024) | | | 13,024 |
| Cash payments in relation to deferred capital receipts | | | 105 | (105) |
| Other Amounts (including mortgage payments) | | 7 | | (7) |
| Total adjustments to Capital Reserves | (13,024) | (776) | 105 | 13,695 |
| Total Adjustments | 11,822 | (203) | 105 | (11,724) |

Notes to the Balance Sheet

21. Non-current Assets

a) Capital commitments

As at 31 March 2018 commitments of approximately £5.874 million existed on capital works contracts started before that date, details of which are shown in the table below.

| Restated 2016-17 £'000 | | 2017-18 £'000 |
|------------------------------|-------------------------------------|------------------|
| 8,363 | Garw Valley South Primary Provision | 3,890 |
| 5,834 | Brymenyn Primary School | - |
| - | Pencoed Primary School | 1,984 |
| 14,197 | Total | 5,874 |

b) Notes on Non-current Assets

Voluntary-aided & Voluntary-controlled Schools

The Council recognises the only Voluntary-controlled School on its Balance Sheet. This is Pen-y-Fai Church in Wales Primary School. The four voluntary-aided primary schools and one voluntary-aided comprehensive school are not assets of the Council and therefore not included in the Balance Sheet.

c) Non-current Assets valuation

Non-current Assets are included in the Balance Sheet on the valuation basis set out in the Statement of Accounting Policies. All assets are valued on a rolling 3-year basis as at 31 December with a review to 31 March, which confirmed no significant changes in value during that period. These valuations were by Council Surveyors in accordance with the Statements of Asset Valuation, Practice and Guidance Notes of the Royal Institution of Chartered Surveyors for non-investment assets, investment assets being valued independently by Cooke & Arkwright.

| Summary of Property, Plant & Equipment (PPE) | Other Land and Buildings | Vehicle, Plant and Equipment | Infrastructure | Community Assets | Surplus Assets | Assets Under Construction | Total PPE Assets | PFI Assets Included in PPE |
|---|---------------------------------|-------------------------------------|-----------------------|-------------------------|-----------------------|----------------------------------|-------------------------|-----------------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost or Valuation | | | | | | | | |
| At 1 April 2017 | 393,381 | 8,572 | 209,507 | 5,052 | 8,250 | 4,068 | 628,830 | 24,142 |
| Additions | 3,148 | 1,705 | 4,934 | - | 3,520 | 16,496 | 29,803 | - |
| Accumulated Depreciation and Impairment written out to GCA | (6,949) | - | - | - | (12) | - | (6,961) | - |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 5,153 | - | - | 2 | 946 | - | 6,101 | - |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (454) | - | - | (42) | 174 | - | (322) | - |
| Derecognition - Disposals | (2,601) | (503) | - | - | - | - | (3,104) | - |
| Assets reclassified (to)/from Held for Sale | (2,101) | - | - | - | (2,380) | - | (4,481) | - |
| Assets reclassified (to)/from Investment Property | 850 | - | - | - | 200 | - | 1,050 | - |
| Other Movements in Cost or Valuation | 8,718 | (410) | (264) | (61) | 4,432 | (12,825) | (410) | - |
| At 31 March 2018 | 399,145 | 9,364 | 214,177 | 4,951 | 15,130 | 7,739 | 650,506 | 24,142 |
| Accumulated Depreciation and Impairments | | | | | | | | |
| At 1 April 2017 | (14,367) | (3,967) | (139,460) | (37) | (13) | (1) | (157,845) | (931) |
| Depreciation Charge for the year | (10,900) | (1,075) | (10,788) | - | (1) | - | (22,764) | (927) |
| Accumulated Depreciation and Impairment written out to the surplus / deficit on the provision of services | 6,479 | - | - | - | 12 | - | 6,491 | - |
| Impairment Losses/(Reversals) recognised in the Revaluation Reserve | 470 | - | - | - | - | - | 470 | - |
| Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services | (376) | (56) | (227) | - | - | - | (659) | - |
| Derecognition - other | - | - | - | - | - | - | - | - |
| Derecognition - disposals | 581 | 384 | - | - | - | - | 965 | - |
| Assets reclassified (to)/from Held for Sale | - | - | - | - | - | - | - | - |
| Other Movements | - | 82 | - | - | - | 1 | 83 | - |
| At 31 March 2018 | (18,113) | (4,632) | (150,475) | (37) | (2) | - | (173,259) | (1,858) |
| NBV as at 1 April 2017 | 379,014 | 4,605 | 70,047 | 5,015 | 8,237 | 4,067 | 470,985 | 23,211 |
| NBV as at 31 March 2018 | 381,032 | 4,732 | 63,702 | 4,914 | 15,128 | 7,739 | 477,247 | 22,284 |

| Summary of Property, Plant & Equipment (PPE) | Other Land and Buildings £'000 | Vehicle, Plant and Equipment £'000 | Infrastructure £'000 | Community Assets £'000 | Surplus Assets £'000 | Assets Under Construction £'000 | Total PPE Assets £'000 | PFI Assets Included In PPE £'000 |
|--|-----------------------------------|---------------------------------------|-------------------------|---------------------------|-------------------------|------------------------------------|---------------------------|-------------------------------------|
| Cost or Valuation | | | | | | | | |
| At 1 April 2016 | 386,768 | 7,744 | 205,946 | 4,845 | 8,256 | 6,300 | 619,859 | 24,142 |
| Additions | 3,661 | 832 | 3,561 | - | - | 5,827 | 13,881 | - |
| Accumulated Depreciation and Impairment written out to GCA | (4,423) | - | - | - | - | - | (4,423) | - |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 4,152 | - | - | - | 766 | - | 4,918 | - |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | 462 | - | - | 7 | (14) | - | 455 | - |
| Derecognition - Disposals | (3,739) | (4) | - | - | (70) | - | (3,813) | - |
| Assets reclassified (to)/from Held for Sale | (430) | - | - | 200 | (1,863) | - | (2,093) | - |
| Assets reclassified (to)/from Investment Property | - | - | - | - | 45 | - | 45 | - |
| Other Movements in Cost or Valuation | 6,930 | - | - | - | 1,130 | (8,059) | 1 | - |
| At 31 March 2017 | 393,381 | 8,572 | 209,507 | 5,052 | 8,250 | 4,068 | 628,830 | 24,142 |
| Accumulated Depreciation and Impairments | | | | | | | | |
| At 1 April 2016 | (8,953) | (2,546) | (128,685) | (37) | - | (1) | (140,222) | (4) |
| Depreciation Charge for the year | (10,362) | (1,303) | (10,654) | - | (1) | - | (22,320) | (927) |
| Accumulated Depreciation and Impairment written out to the surplus/ deficit on the provision of services | 4,423 | - | - | - | - | - | 4,423 | - |
| Impairment Losses/(Reversals) recognised in the Revaluation Reserve | (154) | - | - | - | - | - | (154) | - |
| Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services | (1,255) | (119) | (121) | - | - | - | (1,495) | - |
| Derecognition - other | - | - | - | - | - | - | - | - |
| Derecognition - disposals | 1,922 | 1 | - | - | - | - | 1,923 | - |
| Other Movements | 12 | - | - | - | (12) | - | - | - |
| At 31 March 2017 | (14,367) | (3,967) | (139,460) | (37) | (13) | (1) | (157,845) | (931) |
| NBV as at 1 April 2016 | 377,815 | 5,198 | 77,261 | 4,808 | 8,256 | 6,299 | 479,637 | 24,138 |
| NBV as at 31 March 2017 | 379,014 | 4,605 | 70,047 | 5,015 | 8,237 | 4,067 | 470,985 | 23,211 |

d) Intangible Assets.

The Intangible asset refers to the Wales Community Care Information System, WCCIS. As at 31 March 2018 the remaining life of the asset was 5 years.

| Intangible Assets | £'000 |
|---|----------------|
| Cost or Valuation | |
| At 1 April 2017 | 5,480 |
| Additions | 113 |
| Other Movements in Cost or Valuation | 410 |
| At 31 March 2018 | 6,003 |
| Accumulated Depreciation and Impairments | |
| At 1 April 2017 | (1,105) |
| Depreciation Charge for the year | (707) |
| Other Movements | (82) |
| At 31 March 2018 | (1,894) |
| NBV as at 1 April 2017 | 4,375 |
| NBV as at 31 March 2018 | 4,109 |

| Intangible Assets | £'000 |
|---|----------------|
| Cost or Valuation | |
| At 1 April 2016 | 5,480 |
| At 31 March 2017 | 5,480 |
| Accumulated Depreciation and Impairments | |
| At 1 April 2016 | (480) |
| Depreciation Charge for the year | (625) |
| At 31 March 2017 | (1,105) |
| NBV as at 1 April 2016 | 5,000 |
| NBV as at 31 March 2017 | 4,375 |

e) Sources of finance for Capital Expenditure

| 2016-17 £'000 | | 2017-18 £'000 |
|------------------|----------------------|------------------|
| (3,914) | Loans | (9,853) |
| (9,568) | Government grants | (14,212) |
| (2,285) | Capital receipts | (180) |
| (2,105) | Revenue contribution | (9,922) |
| (527) | Other contributions | (2,417) |
| (18,399) | Total | (36,584) |

f) Revenue Expenditure Funded from Capital under Statute

These relate to capital expenditure that does not result in a tangible non-current asset. They include renovation grants and contributions towards capital expenditure incurred by other parties. 2017-18 also included a contribution of £2.358 million by the Council to the Cardiff Capital Regional City Deal.

| 2016-17 £'000 | | 2017-18 £'000 |
|------------------|---|------------------|
| 4,518 | Revenue Expenditure Funded from Capital under Statute | 6,669 |
| (3,736) | Grants and Contributions | (2,960) |
| 782 | Total | 3,709 |

g) Capital financing requirement and the financing of capital expenditure

| 2016-17 £'000 | Capital Financing Requirement | 2017-18 £'000 |
|------------------|---|------------------|
| 174,706 | Opening Capital Financing Requirement | 168,060 |
| (259) | Adjustment to Capital Financing Requirement Reversal | 750 |
| 13 | Adjustment to Capital Financing Requirement MRP Reversal | (25) |
| | Innovation Centre Prior Year Adjustment | (603) |
| 174,460 | Amended Opening Capital Financing Requirement | 168,182 |
| | Capital Investment | |
| 13,881 | Property, Plant and Equipment | 29,916 |
| 4,518 | Revenue Expenditure Funded from Capital under Statute | 6,669 |
| | Sources of Finance | |
| (10,095) | Grants & Contributions | (16,631) |
| (2,285) | Capital receipts applied | (180) |
| (2,105) | Revenue Contributions | (9,922) |
| (5,123) | Minimum Revenue Provision | (5,056) |
| (4,534) | Unsupported Borrowing MRP | (1,364) |
| (55) | Innovation Centre MRP | (60) |
| (50) | Crematorium MRP | (79) |
| (552) | PFI School MRP | (595) |
| 168,060 | Closing Capital Financing Requirement | 170,880 |
| | Explanation for Movements in Year | |
| (1,259) | Increase/(Decrease) in Underlying Need to Borrow (supported by government financial assistance) | 5,305 |
| (4,534) | Increase/(Decrease) in Underlying Need to Borrow (unsupported by government financial assistance) | (1,830) |
| (55) | Assets acquired under finance leases | (60) |
| (552) | Assets acquired under PFI Contract | (595) |
| (6,400) | Increase/(Decrease) in Capital Financing Requirement | 2,820 |

22. Investment Properties

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

| 2016-17 £'000 | | 2017-18 £'000 |
|------------------|---|------------------|
| 5,185 | Balance at 1 April | 5,060 |
| (45) | Transferred to Property, Plant and Equipment | (1,050) |
| (80) | Disposals | - |
| - | Net gain / (loss) from fair value adjustments | 350 |
| 5,060 | Balance as at 31 March | 4,360 |

23. Short Term Debtors

This represents the monies owed to the Council after making provision for debts that might not be recovered. The main debtors are listed below:

| 2016-17 £'000 | | 2017-18 £'000 |
|------------------|--------------------------------|------------------|
| 9,844 | Central Government Bodies | 8,880 |
| 4,717 | Other Local Authorities | 4,558 |
| 246 | NHS Bodies | 552 |
| 14,660 | Other Entities and Individuals | 17,068 |
| 29,467 | Balance as at 31 March | 31,058 |

The Council collects NNDR payments on behalf of Welsh Government. As at the 31 March 2018, the Council had paid over more cash than it collected, this excess was included in the Balance Sheet as a debtor of £0.154 million. The equivalent for 2016-17 was a debtor of £1.414 million which represented monies not yet paid over by Welsh Government.

24. Assets Held for Sale

| 2016-17 £'000 | | 2017-18 £'000 |
|------------------|---|------------------|
| 4,035 | Balance at 1 April | 1,730 |
| 2,293 | Assets newly classified as held for sale: Property, Plant & Equipment | 4,661 |
| (200) | Assets declassified as held for resale: Property, Plant & Equipment | (180) |
| | Revaluation Gain/(Loss) | |
| (4,398) | Assets Sold | (250) |
| 1,730 | Balance as at 31 March | 5,961 |

25. Short Term Creditors

These represent monies owed by the Council and are analysed as follows:

| 2016-17 £'000 | | 2017-18 £'000 |
|------------------|--------------------------------|------------------|
| (4,199) | Central Government Bodies | (4,649) |
| (4,491) | Other Local Authorities | (1,478) |
| (121) | NHS Bodies | (793) |
| (18,499) | Other Entities and Individuals | (25,335) |
| (27,310) | Balance as at 31 March | (32,255) |

26. Provisions

The Council has provisions as detailed below:

| 2016-17 £'000 | | Expenditure £'000 | Increase/ (Decrease) £'000 | 2017-18 £'000 | < 1 yr £'000 | > 1 yr £'000 |
|------------------|-------------------------------|----------------------|----------------------------------|------------------|-----------------|-----------------|
| 3,100 | Insurance (BCBC) | (707) | 495 | 2,888 | 666 | 2,222 |
| 268 | Carbon Reduction Commitment | (268) | 253 | 253 | 253 | - |
| 297 | Other provisions | - | 763 | 1,060 | 1,060 | - |
| 3,665 | Balance as at 31 March | (975) | 1,511 | 4,201 | 1,979 | 2,222 |

Insurance Provision (Self-funding / MMI)

Self-Fund

The Council has a self-insurance fund. This Insurance Provision has been set aside to meet the estimated cost to the Council of outstanding liability for policy years up to 2017-18 for Employer's Liability, Public Liability and Property. However the actual cost of individual claims and the timing of payments is uncertain. The Council also has an earmarked reserve for Insurance which acts as an additional buffer amount to the fund, over and above the total outstanding liability, to allow for unexpected events, worse than anticipated deterioration in the current reserves and higher than anticipated future losses both in frequency and cost.

Carbon Reduction Commitment Energy Efficiency Scheme

This provision represents the obligation to purchase Carbon Reduction Commitment (CRC) Allowances in relation to carbon dioxide emissions incurred during 2017-18. The payment will be made with the retrospective purchase of allowances in 2018.

Other Provisions

A new provision was created in the year to provide for the value of potential future compensation payments arising from on-going litigation.

27. PFI and Other Long Term Liabilities

| 2016-17 £'000 | | Additions in Year £'000 | Reduction in year £'000 | Moved to Short Term Creditors £'000 | 2017-18 £'000 |
|------------------|---------------------------------------|-------------------------------|-------------------------------|--|------------------|
| 17,640 | Maesteg School PFI Lease Liability | | | (640) | 17,000 |
| 604 | Innovation Centre Financial Liability | | | (67) | 537 |
| 350 | Waste Contract | | | (50) | 300 |
| 70 | Escrow | 10 | (50) | - | 30 |
| 2,400 | Welsh Government Loan - Llynfi Valley | | | - | 2,400 |
| 21,064 | Balance as at 31 March | 10 | (50) | (757) | 20,267 |

The PFI Finance Lease Liability matches the fair value of the fixed asset for the PFI School as at the date the asset came onto the Council's Balance Sheet being £21.898 million (July 2008). This will be written down over the life of the PFI contract by the value of the unitary payment deemed to be the finance lease element each year. For 2017-18, the amount written down was £595,000 and £640,000 has been transferred to Short Term Creditors leaving an outstanding long term liability of £17 million at year end.

The Innovation Centre Financial Liability of £0.917 million was recognised in 2009-10 as a loan in substance. This is being written down over the remaining fourteen years of the loan. The amount

written down in 2017-18 was £61,000 and £67,000 was transferred to Short Term Creditors resulting in a long term financial liability of £0.537 million at 31 March 2018.

The Waste Contract liability is repayable at £50,000 per annum instalments.

The long term Escrow liability represents a fund that will be maintained and increased to allow for the future reinstatement to playing fields at Bridgend College – Pencoed.

28. Usable Reserves

The following notes detail the Usable Reserves of the Council:-

a) Useable Capital Receipts Reserve

This represents capital receipts available to finance capital expenditure in future years.

| 2016-17 £'000 | | 2017-18 £'000 |
|------------------|---|------------------|
| 18,352 | Balance at 1st April | 21,364 |
| 5,293 | Capital Receipts Received | 573 |
| 4 | Mortgage Repayments (Council Fund) | 7 |
| (2,285) | Receipts Used to Finance Capital Expenditure Innovation Centre Prior Year Adjustment | (180) (603) |
| 21,364 | Balance as at 31 March | 21,161 |

b) Earmarked Reserves

The Earmarked Reserves in the Balance Sheet as at 31 March 2018 are detailed below:

| Opening Balance 2017-18 £'000 | Reserve | Movement during 2017-18 | | Closing Balance 2017-18 £'000 |
|-------------------------------------|---|--|---|-------------------------------------|
| | | Additions/ Re- classification £'000 | Drawdown by Directorates £'000 | |
| 7,960 | Council Fund | 387 | | 8,347 |
| | Corporate Reserves: | | | |
| 1,262 | Asset Management Plan | 381 | (281) | 1,362 |
| 718 | Building Maintenance Reserve | 306 | (1) | 1,023 |
| 249 | Capital feasibility fund | 268 | (163) | 354 |
| 11,380 | Capital Programme Contribution | 6,016 | (5,314) | 12,082 |
| 1,588 | Change Management | - | (405) | 1,183 |
| - | Corporate Pressures Contingency | 1,000 | - | 1,000 |
| 182 | DDA Emergency Works | 1 | (64) | 119 |
| 1,936 | Digital Transformation | (380) | (301) | 1,255 |
| 1,268 | ICT & Finance Systems | 55 | (118) | 1,205 |
| 2,335 | Insurance reserve | - | - | 2,335 |
| 8,451 | Major Claims Reserve | (429) | - | 8,022 |
| 1,000 | MTFS Budget Contingency | - | (200) | 800 |
| 138 | Property Disposal Strategy | 13 | (50) | 101 |
| 146 | Public Realm Reserve | 0 | -89 | 57 |
| 8,103 | Service Reconfiguration | 1,130 | (1,276) | 7,957 |
| 4 | Waste Management Contract | - | (4) | - |
| 500 | Welfare Reform Bill | (200) | - | 300 |
| 39,260 | Total Corporate Reserves | 8,161 | (8,266) | 39,155 |
| | Directorate Reserves: | | | |
| 175 | Car Parking Strategy | (175) | - | - |
| - | City Deal Reserve | 1,088 | - | 1,088 |
| 31 | Community Safety Reserve | 66 | - | 97 |
| 651 | Directorate Issues | 1,438 | (137) | 1,952 |
| 50 | Donations Reserves Account | 3 | - | 53 |
| 25 | Human Resources Reserve | (10) | (10) | 5 |
| 20 | Local Development Plan IT System | - | - | 20 |
| 1,036 | Looked After Children | (1) | (96) | 939 |
| 66 | Partnership Reserve | (66) | - | - |
| 250 | Porthcawl Regeneration | 80 | (18) | 312 |
| 250 | Property Reserve | - | (30) | 220 |
| 171 | Safe Routes to Schools | 19 | (112) | 78 |
| 431 | School Projects Reserve | (28) | (287) | 116 |
| 250 | Waste Awareness Reserve | - | (199) | 51 |
| 6 | Webcasting Reserve | - | (6) | - |
| 880 | Wellbeing Projects | - | (158) | 722 |
| 4,292 | Total Directorate Reserves | 2,414 | (1,053) | 5,653 |
| 866 | Delegated Schools Balance | - | (506) | 360 |
| 44,418 | Total Reserves excluding Equalisation Reserves | 10,575 | (9,825) | 45,168 |
| | Equalisation and Grant Reserves | | | |
| 15 | Building Control Reserve | 7 | - | 22 |
| 174 | Civil Parking Enforcement | 12 | - | 186 |
| 201 | Election costs | - | (173) | 28 |
| 832 | Highways Reserve | 52 | (125) | 759 |
| 841 | IFRS Grants | 604 | (470) | 975 |
| - | Legal Fees | 119 | (10) | 109 |
| 196 | Local Development Plan | 17 | - | 213 |
| 3,949 | Maesteg School PFI Equalisation | (3,949) | - | - |
| 533 | Special Regeneration Fund | 182 | (100) | 615 |
| 6,741 | Total Directorate Reserves | (2,956) | (878) | 2,907 |
| 51,159 | TOTAL EXCLUDING COUNCIL FUND | 7,619 | (10,703) | 48,075 |
| 59,119 | TOTAL INCLUDING COUNCIL FUND | 8,006 | (10,703) | 56,422 |

Council Fund

The transfer to the Council Fund for 2017-18 was £0.387 million. This increased the balance on the Fund to £8.347 million at the 31 March 2018 (£7.960 million at 31 March 2017).

Other Earmarked Reserves

The transfer to Earmarked Balances excluding the Council Fund Balance was a net reduction of £3.084 million in 2017-18 (transfer to Balances of £6.246 million in 2016-17). This was made up of additions to reserves of £7.619 million and £10.703 million transferred into the Comprehensive Income and Expenditure Statement to match expenditure within the year. An overview of each earmarked reserve is explained below:-

Corporate Reserves

Asset Management Plan

This has been established to meet the on-going costs of condition surveys and supports the demolition of asset programme.

Building Maintenance Reserve

This reserve is for planned maintenance expenditure on the Council's buildings.

Capital Feasibility Fund

This fund has been established to fund studies for proposed capital projects.

Capital Programme Contribution

This earmarked reserve has been set up as a revenue contribution to the capital programme, to enable schemes to be progressed more quickly to alleviate pressure on the revenue budget and accelerate the realisation of capital receipts.

Change Management

This reserve will meet potential costs associated with corporate capacity requirements to facilitate and progress planned developments linked to achieving budget reductions in the Medium Term Financial Strategy and the Bridgend Change Programme.

Corporate Pressures Contingency

The Corporate Pressures Contingency Reserve has been established to provide one off temporary relief in the event of unforeseen over-spends on corporate budgets, following significant reductions proposed in the 2018-19 budgets.

DDA Emergency/Prevention Works

This earmarked reserve is to cover the costs of emergency works within schools as well fund a temporary post for a 2 year period to ensure Fire Risk Assessments are updated and maintained within schools.

Digital Transformation & ICT Reserve

These two reserves will fund the Digital Transformation of the Council, supporting channel shift together with the costs of planned system developments over the Medium Term Financial Strategy period.

Insurance Reserve

This reserve is based on the assessment for potential future liabilities including any residual payments from claims relating to the Municipal Mutual Insurance Limited. The former authorities of Ogwr Borough Council and Mid Glamorgan County Council are creditors of MMI. It ceased to write new insurance business from 30 September 1992 and a Scheme of Arrangement was put in place in

January 1994. The scheme was set up to ensure an orderly run off of claims in the event of MMI not being solvent. As creditors of MMI, the Council is legally bound by the Scheme and in November 2012 the scheme was triggered. Future claim settlements by MMI will be made at a level of 75% with the funding of the remaining 25% being met from this reserve.

Major Claims Earmarked Reserve

This reserve has been created to mainly cover the deficit on the pension fund, major capital contractual claims and mitigate against potential other claims against the Council.

MTFS Budget Contingency

In accordance with the Medium Term Financial Strategy Principle 12, an earmarked reserve was established to provide additional capacity for discretionary use by the Chief Finance Officer to manage inescapable problems with delivery of Medium Term Financial Strategy savings.

Property Disposal Strategy

This reserve will cover legal, surveying and marketing costs associated with planned disposals to generate capital receipts for the Council.

Public Realm Reserve

This reserve will be used for works on highways and other public realm maintenance or renovations of playgrounds for example.

Service Reconfiguration / Severance Costs

This reserve has been established to meet potential costs relating to service remodelling and consequential severance costs, as well as service reconfiguration such as the Extra Care provision.

Welfare Reform Bill

This reserve has been established to fund the potential impact of increases in demand for services resulting from the Welfare Reform Bill.

Directorate Reserves

Community Safety Reserve

This reserve was created from funding received from partner organisations and will be used to cover expenditure on future Community Safety initiatives.

City Deal Reserve

This reserve is to provide the necessary funding for the Council's capital contribution to the Cardiff City Region City Deal programme.

Directorate Issues

This reserve relates to specific Directorate issues anticipated in 2018-19 together with some carried forward amounts from 2017-18. Examples include the ancillary costs associated with the transition of Autistic Spectrum Disorder provision, the carry forward of the Community Action Fund and support for various new apprentices within the Council.

Donations Reserves

This reserve has been established from various donations over a number of years and will be used on future expenditure in accordance with the original intentions.

Human Resources Reserve

This reserve is to cover the cost of the occupational health contract.

Local Development Plan IT System

This reserve is to purchase specialist software for use in compiling population statistics to inform housing provision and to allow improved public facing access in order to compile representations to the forthcoming Local Development Plan (LDP) review.

Looked After Children Reserve

This reserve has been established to provide for the continuing pressures over the Medium Term Financial Strategy on the Looked After Children budget within Education and Family Support Services.

Porthcawl Regeneration

This reserve has been established to fund up front revenue costs associated with the proposed regeneration of Porthcawl.

Property Reserve

This will be used as matched funding for developments around Enterprise Hubs within the Borough.

Safe Routes to Schools Reserve

This reserve has been created to ensure that there are safe routes to schools following Learner Transport changes.

School Projects Reserve

This reserve covers both school's future projects expenditure and also the associated financing costs of any capital borrowing.

Waste Awareness Reserve

This reserve is to provide funding to promote the changes to the waste management contract and support for the customer contact centre.

Wellbeing Projects

This has been established to allow one off injections of financial resources into service areas to facilitate change/development linked with the Health Service.

Delegated School Balances

These balances represent the cumulative effect of over and under-spending on school delegated budgets not available to the Council.

Analysis of Delegated Schools Balance

| 2016-17 Closing Balance £'000 | School Types | Nos in Category | 2017-18 Budget £'000 | 2017-18 Spend £'000 | 2017-18 Closing Balance £'000 |
|--|-------------------|--------------------|----------------------------|---------------------------|--|
| 466 | Primary Schools | 50 | 44,469 | 44,208 | 261 |
| (151) | Secondary Schools | 9 | 41,475 | 41,912 | (437) |
| 550 | Special Schools | 2 | 8,466 | 7,930 | 536 |
| 865 | Total | 61 | 94,410 | 94,050 | 360 |

The 2016-17 Closing Balance figure is included within the 2017-18 Budget. This accounting treatment of including the prior year's closing balance in the current year's budget applies solely to Schools and does not apply in any other area of the accounts.

Equalisation and Grant Reserves

IFRS Grant Accounting Reserves

Under proper accounting practice, all grants and contributions should be analysed to see whether there are specific conditions attached to them. When the conditions are actually satisfied the grant is credited to the Comprehensive Income and Expenditure Statement regardless of whether the actual expenditure has been incurred. In these cases the Council can decide to transfer the grant monies to an earmarked reserve to fund future expenditure. In 2017-18 there were £604,000 (2016-17 - £841,000) of new International Financial Reporting Standards (IFRS) Grants that have been transferred to earmarked reserves, to ensure the funding is protected in accordance with the original terms and conditions of the grant or contribution. Similarly, monies from commuted sums have been placed into a Highways Reserve and income from Civil Parking Enforcement is now also a specific earmarked reserve.

Equalisation of Spend Reserves

These reserves ensure that expenditure that is incurred in a particular future year is smoothed over the period of the MTFS. These include the costs of elections, the Special Regeneration Fund, the preparation of the Local Development Plan and the Building Control Earmarked Reserves.

Maesteg PFI Equalisation Reserve

This reserve has now been unwound due to changes in the way funding is provided by Welsh Government and the mechanism that the Council has allocated that funding. The unwound reserve has been set aside for the potential matched funding needed for Band B Schools within the Capital Programme Reserve.

29. Unusable Reserves

The following notes detail the Unusable Reserves of the Council:-

a) Revaluation Reserve (RR)

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 Revaluation Reserve contains only revaluation gains accumulated since 1 April 2007. The reserve was introduced in 2007-08. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

| 2016-17 | | | 2017-18 | |
|---------|----------------|--|---------|----------------|
| £'000 | £'000 | | £'000 | £'000 |
| | 127,291 | Balance at 1 April | | 124,703 |
| 8,705 | | Upward Revaluation of Assets | 10,830 | |
| (3,942) | | Downward Revaluation of Assets and Impairment Losses not charged to the Surplus/Deficit on the Provision of Services | (4,580) | |
| | 4,763 | Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of services | | 6,250 |
| (3,341) | | Difference between fair value depreciation and historical cost depreciation | (3,803) | |
| (4,010) | | Accumulated gains on assets sold or scrapped | (772) | |
| | (7,351) | Amount written off to the Capital Adjustment Account | | (4,575) |
| | 124,703 | Balance as at 31 March | | 126,378 |

b) 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.

| 2016-17 £'000 | | 2017-18 £'000 |
|------------------|--|------------------|
| (245,270) | Balance at 1 April | (252,450) |
| 1,960 | Actuarial gains or losses on pensions assets and liabilities | (4,360) |
| (26,140) | 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 | (28,360) |
| 17,000 | Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year | 16,550 |
| (252,450) | Balance as at 31 March | (268,620) |

c) Capital Adjustment Account (CAA)

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties.

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

| 2016-17 | | | 2017-18 | |
|----------|----------|--|----------|-----------------|
| £'000 | £'000 | | £'000 | £'000 |
| | 192,078 | Balance at 1 April | | 189,468 |
| | | Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement : | | |
| (22,945) | | Charges for depreciation and impairment of non-current assets | (23,470) | |
| (1,064) | | Revaluation losses on Property, Plant and Equipment | (980) | |
| (782) | | Revenue Expenditure funded from Capital Under Statute | (3,709) | |
| (4) | | Other amounts including Mortgage Payments | (7) | |
| (2,333) | | 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 | (1,618) | |
| | (27,128) | | | (29,784) |
| | 3,341 | Adjusting amounts written out to the Revaluation Reserve | | 3,803 |
| | (23,787) | Net written out amount of the cost of non-current assets consumed in the year | | (25,981) |
| | | Capital financing applied in the year: | | |
| 2,285 | | Use of the Capital Receipts Reserve to finance capital expenditure | 180 | |
| | | Innovation Centre Prior Year Adjustment | 603 | |
| 6,486 | | Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that has been applied to capital financing | 12,919 | |
| 10,301 | | Statutory provision for the financing of capital investment charged against the Council Fund | 7,179 | |
| 2,105 | | Capital expenditure charged against the Council Fund | 9,922 | |
| | 21,177 | | | 30,803 |
| | | Movement in the market value of Investment Properties credited to the Comprehensive Income and Expenditure Statement | | 350 |
| | 189,468 | Balance as at 31 March | | 194,640 |

30. Pensions liabilities, IAS 19 disclosures

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 (for those benefits) and to disclose them at the time that employees earn their future entitlement.

This Council participates in the Rhondda Cynon Taf County Borough Council Pension Fund, which is administered under the Regulations governing the Local Government Pension Scheme. This is a defined benefit scheme, meaning that the Council and employees pay contributions into a fund, at a rate determined by the Fund's Actuary based on triennial actuarial valuations, which aims to balance 100% of pension liabilities with investment assets.

Further information can be found in Rhondda Cynon Taf CBC Pension Fund's Annual Report which is available upon request from the Director of Finance, Rhondda Cynon Taf County Borough Council, Bronwydd, Porth, Rhondda, Rhondda Cynon Taf.

<http://www.rctpensions.org.uk>

Any award of discretionary post-retirement benefits upon early retirement is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. No investment assets are built up to meet these pension liabilities, and cash has to be generated to meet the actual pension payments as they fall due.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large scale withdrawals from the scheme), changes to inflation, bond yields, and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge the Council Fund with the amounts required by statute as described in the accounting policies note.

The disclosures required for 2017-18 include information provided by the pension administrators, Rhondda Cynon Taff CBC and Aon Hewitt Associates Limited as the pension's actuary.

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 required to be made against Council Tax is based on the cash payable in the year, so the real cost of post-employment benefits is reversed out of the Council Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Council Fund balance via the Movement in Reserves Statement during the year:-

| Local Govt Pension Scheme | LGPS Unfunded Benefits | Teachers' Unfunded Benefits | Total | Comprehensive Income & Expenditure Statement | Local Govt Pension Scheme | LGPS Unfunded Benefits | Teachers' Unfunded Benefits | Total |
|---------------------------|------------------------|-----------------------------|----------------|---|---------------------------|------------------------|-----------------------------|----------------|
| £m | £m | £m | £m | | £m | £m | £m | £m |
| 2016-17 | 2016-17 | 2016-17 | 2016-17 | Cost of Services : | 2017-18 | 2017-18 | 2017-18 | 2017-18 |
| 17.59 | 0.00 | 0.00 | 17.59 | Service cost comprising: | 21.84 | 0.00 | 0.00 | 21.84 |
| 0.50 | 0.00 | 0.00 | 0.50 | current service cost | 0.17 | 0.00 | 0.00 | 0.17 |
| 0.00 | 0.00 | 0.00 | 0.00 | past service costs | 0.00 | 0.00 | 0.00 | 0.00 |
| | | | | (gain)/loss from settlements | | | | |
| | | | | Financing & Investment Income & Expenditure :- | | | | |
| 7.65 | 0.25 | 0.15 | 8.05 | Net interest expense | 6.04 | 0.20 | 0.11 | 6.35 |
| | | | | Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services | 28.05 | 0.20 | 0.11 | 28.36 |
| 25.74 | 0.25 | 0.15 | 26.14 | Other Post Employment | | | | |
| | | | | <i>Remeasurements of the net defined benefit liability comprising:</i> | | | | |
| (62.39) | 0.00 | 0.00 | (62.39) | Return on plan assets (excluding the amount included in the net interest expense) | (13.42) | 0.00 | 0.00 | (13.42) |
| 138.41 | 0.67 | 0.38 | 139.46 | Actuarial (gains) / losses due to changes in financial assumptions | 13.85 | 0.07 | 0.03 | 13.95 |
| (28.69) | (0.20) | (0.12) | (29.01) | Actuarial (gains) / losses due to changes in demographic assumptions | 0.00 | 0.00 | 0.00 | 0.00 |
| (49.93) | (0.06) | (0.03) | (50.02) | Actuarial (gains) / losses due to liability experience | 4.22 | 0.03 | (0.42) | 3.83 |
| (2.60) | 0.41 | 0.23 | (1.96) | Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement | 4.65 | 0.10 | (0.39) | 4.36 |
| | | | | Movement in Reserves Statement:- | | | | |
| (25.74) | (0.25) | (0.15) | (26.14) | Reversal of net charges made for retirement benefits in accordance with IAS 19 | (28.05) | (0.20) | (0.11) | (28.36) |
| | | | | Actual amount charged against the Council Fund Balance for pensions in the year | | | | |
| 16.12 | 0.48 | 0.40 | 17.00 | Employers' Contributions payable to the scheme | 15.69 | 0.47 | 0.39 | 16.55 |
| (22.03) | (0.48) | (0.40) | (22.91) | Retirement Benefits Paid Out | (22.44) | (0.47) | (0.39) | (23.30) |

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amounts included in the Balance sheet arising from the Council's obligation in respect of its defined benefit plan are as follows:-

| Local Govt Pension Scheme | LGPS Unfunded Benefits | Teachers' Unfunded Benefits | Total | | Local Govt Pension Scheme | LGPS Unfunded Benefits | Teachers' Unfunded Benefits | Total |
|---------------------------|------------------------|-----------------------------|-----------------|--|---------------------------|------------------------|-----------------------------|-----------------|
| £m | £m | £m | £m | | £m | £m | £m | £m |
| 2016-17 | 2016-17 | 2016-17 | 2016-17 | | 2017-18 | 2017-18 | 2017-18 | 2017-18 |
| 772.59 | 7.81 | 4.54 | 784.94 | Present value of defined benefit obligation | 814.56 | 7.64 | 3.87 | 826.07 |
| (532.49) | 0.00 | 0.00 | (532.49) | Fair Value of Plan Assets | (557.45) | 0.00 | 0.00 | (557.45) |
| 240.10 | 7.81 | 4.54 | 252.45 | Net liability arising from defined benefit obligation | 257.11 | 7.64 | 3.87 | 268.62 |

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

| £m | | £m |
|---------------|---|---------------|
| 2016-17 | | 2017-18 |
| 456.08 | Opening fair value of scheme assets at 1 April | 532.49 |
| 15.49 | Interest income on assets | 13.82 |
| | Remeasurement gain/(loss): | |
| | The return on plan assets, excluding the amount included in the net | |
| 62.39 | interest expense | 13.42 |
| 16.12 | Contributions by Employer | 15.69 |
| 4.44 | Contributions by Participants | 4.47 |
| (22.03) | Net Benefits Paid Out | (22.44) |
| 532.49 | Balance as at 31 March | 557.45 |

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

| Local Govt Pension Scheme | LGPS Unfunded Benefits | Teachers' Unfunded Benefits | Total | | Local Govt Pension Scheme | LGPS Unfunded Benefits | Teachers' Unfunded Benefits | Total |
|---------------------------|------------------------|-----------------------------|---------------|--|---------------------------|------------------------|-----------------------------|---------------|
| £m | £m | £m | £m | | £m | £m | £m | £m |
| 2016-17 | 2016-17 | 2016-17 | 2016-17 | | 2017-18 | 2017-18 | 2017-18 | 2017-18 |
| 689.16 | 7.63 | 4.56 | 701.35 | Opening balance at 1 April | 772.59 | 7.81 | 4.54 | 784.94 |
| 17.59 | 0.00 | 0.00 | 17.59 | Current Service Cost | 21.84 | 0.00 | 0.00 | 21.84 |
| 23.14 | 0.25 | 0.15 | 23.54 | Interest Cost | 19.86 | 0.20 | 0.11 | 20.17 |
| 4.44 | 0.00 | 0.00 | 4.44 | Contributions from scheme participants | 4.47 | 0.00 | 0.00 | 4.47 |
| | | | | Remeasurement (gains) and losses: | | | | 0.00 |
| | | | | Actuarial gains / losses arising from changes in financial assumptions | | | | |
| 138.41 | 0.67 | 0.38 | 139.46 | Actuarial gains / losses arising from changes in demographic assumptions | 13.85 | 0.07 | 0.03 | 13.95 |
| (28.69) | (0.20) | (0.12) | (29.01) | Actuarial gains / losses arising from changes in liability experience | 0.00 | 0.00 | 0.00 | 0.00 |
| (49.93) | (0.06) | (0.03) | (50.02) | Past Service Cost | 4.22 | 0.03 | (0.42) | 3.83 |
| 0.50 | 0.00 | 0.00 | 0.50 | Benefits Paid | 0.17 | 0.00 | 0.00 | 0.17 |
| (22.03) | (0.48) | (0.40) | (22.91) | Liabilities extinguished on settlements | (22.44) | (0.47) | (0.39) | (23.30) |
| 0.00 | 0.00 | 0.00 | 0.00 | | 0.00 | 0.00 | 0.00 | 0.00 |
| 772.59 | 7.81 | 4.54 | 784.94 | Balance as at 31 March | 814.56 | 7.64 | 3.87 | 826.07 |

Local Government Pension Scheme assets comprised:

| Fair Value of Scheme Assets 2016-17 £m | Asset Split 2016-17 % | | Fair Value of Scheme Assets 2017-18 £m | Asset Split 2017-18 % |
|--|-----------------------|---|--|-----------------------|
| 11.036 | 2.07 | Cash and cash equivalents | 15.137 | 2.72 |
| | | Equity Instruments: <i>by industry type (FTSE Sector)</i> | | |
| 9.928 | 1.86 | Oil & Gas | 11.347 | 2.04 |
| 13.559 | 2.55 | Basic Materials | 12.715 | 2.28 |
| 49.307 | 9.26 | Industrials | 54.757 | 9.82 |
| 50.380 | 9.46 | Consumer Goods | 49.085 | 8.81 |
| 31.902 | 5.99 | Health Care | 32.321 | 5.80 |
| 49.669 | 9.33 | Consumer Services | 46.941 | 8.42 |
| 1.615 | 0.30 | Telecommunications | 1.465 | 0.26 |
| 2.916 | 0.55 | Utilities | 2.325 | 0.42 |
| 64.845 | 12.18 | Financials | 74.813 | 13.42 |
| 50.835 | 9.55 | Technology | 56.950 | 10.22 |
| 0.608 | 0.11 | Real Estate | 0.627 | 0.11 |
| 64.564 | 12.12 | Pooled Equity Investment Vehicles | 68.536 | 12.28 |
| 390.128 | 73.26 | Sub-total equity | 411.882 | 73.88 |
| | | Bonds: <i>By Sector</i> | | |
| 53.845 | 10.11 | Corporate | 52.106 | 9.35 |
| 47.223 | 8.87 | Government | 49.121 | 8.81 |
| 101.068 | 18.98 | Sub-total bonds | 101.227 | 18.16 |
| | | Property: <i>By Type</i> | | |
| 7.686 | 1.44 | Retail | 6.670 | 1.20 |
| 4.085 | 0.77 | Office | 4.036 | 0.72 |
| 6.959 | 1.31 | Industrial | 8.446 | 1.52 |
| 11.528 | 2.17 | Other Commercial | 10.052 | 1.80 |
| 30.258 | 5.69 | Sub-total property | 29.204 | 5.24 |
| 532.490 | 100.00 | Total assets | 557.450 | 100.00 |

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 (LGPS) and discretionary benefits liabilities have been estimated by Aon Hewitt, an independent firm of actuaries, in accordance with IAS 19.

The significant assumptions used by the Actuary were:

| 2016-17 % pa | | 2017-18 % pa |
|-----------------|---|-----------------|
| 2.60 | Discount rate | 2.60 |
| 2.00 | Rate of pension increases | 2.10 |
| 3.25 | Rate of salary increases | 3.35 |
| Years | | Years |
| | <i>Mortality Assumptions:</i> | |
| | Longevity at 65 for current pensioners :- | |
| 22.80 | | Men 22.90 |
| 24.90 | | Women 25.00 |
| | Longevity at 65 for future pensioners :- | |
| 25.00 | | Men 25.10 |
| 27.20 | | Women 27.30 |

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies of the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

| Increase in Assumption 2016-17 £m | Decrease in Assumption 2016-17 £m | | Increase in Assumption 2017-18 £m | Decrease in Assumption 2017-18 £m |
|---|---|--|---|---|
| (14.08) | 14.34 | Rate for discounting scheme liabilities (increase or decrease by 0.1%) | (14.84) | 15.12 |
| 2.81 | (2.79) | Rate of increase in salaries (increase or decrease by 0.1%) | 2.98 | (2.95) |
| 11.50 | (11.31) | Rate of increase in pensions (increase or decrease by 0.1%) | 12.12 | (11.92) |
| 22.98 | (22.83) | Longevity (increase or decrease in 1 year) | 24.53 | (24.34) |

Impact on the Council's Cash Flows

The funded nature of the LGPS requires the Employer and its employees to pay contributions into the fund, calculated at a level intended to balance the pension liabilities with investment assets. The Actuary will be carrying out the next Actuarial Valuation as at 31 March 2019. The current Employer's contribution rate to achieve a funding level of 100% of scheme liabilities will be reviewed at this point. Consequently, whilst there is a significant shortfall (liability) between 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.

The expected employer's contributions to the Local Government Pension Scheme for the accounting period ending 31 March 2019 are:-

| | 2018-19 £m |
|---------------------------------|---------------|
| Local Government Pension Scheme | 26.69 |
| LGPS Unfunded | 0.20 |
| Teachers Unfunded | 0.11 |
| Total | 27.00 |

The weighted average duration of the defined benefit obligation for the scheme members is 18.4 years, which is the same as for 2016-17.

Teachers

In 2017-18, the Council paid £8.15 million (£8.1 million for 2016-17) to the Teachers Pensions Agency in respect of teachers' pension costs. The increase was as a result of the continued impact of an increase in the employer's contribution rate in 2016-17. In addition, the Council is responsible for all pension payments relating to added years awarded, together with the related increases. In 2017-18, these amounted to £0.415 million (£0.451 million for 2016-17).

31. Financial Instruments Disclosures

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments, or a contractual right to receive cash or other financial assets, or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council. The financial assets held by the Council at 31 March 2018 are classed as loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market and include cash in hand, bank current and deposit accounts, fixed term deposits with building societies and loans to other local authorities. They are carried in the Balance Sheet at amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

Short term Investments and Cash and Cash Equivalents (included in Current Assets) in the Balance Sheet are detailed below:

| 31 March 2017 Balance Sheet £'000 | Short Term Investments and Cash and Cash Equivalents | 31 March 2018 Balance Sheet £'000 |
|---|--|---|
| 26,572 | Short Term Investments (< 1 year)* | 20,084 |
| 26,572 | Total Short Term Investments | 20,084 |
| 3,250 | Cash & Cash Equivalents (Deposits) | 1,401 |
| (1,586) | Cash in Hand/Overdrawn | (1,313) |
| 1,664 | Total Cash & Cash Equivalents | 88 |
| 7,713 | Short Term Trade Receivables (Debtors) | 7,654 |
| 35,949 | Total Current Financial Assets | 27,826 |

*The total short term investments include £28,827 representing accrued interest in long term investments in addition to short term interest of £55,112. The £7.654 million Short Term Trade Receivables (Debtor) figure above is for goods and services delivered and an age debt analysis of these trade debtors is shown below in the Credit Risk section. This figure is included in the Short Term Debtors figure of £31.058 million in the Balance Sheet which also includes debtors that do not meet the definition of a financial liability, so not detailed here. Note 23 provides more detailed information of the total Short Term Debtors figure.

International Financial Reporting Standard (IFRS) 13 Fair Value defines the fair value of a financial asset as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair values only need to be disclosed for the Council's long term financial assets as the fair value of our short-term instruments, including trade receivables, are assumed to approximate to the carrying amount, so fair values have not been disclosed above. There are 3 levels in the fair value hierarchy for calculations, however due to the type of financial assets the Council hold the only level applicable at 31 March 2018 is level 2, where the fair value is calculated from inputs other than quoted prices that are observable for the asset – this is interest rates or yields for similar instruments.

There were two new long term investments with other Local Authorities in 2017-18 both for 2 years totalling £5 million. The Fair Value (Level 2) has been calculated by discounting at the market rate for a similar instrument with an equivalent remaining term to maturity on 31 March 2018. The table below includes accrued interest on these long term investments.

| 31 March 2017 | | | Fair Value Level | 31 March 2018 | |
|---------------------|------------------|-----------------------|------------------|---------------------|------------------|
| Balance Sheet £'000 | Fair Value £'000 | | | Balance Sheet £'000 | Fair Value £'000 |
| 4,003 | 4,037 | Long Term Investments | 2 | 9,010 | 8,993 |

The fair value of financial assets held at amortised cost is lower than their Balance Sheet carrying amount because the interest rate on similar investments is now higher than that obtained when the investment was originally made due to changes in the Bank Rate.

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council. The Council's financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure Section of the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowing that the Council has the amount presented in the Balance Sheet is the outstanding principal repayable together with any accrued interest and interest charged to the Comprehensive Income and Expenditure Statement for the year according to the loan agreement.

The Council has three Lender's Option Borrower's Option loans (LOBOs) with stepped interest rates. An effective interest rate has been used for these so that these are re-measured amounts for the LOBOs on the Balance Sheet.

The Council's non-derivative financial liabilities are carried in the Balance Sheet at amortised cost split between short and long term. The Short Term Borrowing in the Balance Sheet is detailed below:

| 31 March 2017 £'000 | Short Term Borrowing & Other Short Term Liabilities | 31 March 2018 £'000 |
|------------------------|--|------------------------|
| (272) | Accrued Interest Long Term Loans | (1,953) |
| (680) | Escrows/Trust Funds | (670) |
| (952) | Short Term Borrowing | (2,623) |
| (5,245) | Short Term Trade Payables (Creditors) | (3,704) |
| (404) | Other Short Term Financial Liabilities (Creditors) | (521) |
| (6,601) | Total Current Financial Liabilities | (6,848) |

The Short Term Trade Payables (Creditors) figure £3.704 million relates to trade payables for goods and services received and is all due within 6 months. The Other Short Term Financial Liabilities (Creditors) figure of £0.521 million represents monies held by the Council on behalf of different third parties.

The value of the short term liability relating to Other Long Term Liabilities for 2017-18 is made up as follows:-

| 31 March 2017 £'000 | Short Term Liability relating to Other Long Term Liabilities | 31 March 2018 £'000 |
|------------------------|---|------------------------|
| (595) | Maesteg School PFI Lease Liability | (640) |
| (60) | Innovation Centre Financial Liability | (66) |
| (50) | Waste Contract (MREC) | (50) |
| (705) | Total | (756) |

The £3.704 million, £0.521 million and £0.756 million shown in the two tables above are all included in the Short Term Creditors Balance Sheet figure of £32.254 million which also includes creditors that do not meet the definition of a financial liability so is not detailed here. Note 25 provides more detailed information of the total short term creditors figure.

Under IFRS 13 the fair value of a financial liability is defined as the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values only need to be disclosed for the Council's long term financial liabilities as the fair value of our short-term instruments including trade payables are assumed to approximate to the carrying amount so fair values have not been disclosed above. There are 3 levels in the fair value hierarchy for calculations, however due to the type of financial liabilities the Council holds the only level applicable to the Council at 31 March 2018 is level 2 where the fair value is calculated from inputs other than quoted prices that are observable for the asset or liability – this is interest rates or yields for similar instruments.

The fair value of the long term financial instruments have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2018, which provides an estimate of the value of payments in the future in today's terms, using the following methods and assumptions:

- The fair value of Public Works Loan Board (PWLB) have been discounted at the market rates for local authority loans of the same remaining term to maturity at the 31 March.
- The value of "Lender's Option Borrower's Option" (LOBO) loans have been increased by the value of the embedded options. Lender's options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.

- The fair value of other long term financial liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA rated corporate bond yield.

The long term borrowing figure in the balance sheet of is made up as follows:

| 31 March 2017 | | | Fair Value Level | 31 March 2018 | |
|-----------------|------------------|----------------------------------|------------------|-----------------|------------------|
| Balance Sheet | Fair Value | | | Balance Sheet | Fair Value |
| £'000 | £'000 | Long Term Borrowing | | £'000 | £'000 |
| (77,617) | (115,604) | PWLB (long term) | 2 | (77,617) | (111,012) |
| (77,617) | (115,604) | Total PWLB debt | | (77,617) | (111,012) |
| (19,815) | (33,208) | LOBO's | 2 | (19,804) | (31,843) |
| (19,815) | (33,208) | Total Market Loans | | (19,804) | (31,843) |
| (97,432) | (148,812) | Total Long Term Borrowing | | (97,421) | (142,855) |

PFI and Other Long Term Liabilities figure in the balance sheet of £20.267 million are detailed below:

| 31 March 2017 | | Other Long Term Liabilities | Fair Value Level | 31 March 2018 | |
|-----------------|-----------------|--|------------------|-----------------|-----------------|
| Balance Sheet | Fair Value | | | Balance Sheet | Fair Value |
| £'000 | £'000 | | | £'000 | £'000 |
| (17,640) | (26,854) | Maesteg PFI Lease Liability | 2 | (16,999) | (24,976) |
| (604) | (887) | Innovation Centre Financial Liability | 2 | (537) | (766) |
| (350) | (378) | Waste Contract (MREC) | 2 | (300) | (327) |
| (70) | (70) | Escrow | Cost | (31) | (31) |
| (2,400) | (2,400) | Llynfi | Cost | (2,400) | (2,400) |
| (21,064) | (30,589) | Total Other Long Term Liabilities | | (20,267) | (28,500) |

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the Council's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

Offsetting Financial Assets and Liabilities

Financial assets and liabilities are set off against each other where the Council has a legally enforceable right to set off and it intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The table below shows those instruments that have been offset on the Balance Sheet. The Council had no other financial assets or liabilities subject to an enforceable master netting arrangement or similar agreement.

| 31 March 2017 Gross Assets (Liabilities) £000 | Offsetting of Financial Assets and Liabilities | 31 March 2018 Gross Assets (Liabilities) £000 |
|--|--|--|
| 1,920 | Bank Accounts in Credit | 1,871 |
| 1,920 | Total Financial Assets | 1,871 |
| (2,012) | Bank Overdrafts | (1,980) |
| (2,012) | Total Financial Liabilities | (1,980) |
| (92) | Net Position on Balance Sheet | (109) |

Financial Instruments – Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following:

| 2016-17 | | | | 2017-18 | | |
|-----------------------|---------------------|--------------|---|-----------------------|---------------------|--------------|
| Financial Liabilities | Financial Assets | Total | | Financial Liabilities | Financial Assets | Total |
| Amortised Cost | Loans & Receivables | | | Amortised Cost | Loans & Receivables | |
| £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 |
| 6,036 | - | 6,036 | Interest Expense | 5,979 | | 5,979 |
| 6,036 | - | 6,036 | Interest Payable and similar charges | 5,979 | - | 5,979 |
| - | (942) | (942) | Interest Income | | (959) | (959) |
| - | (942) | (942) | Interest and Investment Income | - | (959) | (959) |
| 6,036 | (942) | 5,094 | Net (gain)/loss for the year | 5,979 | (959) | 5,020 |

Financial Instruments – Risk

The procedures for risk management are set out through a legal framework set out in the Local Government Act 2003 and the associated regulations. The Council has adopted CIPFA's Code of Practice on Treasury Management (and subsequent amendments) and complied with The Prudential Code for Capital Finance in Local Authorities (both revised in November 2011) during 2017-18.

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks. The Council meeting of the 1 March 2017 accepted the Treasury Management Strategy and Prudential Indicators.

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the Welsh Government's Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Strategy and Treasury Management Practices seek the highest rate of return consistent with the proper levels of security and liquidity so as to achieve a suitable balance between risk and return or cost. The Council also conducts a mid-year review of its treasury management policies, practices and activities and any revisions of the Investment Strategy to enable increased flexibility in an ever changing financial market and investment opportunities available will be approved by Council. Actual performance is also reported annually to Members in the form of the Annual Treasury Management Outturn Report which is reviewed by Audit Committee.

The Council's activities expose it to a variety of financial risks, the key risks are:-

- **Credit risk** – the possibility that the counterparty to a financial asset might fail to pay amounts due to the Council;
- **Liquidity risk** – the possibility that the Council might not have cash available to meet its commitments to make payments;
- **Market risk** - the possibility that unplanned financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined in the Investment Strategy contained within the Treasury Management Strategy.

The Council manages credit risk by ensuring that investments are only placed with organisations of high credit quality. These include entities with a minimum long-term credit rating of A- that are domiciled in the UK or a foreign country with a minimum sovereign rating of AA+, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice.

Credit ratings are obtained and monitored by the Council's treasury advisers who notify changes in ratings as they occur. They use long-term credit ratings from the three main rating agencies Fitch Ratings Ltd., Moody's Investors Service and Standard & Poor's Financial Services to assess the risk of investment default. The lowest available counterparty credit rating will be used to determine credit quality, unless an investment specific rating is available. The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard is therefore given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press.

Unsecured investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail, whereas secured investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency and means they are exempt from bail-in. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments. The Annual Investment Strategy states which investments the Council may use for the prudent management of its treasury balances during the financial year under the heads of Specified Investments and non-Specified Investments.

The Council's primary objective for the management of its investments is to give priority to the security and liquidity of its funds before seeking the best rate of return. The counterparty limits were constantly reviewed and where market conditions dictated, the limit was dropped. No breaches of the Council's counterparty criteria occurred during 2017-18 and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council's investments at 31 March 2018 totalled £30.400 million as detailed below and shown in the Balance Sheet as Long Term Investments (£9.010 million), Short Term Investments (£20.084 million) and included within Cash and Cash Equivalents (£1.401 million). The maximum exposure to credit risk in relation to its investments in 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. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2018 that this was likely to crystallise. The table below summarises the credit risk exposures of the Council's investment portfolio by credit rating (based on the lowest long term rating) and the remaining time to maturity:

As at 31 March the credit risk exposures were:

| 31 March 2018 | Credit Rating | Instant | Notice | Deposits | Deposits | Deposits | Deposits | Deposits | Deposits | Total |
|---------------------------|---------------|--|---------------------------------------|--|---|---|--|--|---|---------------|
| Counterparty Category | | Access Deposit Accounts £'000 | Period Deposit Account £'000 | Maturing Within 1 Month £'000 | Maturing Within 2 to 3 Months £'000 | Maturing Within 4 to 6 Months £'000 | Maturing Within 7 Months to 1 Year £'000 | Maturing After 1 Year to 2 Years £'000 | Maturing After 2 Years to 3 Years £'000 | £'000 |
| Bank | AA- | | | | | 2,000 | | | | 2,000 |
| Bank | A | 1,400 | 1,000 | 2,000 | 1,000 | | | | | 5,400 |
| Local Authorities | AA- | | | | | | | 3,000 | | 3,000 |
| Local Authorities unrated | | | | 2,000 | 5,000 | 4,000 | 1,000 | 2,000 | 4,000 | 18,000 |
| Building Societies | A | | | | 2,000 | | | | | 2,000 |
| Total | | 1,400 | 1,000 | 4,000 | 8,000 | 6,000 | 1,000 | 5,000 | 4,000 | 30,400 |

| 31 March 2017 | Credit Rating | Instant | Notice | Deposits | Deposits | Deposits | Deposits | Deposits | Deposits | Total |
|----------------------------|---------------|--|---------------------------------------|--|---|---|--|---|---|---------------|
| Counterparty Category | | Access Deposit Accounts £'000 | Period Deposit Account £'000 | Maturing Within 1 Month £'000 | Maturing Within 2 to 3 Months £'000 | Maturing Within 4 to 6 Months £'000 | Maturing Within 7 Months to 1 Year £'000 | Maturing After 1 to 2 Years £'000 | Maturing After 3 to 4 Years £'000 | £'000 |
| Bank | AA- | 2,250 | | | | | | | | 2,250 |
| Bank | A | 1,000 | 2,000 | | 2,000 | 1,000 | | | | 6,000 |
| Local Authorities | AA | | | | 5,000 | | 2,000 | | | 7,000 |
| Local Authorities unrated | | | | | 2,000 | 4,500 | 2,000 | | 4,000 | 12,500 |
| Building Societies | A | | | 4,000 | | | | | | 4,000 |
| Building Societies unrated | | | | 1,000 | 1,000 | | | | | 2,000 |
| Total | | 3,250 | 2,000 | 5,000 | 10,000 | 5,500 | 4,000 | - | 4,000 | 33,750 |

The Council does not generally allow credit for its customers (trade debtors) such that all the trade debtors are recognised as short term, however, £3.591 million of the £7.654 million balance (shown above in financial assets) is past its due date for payment. The past due but not impaired amount can be analysed by age as shown in the table below:

| 31 March 2017 £'000 | Trade Debtors Past Due but not impaired | 31 March 2018 £'000 |
|------------------------|--|------------------------|
| 3,169 | Less than 3 months | 2,154 |
| 679 | 3 to 6 months | 457 |
| 279 | 6 months to 1 year | 406 |
| 756 | More than 1 year | 574 |
| 4,883 | Total | 3,591 |

Liquidity risk

The Council manages its liquidity risk through its cash-flow management to ensure that cash is available when required. It has ready access to instant access deposit accounts, overdraft facilities and borrowing from the Money Markets or other local authorities to cover any day to day cash flow need. In addition the Public Works Loan Board (PWLb) provides access to borrowing at favourable rates. The Council arranges fixed term loans and investments with a range of maturity dates within the framework and indicators approved each year. There is no perceived risk that the Council will be unable to raise finance to meet its commitments, instead the risk relates to replenishing a significant proportion of its borrowings at a time of unfavourable interest rates.

The tables above in credit risk details the maturity analysis of financial assets, however a key parameter used to address liquidity risk is the Treasury Management Indicator which limits the maturity structure of fixed rate borrowing as shown in the table below. This is the amount of projected borrowing that is fixed rate, maturing in each period as a percentage of total projected fixed rate borrowing. This indicator is set to control the Council's exposure to refinancing risk and has been set to allow for the possible restructuring of long term debt where this is expected to lead to an overall saving or reduction in risk.

| Maturity structure of fixed rate borrowing | Upper Limit % 2017-18 | Lower Limit 2017-18 | Actual % 31 March 2018 | Principal Outstanding £'000 31 March 2018 |
|---|----------------------------------|--------------------------------|-----------------------------------|--|
| Less than one year | 50 | - | - | - |
| Between 1 and 2 years | 25 | - | - | - |
| Between 2 and 5 years | 25 | - | - | - |
| Between 5 and 10 years | 50 | - | 13.91 | 13,474 |
| Between 10 and 20 years | 60 | - | 23.49 | 22,754 |
| More than 20 years | 100 | 40 | 42.73 | 41,389 |
| Uncertain date * | - | - | 19.87 | 19,250 |
| Total | | | 100.00 | 96,867 |

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 all financial instruments therefore including longer term financial liabilities as they mature. The following table details the maturity of all the Council's financial liabilities based on the Balance Sheet value and includes all trade creditors and other creditors classed as financial liabilities which are due to be paid in less than a year.

| 31 March 2017 £'000 | Maturity Analysis Financial Liabilities | 31 March 2018 £'000 |
|--------------------------------|--|--------------------------------|
| (7,310) | Less than 1 year | (7,605) |
| (756) | Between 1 and 2 years | (830) |
| (5,078) | Between 2 and 5 years | (5,277) |
| (17,575) | Between 5 and 10 years | (19,152) |
| (33,882) | Between 10 and 20 years | (31,236) |
| (41,389) | More than 20 years | (41,389) |
| (19,815) | Uncertain date* | (19,804) |
| (125,805) | Total Financial Liabilities | (125,293) |

* The £19.250 million (19.87%) and £19.804 million in the two tables above showing an uncertain date relates to Lender's Option Borrower's Option (LOBO) loans which may be re-scheduled in advance of their maturity date of 2054. The LOBO rate and term may vary in the future depending upon the prevailing market rates, the lender exercising their option to increase rates at one of the bi-annual trigger points (the next trigger date being 23 July 2018) and therefore, the Council being given the option to accept the increase or to repay the loan without incurring a penalty. Due to current low interest rates, the Council is not anticipating that this will occur during 2018-19 however in the unlikely event that the lender exercises its option the Council is likely to repay these loans. The maturity date is therefore uncertain.

Market Risk

The Council is exposed to the risk that financial loss could potentially occur as a result of changes in such measures as interest rate movements, market prices or foreign currency exchange rates. The Council is not exposed to foreign exchange risk (loss arising from movements in exchange rates) as borrowing and investments are only carried out in sterling. Price risk (financial gains or losses arising from movement in the prices of financial instruments) is also not applicable to the Council as, whilst the Council's Annual Investment Strategy allows investments in instruments such as bank certificates of deposit and Government Bonds, the Council currently invests in instruments where the sum returned on maturity is the same as the initial amount invested. Therefore only interest rate risk is applicable which is detailed below.

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 charged to revenue within the Comprehensive Income and Expenditure Statement will rise;
- borrowings at fixed rates – the fixed rate protects the Council from increased interest charges as an equivalent loan would now cost more. The fair value of the borrowing (liability) will fall;
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- investments at fixed rates – the fixed rate prevents the Council from receiving higher investment income from the same principal invested. The fair value of the investment (asset) will fall

The Council has a number of strategies for managing interest rate risk. The Treasury Management Strategy draws together the Council's Treasury Management and Prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this, an indicator is set which provides maximum limits for fixed and variable interest rate exposure as shown in the table below.

| | Upper Limit TMS 2017-18 £m | Revised Projection 2017-18 TMS 2018-19 £m | Actual Principal Outstanding 31 March 2018 £m |
|---|-------------------------------------|---|--|
| Total Projected Principal Outstanding on Borrowing | 96.87 | 96.87 | 96.87 |
| Total Projected Principal Outstanding on Investments (including cash/cash equivalents deposits) | 24.00 | 30.00 | 30.40 |
| Net Principal Outstanding | 72.87 | 66.87 | 66.47 |
| Fixed interest rates (net principal) exposure | 130.00 | 68.62 | 68.62 |
| Variable interest rates (net principal) exposure | 50.00 | 1.25 | (2.15) |

Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or transaction date if later. All other instruments are classed as variable. The majority of the Council's investments are less than 12 months and even though interest rates may be fixed for the investment duration, these would be classed as variable. LOBO loans are variable interest rate loans, therefore, as the investments were in excess of total variable rate loans, the net principal is shown as negative in the table above.

The Council's investments classed as 'loans and receivables' and loans borrowed are not carried at fair value on the balance sheet, so changes in their fair value will not impact on the Comprehensive Income and Expenditure Statement, however, changes in interest payable and receivable on variable rate borrowings and investments does and will be posted to the Surplus or Deficit on the Provision of Services. The Council monitors market and forecast interest rates within the year to adjust exposures appropriately, to allow any adverse changes to be accommodated. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans may be repaid early to limit exposure to losses. According to this strategy, at 31 March 2018, if there had been a 1% change in interest rates with all other variables held constant, the financial effect would be approximately:

| | Estimated £'000 + 1% | Estimated £'000 -1% |
|--|----------------------------|---------------------------|
| Interest payable on variable rate borrowings | 132 | 0 |
| Interest receivable on variable rate investments | (174) | 174 |
| Impact on Surplus or Deficit on Provision of Services | (42) | 174 |

The figures for an approximate impact of a 1% fall in interest rates for borrowing are not the same figures as the 1% increase (but reversed) as the variable rate borrowing relates to our LOBO loans where it is assumed that the lender would not exercise their option if there was a fall in interest rates.

32. Post Balance Sheet Events

There are no Post Balance Sheet Events.

33. Contingent Liabilities

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

The Health and Safety Executive (HSE) have indicated that they will be prosecuting the Council under section 3 of the Health and Safety at Work Act following an incident in December 2014. No provision has been made in the accounts due to the uncertainty of the outcome of any investigation.

Halo Leisure, Bridgend County Borough Council's Leisure Services Partner, is an admitted body to the Rhondda Cynon Taf Local Government Pension Fund. A formal admission agreement is in place between the Council and Halo Leisure, a registered Charity and Social Enterprise, which governs the relationship and the financial terms of participation.

For employees who were previously employed by Bridgend CBC and have been transferred to Halo Leisure, the admission agreement states that at the point of transfer any accrued pension liabilities relating to the members scheme membership prior to the commencement date is assumed to be 100% funded. Halo Leisure will only be responsible for the increase in liabilities from the commencement date with the Council acting as guarantor for the previously accrued liabilities at the point of transfer.

Similarly Awen Cultural Trust is also an admitted body to the Rhondda Cynon Taf Government Pension Fund with the same arrangements as for Halo Leisure. The Council is acting as guarantor for any accrued pension liabilities at the point of transfer of Bridgend CBC staff to the Trust.

Notes to the Cash Flow Statement

34. Adjustments for Non-Cash Movements

| 2016-17 £'000 | | 2017-18 £'000 |
|------------------|---|------------------|
| (24,009) | Depreciation & Impairment of Assets | (24,451) |
| 8,234 | Movement in Stock, Debtors & Creditors | (2,493) |
| (9,140) | Pension Fund Adjustments | (11,810) |
| (185) | Provisions | (536) |
| (6,342) | Disposal of Non Current Asset | (2,389) |
| | - Changes in Fair Value of Investment Property | 350 |
| (31,442) | Adjustments to net deficit on the provision of services for non-cash movements | (41,329) |

35. Operating Activities

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

| 2016-17 £'000 | | 2017-18 £'000 |
|------------------|---|------------------|
| (14,859) | Cash Flow on Revenue Activities | (16,564) |
| 4,578 | Interest Paid | 2,889 |
| 1,460 | Interest element of finance lease and PFI rental payments | 1,412 |
| (929) | Interest Received | (949) |
| (9,750) | Net Cash Flows from Operating Activities | (13,212) |

36. Investing Activities

The cash flows for investing activities include the following items:-

| 2016-17 £'000 | | 2017-18 £'000 |
|------------------|---|------------------|
| 13,881 | Purchase of Property, Plant and Equipment and Investment Property | 29,916 |
| 14,025 | Purchase / (Proceeds) from Short Term Investments | (1,482) |
| (5,292) | Proceeds from sale of Property, Plant and Equipment and Investment Property | (573) |
| 22,614 | Net Cash Flows from Investing Activities | 27,861 |

37. Financing Activities

The cash flows for financing activities include the following items:-

| 2016-17 £'000 | | 2017-18 £'000 |
|------------------|---|------------------|
| (10,200) | Cash Receipts of short and long term borrowing | (5,660) |
| (7,356) | Other Receipts from financing activities | (11,413) |
| 10,210 | Repayments of short and long term borrowing | 4,000 |
| (7,346) | Net Cash Flows from Financing Activities | (13,073) |

Independent Auditor's Report to the Members of the Audit Committee of Bridgend County Borough Council

I have audited the accounting statements and related notes of Bridgend County Borough Council for the year ended 31 March 2018 under the Public Audit (Wales) Act 2004. Bridgend County Borough Council's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet and the Cash Flow Statement. 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 2017-18 based on International Financial Reporting Standards (IFRSs).

Respective responsibilities of the responsible financial officer and the Auditor General for Wales

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 19, the responsible financial officer is responsible for the preparation of the statement of accounts, which gives a true and fair view. My responsibility is to audit the accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the accounting statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Bridgend County Borough Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the responsible financial officer and the overall presentation of the accounting statements and related notes.

In addition, I read all the financial and non-financial information in the Narrative Report to identify material inconsistencies with the audited accounting statements and related notes 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.

Opinion on the accounting statements of Bridgend County Borough Council

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Bridgend County Borough Council as at 31 March 2018 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18.

Opinion on other matters

In my opinion, the information contained in the Narrative Report is consistent with the accounting statements and related notes.

Matters on which I report by exception

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

- adequate accounting records have not been kept;
- the accounting 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;
- the Governance Statement does not reflect compliance with guidance.

Certificate of completion of audit

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

For and on behalf of
Huw Vaughan Thomas
Auditor General for Wales
24 Cathedral Road
Cardiff CF11 9LJ
[18 September 2018]

The maintenance and integrity of Bridgend County Borough Council's website is the responsibility of the Accounting Officer/Client Officer; the work carried out by auditors does not involve consideration of these matters and accordingly auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.



Annual Governance Statement

Annual Governance Statement 2017-18

1. Scope of Responsibility

- 1.1 Bridgend County Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.
- 1.2 The Council has a duty under the Local Government (Wales) Measure 2009 to make arrangements to secure continuous improvement in the exercise of its functions in terms of strategic effectiveness, service quality, service availability, fairness, sustainability, efficiency and innovation.
- 1.3 The Council also has a duty under the Well-being of Future Generations (Wales) Act (WFGA) 2015 to carry out sustainable development, including setting and publishing well-being objectives that are designed to maximise its contribution to achieve each of the well-being goals and take all reasonable steps to meet those objectives.
- 1.4 In discharging its overall responsibilities, the Council is responsible for ensuring that it has proper arrangements for the governance of its affairs and a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.
- 1.5 The Council reviewed its Code of Corporate Governance and adopted the Delivering Good Governance in Local Government Framework, developed by the Chartered Institute of Public Finance and Accountancy (CIPFA, 2016) and the Society of Local Authority Chief Executives (SOLACE). This statement explains how the Council has complied with the Governance Framework and meets the requirements of the Accounts and audit (Wales) Regulations 2014.

2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems, processes and values by which the Council is directed and controlled and the means by which it accounts to, engages with and leads the local community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to make appropriate use and prevent loss of public funds. It also assists with managing the risk of failure to achieve policies, aims and objectives. It does not eliminate all risk; the system of internal control is designed to identify and prioritise risks, evaluate the likelihood of those risks materialising and manage their impact.
- 2.3 The following paragraphs summarise the governance framework and the system of internal control, which has been in place within the Council for the year ended 31 March 2018. The description of the arrangements in place is built around the core principles set out in the Council's Code of Corporate Governance.

2.4. The Governance Framework



3. Review of Effectiveness

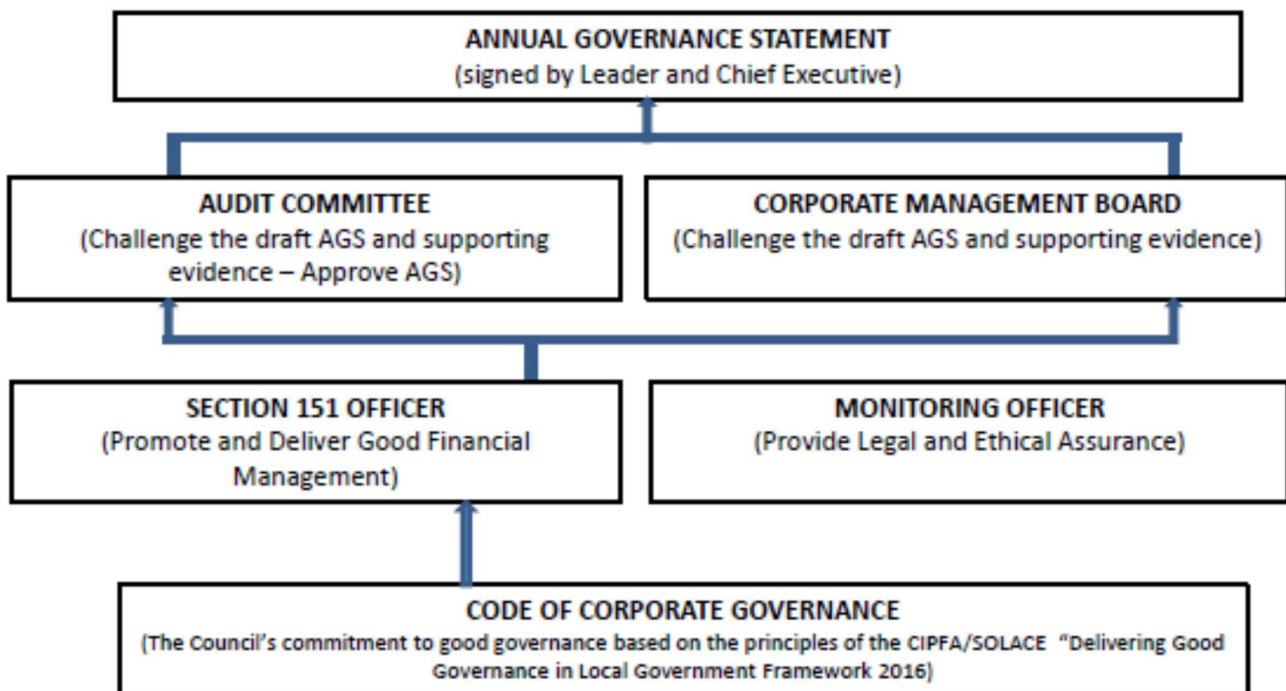
3.1 The control environment comprises the Council's policies, procedures and operational systems and processes in place to:

- Establish and monitor the achievement of the Council's objectives;
- Facilitate policy and decision making;
- Ensure the economical, effective and efficient use of resources;
- Ensure compliance with established policies, procedures, laws and regulations;
- Safeguard the Council's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption.

During 2017-18, core financial and administrative systems were reviewed by Internal Audit either through specific reviews (e.g. Debtors, Council Tax, Housing Benefit, Treasury Management etc.) or generally in the reviews undertaken in respect of Directorate systems. In addition, during the year the South West Audit Partnership on behalf of the Bridgend & Vale Internal Audit Shared Service, carried out an audit of the Council's governance framework as part of the Healthy Organisation Review. On the basis of the audit work undertaken during the year and taking into account all available evidence, the Head of Internal Audit has concluded that "a reasonable assurance level can be applied to standards of internal control at Bridgend CBC for the period stated". The Annual Opinion Report of the Head of Internal Audit for the period April 2017 to March 2018 is available here:

<https://democratic.bridgend.gov.uk/ieListDocuments.aspx?CId=132&MId=2981&Ver=4>

3.2 The Council has responsibility for annually reviewing the effectiveness of its governance framework, including the system of internal control. This is informed by the work of Internal Audit and chief officers within the Council who have responsibility for the development and maintenance of the internal control environment. The Council also draws assurance on its governance arrangements from independent sources and in particular Internal Audit, External Audit and other external regulators. Roles within the Corporate Governance Framework are set out below:



3.3 The following elements are key to the Council in monitoring and reviewing its governance:

- The Constitution, is kept under continual review and sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. It also includes the Codes of Conduct for both members and employees. Whilst the Constitution is required by statute, its content is not fully prescribed. The Council is satisfied that it is consistent with statute, regulations and guidance.
- The Cabinet (as Executive) who are responsible for considering overall financial and performance management. The Cabinet is also responsible for key decisions based on the information provided to them through comprehensive officer reports.
- The Scrutiny function which holds the Cabinet to account. In total there are four Scrutiny Committees. The Corporate Overview and Scrutiny Committee is responsible for maintaining an overview of the Authority's financial performance including value for money. This Committee also co-ordinates the Scrutiny Forward Work Programme and prioritises the work of the three Subject Overview and Scrutiny Committees. The Subject Overview and Scrutiny Committees do not have any specific remits which enable each committee to deal with any topic that is allocated. Scrutiny Committees establish Research and Evaluation panels (including the review of budget proposals); they undertake reviews of specific areas of Council operations and make recommendations to Cabinet for improvement.
- The Audit Committee which provides the focus for reviewing the effectiveness of the system of internal control. Much of this work is primarily based upon reviewing the work of Internal Audit and receiving reports from the Council's external auditors. The Committee met regularly throughout the year and provided independent assurance to the Council in relation to the effectiveness of the risk management framework, internal control environment and governance matters.

- Regulatory Committees (e.g. Licencing, Development Control) are in place to determine matters as defined within the Council's Constitution;

3.4 Requirements of the Local Government (Wales) Measure 2011 included:

- the election of the Chairperson of the Audit Committee by the Audit Committee itself rather than by an appointment by Council;
- the requirement that Audit Committee must have at least one lay-member, a professional representative with no connections to the Council that is able to assist in the role of the Audit Committee. The number of lay-members required to support the committee is being kept under review;
- the appointment of a Head of Democratic Services

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

4.1 The Council has a clear vision, that is, always to act as “One Council working together to improve lives” and is available here: <https://www.bridgend.gov.uk/media/2267/1-corporate-plan-2016-2020-reviewed-for-2017-2018.pdf>

4.2 The Council is committed to the sustainable development principle and the five ways of working provided by the Well-being of Future Generations (Wales) Act 2015. The Council has appointed a Cabinet Member for Well-being and Future Generations. The Council has integrated well-being planning into its corporate and business planning process, as well as incorporated it into the Performance Management Framework.

4.3 Elected members are provided with training in accordance with the Elected Member Learning and Development Strategy which is approved by Council. Topics include code of conduct, declarations of interest and other subjects which clarify the behaviours of elected members. Some training particularly relating to regulatory functions has been identified as “essential” to ensure that Elected Members have a full understanding of their role before they make key decisions.

4.4 During 2017/18 an Ethics Review was undertaken as part of the 2017/18 Internal Audit Risk Based Plan. The work undertaken provided reasonable assurance on the control environment as the Council have key aspects in place to enable them to operate in an ethical manner. However there are areas which could be improved further.

4.5 Conduct of Members is governed by the Members Code of Conduct. The Public Services Ombudsman for Wales monitors complaints and the standards reflect Welsh Government Public Service Values. The Council's Standards Committee can consider alleged breaches of the Code of Conduct. There has not been a referral to the Standards Committee in Bridgend for a number of years. The Monitoring Officer utilises the local resolution protocol approved by the Public Services Ombudsman for Wales.

4.6 All Committees have clear terms of reference that set out their roles and responsibilities and work programmes. The Audit Committee, through its work programme, provides assurance to the Council on the effectiveness of the governance arrangements, risk management framework and internal control environment.

4.7 The Audit Committee helps raise the profile of internal control and risk management within the Council. This enhances public trust and confidence in the financial governance of the Council.

4.8 The Council takes fraud, corruption and maladministration very seriously and has the following procedures and policies in place, which aim to prevent or deal with such occurrences;

- Anti-Fraud and Bribery Policy
- Whistleblowing Policy
- Anti-Money Laundering Policy
- HR policies regarding the disciplining of staff involved in such incidents
- Corporate Complaints Policy
- Social Services Representations & Complaints Procedure
- Financial Procedure Rules
- Contract Procedure Rules

4.9 The Code of Conduct and Secondary Employment Policy for Officers requires employees to disclose any personal interest which may conflict with their duties and seek approval for secondary employment.

5. Principle B – Ensuring openness and comprehensive stakeholder engagement

- 5.1 The Council makes a large amount of information available to its citizens in an open way. Information can be obtained through the Council website and many other publications. The Freedom of Information Act requires the provision of a Publication Scheme. The Scheme has been approved by the Information Commissioner's Office who is responsible for ensuring compliance with the legislation. The Scheme provides a guide to the information routinely made available to the public. Not all the information the Council publishes is detailed in the Publication Scheme. Information that is not published can be requested by making a FOI request. The Council considers all requests under the provisions of the legislation.
- 5.2 All Council meetings are open to the public except where exempt items are discussed. The criteria for exempt information is set out in legislation. All public agendas, reports and minutes are available on the Council's website. Work Programmes with agreed timescales for report, submission, approval by Legal and Finance, publication and distribution aid decision making at a strategic level. This ensures a corporate check on the impact of decisions and also probity both in legal and financial authorisations. The Council implemented a webcasting facility in 2016 which provides live streaming and an archive facility. The number of webcast viewers is monitored and the results are reported to the Democratic Services Committee. Meetings are identified which are considered to be of key public interest and suitable for webcasting. Members of the public and "expert" witnesses can participate by speaking at Overview and Scrutiny Committees similar to arrangements already in place for Development Control Committee.
- 5.3 The Council is committed to understanding and learning from the views of the public and using their feedback to help shape services and policies. There is a consultation and engagement toolkit in place to help managers to ensure consultation activities are robust as well as following legal guidance (Gunning's principles) and Participation Cymru's National Principles for Public Engagement in Wales that have been adopted by the Council. The planning and decision-making processes are designed to include consultation with stakeholders.
- 5.4 The Council has a protocol for the use of Social Media and is available here <https://www.bridgend.gov.uk/my-council/customer-services/our-social-media-policy> The aim of this is to be clear about how the Council will engage with users and manage expectations.
- 5.5 The Authority has made significant steps in its use of the Welsh Language and has implemented the majority of the standards. The Council is negotiating with the Welsh Language Commissioner in relation to implementing the few remaining standards.
- 5.6 The Council has a Citizens' Panel made up of over 1,700 residents aged 16 or over from across the county borough. The panel members agree to take part in several surveys a year on a range

of issues relating to Council services and policies. The Citizens' Panel has helped the Council to understand residents' opinions about the services it provides so as to help improve things in the future. The panel is currently representative of residents aged 25 and over. The consultation team has key performance indicators in place to increase representation of 16-24 year olds, Welsh speakers and disabled residents, as well as indicators to increase representation across each ward to a minimum 1 per cent.

- 5.7 Social media is used to promote services and engage with the public. Targeted paid advertising and Q&A sessions/debates are undertaken to raise awareness of and drive responses to consultation exercises, and to capture citizens' feedback. The use of social media has been successfully used as part of the "Shaping Bridgend's Future" consultation. In line with its commitment to the Welsh Language Standards, the Council introduced bilingual social media accounts in December 2017.
- 5.8 Increasingly, surveys are being made available on desktop, tablet and mobile formats to increase the likelihood of residents responding. The Council has a database of over 1,650 residents who are interested in receiving HTML emails regarding key consultations within the Borough.
- 5.9 Citizens' Panel members and residents who opt to receive key consultation updates are sent engagement details on projects that may be of interest to them. Bridgend Business Forum members, the Youth Council and the Bridgend Equality Forum are all invited to share their views (when relevant) to improve representation.
- 5.10 There is regular communication with staff through managerial arrangements which is supplemented by Bridgend's, Bridgend's emails and staff newsletter as well as updates by the Chief Executive.
- 5.11 HR officers have a monthly timetable of meetings on organisational restructures as well as ad hoc issues to which local and regional trade union officers are invited. Cabinet members are invited on a bi-monthly basis. The model is successful in maintaining good relationships with both trade unions and employees respectively.
- 5.12 The Council operates both a Corporate Complaints Procedure and a Social Services Representations & Complaints Procedure which helps to identify areas where service quality is not satisfactory, and to take action to improve where relevant. Complaints can be made electronically, in writing and, for Social Services, can also be made verbally. The Council has set target times for responding to all complaints received to ensure that the complaint is dealt with in a timely manner and to ensure accountability. Both the operation of the Corporate Complaints Policy and report on Social Services Representations are reported annually to Cabinet.
- 5.13 The Public Services Ombudsman for Wales reports on each Council in Wales on the number of complaints received and investigated. In July 2017 the Council received its Annual Letter for 2016-17. The letter noted an increase in the number of complaints received, 44 in 2016-17 compared to 38 in 2015-16. The comparative figure for the local authority average was 39 for 2016-17 (41 for 2015-16). Two investigations were commenced by the Ombudsman in 2016-17. The Annual Letter noted that Children's Social Services was the biggest single area of complaints, followed by Housing. One S16 report was issued upholding the complaint, 4 complaints were settled by early resolution, 10 were closed after initial consideration, 18 were premature and 9 out of jurisdiction.
- 5.14 The Council is one of four statutory members of Bridgend Public Services Board (PSB), whose role is to sustain and improve the economic, social, environmental and cultural well-being of Bridgend County by engaging and working collaboratively and strengthening joint working across the county's public services. The Board also includes "Invited Participants". The work of

the PSB can be found at Public Services Board - Bridgend County Borough Council: <https://www.bridgend.gov.uk/my-council/council-priorities-and-performance/bridgend-public-services-board/>

- 5.15 In 2017 to 2018 the PSB used the Wellbeing Assessment published in April 2017 to develop four wellbeing objectives which are included in the Wellbeing Plan for Bridgend County. The Plan will be published in May 2018. During the year the PSB has developed a partnership structure comprising of 5 sub boards. The boards are responsible for ensuring wellbeing objectives are met. Each board will report progress to PSB at least twice a year.

6 Principle C – Defining outcomes in terms of sustainable economic, social, and environmental benefits

- 6.1 The Council's Corporate Plan sets out three corporate priorities - the long term outcomes that the Council wants to achieve. These priorities, reviewed each year, are the Council's improvement objectives under the Local government (Wales) Measure 2009 and wellbeing objectives under the Well-being of Future Generations (Wales) Act 2015. The Plan has also embedded the Council's wellbeing statement, required by the Act, into the document, and sets out how our priorities link to the seven national wellbeing goals.
- 6.2 The vision, principles and improvement priorities set out in the Corporate Plan give the direction for the development of Directorate Business Plans. The Corporate Plan identifies a number of indicators, which are aimed at measuring the success of our outcomes and evidence our joined up working with citizens and partners, as well as providing a measure of performance. These are reported to the Corporate Performance Assessment (CPA) panel on a regular basis and subject to scrutiny on a bi-annual basis. An annual report on the Council's performance is also produced for the general public.
- 6.3 Alongside the Corporate Plan, the Council approved a Medium Term Financial Strategy (MTFS) for the period 2017-18 to 2020-21 available here: <https://www.bridgend.gov.uk/media/2233/budget-book-2017-to-18-and-medium-term-financial-strategy.pdf>. The MTFS provides an integrated planning and financial framework for the next four years, including the detailed budget strategy for the next financial year. This enables the Council to align its financial resources with its new priorities. Quarterly budget monitoring reports are submitted to Cabinet and to the Corporate Overview Scrutiny Committee.
- 6.4 The Council works collaboratively with a number of partners providing joint services to maximise efficiencies and improve outcomes for our citizens. Key collaborations include: Shared Regulatory Service, Central South Consortium, HALO, Awen, Coychurch Crematorium and Western Bay. Connections are now being made with colleagues in the Cwm Taff region in light of the consultation on the potential health board boundary change which could result in Bridgend County moving to Cwm Taf University Health Board. These partnerships are initially monitored by those elected members appointed by Cabinet / Council to represent the Council's interests on the outside body.
- 6.5 The Corporate Overview and Scrutiny Committee also receive reports from Council partners which enable Elected Members to monitor the governance arrangements and the outcomes being delivered. The Council is leading on the joint scrutiny of the Cardiff Capital Region City Deal, with terms of reference for the Committee yet to be agreed. The Council is also working with the Centre for Public Scrutiny (CfPS) to develop the effectiveness of its scrutiny of the Public Services Board.
- 6.6 During 2017-18 the Council consulted on a range of issues engaging with the public on the goal of delivering sustainable services which included Shaping Bridgend's Future, Public Service

Board and Remodelling Childrens Services. The Shaping Bridgend's Future consultation included a presence at community events and an online survey among other activities which captured the views of the public on how the Council aims to change particular areas of service delivery and the financial consequences of doing so.

7.0 Principle D – Determining the interventions necessary to optimise the achievement of the intended outcomes

- 7.1 In the Medium Term Financial Strategy 2017-18 to 2020-21, 7% of budget reductions identified over the 4 year period were identified as coming from collaboration and service transformation. Council agreed that collaboration should focus on projects which have the potential to generate the greatest benefit, make a clear contribution to the Council's corporate priorities and result in a clear service benefit. In the recently published consultation Green Paper "Strengthening Local Government, Delivery for People", the Welsh Government sets out its ambitions for local government. It presents options which could lead to larger and more sustainable local authorities in Wales which could deliver effective and sustainable public services going forward. Whilst the authority is already operating collaboratively in a number of these service areas, the Council continues to explore areas where joint working can be progressed and awaits the outcome of the consultation, which could lead to mergers between authorities and lead to the creation of fewer local authorities which are larger, stronger and more powerful.
- 7.2 The budget approved for 2017-18 included savings proposals of £5.852 million (2.71% of net service budgets). However, at year end, £1.840 million of these proposals were still not realised, but the expenditure associated with them had in some instances been offset by vacancy management and other savings elsewhere within the budget. The impact of this is that there is still a recurrent pressure on 2018-19 budgets which will need to be addressed by implementing the proposals or identifying and delivering alternatives. Future monitoring reports will review achievement against these targets in addition to current year budget reductions.
- 7.3 The Council operates a category management approach to procurement. This strategic approach enables the authority to focus and organise procurement resources on specific areas of spend. Category specialists are able to focus their time and conduct in depth market analysis to fully leverage procurement decisions on behalf of the Council. The results can be significantly greater than traditional transactional-based purchasing methods. The corporate procurement unit also utilises and promotes collaborative frameworks.
- 7.4 The Committee Administrative system is used to automate many of the administrative duties in respect of elected members and the formal decision making process. The system aids decision making, enables the tracking of actions and monitoring of decisions and provides a web-based decision register.
- 7.5 The asset management plan and capital strategy plan ensures investment is linked to strategic objectives and outcomes. The capital strategy demonstrates that the Council takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability. It also sets out the long term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes. Strong links exist between the capital planning process, regeneration and asset management planning. The capital planning process is an integral part of the MTFs and links with the revenue budget planning process to ensure that options for the most cost effective service provision are properly considered. The Council will revise its capital strategy during 2018-19 to

reflect the requirements of CIPFA's recently revised Prudential Code for Capital Finance in Local Authorities.

- 7.6 The Council has a range of projects and programmes in progress to support the delivery of the improvement priorities to support changes throughout the Council. The Corporate Programme Management Board (PMB) oversees the implementation of those programmes and projects, including the School modernisation programme, remodelling of Adult and Children's services, Digital Transformation and strategic collaboration projects such as the City Deal to deliver change. Projects and programmes have their own governance arrangements and these are documented in a project initiation document or terms of reference.
- 7.7 The Remodelling Social Care Programme Boards remain. Work has been completed in both Children's and Adult Social Care to make sure that there is one point of contact for people who require our help in line with the new way of working laid down by the Social Services and Wellbeing (Wales) Act to provide information, advice and assistance.
- 7.8 In Adult Social Care the assessment framework, has been changed in line with the Act, in order to improve the outcomes for people who need care and support, whilst also reducing the numbers of people who require long term support.
- 7.9 The new Multi-Agency Safeguarding Hub (MASH) will see staff from adult and children's social care, South Wales Police, education, housing, substance misuse, probation, health, early help services and the Wales Community Rehabilitation Company working together in partnership to provide effective safeguarding services for children, young people and adults. Coinciding with the implementation of the Social Services and Well Being (Wales) Act 2014, the Bridgend MASH will enable earlier, higher-quality information sharing, analysis and decision-making to take place.
- 7.10 Outcome / performance measures are set and used to assess intended outcomes as per the Corporate Plan and in line with available resources. These are monitored throughout the year via CPA and Scrutiny. Quarterly financial monitoring is reported to Cabinet and Scrutiny.

8.0 Principle E - Developing the entity's capacity, including the capability of its leadership and the individuals within it

- 8.1 The Council aims to ensure that the roles and responsibilities for governance are defined and allocated so that accountability for decisions made and actions taken are clear. It operates a Leader and Cabinet system which:
- The Council sets the overall budget and appoints the Leader of the Council. The Leader appoints members of the Cabinet and announces the Deputy Leader and the portfolio of Cabinet Members, details of which are published on the website;
 - In the case of executive functions which are not exercised by Cabinet as a whole, functions may be discharged by: -
 - a committee of the Cabinet;
 - an individual member of the Cabinet;
 - an officer;
 - an area committee;
 - joint arrangements; or
 - another local authority

Clear arrangements are in place to record decisions made by Cabinet Members and officers under delegated powers.

- 8.2 There is a Standards Committee to promote and maintain high standards of conduct by Town and Community Councillors and County Borough Councillors, lay members, co-opted members and Church and Parent Governor Representatives.
- 8.3 The Council aims to ensure that members and officers of the Council have the skills, knowledge and capacity they need to discharge their responsibilities as outlined in their job/role descriptions. New members and staff are provided with an induction to familiarise them with protocols, procedures, values and aims of the Council.
- 8.4 The Council's Chief Executive (as Head of Paid Service) leads the Council's officers and chairs the Corporate Management Board (CMB). The Corporate Director, Operational and Partnership Services is also the Monitoring Officer appointed under Section 5 of the Local Government and Housing Act 1989. The Head of Finance has been nominated as the Council's Section 151 Officer, as required by the 1972 Local Government Act, and carries overall responsibility for ensuring that the Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). The Corporate Director, Social Services and Wellbeing is statutory Director for Social Services, as defined by the Local Authority Social Services Act 1970, which outlines the six core responsibilities across all the Social Services functions, including ensuring that the Council has proper safeguards to protect vulnerable children and adults. The Corporate Director – Social Services and Wellbeing holds line management responsibility for the social care functions for children and adults which enables the new ways of working laid down by the Social Services and Wellbeing (Wales) Act 2014 to continue to be embedded within the service. The Corporate Director – Education and Family Support is the Chief Education Officer, as prescribed by the Education Act 1996 and statutory Director for Children and Young People, as defined by the Children Act 2004.
- 8.5 Organisational structures in respect of Member responsibility and Directorate portfolios are contained within the constitution and are available on the BCBC website. The Council has adopted the WLGA model of role descriptions for all committee Member and Chairpersons, including the Audit Committee. These have been adapted to reflect the specific roles undertaken in the Council, which enables members to better understand their role and identify any further support or training that they may require to carry out their duties effectively. This will increase the ability of Audit Committee members to analyse, monitor and challenge the effective performance of the Council.
- 8.6 There is an Elected Member Learning & Development Strategy 2017-22, which provides a framework for supporting elected members in the roles that they are required to undertake. The Strategy helps members to develop and strengthen their ability to be confident and effective political and community leaders and can be found here: <https://democratic.bridgend.gov.uk/documents/s13931/171129%203%20Elected%20Member%20Learning%20Development%20Strategy%20Appendix%201.pdf?LLL=0>: Council has agreed to work towards achieving the WLGA Charter for Member Support in September 2018.
- 8.7 The Member Development Programme is regularly reviewed to ensure that any training activities are appropriate, relevant and timely. In 2017-18, training was provided for Elected Members on the WFG Act 2015, enabling Members to consider the WFG Act in the scrutiny and making of decisions. Elected Members also received training on performance management to help them take a whole systems approach in accordance with the Council's performance management framework when discharging their scrutiny duties. In addition, the Council encouraged attendance at the WAO event "The role of scrutiny in relation to the WFG Act". All Elected Members were offered training on Treasury Management to assist them in scrutinising the Annual Treasury Management Strategy of the Council. The effectiveness of member

training in relation to school performance data has been recognised by Estyn, which noted that training provided to elected members increased their understanding. Members have a key role to play in safeguarding children and adults at risk. Members have been able to access training to further their understanding of their responsibilities in relation to safeguarding children and adults. The training considered safeguarding within the context of the Social Services & Wellbeing (Wales) Act 2014.

- 8.8 The Council takes a pragmatic approach to delegation of powers for decision making, enabling lower level decisions to be subject to “calling to account” but not “call in” by scrutiny. The scheme is reviewed in detail regularly, updated to reflect any changes in legislation and to the corporate structure and is published to the intranet. The Authority is informed of any changes that have been made using Bridgenders messages. Delegated powers and limits are clearly set out as are the use of sub delegations enabling effective and timely decision making. The Councils Scheme of Delegation has now been published on the BCBC website to provide greater transparency of the Council’s decision making processes.
- 8.9 The Corporate Plan and the Medium Term Financial Strategy (MTFS) set out a significant change agenda that will have an impact on how the Council’s priorities are taken forward, and the way in which services will be delivered in the future. The Workforce Plan recognises that the Council’s ability to meet these challenges will depend on strong leadership, management of change and effective planning and deployment of employees’ skills and expertise against the backdrop of a reducing workforce.
- 8.10 The following workforce priority areas have been identified within the Plan and actions are set and monitored on an annual basis to progress these:
- Implementing new organisational structures and change to affect new ways of working
 - Maximising skills and performance of the existing workforce to allow greater flexibility
 - Developing responses to recruitment and retention issues
 - Supporting the Council in reducing levels of sickness absence and supporting the health and wellbeing of employees
- 8.11 Officer performance is reviewed through the Council’s Employee Appraisal process, which provides a framework for employees and managers to discuss work performance and behavior, as well as learning and development needs
- 8.12 The corporate learning and development provision comprises targeted face to face training and a range of learning resources available on the Corporate Learning and Development Website. Training for managers to assist them fulfil their line management responsibilities has been prioritised. This commitment is further evidenced through the provision of externally funded accredited training (at level 4 and 5) which has been made available to all managers.
- 8.13 The Corporate Health and Safety policy, protocols and guidance are developed in consultation with stakeholders and regularly reviewed to ensure they remain in line with statutory duty, current best practice and reflect the needs of the organisation. The Health and Safety policy is approved by Cabinet.

9.0 Principle F – Managing risks and performance through robust internal control and strong public financial management

- 9.1 All decisions made by the Cabinet are taken on the basis of written reports, including assessments of the legal, financial, and equalities implications. Consultation (including with ward members when appropriate) is a routine part of the process.

- 9.2 The decision-making process is monitored by four Overview and Scrutiny Committees, which support the work of the Council as a whole. The Council's constitution provides for the Chairs of these committees to be appointed based on the political balance of the elected members forming the Council. The members of a Scrutiny Committee can "call in" a decision that has been made by the Cabinet but not yet implemented. They may recommend that the Cabinet reconsider the decision. They may also be consulted by the Cabinet or the Council on forthcoming decisions and on the development of policy.
- 9.3 Other decisions are made by Cabinet Members individually or by officers under delegated powers. The authority to make day-to-day operational decisions is detailed within the Schemes of Delegation.
- 9.4 Policies and procedures that assist the governance of Council's operations include those set out under the Governance Framework. All managers have responsibility to ensure compliance with these policies.
- 9.5 The Council has developed a robust approach to the management of risk. The Corporate Risk Management Policy is aligned with Directorate Business Plans and the Council's performance management framework. All risks identified are assessed against the corporate criteria.
- 9.6 Risks are viewed from both a Service and Council-wide perspective which allow the key risks to be distilled in the Corporate Risk Register. Key corporate risks are monitored at the highest level within the Council, including Cabinet, Senior Management Team, Programme Management Board, CPA Overview and Scrutiny Committees and Audit Committee. The Council's approach ensures that key risks are considered when determining Council priorities, targets and objectives and are incorporated in Directorates' Business Plans. The main risks facing the Council that were identified during 2017-18 are set out in the Council's Corporate Risk Register which can be accessed here:
<https://democratic.bridgend.gov.uk/documents/s14781/Schedule%20B%20-%20Corporate%20Risk%20Assessment.pdf>
- 9.7 In 2017, the Council reviewed and simplified its Performance Management Framework to reflect the Council's current practice, in particular, the "one council" approach, and make it more meaningful for the users. The reviewed Performance Management Framework is accessible here: <https://www.bridgend.gov.uk/media/2281/bcbc-performance-management-framework-2017-version.pdf>.
- 9.8 The Corporate Performance Assessment (CPA) is undertaken on a quarterly basis and is attended by Cabinet Members, CMB, and Heads of Service. The purpose of the CPA is to oversee the Council's performance as defined by the Corporate Plan, challenging areas of poor performance and risks to delivery, whilst also identifying service improvement opportunities and associated resource implications. When necessary, the CPA may monitor progress against relevant national and collaborative initiatives.
- 9.9 The Council has a Corporate Health and Safety Steering group comprising elected members, directorate health and safety champions and trade unions. Health and safety objectives are incorporated into all corporate and directorate business plans and linked to the Corporate objectives. Directorates are required to maintain risk registers of current significant risks within their services.
- 9.10 The Council is committed to demonstrating due regard to the Equality Act 2010 and the Public Sector Equality Duty. It published its Strategic Equality Plan 2016-2020 on 1 April 2016. The plan outlines the Council's approach to ensuring equality of opportunity for customers, citizens, residents and visitors and seeks to ensure that Bridgend County Borough is a fair and welcoming place to be. The plan has been written based on what we know about our services

and on the views and needs of Bridgend County Borough citizens and the people who use them. The Council has a duty to publish Strategic Equality Plan annual reports with the most recent going to Cabinet Equalities Committee in March 2018. The annual reports review and reflect on previous work and outline progress made by the Council on each of its equality objectives and themes. Heads of Service and Senior Service Managers are responsible for ensuring the actions in the Strategic Equality Action Plan are achieved. Updates are provided to the Cabinet Equalities Committee and to the Bridgend Equality Forum. Committee and Council reports requiring a policy decision are supported by equality impact assessments.

10.0 Principle G – Implementing good practices in transparency, reporting, and audit, to deliver effective accountability

- 10.1 Annual council meet in May of each year to establish Committees, their size and allocation of seats based on political balance. Terms of reference and each committees decision making powers are set out in the Councils Constitution.
- 10.2 The Corporate Plan and Annual Report is published annually on the Council's website, is approved by Members through the normal democratic process, is communicated to staff and is available in key public buildings for citizens to read. Performance data is also published on the Web, to support the Council's achievements in delivering its improvements for the year. Notifications for the Corporate Plan and the Annual Report are published on the website and the local gazette annually.
- 10.3 The financial management of the Council is conducted in accordance with all relevant legislation and the Constitution. In particular, the Financial Procedure Rules, Contract Procedure Rules and the scheme of delegation provide the framework for financial control. The Section 151 Officer has responsibility for establishing a clear framework for the management of the Council's financial affairs and for ensuring that arrangements are made for their proper administration. As part of its performance management framework, the Council links the strategic planning process with the budget process and ensures alignment between them, facilitating the allocation of resources to corporate priorities. This work informs the production of the statutory annual Statement of Accounts.
- 10.4 The Council's Performance Management Framework continues to guide the Council's integrated Corporate, business and financial planning and performance management processes and practice. The Framework is structured around the "Plan, Do, Review, Revise" model. In 2017-18, Cabinet and CMB led the development of the Council's new Corporate Plan 2018-2022, the MTFs for the next four years, and directorate business plans to implement the Corporate Plan and the MTFs. Members and officers were part of that process. While holding Cabinet and CMB to account, the Council's Scrutiny Committees provided challenge, scrutiny and recommendations.
- 10.5 The Council continues to improve and strengthen its performance management arrangements to make them fit for purpose, including further development of the Corporate Performance Assessment (CPA), which has been recognised by the WAO Corporate Assessment as "positive practice Service specific challenges (sort of "mini CPA"), championed by the Chief Executive, were introduced during the year. Those "mini CPAs", focusing on service specific performance and issues, have proved to be effective in driving service improvement. Chairpersons of the Council's Scrutiny Committees joined the CPA panel, adding a new dimension to the self-assessment process.
- 10.6 Social Services is a regulated service area and there is an annual programme of inspection carried out by the Care Inspectorate Wales (CIW). In addition, regular performance review

meetings are held with CIW which ensure regulatory requirements are met and that significant service developments, challenges, workforce, performance and consultation activity is discussed.

- 10.7 There was an inspection of children's social care during January/February 2017, which focused on how children and families are empowered to access help and care and support services and on the quality of outcomes achieved. The inspection also evaluated the quality of leadership, management and governance arrangements in place to develop and support service delivery. A report to Cabinet in July 2017 included the findings and an action plan to progress the recommendations and is available here:
<https://democratic.bridgend.gov.uk/documents/s12385/1a%20CSSIW%20Inspection%20of%20Childrens%20Services%203%203.pdf>
- 10.8 The Statutory Director of Social Services annual report 2016-17 was submitted to CIW, who confirmed that the annual report was people friendly, balanced and thorough and that BCBC was reaping the benefits of transformation and remodelling social care. CIW recognised the challenges of the MTFs and the potential boundary change.
- 10.9 Internal Audit completed a programme of reviews in accordance with the Annual Audit Plan for 2017-18. As part of the normal audit reporting process, recommendations to address any issues that could impact upon the system of internal control were made and agreed with the relevant chief officers. The internal audit arrangement enables the Chief Internal Auditor to provide an opinion on the internal control, risk management and governance arrangements. In addition, Internal Audit undertakes fraud investigation and is proactive in fraud detection work. This includes reviewing the control environment in areas where fraud or irregularity has occurred. Any significant weaknesses in the control environment identified are reported to senior management, the Audit Committee and Cabinet as appropriate.
- 10.10 Internal Audit also provides independent and objective assurance. It undertakes a continuous audit of Council services that are assessed and prioritised according to relative risk. This risk assessment draws upon the corporate and service risks identified as part of the Service planning process. During 2017-18, in carrying out its duties, Internal Audit worked to the Public Sector Internal Audit Standards (PSIAS). The PSIAS is applicable to all areas of the United Kingdom public sector and is based on the Chartered Institute of Internal Auditor's (CIIA's) International Professional Practices Framework. In accordance with the Public Sector Internal Standards the Internal Audit Shared Service underwent an external assessment, which was agreed by the Council's Audit Committee. Following a procurement exercise, CIPFA were commissioned to undertake the assessment which commenced at the end of January 2017 and concluded in February 2017. The outcome of the assessment was reported to the Council's Audit Committee on 27 April. It indicated that the assessment had identified no areas of non-compliance with the standards that would affect the overall scope or operation of the internal audit activity. A number of recommendations were made and all have now been actioned.
- 10.11 The Head of Internal Audit has found that Bridgend County Borough Council is committed to the principles of good governance and as a result has adopted a formal Code of Corporate Governance (COCG) for the last seven years. In 2017-18, the Council's financial management arrangements were found to be conforming to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).
- 10.12 For 2016-17, the Auditor General undertook improvement assessment work at all councils under three themes: governance, use of resources, and improvement planning and reporting. For some Councils, local risk-based audits were also carried out. (The Auditor General's audit work for 2017-18 is yet to be completed.)

- 10.13 The Wales Audit Office undertook the following individual projects under the above mentioned themes for Bridgend County Borough Council during 2016-17:
- Good governance when determining service changes
 - Annual audit letter 2015-16, under the Public Audit (Wales) Act 2014
 - Savings planning
 - Corporate assessment follow up
 - Annual improvement plan audit
 - Annual assessment of performance audit
- 10.14 The Auditor General's overall conclusion is that the Council is meeting its statutory requirements in relation to continuous improvement, and that based on the work carried out by the WAO and relevant regulators the Council is likely to comply with the requirements of the Local Government Measure (2009) during 2017-18.
- 10.15 The Auditor General's **Annual audit letter**, which formed part of his Annual Improvement Report 2016-17 about the Council confirmed that "the Council complied with its responsibilities relating to financial reporting and use of resources".
- 10.16 Headline findings of the Auditor General's Annual Improvement Report about the Council is accessible here: <http://www1.bridgend.gov.uk/media/484852/bridgend-annual-improvement-report-2016-eng.pdf>. The Action Plan for any identified improvement issues is set out in Appendix A. In addition the 2018 Audit Plan considered by Audit Committee in April 2018 is available here: <https://democratic.bridgend.gov.uk/documents/s15237/457A2018-19%20BCBC%202018%20Audit%20Plan%20Final.pdf> and sets out a number of identified areas of risk which have been considered by WAO as significant and therefore require special audit consideration.

12. Significant Future Challenges

- 12.1 Across the whole of the United Kingdom, local councils are facing unprecedented challenges following reduced Government funding and increased demands on essential services. Between 2017-18 and 2020-21, the Council is expecting to have to make budget reductions of £32.8 million. Budget cuts of this scale present a significant challenge that will require the Council to make many difficult decisions about which services can be maintained and which cannot. It will mean that "business as usual", however well managed, will not be enough. The challenge will be to consider alternative delivery models for services across the Council and this will be essential to mitigate the impact of cuts and assist in continuing to provide priority services. It is necessary to ensure that the control environment, including governance and risk management, remains robust, proportionate and as efficient and effective as possible.
- 12.2 The Council remains unwavering in its commitment towards improving and finding ways of delivering local services, providing better outcomes for residents and achieving savings that will ensure they can deliver a succession of balanced budgets.
- 12.3 During the year, either specific reviews (e.g. Debtors, Council Tax, Housing Benefit, Treasury Management etc.) or general reviews were undertaken in respect of Directorate systems. Due to resourcing issues within Internal Audit, the number of audit days delivered fell short of those proposed. In order to partly address this, audit work was commissioned from the South West Audit Partnership who undertook an Ethics Review and a Healthy Organisation Review focusing on five of the eight corporate themes (Governance, Risk Management, Commissioning & Procurement, Programme & Project Management and Information Management). This review

indicates an overall High Assurance opinion, although SWAP were unable to form a conclusion on Information Management as they were not provided with the evidence needed to complete their work at the time of the Audit. Based on the internal audit work carried out for the year 2017-18, the Head of Internal Audit concluded that the Council's framework of governance, risk management and control is considered to be reasonable and that "there are no significant cross cutting internal control weaknesses identified which would have an impact on the Council's Annual Governance Statement".

13. Certification of Annual Governance Statement

Steps to address and mitigate the matters referred to the Action Plan below will be taken to further enhance our governance arrangements.

Signed:

Chief Executive Officer 

Date 30.5.18

Leader of the Council 

Date 30 05 18

Action Plan for any Identified improvement issues identified from 2016-17

| Identified from | Issue and Description | Progress |
|---|---|---|
| 2016-17 – Corporate Performance | The Performance Management Framework was to be reviewed to incorporate the requirements of the WFG(Wales) Act 2015 | The revised Performance Management Framework which incorporated the requirements of the WFG (Wales) Act 2015 was approved and adopted by Cabinet in October 2017 |
| 2016-17 – Corporate Performance | It was identified there was a need to promote the new Code of Corporate Governance and WFG (Wales) Act 2015 to ensure they underpin everything the Council does | The new Code was approved and adopted by Cabinet. Training on the Act to Members was provided. Training to Officers has been planned and an e-learning module is being developed. |
| 2016-17 – Democratic Services | To improve transparency and access to Council information, an exercise was to be undertaken to update and publish the Cabinet Forward Work Programme on the website. The scheme of delegation was also to be published | The Council has published its Forward Work Programme for Cabinet, Council and Scrutiny on its website for the period 1 Jan 2018 – 30 April 2018. The programmes are scheduled for review on a quarterly basis to cover those topics being considered by Cabinet and Council during the subsequent 4 month period. Further work is being undertaken to harmonise procedures for the Scrutiny work programmes. |
| 2016-17 – CIPFA Delivering Good Governance in Local Government Framework 2016 | The working group producing the Annual Governance Statement would work together to review the Council's Code of Corporate Governance to reflect the CIPFA new principles 2016 | A review of the Code of Corporate Governance and its Governance Framework was undertaken and approved and adopted by Cabinet in June 2017. |
| 2016-17 – WAO Financial Resilience Report | Council recognised that it needed to put measures in place to respond to the recommendations within the Financial Resilience Report and ensure that financial planning arrangements were strengthened with more robust savings, delivery plans and implementation timescales. | Budget Reduction Proposals are reviewed by Directors and the S151 Officer prior to the start of the financial year to ensure they are still deliverable within the timescales agreed. Directors provide information on any issues or risks preventing achievement, and any action that can be taken to mitigate potential non-achievement. These proposals are then monitored as part of the formal budget monitoring process and reported accordingly, with action taken where necessary to prevent overspend. |

| | | |
|------------------------------|---|---|
| Audit Committee – April 2018 | The 2016-17 Housing Benefit subsidy audit identified a number of processing issues which affected the accuracy of the subsidy claim. The main issues were in relation to the recording of rent (increases/services charges) and the treatment of earned income and occupational pensions. | Identified errors were immediately corrected with overpayments recovered where permitted by the Housing Benefit regulations, and underpayments paid accordingly. Further actions are planned for 2018-19, in order to improve accuracy. |
|------------------------------|---|---|

Action Plan for any recommended or identified areas for improvement for 2017-18

| Identified from | Issue and description | Progress within the year |
|--|--|---|
| May 2017 – WAO Good Governance when determining Significant Service Changes Report | The Council should resolve how it will embed the sustainable development principle into decision-making | Elected Members have been offered training for the WFG (Wales) Act 2015 to ensure that sustainable development is included in all aspects of decision making. An e-learning package is being finalised, which will enable officers to undertake a sustainable development assessment to support the decision making process. |
| May 2017 – WAO as above | The Council should clearly set out how the impact of service changes will be monitored at the point of decision, with a clear set of criteria and a detailed options appraisal process considered when producing Council's decision reports | The Well-being of Future Generations Assessment Form ensures that the five ways of working and the seven Wellbeing Goals are considered as part of the decision making process. Use of the revised template will enable any potential impacts of service changes to be identified and proposals to maximise any positive impacts or minimise any negative impacts to be provided as necessary. |
| May 2017 – WAO as above | That the Scrutiny Forward Work Programme is not easily accessible on the website and that the website search function for officer and member decisions was not working properly There were no links to items pre 2014. This limits transparency and access arrangements. | A scrutiny mini-site has been created which includes its Forward Work Programme and can be accessed here: https://www.bridgend.gov.uk/my-council/democracy-and-elections/overview-and-scrutiny-committees/forward-work-programme/ The Corporate website is being redesigned and will be relaunched. As part of this process improvements will be made to the search facilities which will increase transparency and access. |

| | | |
|---|--|---|
| Audit Committee April 2017 (Committee resolution) | Committee considered the Internal Audit Outturn Report, including the Head of Audit's annual opinion and in doing so, expressed its concern at the vacancy rate of 50% and that it wished to consider the review of resources in internal audit at a future meeting as part of setting the Internal Audit Plan. | This action was completed in November 2017 with a report presented to the Audit Committee. |
| Audit Committee April 2017 (Committee resolution) | Committee considered it needed to exercise caution in approving the Audit Plan and expressed concern at the lack of staff resources in Internal Audit could have on achieving the set targets. The seriousness of the situation had been recognised by the Service and an amended draft Internal Audit Strategy and draft Annual Risk Based Audit Plan for 2017-18 was to be brought to the next meeting of the Committee taking account of the concerns raised. | With the exception of the IASS Charter which is scheduled for the Audit Committee meeting to be held in April 2018 the actions have been completed. |
| WAO Corporate Assessment | The Corporate website has received a 1 star rating, with work needed to upgrade and redesign and website. | The Corporate website is being redesigned The new website is planned to be launched to the public in the late spring of 2018. |
| 2017-18 Chief Executive | Identified the need to ensure that key policies and procedures are subject to a regular review process and / or in line with statutory timescales | |

Glossary Of Terms

Accrual

An accrual is a sum shown in the accounts representing income or expenditure for the accounting period but which was not actually received or paid as at the date of the balance sheet.

Actuary

An actuary is a person who works out insurance and pension premiums, taking into account factors such as life expectancy.

Amortisation

Reduction in value of capital expenditure which has not created an asset, through charges to revenue.

Audit

An audit is an independent examination of the Council's accounts.

Balance Sheet

This is a statement of our assets, liabilities and other balances at the date of the end of the financial year, 31 March.

Budget

A budget (or estimate) is a plan of income and spending, based upon which council tax is set. Actual expenditure and income is subsequently monitored against this plan.

Capital expenditure

Capital expenditure is spending on fixed assets. These are assets that will be used for several years in the provision of services and are items such as buildings, equipment and vehicles.

Capital Adjustment Account

This is money set aside in the Council's accounts for capital spending and to repay loans.

Capital receipt

Capital receipts are proceeds from the sale of fixed assets such as land or buildings.

Cash flow Statement

This is a statement that summarises the movements in cash during the year.

Comprehensive Income and Expenditure Statement

This account records day-to-day spending and income on items such as salaries and wages, running costs of services and the financing of capital expenditure.

Contingent liabilities

A Contingent Liability is a possible obligation that arises from past events and whose existence will be confirmed by the occurrence of uncertain future events.

Corporate and Democratic Core (CDC)

CDC is a service defined by the Best Value Accounting Code of Practice representing costs relating to Member activity (Democratic Representation and Management) and costs that provide the infrastructure to ensure that services can be provided (Corporate Management).

Creditor

A creditor is an organisation / someone owed money by the Council at the end of the financial year for goods / services received during the financial year or previous years.

Current assets

These are short-term assets that are available for the Council to use in the following accounting year.

Current liabilities

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

Debtor

A debtor is an organisation / someone who owed the Council money at the end of the financial year for goods / services received during the financial year or previous years.

Delegated schools balances

Under the Local Management of Schools provisions, any balances accrued at year end are delegated to individual schools. These funds are held outside of the Council's Council Fund balances.

Depreciation

Depreciation is the estimated loss in value of fixed assets that are presented in the Balance Sheet.

Earmarked reserves

These are reserves set aside for a specific purpose.

Escrow account

Escrow is a legal arrangement whereby money is delivered to a third party (called an escrow agent) to be held in trust pending a contingency or the fulfillment of a condition or conditions in a contract.

Expenditure and Funding Statement

This statement brings together local authority performance reported on the basis of expenditure measured under proper accounting practices with statutorily defined charges to the Council Fund.

Financial Year

This is the accounting period. For local authorities it starts on 1 April and finishes on 31 March of the following year.

Finance leases

Finance leases are used to finance purchases where the Council takes on most of the risks associated with owning the asset.

Government grants

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in form of cash or transfers of assets to a Council in return for past or future compliance with certain conditions relating to the activities of the Council.

International Financial Reporting Standard (IFRS)

Financial regulations to be followed as set by the Accounting Standards Board (ASB).

Inventories

Inventories are raw materials purchased for day to day use. The value of these items that have not been used at the end of the financial year are shown as current assets in the balance sheet.

Leasing

This is a method of financing capital expenditure by paying the owner to use property or equipment for a number of years.

Liability

A liability is an amount payable at some time in the future.

Minimum Revenue Provision (MRP)

This is an amount that has been set aside to repay loans. This should be a prudent amount.

Movement in Reserves Statement (MIRS)

This statement shows the movement in the year on different reserves held by the Council.

National Non-Domestic Rates (NNDR)

The NNDR, or Business Rate, is the charge to occupiers of business premises. The money collected is paid to the Welsh Government and redistributed to individual authorities in proportion to their adult population.

Net Realisable Value

The selling price of an asset, reduced by the relevant (direct) cost of selling it.

Non Distributable Costs (NDC)

NDC is a category of costs defined by the Best Value Accounting Code of Practice. It represents:

- costs of unused I.T. facilities,
- costs of long term unused, unrealisable assets,
- certain pension fund costs

Open Market Value in Existing Use (OMVEU)

OMVEU is a basis for valuation of fixed assets.

Operating assets

These are assets used in the running / provision of services.

Operating leases

These are leases where risks of ownership of the asset remain with the owner.

Post balance sheet events

Post balance sheet items are those that arise after the Balance Sheet date. These are items that did not exist at the time the Balance Sheet was prepared but should be disclosed if they are relevant to the fair presentation of the accounts.

Precepts

This is the amount paid to a non-billing Council (for example a community council) so that it can cover its expenses (after allowing for its income).

Prior year adjustment

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors.

Provision

A provision is an amount we set aside in our accounts for expected liabilities which we cannot measure accurately.

Private finance initiative (PFI) – a central government initiative which aims to increase the levels of funding available for public services by attracting private sources of finance. The PFI is supported by a number of incentives to encourage authorities' participation.

Public Works Loan Board (PWLB)

This is a Government agency which provides longer term loans to local authorities. It charges interest rates only slightly higher than those at which the Government can borrow.

Related party transactions

These are the transfer of assets or liabilities or the performance of services by, to or for a related party no matter whether a charge is made.

Revaluation Reserve

This represents the non-distributable increase/decrease in the valuation of fixed assets.

Revenue account

This is an account which records our day to day spending and income on items such as salaries and Wages, running costs of services and the financing of capital expenditure.

Service Reporting Code of Practice (SerCOP)

The Service Reporting Code of Practice provides a consistent framework for reporting local authority data. SerCOP is reviewed annually by the appropriate regulating body to ensure that it develops in line with the needs of modern local government, Transparency, Best Value and public services reform

Temporary borrowing or investment

This is money borrowed or invested for an initial period of less than one year.

Trust fund

Trust funds hold money on behalf of an individual or organisation. Trustees administer the funds for the owners.

Work in progress (WIP)

Work in progress is the value of work undertaken on an unfinished project at the end of the financial year, which has not yet been charged to the revenue account.



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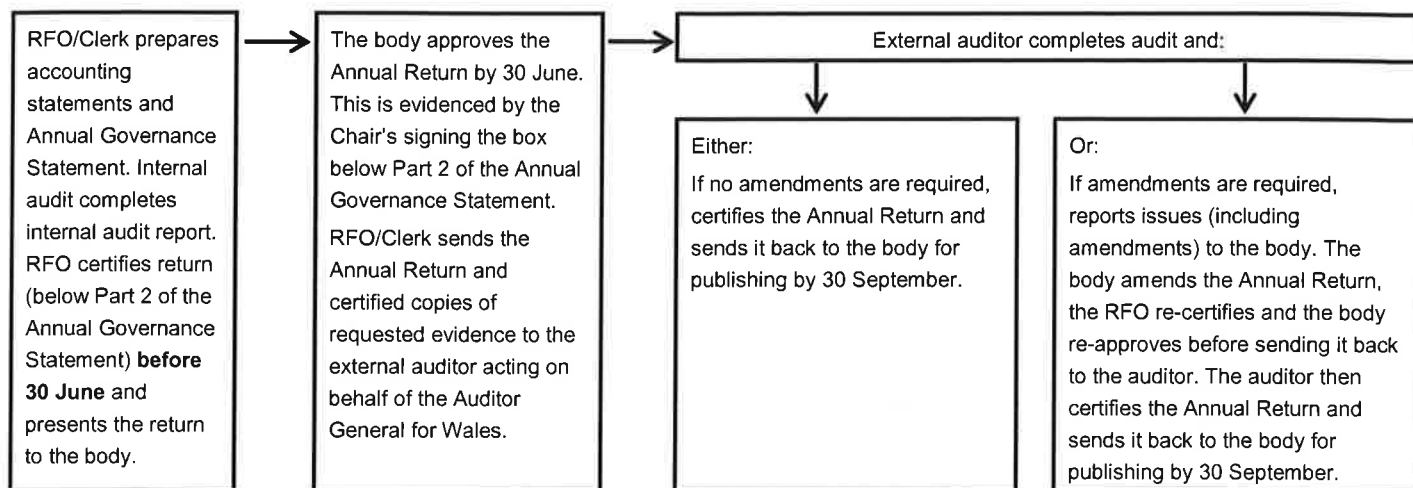


Smaller local government bodies in Wales Annual Return for the Year Ended 31 March 2018

Smaller local government bodies in Wales must prepare annual accounts following proper practices as set out in the One Voice Wales/SLCC publication **Governance and accountability for local councils in Wales – A Practitioners' Guide** (the Practitioners' Guide). The Practitioners' Guide states that bodies may prepare their accounts in the form of an annual return prepared by the Wales Audit Office.

The accounts and audit process

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



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

PLEASE PRINT THIS DOCUMENT FOR SIGNATURE AND SEND IT TO YOUR AUDITOR

Incomplete or incorrect returns may require additional external audit work and incur additional costs. Send the **original** Annual Return, together with all additional information requested, to the external auditor acting on behalf of the Auditor General for Wales. Unless requested, please **do not** send any original financial or other records to the external auditor.

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

Completion checklist

| 'No' answers mean that you may not have met requirements | | Done? | |
|--|--|--------------------------|--------------------------|
| | | Yes | No |
| Initial submission to the external auditor | | | |
| Accounts | Has the RFO certified the accounting statements and the body approved the Annual Return (as evidenced by the relevant signatures), no later than 30 June 2018? | <input type="checkbox"/> | <input type="checkbox"/> |
| | Do the accounts add up and does the balance carried forward from last year equal the opening balance this year? | <input type="checkbox"/> | <input type="checkbox"/> |
| | Do the papers to be sent to the external auditor include an explanation of significant variations, including a quantified analysis of the changes from last year to this year? | <input type="checkbox"/> | <input type="checkbox"/> |
| | Does the bank reconciliation as at 31 March 2018 agree to line 9? | <input type="checkbox"/> | <input type="checkbox"/> |
| All sections | Have all red boxes been completed and explanations provided where needed? | <input type="checkbox"/> | <input type="checkbox"/> |
| Evidence | Has all the information requested by the external auditor been included? | <input type="checkbox"/> | <input type="checkbox"/> |

Accounting statements 2017-18 for:

Name of body: Porthcawl Harbour

| | Year ending | | Notes and guidance for compilers |
|--|-------------------|-------------------|----------------------------------|
| | 31 March 2017 (£) | 31 March 2018 (£) | |

Please round all figures to nearest £.
Do not leave any boxes blank and report £0 or nil balances.
All figures must agree to the underlying financial records for the relevant year.

Statement of income and expenditure/receipts and payments

| | | | |
|---|-----------|-----------|---|
| 1. Balances brought forward | 0 | 0 | Total balances and reserves at the beginning of the year as recorded in the financial records. Must agree to line 7 of the previous year. |
| 2. (+) Income from local taxation/levy | 0 | 0 | Total amount of income received/receivable in the year from local taxation (precept) or levy/contribution from principal bodies. |
| 3. (+) Total other receipts | (228,342) | (240,134) | Total income or receipts recorded in the cashbook minus amounts included in line 2. Includes support, discretionary and revenue grants. |
| 4. (-) Staff costs | 66,833 | 80,866 | Total expenditure or payments made to and on behalf of all employees. Include salaries and wages, PAYE and NI (employees and employers), pension contributions and related expenses eg termination costs. |
| 5. (-) Loan interest/capital repayments | 128,903 | 128,773 | Total expenditure or payments of capital and interest made during the year on external borrowing (if any). |
| 6. (-) Total other payments | 32,606 | 30,495 | Total expenditure or payments as recorded in the cashbook minus staff costs (line 4) and loan interest/capital repayments (line 5). |
| 7. (=) Balances carried forward | 0 | 0 | Total balances and reserves at the end of the year. Must equal (1+2+3) – (4+5+6). |

Statement of balances

| | | | |
|---|-----------|-----------|---|
| 8. (+) Debtors and stock balances | 0 | 69,563 | Income and expenditure accounts only: Enter the value of debts owed to the body and stock balances held at the year-end. |
| 9. (+) Total cash and investments | 0 | 0 | All accounts: The sum of all current and deposit bank accounts, cash holdings and investments held at 31 March. This must agree with the reconciled cashbook balance as per the bank reconciliation. |
| 10. (-) Creditors | 0 | (69,563) | Income and expenditure accounts only: Enter the value of monies owed by the body (except borrowing) at the year-end. |
| 11. (=) Balances carried forward | 0 | 0 | Total balances should equal line 7 above: Enter the total of (8+9-10). |
| 12. Total fixed assets and long-term assets | 3,482,823 | 3,397,336 | The original asset and investment register value of all fixed assets and any other long-term assets held as at 31 March. |
| 13. Total borrowing | 0 | 0 | The outstanding capital balance as at 31 March of all loans from third parties (including PWLB). |

| | | | | | | | |
|---------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|--|
| 14. Trust funds disclosure note | Yes | No | N/A | Yes | No | N/A | The body acts as sole trustee for and is responsible for managing (a) trust fund(s)/assets (readers should note that the figures above do not include any trust transactions). |
| | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | |

Annual Governance Statement (Part 1)

We acknowledge as the members of the Council, our responsibility for ensuring that there is a sound system of internal control, including the preparation of the accounting statements. We confirm, to the best of our knowledge and belief, with respect to the accounting statements for the year ended 31 March 2018, that:

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

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

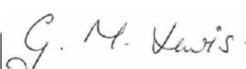
Annual Governance Statement (Part 2)

| | Agreed? | | 'YES' means that the Council: |
|---|-----------------------|-----------------------|---|
| | Yes | No* | |
| 1. We have considered the adequacy of reserves held by the body in setting the budget for 2017-18 and 2018-19 and have appropriate plans in place for the use of these reserves. | <input type="radio"/> | <input type="radio"/> | Has met the requirements of the Local Government Finance Act 1989 in setting the budget requirement and precept for the financial years. |
| 2. When awarding grants under section 137 of the Local Government Act 1972, we have kept a separate account of such grants and considered whether or not the benefits arising from such payments are commensurate with the sums paid. | <input type="radio"/> | <input type="radio"/> | Has kept and appropriate record of grants awarded and ensured that the expenditure is commensurate with the benefit to the community. |
| 3. The council has ensured that it has a lawful obligation to pay a service gratuity to employees* or The council has no obligation or intention to pay a gratuity to employees.* | <input type="radio"/> | <input type="radio"/> | Has ensured that where it has an arrangement to provide a gratuity to staff, it has ensured that there is a legal obligation to provide the gratuity. |

* Please delete as appropriate.

Council approval and certification

The Council is responsible for the preparation of the accounting statements in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014 and for the preparation of the Annual Governance Statement.

| Certification by the RFO | Approval by the Council |
|---|---|
| I certify that the accounting statements contained in this Annual Return presents fairly the financial position of the Council, and its income and expenditure, or properly presents receipts and payments, as the case may be, for the year ended 31 March 2018. | I confirm that these accounting statements and Annual Governance Statement were approved by the Council under minute reference: |
| RFO signature:  | Chair signature: |
| Name: Gill Lewis | Name: |
| Date: 30th May 2018 | Date: |

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

| Certification by the RFO | Approval by the Council |
|---|---|
| I certify that the accounting statements contained in this Annual Return presents fairly the financial position of the Council, and its income and expenditure, or properly presents receipts and payments, as the case may be, for the year ended 31 March 2018. | I confirm that these accounting statements and Annual Governance Statement were approved by the Council under minute reference: |
| RFO signature: | Chair signature: |
| Name: | Name: |
| Date: | Date: |

Auditor General for Wales' Audit Certificate and report

The external auditor conducts the audit on behalf of, and in accordance with, guidance issued by the Auditor General for Wales. On the basis of their review of the Annual Return and supporting information, they report whether any matters that come to their attention give cause for concern that relevant legislation and regulatory requirements have not been met.

We certify that we have completed the audit of the Annual Return for the year ended 31 March 2018 of:

| |
|--|
| |
|--|

External auditor's report

[Except for the matters reported below]* On the basis of our review, in our opinion, the information contained in the Annual Return is in accordance with proper practices and no matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met.

[[These matters along with]* Other matters not affecting our opinion which we draw to the attention of the body and our recommendations for improvement are included in our report to the body dated _____.]

Other matters and recommendations

On the basis of our review, we draw the body's attention to the following matters and recommendations which do not affect our audit opinion but should be addressed by the body.

(Continue on a separate sheet if required.)

External auditor's name:

External auditor's signature:

Date:

For and on behalf of the Auditor General for Wales

* Delete as appropriate.

Annual internal audit report to:

Name of body: Porthcawl Harbour

The Council's internal audit, acting independently and on the basis of an assessment of risk, has included carrying out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year ending 31 March 2018.

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

| | Agreed? | | | | Outline of work undertaken as part of the internal audit (NB not required if detailed internal audit report presented to body) |
|---|----------------------------------|-----------------------|-----------------------|----------------------------------|--|
| | Yes | No* | N/A | Not covered** | |
| 1. Appropriate books of account have been properly kept throughout the year. | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | Centralised main accounting audit performed annually. No relevant issues identified. |
| 2. Financial regulations have been met, payments were supported by invoices, expenditure was approved and VAT was appropriately accounted for. | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | No audit performed in current year however testing undertaken on a 10% sample of payments revealed no issues. |
| 3. The body assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | No audit performed in 17/18 however previous audit in 2015/16 revealed no issues. |
| 4. The annual precept/levy/resource demand requirement resulted from an adequate budgetary process, progress against the budget was regularly monitored, and reserves were appropriate. | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | No precept. Central monitoring of reserves by Finance. No issues highlighted. |
| 5. Expected income was fully received, based on correct prices, properly recorded and promptly banked, and VAT was appropriately accounted for. | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | Based on a sample of invoices raised. No issues noted. |
| 6. Petty cash payments were properly supported by receipts, expenditure was approved and VAT appropriately accounted for. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | Not material: £18.22 claimed during 2017/18. |
| 7. Salaries to employees and allowances to members were paid in accordance with minuted approvals, and PAYE and NI requirements were properly applied. | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | Centralised payroll audited annually. No relevant issues identified. |
| 8. Asset and investment registers were complete, accurate, and properly maintained. | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | Confirmed by review of extract from Asset Register as at 31/3/2017. |

| | Agreed? | | | | Outline of work undertaken as part of the internal audit (NB not required if detailed internal audit report presented to body) |
|--|----------------------------------|-----------------------|----------------------------------|-----------------------|---|
| | Yes | No* | N/A | Not covered** | |
| 9. Periodic and year-end bank account reconciliations were properly carried out. | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | No separate bank account. Centralised bank reconciliation performed. Bank reconciliation included in the 17/18 Banking audit. No relevant issues were identified. |
| 10. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments/income and expenditure), agreed with the cashbook, were supported by an adequate audit trail from underlying records, and where appropriate, debtors and creditors were properly recorded. | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | Centralised main accounting audit performed annually. No relevant issues identified. |
| 11. Trust funds (including charitable trusts). The Council/Board/Committee has met its responsibilities as a trustee. | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | None. |

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

| | Agreed? | | | | Outline of work undertaken as part of the internal audit (NB not required if detailed internal audit report presented to body) |
|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|--|
| | Yes | No* | N/A | Not covered** | |
| 12. Insert risk area | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | Insert text |
| 13. Insert risk area | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | Insert text |
| 14. Insert risk area | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | Insert text |

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

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

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

Internal audit confirmation

I confirm that as the Council's internal auditor, I have not been involved in a management or administrative role within the body or as a member of the body during the financial years 2016-17 and 2017-18. I also confirm that there are no conflicts of interest surrounding my appointment.

Name of person who carried out the internal audit: Joan Davies

Signature of person who carried out the internal audit:

J. Davis

Date: 30/05/18

Guidance notes on completing the Annual Return

1. You must apply proper practices when preparing this annual return. For guidance, please read the Practitioners' Guide (**Governance and accountability for local councils: A Practitioners' Guide (Wales)**) – available from One Voice Wales and SLCC. It contains everything you need for the financial year-end and the statutory audit.
2. The Wales Audit Office Good Practice Exchange (www.audit.wales/good-practice/finance/community-council-money) provides further information on the accounts and audit process along with guidance on governance matters.
3. Make sure that the Annual Return is fully completed ie, no empty red boxes. Please avoid making any amendments to the completed return. If this is unavoidable, cross out the incorrect entries, make sure the amendments are drawn to the attention of the body, properly initialled and an explanation for them is provided to the external auditor. **Please do not use correction fluid.** Annual returns that are incomplete or contain unapproved and/or unexplained amendments or correction fluid will be returned unaudited and may incur additional costs.
4. **There are now two boxes for certification and approval by the body. The second box is only required if the annual return has to be amended as a result of the audit. You should only complete the top box before sending the form to the auditor.**
5. Use a second pair of eyes, perhaps the Chair or a member, to review your Annual Return for completeness before sending the original form to the auditor.
6. Make sure that your accounting statements add up, that the balance carried forward from the previous year (line 7 of 2017) equals the balance brought forward in the current year (line 1 of 2018). Explain any differences between the 2017 figures on this annual return and the amounts recorded in last year's annual return.
7. Explain fully any significant variances in the accounting statements. Do not just send in a copy of your detailed accounting records instead of this explanation. The external auditor wants to know that you understand the reasons for all variances. Include a detailed analysis to support your explanation and be specific about the values of individual elements making up the variances.
8. Make sure that the copy of the bank reconciliation you send to your auditor with the Annual Return covers **all** your bank accounts and cash balances. If there are no reconciling items, please state this and provide evidence of the bank balances. If your Council holds any short-term investments, please note their value on the bank reconciliation. The auditor should also be able to agree your bank reconciliation to line 9 in the accounting statements. More help on bank reconciliation is available in the Practitioners' Guide*.
9. **Every** small body is now required to send to the external auditor, information to support the assertions made in the Annual Governance Statement. Your auditor will tell you what information you need to provide. Please read the audit notice carefully to ensure you include all the information the auditor has asked for. You should send **copies** of the original records (certified by the Clerk and Chair as accurate copies) to the external auditor and not the original documents themselves.
10. Please do not send the auditor any information that you are not specifically asked for. Doing so is not helpful.
11. If the auditor has to review unsolicited information, repeat a request for information, receives an incomplete bank reconciliation or explanation of variances or receives original documents that must be returned, the auditor will incur additional costs for which they are entitled to charge additional fees.
12. **Do not complete the Auditor General for Wales' Audit Certificate and report.** The external auditor completes this on behalf of the Auditor General for Wales on completion of the audit.
13. **Please deal with all correspondence with the external auditor promptly.** This will help you to meet your statutory obligations and will minimise the cost of the audit.
14. **Please note that if completing the electronic form, you must print the form for it to be certified by the RFO and signed by the Chair before it is sent to the auditor.**

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO THE AUDIT COMMITTEE

29 JUNE 2018

REPORT OF THE SECTION 151 OFFICER

COMMUNITY ACTION FUND 2017-18 UPDATE

1. Purpose of report

1.1 The purpose of this report is to provide an update in respect of the use of the Community Action Fund (CAF) approved by Cabinet on 05 September 2017.

2. Connection to corporate improvement objectives/other corporate priorities

2.1 This report assists in the achievement of the following corporate priority/priorities:

- Supporting a successful economy – taking steps to make the county a good place to do business, for people to live, work, study and visit, and to ensure that our schools are focused on raising the skills, qualifications and ambitions of all people in the county.
- Helping people to be more self-reliant – taking early steps to reduce or prevent people from becoming vulnerable or dependent on the Council and its services.
- Smarter use of resources – ensuring that all its resources (financial, physical, human and technological) are used as effectively and efficiently as possible and support the development of resources throughout the community that can help deliver the Council's priorities.

3. Background

3.1 The 2017-2021 Medium Term Financial Strategy which was approved by Council on 1st March 2017 included a new budget of £285,000 for the creation of a Community Action Fund. The broad aims of the fund were to create opportunities for localised intervention by members within their own ward to the benefit of the community. It was hoped to broaden the impact which council funding can have on individual communities and provide a funding source which Elected Members can individually use to directly benefit their local ward.

3.2 The Community Action Fund scheme was designed with the aim of minimising administrative costs and placing responsibility for the eligibility of payments with individual Elected Members. Further assurance would then be provided through public accountability which included the reporting of payments on the Council's website and to the Audit Committee. The Council's internal audit function would undertake periodic sample based compliance testing to provide additional assurance.

- 3.3 Elected Members have significant discretion over how the money has been used with the overarching caveat that expenditure must be lawful and it must not contravene council policy. Similarly, funding should not be awarded to profit making organisations or for political purposes. It should not be used for expenditure that is recurring and would necessitate future funds.
- 3.4 Elected Members are required to attend mandatory training before they are able to submit applications for payment to ensure that the scheme operated smoothly, that administration costs and enquiries were kept to a minimum, and Members were able to comply with the conditions of the scheme and self regulate.
- 3.5 It was anticipated that some members would wish to use their allocation to fund works or services which the council would itself carry out, additional to existing provision. In such cases, members were encouraged to discuss proposals at an early stage with officers in order to consider whether these were able to be accommodated. It was recognised that it may not be possible to practically or economically accommodate all requests and therefore Elected Members were notified that the relevant Corporate Director retained the right to refuse such work.
- 3.6 On 5 September 2018 Cabinet approved the implementation of the Community Action Fund scheme as outlined in **Appendix 1**.

4. Current situation/proposal

- 4.1 Following approval of the Community Action Fund proposals by Cabinet, two training sessions were arranged in October 2017 with an additional two sessions being subsequently provided to ensure that all Elected Members attended the necessary training before being able to submit a funding request.
- 4.2 It was agreed that from 16 October 2017 funding requests could be submitted and that due to the delay in the implementation of the scheme, the funding allocated for the Community Action Fund would be rolled over into the subsequent financial year. Funding requests received after 19 October 2018 would not be considered and any unspent funding would be return to the corporate reserve.
- 4.3 Between 16 Oct 2017 and 21 June 2018 a total of £77,198.96 (28.59%) of the available £270,000 was provided from the Community Action Fund budget to fund 27 projects across the County Borough. Some Elected Members worked together to collectively fund 5 projects which provided a shared benefit to their wards.
- 4.4 Almost half of the Elected Members who submitted funding applications provided funding to more than one project.

| No of Projects | No of Councillors |
|----------------|-------------------|
| 1 | 14 |
| 2 | 8 |
| 3 | 4 |
| 4 | 1 |

- 4.5 Although the minimum level for funding requests was established at £500, Elected

Members used their allocation to fund projects of different amounts:

| Expenditure in £ | No of Councillors |
|------------------|-------------------|
| Up to 1000 | 8 |
| 1001 – 2000 | 5 |
| 2001 – 3000 | 6 |
| 3001 – 4000 | 2 |
| 4001 – 5000 | 10 |

4.6 Elected Members used their funding for a variety of projects including:

- funding of school equipment,
- activities for young people i.e. scooter clubs,
- purchase of equipment for schools/community groups,
- environmental improvements and memorial garden,
- refurbishment work and
- safer routes to school

A full list of projects, Elected Members, wards and values is shown at **Appendix 2**. It is proposed that this Appendix will provide the data that will be included on the Community Action Fund webpage.

4.7 It should be noted that by 04 June 2018 a total of 27 (50%) Elected Members have not used any of their allocated funding.

4.8 From the initial allocation of administrative support funding only £123 has currently been used for Welsh translations for the Community Action Fund Web page on the BCBC website. The anticipated initial surge of applications has not materialised and therefore no additional administrative staff have been needed to deal with the existing workload. However, significant officer time has been incurred particularly by the Monitoring Officer and the Section 151 Officer in respect of determining and advising on the appropriate use of the scheme and clarification of the financial and governance arrangements of grant applications and payment requests. This position will be kept under review in the next few months.

4.9 Feedback from Officers

4.9.1 The administration team used the checklist contained within the Payment Request form to ensure that each application met the criteria for payment. Difficulties were experienced with:

- incomplete forms or forms which lacked sufficient detail,
- clarification of declarations of interest,
- additional confirmation of how funding would be used,
- bank statements not being included with the submission,
- 3 quotes not being provided when the request for funding was over £1000; and additional advice required from S151 and the Monitoring Officer amongst others to progress a funding request.

4.10. Feedback from Elected Members

4.10.1 Ten Elected Members responded to the initial query regarding their experience of the scheme and any outcomes that have been achieved as a result of the funding being provided.

4.10.2 The following positive outcomes from the scheme were identified by Elected Members:

- a) After spending £1,000 of his Community Action Fund on a traffic survey for safe routes to school the Welsh Government agreed to provide £450,000 of funding for the safe routes to Newton Primary School.
- b) After using their entire Community Action Fund to one very rather large refurbishment project which will ensure that community resources will continue to be accessed by all in much more comfortable surroundings and which will be accessible to all.
- c) One Elected Member identified the benefits that can be achieved when organisations work together with their councillor to support their local communities.
- d) It has brought Elected members closer to community groups and delivered projects which without the funding would not be delivered.
- e) “The major part of my fund has supported a new kitchen at our local community centre, which serves my ward and neighbouring ones. This centre was set up by local volunteers in the 1950s, and has been self funding ever since, making none of the demands on council resources that other community centres make - thus preceding our Community Asset Transfer (CAT). policy by about 60 years. Their old kitchen was condemned, on grounds of both health and building regulations, and this could have threatened the viability of the whole centre. It was very fortunate that the CAF was available for this purpose”.
- f) “I believe that the C.A.F. has empowered ward councillors, and enabled them to work together across ward boundaries, and indeed across political party lines. I have been pleased to support projects jointly with other Councillors”.
- g) “I had positive reaction from all three of people who approached me. I awarded the money to organisations in my ward to provide for arts/cultural purposes, wellbeing for young disabled adults and wellbeing for over 55s. The latter was a collaboration between different ward councillors in different political parties which worked well”.
- h) “I have found the scheme successful for a number of community organisations in my community who have benefited from the fund and it has made a big difference for them with the financial assistance provided. I initially was sceptical but I believe the scheme and the fund has merits that outweigh the scepticism”.

4.10.3 The following concerns regarding the scheme were identified by Elected Members:

- a) "the process especially submission of the digital forms is not straight forward and I know has put a number of councillors off progressing matters. I think completion/submission of forms could be simplified".
- b) "The uses for the funding needs further consideration. In my ward there is little demand for club/group support but more the need for grass cutting/pot hole filling, buses, which falls outside the remit of the scheme".
- c) "I have found the experience of applying for the funding good once you understand the process, it is advisable to check the guidelines before submitting the application and checking that all the documents are enclosed".
- d) "I believe that some councillors have found the process very hard in as much as the work that it has created. I also believe that officers have found the work that it has created overwhelming".
- e) "I have to admit I haven't been able to 'spend' my allocation as I'm dealing with BCBC & everything takes an absolute age. In fact I'm concerned now that if things don't happen soon that the money will be lost".
- f) "I don't feel it was well advertised by the local authority or that it allowed the freedom to be as effective as some members hoped".
- g) "I feel that in times of increasing strain felt from Welsh Government funding settlements to local authorities, that this money could have been better used strategically as part of a larger budget".
- h) "From my perspective, it has been difficult to get voluntary organisations and town/community councils in my patch to apply for the fund. Time is going on and I am yet to receive a single application. It may be better if the fund is to continue for individual borough councillors to work with officers to take forward a project(s) of their choice in consultation with members of the public. I fear that much of the money will go unspent and return to central coffers so perhaps the design of the fund will have to be tweaked if it is to be a success in the future".

4.11 It is proposed that a full review of the Community Action fund be undertaken following the end of the current phase of funding with the intention of considering whether the scheme:

- created opportunities for localised intervention by Elected Members which would benefit their communities,
- broaden the impact which council funding can have on individual communities,

- minimised the administrative support needed for the effective operation of the scheme,
- provided effective use of the Council's resources.

5. Effect upon Policy Framework and Procedure Rules

5.1 There is no effect on the policy framework and procedures rules

6. Equality Impact Assessment

6.1 There are no equality implications arising from this report

7. Well-being of Future Generations (Wales) Act 2015 implications

7.1 The Act provides the basis for driving a different kind of public service in Wales, with 5 ways of working to guide how public services should work to deliver for people. The following is a summary to show how the 5 ways of working to achieve the well-being goals have been used to formulate the recommendations within this report:

- Long-term - The intention of the Community Action Fund is to provide financial support for the implementation of projects which are forward looking. The provision of one off expenditure is expected to deliver a clear and demonstrable benefit to the local community within the Councillor's electoral ward.
- Prevention - The scheme is intended to provide low levels of funding for projects which meet the specific needs of the communities within the Elected Members ward. The reduction in the administrative burden of the scheme is intended to ensure that costs are minimised and to provide the funding quickly and effectively to where it is needed the most.
- Integration - The effective use of the Community Action Fund supports all of the wellbeing objectives.
- Collaboration - Following the roll out of the Scheme the Head of Democratic Services requested the views of all Elected Members regarding the process and outcomes of the Scheme for inclusion in this report. Officers were also consulted to gain an understanding of the effectiveness of the administrative processes of the scheme.
- Involvement - All Elected Members have undertaken the training in the use of the scheme and are able to engage with representatives of their community to identify suitable projects which may benefit from the available funding to provide long term benefits.

8. Financial implications

8.1 An initial budget allocation was made for the Community Action Fund from the 2017-18 Revenue Budget. Due to its delayed implementation the funding is being held as a reserve until 19 October 2018. Any unallocated funding on that date will be returned to the Corporate Reserve.

8.2 A further allocation for the Community Action Fund has been provided for in the 2018-19 Revenue budget. However, this funding will not be made available until a full review of the process has been undertaken and effectiveness of the scheme has been evaluated.

9. Recommendation

9.1 The Audit Committee is recommended to:

- a) Note the content of the report;
- b) Note the publication of the Community Action Fund information as shown in **Appendix 2**;
- c) Note that a full review of the Community Action Fund will be undertaken following the end of the current phase of funding as stated in paragraph 4.11 above.

G Lewis
Section 151 Officer
4 June 2018

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Head of Democratic Services

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Background documents: None

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BRIDGEND COUNTY BOROUGH
COUNCIL
COUNCILLORS
COMMUNITY ACTION FUND-
2017-18 GUIDANCE NOTES

Date of Issue September 2017

Guidance Notes- Community Action Fund

1. Background

- a) The Community Action Fund is a specific fund to enable each Councillor, subject to compliance with the requirements of the scheme, to put forward proposals for expenditure in their electoral wards which benefit the local population, which is lawful and not contrary to council policy. Funding for the scheme is included in the 2017-18 budget. The fund is allocated to each electoral ward for the Councillor of the ward to manage.
- b) Councillors are best placed to know what is going on in their own ward, and to help with any issues and queries that a constituent may have. Councillors are community leaders and work in partnership with many local bodies and forums, for example health boards, police authorities and schools. In this way councillors develop a deeper understanding and knowledge of the organisations that serve their communities. The Community Action Fund gives flexibility to Councillors to support their local community.
- c) The budget in 2017-18 is £285,000 which includes an estimated £15,000 to cover the administration costs of managing the scheme.
- d) Each Councillor will receive an annual allowance of £5,000 for their ward to be spent within that financial year. Funding must be spent within a calendar year of the launch of the fund. Any funds remaining unspent within this budget after this time will be returned to Council's balances.
- e) Applications will be processed through Business Support Services who will also give advice on the operation of the fund and whether proposals meet the requirements of the scheme. A record of all expenditure under the scheme will also be maintained by Business Support Services within Operational and Partnership Support Directorate and will be published on the Council's website on the following link
<http://www.bridgend.gov.uk/ignl-level-2/councillors-democracy-and-elections.aspx>

2. The Scheme

- a) The fund is designed to allow Councillors, subject to approved guidelines, to have individual discretion over their own expenditure choices – this means that they will have the freedom to identify how the money can best be used according to local priorities.
- b) The scheme is set up to be as low cost on administration and as self-regulating as possible. Councillors' use of the fund will be reported to the audit committee every six months and published on the Council's website to promote public accountability. The report will be submitted by the Director of Operational and Partnership Services.
- c) Expenditure will be subject to internal audit review and any future continuation of the scheme will be subject to future budget decisions.
- d) It is a fundamental principle of the scheme that any expenditure incurred must be lawful, must not be contrary to council policy and must benefit the local population.

- e) For expenditure is up to £1,000 it is necessary only to demonstrate that value for money is being achieved. For expenditure over £1,000 it will be necessary to obtain three quotes.
- f) Councillors will be required to declare:
 - a. any personal interests that they have in the payment
 - b. that they DO NOT have any prejudicial interest in the payment.
 - c. that compliance with the Model Code of Conduct has been maintained.
- g) Budgets can be spent on one item/one recipient or multiple, or can be pooled between Councillors to deliver something across several wards. Therefore, two or more Councillors may agree a joint proposal for the whole or part of their individual budgets provided the proposals meet the requirements of the scheme.
- h) Any awards made should be in excess of £500 in order to ensure that the administration costs are not excessive relative to the payment itself.

What's eligible?

Applications for expenditure should be forward looking and be for one off types of expenditure which deliver a clear and demonstrable benefit to the local community within the Councillor's electoral ward. Here are some examples:

- a) Undertake small improvements to community assets such as painting a community room, buying equipment for a village hall or purchasing planters to improve the street scene.
- b) Improvements to a community centre or village hall.
- c) Setting up and publishing a new community newsletter.
- d) Projects involving the well-being of older or younger people.
- e) Planning and publishing village walks.
- f) Purchase of play and exercise equipment for community use.
- g) Local training schemes.
- h) Projects that help tackle unemployment and its impacts.
- i) Tourist information leaflets.
- j) Public events, festivals and exhibitions.
- k) Setting up a new community activity such as a gardening club or residents group.

What's not eligible?

Funding is not available for:

- a) Recurring expenditure and particularly not for anything which could create an on-going financial commitment.
- b) Clothing/Uniform for the sole use of an individual.
- c) Political activities, lobbying or campaigning.
- d) Direct employment of staff, or for rent or general running costs of an organisation.
- e) General charitable donations where there are no specific and identifiable benefits to the particular ward.
- f) Gifts or hospitality (catering and refreshments).
- g) Funding cannot be given to any request which supports any matter which is contrary to Council Policy - additionally funding cannot be provided to oppose or support any proposal, including planning proposals, which the Council has a

legal obligation to determine. The final decision on whether to refuse any requests will be made by the Monitoring Officer.

- h) Retrospective funding i.e. funding of a past event.
- i) Funding for national or regional projects (except those delivering specific benefits within the councillor's electoral ward).
- j) Sole use facilities which are not open/accessible to the whole community.
- k) Profit-making organisations are not eligible for funding under the scheme.

3. Declarations of Interest

- a) The Council's Code of Conduct and usual rules on declarations of interest (Councillors' Code of Conduct) apply to the Community Action Fund. Councillors must not place themselves in a position where their honesty and integrity could be questioned and should exercise their responsibility for the stewardship of the Council's resources properly.
- b) A Councillor must have attended the Code of Conduct Training provided by the Authority.
- c) A Councillor cannot use the fund where they have a prejudicial interest - for example a relative/s would financially benefit from the payment, their employment, trade, profession, contracts, or any company with which they are associated. Wider financial interests for example trust funds, investments, and assets including land and property are also likely to be considered as prejudicial interests.
- d) If a Councillor has a personal interest in a proposal they must declare it on the application form.
- e) Councillors will be required to sign a declaration that compliance with the Code of Conduct has been maintained.

4. Councillor Responsibilities

Councillors will need to complete a '**Fund Payment Request**' form which is available on the Councillors Learning & Development zone on the intranet.

Councillors will need to have undertaken mandatory training, before they can submit a request for payment from the fund.

Process

- a) Requests for payment from the fund can be made at any time of the financial year. The final date for making payment will be one calendar year after the launch of the fund.
- b) In the request, provide a clear statement as to how the money will be spent and how it will promote or improve the economic, social or environmental well-being of the Ward or the people within it.
- c) Consideration should be given to incidental costs and timescales involved when considering certain types of funding.
- d) Wherever possible, include the bank details of the recipient of the funds, as payments will be predominantly made by BACS transfer to keep administration costs

low. Payment by cheque will only be made as a last resort and only where there is a valid reason for payment by this method. Councillors are responsible for ensuring that the bank details provided are correct. Councillors are encouraged to request a copy of the payee's bank statement (preferably less than 3 month old) as best practice in ensuring the validity of the bank details provided to them.

- e) In addition Councillors should obtain copies of quotations/estimates for the work to be funded. This information should be forwarded along with the 'Community Action Fund Payment Request form' to Business Support Services. If the lowest quote has not been accepted, then evidence needs to be provided of the reason for accepting the chosen quote.
- f) To ensure the records maintained centrally are complete and transparent, you will also need to forward a copy of the completed Community Application Fund Form and supporting bank statement along with the Community Action Fund Payment Request Form.
- g) The email forwarding the Community Action Fund Payment Request must be sent from your official email address e.g. Cllr xxxx @Bridgend.gov.uk, as this will be treated as the official authorisation of the payment.
- h) Where a proposal is for a project that requires funding from more than one source, the grant will be not paid until all the funding is in place, but an indication of support can be given.
- i) The authorised form reflects a formal decision and will be held for public inspection (on request) to the County Borough Council for 6 years at the Civic Offices. A summary of funding provided will also be made available on the Authority's external webpage.
- j) Any public enquiries regarding funding will be directed to the Councillor/s who has approved the funding.
- k) For data protection purposes you should destroy any applications which have not been supported by you.

Viability

- l) It is for you to consider the financial viability of the potential recipients and the project being supported. If you need such assurances you must seek them and have an appropriate response prior to submitting the form. It is public money and should be allocated appropriately.
- m) Organisations that receive funding are expected to have appropriate systems in place for monitoring and evaluating their projects and activities. Councillors will need to ensure that where funding has been given for a project or activity these have actually happened e.g. by obtaining a copy of the organisation's minutes detailing how the funds have been spent or a copy of the signed delivery note in respect of goods which have been funded from the grant awarded.

Declarations of Interest

- m) Please refer to section 3 for details of Declarations of Interest.

Joint Bids

- n) Joint bids are welcomed from two or more Councillors. Remember, the underlying principle of promoting the wellbeing of your own ward or the people within it must still apply. It is possible for a joint bid to support a project in a particular location (within one ward) as the project may attract attendees from a wider geographical area. It is important that this is made clear in the rationale.
- o) One form can be submitted by a lead Councillor detailing the joint bid and confirmation will be required (either by email or countersignature) by the other Councillors that they agree to the submission, confirm their financial contribution and confirm the declaration.
- p) You are reminded to respond to any emails about joint bids as swiftly as possible, as payments for joint bids will only be processed when all Councillors have responded.

Submission of the Form

- q) Forms need to be submitted electronically to: **ladsbussupport@bridgend.gov.uk**
Hardcopies of the form will not be accepted. Your supporting email will be treated as the necessary authorisation required. All supporting information will need to be submitted with the form e.g. quotes.
- r) Please note that no form will be accepted directly from an organisation seeking financial support. Should any be received, they will be directed to the local Councillor(s).

Publicity

- s) Community Action Funding is intended to have a direct benefit for the community. It is important that this is transparent and that the contribution made by the Council is recognised appropriately.
- t) Any publicity arising from the Community Action Funding should not be party political and should reference the Council's contribution – it is for you to ensure that any publicity complies with this. Do not give the impression that the payment is from you personally – it is from the Community Action Fund.
- u) If you have any queries regarding publicity please liaise directly with the Communications Team.
- v) In some situations it may be possible to produce a Presentation cheque for Council publicity purposes (e.g. in respect of a large amount of funding or a specific purpose which the Council is keen to promote). In these circumstances you will need to liaise with the Communications Team regarding publicity and the Governance Team (Gareth John Email: Gareth.John@bridgend.gov.uk or telephone: 01656 643424) to arrange for a Presentation Cheque to be made available.
- w) Do not create Community Action Funding media publicity during a pre-election period election where you are a candidate.

Method of contacting you when payments are made

- x) You will be sent an email by Business Support Services once the payment has been authorised and released. This email will also let you know how much remains in your fund and if you have any payments pending.
- y) Any spend by organisations on an event or a project prior to authorisation is undertaken at their own risk. Councillors cannot give categorical assurances that the funding will be provided until the form has been properly authorised.
- z) It is for Councillors to ensure that the Community Action Funding grant has been spent for the intended purpose and seek a refund or alternative use if not e.g. through following up with the payee.
- aa) Where a Councillor recalls funding, they must notify Business Support Services so that the payment received can be correctly allocated and the Councillor's Community Action Fund budget credited with the refund.
- bb) If the purpose or value of funding changes following further discussions with the applicant please advise Business Support Services so that any amendments are reflected in monitoring the funding which has been utilised.

5. Role of Business Support Services

- a) To provide advice and guidance to Councillors in relation to the scheme. Any contact to the Business Support Team will be made via the following e-mail address: **ladsbussupport@bridgend.gov.uk**
- b) To ensure that the 'Community Action Fund Payment Request' form provides sufficient information in order to make the payment and an email has been received from the Councillor's official email address which will be considered as authorisation of the payment.
- c) To ensure that the Community Action Fund 'Record of the Payments' spreadsheet is updated and reconciled on a monthly basis to the budget in the financial information system and that any discrepancies are identified, investigated and corrected.
- d) To make the payment as requested by the Councillor on the 'Community Action Fund Payment Request' form.
- e) To ensure that all payments are coded to Community Action Fund cost centre using a relevant subjective. That VAT is only claimed where there has been a supply of good and services to the council e.g. if payment was to fund new play equipment in a public park. In the majority of cases the payment will be made as a grant and therefore will exclude VAT.
- f) To liaise with the Communications Team and Governance Team.
- g) To advise the Councillors that payment has been made and the balance available to them.
- h) To report to Audit Committee every six months.
- i) To publish annually on the Council's website details of the payments made under the scheme, thus promoting public accountability.

- j) To respond or co-ordinate a response in respect of any Freedom of Information requests in relation to the Community Action Fund.
- k) To maintain all documents in relation to the Community Action Fund including supporting information for the previous 6 financial years plus current year. This includes a copy of the Community Action Fund Application, Community Action Fund Payment Request, quotes if applicable, a record of any decisions taken in respect of a declared pecuniary interest and any other supporting documents received. Information will be retained in electronic format.
- l) To respond to internal or external audit queries in relation to the Community Action Fund.

6. VAT

- a) If a grant is being provided i.e. where the Council receives nothing in return, then the payment will be outside the scope of VAT as no supply is taking place. In this case, the recipient of the grant should not raise a taxable invoice to the authority as it is not making a taxable supply to the Council. If you think that the Council is receiving a supply in return for the funding, then it must have ordered, received and paid for the goods/services using its own funds, to be able to recover any VAT it has been charged.

In the majority of cases the payment will be made as a grant and therefore will exclude VAT.

- b) It is also possible that funding allocated may be used to pay for assets managed by the local authority e.g. new play equipment in a park.

The Council will be able to recover the VAT in the following circumstances only

- It places the order for the supplies
- It receives the order in its own name (and takes ownership of them)
- It receives an invoice in its own name
- It pays for the goods using its own funds

If the above rules cannot be met, the funds may still be used to purchase items, but any VAT will not be able to be recovered.

- c) Any funding that is allocated in the form of a contribution to the local authority to increase a service e.g. to increase the number of grass cuttings undertaken by the Council, then this will be seen as an internal budget transfer and outside the scope of VAT

7. Publicity

- a) Community Action Fund funding is intended to have a direct benefit for the community. It is important that this is transparent and that the contribution made by the Council is recognised appropriately.
- b) A list of awards made will be maintained on the Council's website.
- c) Reports on the use of the Community Action Fund will be brought 6 monthly to Audit Committee by Business Support Services.

- d) In addition to this, the organisations in receipt of the award will be expected to acknowledge the Council's funding. This may include a notice stating the project was funded via the Community Action Fund, or acknowledged in the organisations publications, annual reports or meeting minutes. Individual Councillors should not be named in any permanent notices or plaques. Advice on suitable publicity is available to Councillors from the Director of Operational and Partnership Services

Document Production Date: September 2017
Source: Finance Section

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Community Action Fund- Detailed Transaction Report

| Ward | Cllr Name | Organisation paid | Detail of Expenditure | £77,198.96 | |
|-------------------------|------------------------|---|---|------------|-----------|
| Ward | Cllr Name | Organisation paid | Detail of Expenditure | Total | Date Paid |
| Blaengarw | Cllr Sorrel Dendy | Calon Y Cwm | Pontycymmer Youth Club 2nd Pilot | 3466.88 | 23-May-18 |
| Brackla | Cllr Aniel Pucella | Brackla Environmental Support Group (B.E.S.T) | Cleaning of Subways etc | 150.00 | 07-Mar-18 |
| Brackla | Cllr Aniel Pucella | Brackla Community Chorus | Piano | 306.04 | 07-Feb-18 |
| Brackla | Cllr John Spanswick | Brackla Environmental Support Team (B.E.S.T) | Cleaning of Subways etc | 550.00 | 07-Mar-18 |
| Brackla | Cllr John Spanswick | Brackla Community Chorus | Piano | 306.05 | 07-Feb-18 |
| Brackla | Cllr John Spanswick | Brackla Environmental Support Team (B.E.S.T) | Trailer | 950.00 | 04-Jun-18 |
| Brackla | Cllr Kay Rowlands | Brackla Environmental Support Team (B.E.S.T) | Clearing of Subway in Brackla | 150.00 | 07-Mar-18 |
| Brackla | Cllr Kay Rowlands | Brackla Community Chorus | Piano | 306.05 | 07-Feb-18 |
| Brackla | Cllr Tom Giffard | Brackla Environmental Support Group (B.E.S.T) | Cleaning of Subways etc | 150.00 | 07-Mar-18 |
| Brackla | Cllr Tom Giffard | Brackla Community Chorus | Piano | 306.04 | 07-Feb-18 |
| Careau | Cllr Gareth Howells | Caerau Development Trust | Defibrillator | 988.94 | 27-Apr-18 |
| Careau | Cllr Paul Davies | Caerau Community Growers | Compost Toilet | 979.00 | 20-Mar-18 |
| Careau | Cllr Paul Davies | Caerau Bowls Club | Repairs after Fire | 967.16 | 01-May-18 |
| Careau | Cllr Phil White | Caerau Community Growers | Compost Toilet | 1000.00 | 20-Mar-18 |
| Careau | Cllr Phil White | Caerau Development Trust | Defibrillator | 988.94 | 27-Apr-18 |
| Careau | Cllr Phil White | Cleaner Streets | Fencing, Tondy Rd Lane, Maesteg | 1072.00 | 27-Mar-18 |
| Cefn Cribbwr | Cllr Huw David | Cefn Cribbwr Primary School | Development of extra new space for ALN pupils | 5000.00 | |
| Cefn Glas | Cllr Jon-Paul Blundell | Young at Heart | Workshops and visits | 275.00 | 28-Feb-18 |
| Coity | Cllr Amanda Williams | Coity & Bridgend First Aiders | AED training device and IPAD AED | 1494.00 | 11-Jan-18 |
| Cornelly | Cllr Jeff Tildesley | Afon-y-Felin Primary School | Sculptures | 5000.00 | 21-Mar-18 |
| Coychurch | Cllr Elaine Venables | Coychurch Community Council | 50+ Club - Social Outing | 500.00 | 11-May-18 |
| Coychurch | Cllr Elaine Venables | Coychurch Community Council | Repair fencing in the play aprk | 930.00 | 28-Mar-18 |
| Llangeinor | Cllr Roz Stirman | Tynyrheol Primary School PTFA | Improvements to outdoor learning environment | 1000.00 | 04-Jun-18 |
| Llangewydd & Brynhyfryd | Cllr Charles Smith | Westward Community Centre | Kitchen Equipment | 430.00 | 01-May-18 |
| Llangewydd & Brynhyfryd | Cllr Charles Smith | Llangewydd Junior School | Outdoor clothing and equipment | 500.00 | 14-Mar-18 |
| Llangewydd & Brynhyfryd | Cllr Charles Smith | Westward Community Centre | Refurbishment of kitchen | 2750.00 | 28-Feb-18 |
| Llangewydd & Brynhyfryd | Cllr Charles Smith | Young at Heart | Workshops and visits | 320.00 | 28-Feb-18 |
| Maesteg East | Cllr Keith Edwards | Garth Primary School | Replacement of safety surface | 5000.00 | 24-May-18 |
| Maesteg East | Cllr Tom Beedle | Maesteg Harlequins RFC | Crowd barriers at South Parade | 4200.00 | 25-Apr-18 |
| Morfa | Cllr Nicole Burnett | Penybont Primary | Adventure Trail, Foundation Play area | 5000.00 | 21-May-18 |
| Morfa | Cllr Stuart Baldwin | The Bridge Mentoring Scheme | Coffee Machine and Office Furniture | 3827.60 | 17-Jan-18 |
| Morfa | Cllr Stuart Baldwin | BAVO | ENVIRONMENTAL IMPROVEMENTS - WILDMILL PRECINCT | 999.99 | 14-Nov-17 |
| Newcastle | Cllr Caroline Webster | St John's House Trust | 3 x A3 Display Stands and 3 x A2 Display Stands | 2014.85 | 06-Feb-18 |
| Newcastle | Cllr Caroline Webster | YMCA | Activities for young people with ALN | 2710.15 | 26-Mar-18 |
| Newcastle | Cllr Caroline Webster | Young at Heart | Workshops and Visits | 275.00 | 28-Feb-18 |
| Newcastle | Cllr David White | Westward Community Centre | Kitchen equipment | 500.00 | 01-May-18 |
| Newcastle | Cllr David White | Westward Community Centre | Kitchen equipment | 995.00 | 03-May-18 |
| Newton | Cllr Kenneth Watts | CAPITA | Safer Routes to School | 847.50 | 26-Jan-18 |
| Ogmore Vale | Cllr Dhanisha Patel | Nantymoel Boxing Club | Gym equipment | 550.00 | 03-May-18 |
| Ogmore Vale | Cllr Dhanisha Patel | Ogmore Vale Ladies Choir | Portable piano | 629.00 | 22-May-18 |
| Pontycymmer | Cllr Roderick Shaw | HALO | SKATE & SCOOTER YOUTH CLUB | 2460.00 | 22-Nov-17 |
| Porthcawl East | Cllr Brian Jones | Porthcawl Primary School | Books for children with learning disabilities | 2506.27 | 07-Jun-18 |

Community Action Fund- Detailed Transaction Report

| Ward | Cllr Name | Organisation paid | Detail of Expenditure | £77,198.96 | |
|----------------|--------------------|-------------------------------|---|------------|-----------|
| Ward | Cllr Name | Organisation paid | Detail of Expenditure | Total | Date Paid |
| Porthcawl East | Cllr Brian Jones | CAPITA | Safer Routes to School | 847.50 | 26-Jan-18 |
| Pyle | Cllr Jane Gebbie | St Theodore's Church | Funds towards refurbishment works - Parish of Kenfig Hill - Remodel of St Theodore's Church for community space | 5000.00 | 26-Mar-18 |
| Ynysawdre | Cllr Tim Thomas | Brynmenyn Primary School | Defibrillator | 1000.00 | 15-May-18 |
| Ynysawdre | Cllr Tim Thomas | Tondu United Football Club | Funding of football development | 1000.00 | 06-Mar-18 |
| Ynysawdre | Cllr Tim Thomas | Ynysawdre Community Council | Grass Verge on Maesteg Road for wild flower area | 1000.00 | 18-Jun-18 |
| Ynysawdre | Cllr Tim Thomas | Brynmenyn Primary School | Bikes & Scooters | 1000.00 | 15-May-18 |
| | Cllr Malcolm James | Llangynwyd Village Hall Assoc | Memorial Garden at Llanygynydd Village | 4000.00 | 22-Jan-18 |

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

28 JUNE 2018

REPORT OF THE INTERIM HEAD OF FINANCE AND SECTION 151 OFFICER

ANNUAL TREASURY MANAGEMENT OUTTURN REPORT 2017-18

1. Purpose of the Report

- 1.1 The purpose of the report is to update the Audit Committee on the outturn position for treasury management activities, the Treasury Management and Prudential Indicators for 2017-18 and to highlight the compliance with the Council's policies and practices before they are reported to Cabinet and Council.

2. Connection to Corporate Improvement Objectives/Other Corporate Priorities

- 2.1 The work of the Audit Committee supports corporate governance and assists in the achievement of all corporate and service objectives. Prudent treasury management arrangements will ensure that investment and borrowing decisions made by officers on behalf of the Council make best use of financial resources and hence assist achievement of Corporate Priorities.

3. Background

- 3.1 Audit Committee has been nominated to be responsible for ensuring effective scrutiny of the Treasury Management Strategy (TMS) and policies. The Committee received training in June 2017 to assist them in their function of scrutinising treasury management, with particular emphasis on investment options available to the Council. During the 2017-18 financial year, in addition to the regular treasury management reports to Cabinet and Council, Audit Committee received the Annual Treasury Management Outturn Report 2016-17 in June 2017, the Half Year Treasury Management Report 2017-18 in November 2017 and the TMS 2018-19 in January 2018.
- 3.2 The Council's Treasury Management activities are regulated by the Local Government Act 2003 which provides the powers to borrow and invest as well as providing controls and limits on this activity. The Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 as amended, develops the controls and powers within the Act. This requires the Council to undertake

any borrowing activity with regard to the Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code for Capital Finance in Local Authorities and to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services. In March 2018, the Welsh Government published an amendment to the Local Authorities (Capital Finance and Accounting) (Wales) Regulations which enables the Council to invest in certain instruments from 2017-18 which were previously treated as capital expenditure, without the potential revenue cost of Minimum Revenue Provision (MRP) and without the proceeds from sale being considered a capital receipt.

- 3.3 The Council is required to operate the overall treasury function with regard to the Code and this was formally adopted by the Council in February 2012. This includes a requirement for the Council to approve a TMS before the start of each financial year which sets out the Council's and Chief Financial Officer's responsibilities, delegation and reporting arrangements. Council approved the TMS 2017-18 on 1 March 2017. CIPFA published new editions of Treasury Management in the Public Services: Code of Practice and the Prudential Code for Capital Finance in Local Authorities in late December 2017 however the TMS 2017-18 and this report has been produced using the 2011 Codes.
- 3.4 The Welsh Government (WG) issued revised Guidance on Local Authority Investments in April 2010, which requires the Council to approve an Investment Strategy prior to the start of each financial year and this is included in the TMS.

4. Current Situation

- 4.1 The Council has complied with its legislative and regulatory requirements during 2017-18. The TMS 2017-18 and the Half Yearly Outturn were reported to Council on 1 March 2017 and 1 November 2017 respectively and the Annual Treasury Management Outturn Report will be reported to Cabinet and Council in September 2018. In addition, quarterly monitoring reports were presented to Cabinet during 2017-18.
- 4.2 A summary of the treasury management activities for 2017-18 is shown in **Appendix A**. The Council's external debt and investment position for 1 April to 31 March 2018 is shown in table 1 and more detail is provided in section 4 the Borrowing Strategy and Outturn and section 5 the Investment Strategy and Outturn.

No long term borrowing was taken in 2017-18 and no debt rescheduling was undertaken as there were no significant savings to be made, however, the loan portfolio will be reviewed during 2018-19. Favourable cash flows have

provided surplus funds for investment and the balance on investments at 31 March 2018 was £30.40 million (average interest rate 0.62%). This was a decrease from the start of the financial year where investments were £33.75 million (average interest rate 0.55%).

- 4.3 In 2017-18, the Council operated within the treasury limits and Treasury Management and Prudential Indicators as set out in the agreed TMS 2017-18 and also complied with its Treasury Management Practices. Details of all these indicators are shown in attached **Appendix A** section 9.
- 4.4 The treasury management function will be reviewed by the Council's External Auditors, the Wales Audit Office, during the 2017-18 annual audit which has not yet been completed. In addition to the External Audit work, Internal Audit undertook an audit of the treasury management function during 2017-18 and the audit identified that "based on an assessment of the strengths and weakness of the areas examined, and through testing it has been concluded that the effectiveness of the internal control environment is considered to be sound and therefore substantial assurance can be placed upon the management of risks".
- 4.5 The Council's treasury management advisors are Arlingclose. Their contract runs from 1 September 2016 for four years following a tender process and the contract will be reviewed annually and either party may at any time terminate this agreement on 3 months prior written notice. The current services provided to the Council include:-
- advice and guidance on relevant policies, strategies and reports,
 - advice on investment decisions,
 - notification of credit ratings and changes,
 - other information on credit quality,
 - advice on debt management decisions,
 - accounting advice,
 - reports on treasury performance,
 - forecasts of interest rates, and
 - training courses
- 4.6 The Annual Treasury Management Outturn Report 2017-18 is to be presented to Cabinet and then Council for approval in September and whilst the main body of the report will remain unchanged there may be slight variations to some of the figures if there are any post audit changes to reflect the most up to date information.

5. Effect upon Policy Framework & Procedure Rules

5.1 As required by Financial Procedure Rule 20.3 within the Council's Constitution, all investments and borrowing transactions have been undertaken in accordance with the TMS 2017-18 as approved by Council with due regard to the requirements of the CIPFA's Code of Practice on Treasury Management in the Public Services.

6. Equality Impact Assessment

6.1 There are no equality implications.

7. Well-being of Future Generations (Wales) Act 2015 Implications

7.1 The well-being goals identified in the Act were considered in the preparation of this report. As the report is for noting only it is considered that there will be no significant or unacceptable impacts upon the achievement of well-being goals/objectives as a result of this report.

8. Financial Implications

8.1 The financial implications are reflected within the report.

9. Recommendation

9.1 It is recommended that the Committee:

- Note the annual treasury management activities for 2017-18

Gill Lewis
Interim Head of Finance & Section 151 Officer
18 May 2018

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Background documents:
Treasury Management Strategy 2017-18
Treasury Management Strategy 2018-19

APPENDIX A

SUMMARY OF TREASURY MANAGEMENT ACTIVITIES 2017-18

1. Debt and Investment Position

Table 1: Council's debt and investment position 1 April to 31 March 2018

| | Principal as at 01-04-17 £m | Average Rate % | Principal as at 31-03-18 £m | Average Rate % |
|---|--------------------------------------|----------------------|--------------------------------------|----------------------|
| External long term borrowing: | | | | |
| Public Works Loan Board (PWLB) | 77.62 | 4.70 | 77.62 | 4.70 |
| Lender's Option Borrower's Option (LOBO) | 19.25 | 4.65 | 19.25 | 4.65 |
| Total external long term borrowing | 96.87 | 4.69 | 96.87 | 4.69 |
| Total external borrowing | 96.87 | 4.69 | 96.87 | 4.69 |
| Other long term liabilities (LTL) | | | | |
| Private Finance Initiative (PFI)* | 18.24 | | 17.64 | |
| Llynfi Loan** | 2.40 | | 2.40 | |
| Other LTL | 1.13 | | 0.98 | |
| Total other long term liabilities | 21.77 | | 21.02 | |
| Total gross external debt | 118.64 | | 117.89 | |
| Treasury investments: | | | | |
| Banks | 8.25 | 0.55 | 7.40 | 0.58 |
| Building Societies | 6.00 | 0.38 | 2.00 | 0.54 |
| Government (including Local Authorities) | 19.50 | 0.60 | 21.00 | 0.64 |
| Total treasury investments | 33.75 | 0.55 | 30.40 | 0.62 |
| Net Debt | 84.89 | | 87.49 | |

* (PFI) arrangement for the provision of a Secondary School in Maesteg 16 years remaining term

** loan from the WG Central Capital Retained Fund for regeneration works within the Llynfi Valley which has not yet commenced

It should be noted that the accounting practice to be followed by the Council requires financial instruments in the accounts (debt and investments) to be measured in a method compliant with International Financial Reporting Standards (IFRS). The figures shown in the above table and throughout the report are based on the actual amounts borrowed and invested and so may differ from those in the Statement of Accounts which include accrued interest or are stated at fair value in different instances.

The £19.25 million in the above table relates to Lender's Option Borrower's Option (LOBO) loans due to mature in 2054, which may be re-scheduled in advance of this maturity date. The LOBO rate and term may vary in the future depending upon the prevailing market rates, the lender exercising their option to increase rates at one of the bi-annual trigger points (the trigger dates being July and January) and therefore, the Council being given the option to accept the increase or to repay the loan without incurring a penalty. Following advice from Arlingclose, the Council approached the LOBO's lender for potential repayment options in 2017-18, however the premium was deemed too excessive to action. The next trigger point is July 2018 and although the Council understands that the lender is unlikely to exercise this option in the current low interest rate environment, an element of refinancing risk remains and the Council would take the option to repay these loans at no cost if it has the opportunity to do so in the future.

The current average interest rate for these LOBO's is 4.65% compared to the PWLB Loans average interest rate of 4.70%.

The long term liabilities figure of £21.02 million at 31 March 2018 includes £17.64 million for the Council's Private Finance Initiative (PFI) arrangement (for the provision of a Secondary School in Maesteg - sixteen years remaining term) which includes the short term PFI liability of £0.64 million which is included as current liabilities in the Council's balance sheet in the Statement of Accounts. Also included is £2.40 million relating to a loan from the WG Central Capital Retained Fund for regeneration works within the Llynfi Valley which has not yet commenced.

2. Treasury Risk Management

The TMS sets out the parameters for the management of risks associated with Financial Instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks. The Council's overall treasury risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks.

The Council's activities expose it to a variety of financial risks, the key risks are:-

- Credit risk (i.e. security) – 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.

The Council's primary objective for the management of its investments is to give priority to the security and liquidity of its funds before seeking the best rate of return so not all the options available to the Council were utilised during 2017-18. The majority of the Council's surplus funds during 2017-18 were therefore kept in the form of short-term investments and were all placed with counterparties satisfying the appropriate credit criteria and spread over a number of counterparties. This was deemed a much safer option even though it may be at the expense of extra basis points in interest and more detail is provided below in section 5.

The counterparty limits were constantly reviewed and where market conditions dictated, the limit was dropped below the limits detailed in the Investment Strategy. No breaches of the Council's counterparty criteria occurred during 2017-18 and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2018 that this was likely to crystallise. Table 2 below in section 5 summarises the credit risk exposures of the Council's investment portfolio by credit rating, based on the lowest long term rating.

3. External Context 2017-18

The interest rate views, incorporated in the Council's TMS 2017-18, were based upon officers' views supported by a selection of City forecasts provided by Arlingclose. When the TMS 2017-18 was prepared in January 2017 it was forecast that the Bank Rate would remain at 0.25% during 2017-18 with a low possibility of a drop close to zero and with a very small chance of a reduction below zero.

The Bank Rate started the financial year at 0.25% and the Bank of England's Monetary Policy Committee (MPC) increased this by 0.25% to 0.50% in November 2017. It was significant in that it was the first rate hike in ten years, although in essence the MPC reversed its August 2016 cut following the EU referendum result. The Bank Rate remained at 0.50% for the remainder of 2017-18.

4. Borrowing Strategy and Outturn 2017-18

Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. The uncertainty over future interest rates increases the risks associated with treasury activity. As a result the Council took a cautious

approach to its treasury strategy. With short-term interest rates currently lower than long term rates, it is likely to be more cost effective in the short term to either borrow short term or use internal resources. Short term and variable rate loans expose the Council to the risk of short term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates as shown in the treasury management indicators below in section 9. However, with long term rates forecast to rise in the coming years, any such short term savings will need to be balanced against the potential longer-term costs. The Council's treasury management advisors will assist the Council with this 'cost of carry' and breakeven analysis.

The Council's primary objective for the management of its debt is to ensure its long term affordability. The majority of its loans have therefore been borrowed from the PWLB at long term fixed rates of interest and the last time the Council took long term borrowing was £5 million from the PWLB in March 2012. The premium charge for early repayment of PWLB debt remained relatively expensive for the loans in the Council's portfolio and therefore unattractive for debt rescheduling activity so no rescheduling activity was undertaken in 2017-18 as a consequence, however, in conjunction with Arlingclose, the loan portfolio will continue to be reviewed for any potential savings as a result of any loan rescheduling. For cash-flow purposes on two occasions short term borrowing was taken in 2017-18 totalling £4 million and repaid within a month and there was none outstanding at 31 March 2018.

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This is known as Internal Borrowing. This strategy is prudent as investment returns are low and counterparty risk is relatively high.

5. Investment Strategy & Outturn 2017-18

Both the CIPFA Code and the WG Guidance require the Council to invest its funds prudently and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, balancing the risk of incurring losses from defaults against receiving unsuitably low investment income. The Annual Investment Strategy incorporated in the Council's TMS 2017-18 includes the credit ratings defined for each category of investments, the prudential use of non-specified investments and the liquidity of investments.

Investment decisions are made by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's to ensure that this lies

within the Council's agreed minimum credit rating. **Appendix B** shows the equivalence table for these published credit ratings and explains the different investment grades. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. In the current climate, relying mainly on credit ratings is considered to be inappropriate and the Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

The Council's investments have historically been placed in bank and building society unsecured deposits and local and central government, however, investments may be made with any public or private sector organisations that meet the minimum credit criteria specified in the Investment Strategy. The Council is diversifying into more secure and/or higher yielding asset classes and any new instruments used will be in full consultation with the Council's treasury management advisors. In order to be able to use the majority of these different types of instruments, the Council is required to use a nominee account(s) with a third party for safe custody of such investments (a custody account) as we are unable to deal direct. On 5 September 2017, Cabinet approved the opening of a King & Shaxson custody account. It also delegated authority to the Section 151 Officer, in consultation with the Monitoring Officer, to open additional custody accounts to support delivery of treasury management responsibilities if required. The custody account was used in October 2017 to invest in a £1 million HM Treasury bill which matured in January 2018.

The Council opened a Money Market Fund in August 2017 with the Churches, Charities and Local Authorities (CCLA) Public Sector Deposit Fund which is a pooling of public sector deposits wholly aligned with the principles and values of the public sector. It is UK domiciled, regulated by the Financial Services Authority with an advisory board representing the public sector depositors which ensures strong governance arrangements of the Fund. This is an approved financial instrument in the TMS 2017-18 and provides instant access to the funds. There was no balance outstanding at 31 March 2018.

On a day to day basis, the Council typically has surplus cash balances arising from the cash flow e.g. timing differences between grants being received and making various payments. These are invested on the market via brokers, direct with the institution or held in deposit accounts. The Council usually

invests for a range of periods dependent on cash flow requirements and the interest rates on offer having regard to the Investment Strategy.

There were two new long term investments (original duration of 12 months or more) made with local authorities in 2017-18 both for two years totalling £5 million but all other investments in 2017-18 were short term. The table below details these investments by counterparty type:-

Table 2: Investments Profile 2017-18

| Investment Counterparty Category | Balance 01 April 2017 (A) £m | Investments Raised (B) £m | Investments Repaid (C) £m | Balance 31 March 2018 (A+B-C) £m | Average Duration Investment in force during 2017-18 Days | Average Original Duration of the Investment Days | Weighted Average Investment Balance 2017-18 £m | Weighted Average Interest Rate 2017-18 % |
|--|------------------------------------|---------------------------------|---------------------------------|--|---|---|---|---|
| Government - DMO | - | 134.40 | 134.40 | - | 6 | 6 | 2.04 | 0.18 |
| Government Treasury Bill | - | 1.00 | 1.00 | - | 91 | 91 | 0.25 | 0.27 |
| Local Authorities | 19.50 | 143.60 | 142.10 | 21.00 | 66 | 130 | 30.52 | 0.51 |
| Building Societies | 6.00 | 10.00 | 14.00 | 2.00 | 81 | 128 | 3.87 | 0.39 |
| Banks (Fixed Maturity) | 3.00 | 11.00 | 9.00 | 5.00 | 166 | 213 | 6.49 | 0.62 |
| Banks Instant Access/Notice Period Accounts* | 5.25 | 97.16 | 100.01 | 2.40 | n/a | n/a | 5.44 | 0.40 |
| Money Market Fund (Instant Access)* | - | 11.30 | 11.30 | - | n/a | n/a | 1.02 | 0.29 |
| Total/Average | 33.75 | 408.46 | 411.81 | 30.40 | 82 | 113 | 49.63 | 0.49 |

* An average duration is not shown as there is no original duration as instant access or notice period and money is added and withdrawn to/from these accounts as required by cash-flow

Occasionally, investments are placed with the UK Debt Management Office (DMO - Executive Agency of UK Government) but only for very short term deposits (as shown in table 2 above) and only as a last resort as the interest rates offered by this facility are lower than some other counterparties but this is commensurate with the high level of security and reduced risk offered. It provides another option when examining potential investments and ensures compliance with the Council's investment objective that security takes priority

over yield. There were no deposits outstanding with the DMO at 31 March 2018.

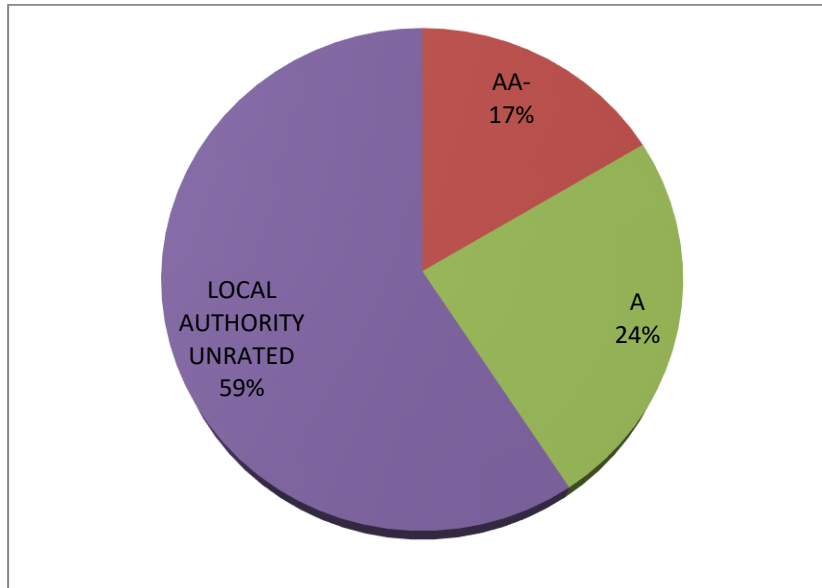
Favourable cash flows have provided positive cash balances for investment and as shown above the balance on investments at 31 March 2018 was £30.40 million made up of £9 million long term investments, £20 million short term investments and £1.40 million Cash and Cash Equivalents.

The table below summarises the credit risk exposure of the Council's £30.40 million investments at 31 March 2018 by credit rating, (based on the lowest long term rating) maturity profile (remaining duration from 31 March 2018) and counterparty type:-

Table 3: Investments Outstanding Maturity Profile 31 March 2018

| Counterparty Category | Credit Rating | Instant Access Deposit Account | Notice Period Deposit Account | Deposits Maturing within 1 Month | Deposits Maturing Within 2 to 6 Months | Deposits Maturing Within 7 Months up to 1 Yr. | Deposits Maturing Within 1 to 3 Yrs. | Total 31-3-18 |
|---------------------------|---------------|--------------------------------|-------------------------------|----------------------------------|--|---|--------------------------------------|---------------|
| | | £m | £m | £m | £m | £m | £m | £m |
| Bank | AA- | | | | 2.00 | | | 2.00 |
| Bank | A | 1.40 | 1.00 | 2.00 | 1.00 | | | 5.40 |
| Building Societies | A | | | | 2.00 | | | 2.00 |
| Local Authorities | AA- | | | | | | 3.00 | 3.00 |
| Local Authorities unrated | | | | 2.00 | 9.00 | 1.00 | 6.00 | 18.00 |
| Total | | 1.40 | 1.00 | 4.00 | 14.00 | 1.00 | 9.00 | 30.40 |

The Council defines high credit quality as organisations and securities having a credit rating of A- or higher. The pie chart below summarises the above table by credit ratings and shows the £30.40 million investments at 31 March 2018 by percentage outstanding. Most Local Authorities do not have credit ratings and the remainder of our investments all had a credit rating of A or above.



6. Performance Measurement

The Code of Practice on Treasury Management requires the Council to set performance indicators to assess the adequacy of the treasury function over the year and the ones set in the TMS 2017-18 are shown below. These are distinct historic indicators as opposed to the Treasury Management and Prudential Indicators (shown below in section 9) which are predominantly forward looking. One debt performance indicator is where the average portfolio rate of interest is compared to an appropriate average available such as the average PWLB Debt for Welsh and UK Local Authorities.

The average long term borrowing rate for 2017-18 and at 31 March 2018 was 4.69% (the same rate as at 31 March 2017) and 80% of this was made up of Public Works Loan Board (PWLB) loans with an average rate of 4.70% (the same rate as at 31 March 2017). Comparable performance indicators are shown below:-

| Bridgend CBC Average Rate of PWLB Debt 31-03-18 % | All Welsh Local Authorities* Average Rate for outstanding PWLB Debt 31-03-18 % | All UK Local Authorities* Average Rate for outstanding PWLB Debt 31-03-18 % |
|--|---|--|
| 4.70 | 4.75 | 4.07 |
| | -0.05 | +0.63 |

*excluding Parish, Town and Community Councils

The average rate on investments for 2017-18 was 0.49% and at 31 March 2018 was 0.62% (compared to 0.49% for 2016-17 and 0.55% at 31 March

2017). Comparable performance indicators for benchmarking purposes set in the TMS 2017-18 were the average 1 month London Inter Bank Bid (LIBID) rate and the average Bank Rate. The tables below show the investments average interest rate for 2017-18 and the actual rate as at 31 March 2018 compared favourably against these two benchmarking rates:-

| | | |
|--|---|--|
| Bridgend CBC Average Rate of Return on Investments 2017-18 % | Average 1 month LIBID (London Inter-Bank Bid rate) 2017-18 % | Average Bank Rate 2017-18 % |
| 0.49 | 0.23 | 0.35% |
| | +0.26 | +0.14 |
| Bridgend CBC Average Rate of Return on Investments 31-03-18 % | 1 month LIBID (London Inter-Bank Bid rate) 31-03-18 % | Bank Rate 31-03-18 % |
| 0.62 | 0.39 | 0.50 |
| | +0.23 | +0.12 |

The Council participates in a benchmarking exercise with Arlingclose. As shown below, the Council's average rate of return on investments at the end of each quarter in 2017-18 was more favourable compared to the average of Arlingclose Welsh Local Authorities Unitary clients:

| 2017-18 | Principal £m | Bridgend CBC Average Rate of Return on Investments % | Principal £m | Arlingclose Clients Welsh Unitaries Average Rate of Return on Investments % |
|-----------------|-------------------------|---|-------------------------|--|
| 30-06-17 | 47.10 | 0.45 | 31.60 | 0.40 |
| 30-09-17 | 44.00 | 0.48 | 25.90 | 0.29 |
| 31-12-17 | 43.30 | 0.58 | 30.00 | 0.44 |
| 31-03-18 | 30.40 | 0.62 | 31.00 | 0.47 |

7. Review of the Treasury Management Strategy 2017-18

Cipfa's Code of Practice for Treasury Management requires all local authorities to conduct a mid-year review of its treasury management policies, practices and activities. As a result of this review it was not deemed necessary to make any changes to the TMS 2017-18.

8. Reporting Arrangements 2017-18

CIPFA's Code of Practice for Treasury Management requires that the Council reports on its treasury management as an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close all to Full

Council. The Council also produces quarterly monitoring reports that go to Cabinet as Information Reports. The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury management decisions to the Section 151 Officer, who will act in accordance with the Council's TMS and CIPFA's Standard of Professional Practice on Treasury Management.

In addition to the Code of Practice, the Welsh Government has issued Guidance on Local Government Investments which require local authorities to report their Annual Investment Strategy.

To ensure effective scrutiny of treasury management in accordance with the TMS, Audit Committee has been nominated to be responsible for ensuring effective scrutiny of the treasury management strategy and policies as detailed in paragraph 3.1 of the main report.

9. Treasury Management & Prudential Indicators 2017-18

The Treasury Management Code and Prudential Code require the Council to set and report on a number of Treasury Management and Prudential Indicators. Details are shown below of the estimated indicators for 2017-18 as detailed in the TMS 2017-18 approved by Council 1 March 2017, the revised projection (where applicable) as set out in the TMS 2018-19 approved by Council 28 February 2018, and the actual indicators for 2017-18. During the financial year 2017-18, the Council operated within the treasury limits and prudential indicators set out in the Council's TMS 2017-18.

9.1 Treasury Management Indicators 2017-18

The following indicators (which are forward looking parameters) form part of the CIPFA Code of Practice on Treasury Management. They enable the Council to measure and manage its exposure to Treasury Management risks.

The Council needs to set the upper limits to its **Interest Rate Exposure** for the effects of changes in interest rates. There are two treasury management indicators relating to both fixed interest rates and variable interest rates. These limits have been calculated with reference to the net outstanding principal sums and are set to control the Council's exposure to interest rate risk and are shown in the table below. Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or transaction date if later and all other instruments are classed as variable. The majority of the Council's investments are less than 12 months and even though interest rates may be fixed for the investment duration these would be classed as variable. LOBO loans are variable interest rate loans, therefore, as the investments were in excess of total variable rate loans, the net principal is shown as negative in the table below.

The Section 151 Officer managed interest rate exposure between these limits during the year and as shown below the net borrowing position for fixed and variable rates was within the limits set.

| No. | Interest Rate Exposure | TMS 2017-18 £m | Revised Projection 2017-18 TMS 2018-19 £m | Actual Outstanding 31-03-18 £m |
|-----|---|--------------------------|--|---|
| | Total Projected Principal Outstanding on Borrowing 31 March 2018 | 96.87 | 96.87 | 96.87 |
| | Total Projected Principal Outstanding on Investments 31 March 2018 | 24.00 | 30.00 | 30.40 |
| | Net Principal Outstanding | 72.87 | 66.87 | 66.47 |
| 1. | Upper Limit on fixed interest rates (net principal) exposure | 130.00 | n/a | n/a |
| 2. | Upper Limit on variable interest rates Exposure (net principal) exposure | 50.00 | n/a | n/a |
| | Fixed interest rate exposure (net principal) 31 March 2018 | | 68.62 | 68.62 |
| | Variable interest rate exposure (net principal) 31 March 2018 | | 1.25 | -2.15 |

A further indicator for treasury management measures the **Maturity Structure of Borrowing** and is the amount of projected borrowing that is fixed rate, maturing in each period as a percentage of total projected fixed rate borrowing. This indicator is set to control the Council's exposure to refinancing

risk and has been set to allow for the possible restructuring of long term debt where this is expected to lead to an overall saving or reduction in risk.

| No | Maturity structure of fixed rate borrowing during 2017-18 | Upper limit % | Lower limit % | Actual 31-03-18 % |
|----|---|---------------|---------------|-------------------|
| 3. | Under 12 months | 50 | 0 | 19.87 |
| | 12 months and within 24 months | 25 | 0 | - |
| | 24 months and within 5 years | 25 | 0 | - |
| | 5 years and within 10 years | 50 | 0 | 13.91 |
| | 10 years and within 20 years | 60 | 0 | 23.49 |
| | 20 years and above | 100 | 40 | 42.73 |

The 19.87% in the table above relates to £19.25 million Lender's Option Borrower's Option (LOBO) loans which may be re-scheduled in advance of their maturity date of 2054, as detailed in section 1 above. The Code requires the maturity of LOBO loans to be shown (even though the rate is variable) as the earliest date on which the lender can require payment, i.e. the next call date after 31 March 2018 which is July 2018, however, the lender is not expected to exercise this option due to current low interest rates and the Council is not anticipating that this will occur during 2018-19 so the maturity date is actually uncertain but is shown in the "Under 12 months" category as per the Code.

The **Upper Limit for Total Principal Sums invested over 364 days** indicator controls the amount of longer term investments which mature beyond the period end. This is set to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments.

| No. | | TMS 2017-18 £m | Actual Principal Outstanding Over 364 days 31-03-18 £m |
|-----|--|-------------------|---|
| 4. | Upper Limit for Total Principal Sums Invested for more than 364 days | 15 | 9 |

The actual for all three treasury management indicators above are within the accepted range.

9.2 Prudential Indicators 2017-18

The Prudential Indicators are required to be set and approved by Council in accordance with CIPFA's Prudential Code for Capital Finance in Local Authorities.

Council is required to formally adopt CIPFA's Treasury Management Code and the revised edition of the 2011 code was adopted by Council on 22 February 2012.

Prudential Indicators for Prudence

The following Prudential Indicators are based on the Council's capital programme which is subject to change. The Council's capital expenditure plans are summarised below and this forms the first prudential indicator for Prudence. The total capital expenditure was funded from capital grants and contributions, capital receipts and revenue with the remainder being the **Net Financing Need for the Financial Year** to be met from borrowing.

| No. | Prudential indicators For Prudence 2017-18 | Estimate TMS 2017-18 £m | Revised Projection 2017-18 TMS 2018-19 £m | Actual 2017-18 £m |
|-----|--|-------------------------|---|-------------------|
| 1. | Estimates of Capital Expenditure (Non-HRA) | 63.85 | 45.41 | 36.58 |
| | Total Capital Expenditure | 63.85 | 45.41 | 36.58 |
| | Financed by :- | | | |
| | Capital Grants and Contributions | 24.37 | 15.14 | 15.31 |
| | Capital Receipts | 20.04 | 10.90 | 1.50 |
| | Revenue contribution to Capital | 9.92 | 9.61 | 9.92 |
| | Net Financing Need for Year | 9.52 | 9.76 | 9.85 |

The capital expenditure figures have changed from the TMS 2017-18 as the capital programme approved by Council on 1 March 2017 has been amended to include new approved schemes and to incorporate slippage of schemes identified as part of the capital monitoring which has resulted in a very small increase in the Net Financing Need for 2017-18.

The process for charging the financing of capital expenditure to revenue is a statutory requirement and is called the Minimum Revenue Provision (MRP). The actual MRP charge needs to be prudent and the methodology is detailed in the Council's MRP policy in the TMS 2017-18. Directorates who receive Council approval for capital schemes via Unsupported Borrowing make annual contributions to the capital costs of their schemes known as Voluntary Revenue Provisions (VRP) or additional MRP. This type of borrowing is only approved when Directorates have the necessary revenue resources to make VRP to fund the capital costs though this will be deferred in some cases until the asset becomes operational in accordance with the Council's MRP Policy.

The second Prudential Indicator is the **Capital Financing Requirement (CFR)** for the Council and is shown in the table below. This shows the total outstanding capital expenditure that has not been funded from either revenue

or other capital resources. It is derived from the actual Balance Sheet of the Council. It is essentially a measure of the underlying need to finance capital expenditure and forms the basis of the charge to the General Fund in line with the Prudential Code.

The MRP requirement for the Maesteg School PFI Scheme and the Innovation Centre will be equivalent to the write down of the liability for the year and is met from existing budgets.

| No. | Prudential indicators For Prudence | Estimate TMS 2017-18 £m | Revised Projection 2017-18 TMS 2018-19 £m | Actual 2017-18 £m |
|-----------|---|--------------------------------------|---|-----------------------------|
| 2. | Capital Financing Requirement (CFR) | | | |
| | Opening CFR (1 April 2017) adjusted excluding PFI & other liabilities | 150.65 | 149.20 | 149.20 |
| | Opening PFI CFR | 18.24 | 18.24 | 18.24 |
| | Opening Innovation Centre | 0.66 | 0.66 | 0.66 |
| | Opening Coychurch Crematorium | 0.08 | 0.08 | 0.08 |
| | Total Opening CFR | 169.63 | 168.18 | 168.18 |
| | Movement in CFR excluding PFI & other liabilities | 2.90 | 3.36 | 3.44 |
| | Movement in PFI CFR | (0.60) | (0.60) | (0.60) |
| | Movement in Innovation Centre CFR | (0.06) | (0.06) | (0.06) |
| | Movement in CREM CFR | (0.08) | (0.08) | (0.08) |
| | Total Movement in CFR | 2.16 | 2.62 | 2.70 |
| | Closing CFR (31 March 2018) | 171.79 | 170.80 | 170.88 |
| | Movement in CFR represented by :- | | | |
| | Net Financing Need for Year (above) | 9.52 | 9.76 | 9.85 |
| | Minimum and Voluntary Revenue Provisions* | (7.36) | (7.14) | (7.15) |
| | Total Movement | 2.16 | 2.62 | 2.70 |

*Minimum Revenue Provision (MRP) and Voluntary Revenue Provision (VRP) represent the revenue charge for the repayment of debt and include MRP for the Public Finance Initiative (PFI) and the Innovation Centre

Limits to Borrowing Activity

The Council's long term borrowing at the 31 March 2018 was £96.87 million as detailed above in section 1. External Borrowing can arise as a result of both capital and revenue expenditure and timing of cash flows. As the Council has an integrated TMS there is no association between individual loans and particular types of expenditure. Therefore, the Capital Financing Requirement and actual external borrowing can be very different especially when a Council is using internal borrowing as highlighted in section 4 above.

The **Gross Debt** position (Borrowing and Long Term Liabilities) is shown in the table below.

| No. | Prudential indicators For Prudence Gross Debt 2017-18 | Estimate TMS 2017-18 £m | Revised Projection 2017-18 TMS 2018-19 £m | Actual Outstanding 31-03-18 £m |
|-----|---|-------------------------|---|--------------------------------|
| 3. | External Borrowing | 96.87 | 96.87 | 96.87 |
| | Long Term Liabilities (including PFI) | 21.07 | 20.99 | 21.02 |
| | Total Gross Debt | 117.94 | 117.86 | 117.89 |

Within the Prudential Indicators, there are a number of key indicators to ensure the Council operates its activities within well-defined limits. One key control is to ensure that over the medium term, debt will only be for a capital purpose. The Council needs to ensure that the external debt does not, except in the short term, exceed the Capital Financing Requirement for 2017-18. The table below shows that the Council has complied with this requirement.

| No. | Prudential indicators For Prudence 2017-18 | Estimate TMS 2017-18 £m | Revised Projection 2017-18 TMS 2018-19 £m | Actual Outstanding 31-03-18 £m |
|-----|--|-------------------------|---|--------------------------------|
| 4. | Gross Debt & the CFR | | | |
| | Total Gross Debt | 117.94 | 117.86 | 117.89 |
| | Closing CFR (31 March) | 171.79 | 170.80 | 170.88 |

A further two Prudential Indicators control the Council's overall level of debt to support Capital Expenditure.

The Authorised Limit for External Debt – this represents the limit beyond which borrowing is prohibited. It reflects a level of borrowing that could not be sustained even though it would be affordable in the short term. It needs to be set and approved by Members.

The Operational Boundary for External Debt – this is not an actual limit and actual borrowing can vary around this boundary during the year. It is based on the probable external debt during the course of the year.

These are detailed below and confirm the Council is well within the limit set:-

| No. | Prudential indicators For Prudence | TMS Limit 2017-18 £m | Actual 31-03-18 £m |
|-----|---|----------------------------|--------------------------|
| 5. | Authorised limit for external debt - | | |
| | Borrowing | 140 | |
| | Other long term liabilities | 30 | |
| | Total | 170 | |
| 6. | Operational Boundary | | |
| | Borrowing | 105 | |
| | Other long term liabilities | 25 | |
| | Total | 130 | |
| | | | |
| | Borrowing | | 96.87 |
| | Other long term liabilities | | 21.02 |
| | Total | | 117.89 |

Prudential Indicators for Affordability

The **Ratio of Financing Costs to Net Revenue Stream** indicator demonstrates the trend in the cost of capital against the Total Revenue amount to be met from local taxpayers and the amount provided by the Welsh Government in the form of Revenue Support Grant. The estimates of capital financing costs include interest payable and receivable on treasury management activities and the MRP charged to the Comprehensive Income and Expenditure Statement. The revenue stream is the amount to be met from government grants and local taxpayers.

| No. | Prudential Indicators for Affordability 2017-18 | Estimate TMS 2017-18 % | Revised Projection 2017-18 TMS 2018-19 % | Actual 2017-18 % |
|-----|---|---------------------------------|---|------------------------|
| 7. | Ratio of Financing Costs to Net Revenue Stream | 4.84 | 4.79 | 4.72 |

APPENDIX B

Credit Rating Equivalence Table

| | Description | Fitch | | Moody's | | Standard & Poor's | | |
|-------------------|------------------|-------|-------|---------|----------------|-------------------|-------|---|
| | | Long | Short | Long | Short | Long | Short | |
| INVESTMENT GRADE | Extremely strong | AAA | | Aaa | | AAA | | |
| | Very strong | AA+ | F1+ | Aa1 | P-1 | AA+ | A-1+ | |
| | | AA | | Aa2 | | AA | | |
| | | AA- | | Aa3 | | AA- | | |
| | Strong | A+ | F1 | A1 | P-2 | A+ | A-1 | |
| | | A | | A2 | | A | | |
| | | A- | | A3 | | A- | | |
| | Adequate | BBB+ | F2 | Baa1 | P-3 | BBB+ | A-2 | |
| | | BBB | F3 | Baa2 | | BBB | | |
| | | BBB- | | Baa3 | | BBB- | | |
| SPECULATIVE GRADE | Speculative | BB+ | B | Ba1 | Not Prime (NP) | BB+ | B | |
| | | BB | | Ba2 | | BB | | |
| | | BB- | | Ba3 | | BB- | | |
| | Very speculative | B+ | C | B1 | | Not Prime (NP) | B+ | C |
| | | B | | B2 | | | B | |
| | | B- | | B3 | | | B- | |
| | Vulnerable | CCC+ | C | Caa1 | | Not Prime (NP) | CCC+ | C |
| | | CCC | | Caa2 | | | CCC | |
| | | CCC- | | Caa3 | | | CCC- | |
| | | CC | | Ca | | | CC | |
| | C | | | | | C | | |
| Defaulting | D | D | C | | D | D | | |

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BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

28 JUNE 2018

REPORT OF THE INTERIM HEAD OF FINANCE

INCIDENT AND NEAR MISS REPORTING PROCEDURE (EXCLUDING HEALTH AND SAFETY)

1. Purpose of report

- 1.1 The purpose of this report is to inform the Audit Committee of the new Incident and Near Miss Reporting Procedure and to seek the Committee's views on whether or not the procedure can be improved upon.

2. Connection to corporate improvement objectives/other corporate priorities

- 2.1 Effective risk management is an essential part of the framework of ensuring good corporate governance and this includes the operation of an effective Incident and Near Miss Reporting Procedure. This can assist in the achievement of the following corporate priorities:

- Supporting a successful economy – taking steps to make the county a good place to do business, for people to live, work, study and visit, and to ensure that our schools are focused on raising the skills, qualifications and ambitions of all people in the county.
- Helping people to be more self-reliant – taking early steps to reduce or prevent people from becoming vulnerable or dependent on the Council and its services.
- Smarter use of resources – ensuring that all its resources (financial, physical, human and technological) are used as effectively and efficiently as possible and support the development of resources throughout the community that can help deliver the Council's priorities.

3. Background

- 3.1 The Council already has a Health and Safety Accidents, Incidents and Near Misses Procedure.
- 3.2 The Chair of the Audit Committee asked the Council to consider implementing an effective Incident and Near Miss Reporting Procedure for other types of incidents and near misses. The aim being to ensure that after there has been an incident or near miss that lessons are learnt which will prevent similar occurrences happening again.

4. Current situation/proposal

- 4.1 The attached Incident and Near Miss Reporting Procedure has been written. It seeks to put in place a proportionate response to different types of incidents and near misses dependent upon their severity.
- 4.2 The Procedure was reviewed by the Corporate Management Board on 12 April 2018 and was broadly welcomed. However it was emphasised that the procedure must not be overly bureaucratic or duplicate other processes already in place. It was agreed that the Insurance and Risk Officer would liaise with Directorates to ascertain what existing procedures are in place.
- 4.3 This has now taken place and it is clear that there are areas of the Council's activities that do not have a mechanism to review incidents and near misses which are not health and safety related.
- 4.4 Feedback from the Audit Committee on the Incident and Near Miss procedure would be welcome.
- 4.5 It is proposed that further consultation be undertaken with Directorates to ensure their support for the procedure and their commitment to implement it. A further report to Audit Committee will be produced to update Members of the consultation process including any recommended changes to the Incident and Near Miss Reporting Procedure that are identified.

5. Effect upon policy framework and procedure rules

- 5.1 Once in place this procedure will complement and not replace the existing Health and Safety Management System Procedure PO14 "Accidents, Incidents and Near Misses".
- 5.2 When agreed and implemented the Council's Risk Management Policy will be updated to reflect the new Procedure.

6. Equality Impact Assessment

- 6.1 There are no equality implications arising from this report.

7. Well-being of Future Generations (Wales) Act 2015 implications

- 7.1 The Act provides the basis for driving a different kind of public service in Wales, with 5 ways of working to guide how public services should work to deliver for people. The following is a summary to show how the 5 ways of working to achieve the well-being goals have been used to formulate the recommendations within this report:

- **Long Term**

The Incident and Near Miss Reporting Procedure will assist in the long term to support Chief Offices in the successful execution of their duties by introducing the reporting and investigation of all types of incidents and near misses other than those relating to Health and Safety.

- **Prevention** The purpose of the procedure is to prevent problems that have occurred or nearly occurred from happening in the future.

- **Integration** The outcomes that the procedure will deliver will depend upon the different circumstances that it is addressing within different services. If it prevents future incidents this might deliver economic, social or environmental benefits.

- **Collaboration** If the procedure is used in collaborative services any investigation and subsequent action plan could involve these partners.

- **Involvement** The persons mainly involved in the procedure will be BCBC staff. However depending on the nature of the incident or near miss the subsequent investigation and action plan may involve a diverse range of stakeholders.

8. Financial implications

8.1 There are no financial implications directly associated with the Incident and Near Miss Reporting Procedure.

9. Recommendation

9.1 The Audit Committee is recommended to:

- a) Consider the Incident and Near Miss Reporting Procedure attached as **Appendix 1** and provide comments;

- b) Note that further consultation will be undertaken with Directorates to finalise the Incident and Near Miss Reporting Procedure.

- c) Note that a further report will be presented to the Committee following the consultation with Directorates.

Gill Lewis
Interim Head of Finance
28 June 2018

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Background documents: None

Appendix 1

Draft

Bridgend County Borough Council

**Incident and Near Miss Reporting
Procedure**

(Excluding Health and Safety)

DATE: JUNE 2018

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1. Introduction

This procedure describes the process for the reporting and investigation of **all** types of incidents and near misses (**other than those relating to Health and Safety**) within the Council, which could, if they had come to fruition, have impacted on the Council's ability to achieve its corporate objectives. This procedure applies equally to incidents involving employees, Members, contractors, visitors and members of the public who are affected by the work of the Council. This includes but is not limited to the management of finance, service failures, communications and public profile, information technology breaches and so on.

2. Statement of intent

Incident and near miss reporting is a key element of good risk management. When something goes wrong, an investigation should take place to identify how and why this happened. This should lead to a change in practice to ensure, where possible, that it does not happen again. In this way, lessons can be learnt to reduce the risk of the Council failing to achieve its objectives.

In order to enable learning to take place, the Council seeks to promote an open and fair organisational culture and to encourage the reporting of incidents when things have gone wrong. This means that disciplinary action will be considered only where there is evidence of willful negligence, acts of a malicious nature or gross/repeated misconduct. Should disciplinary action be appropriate, the investigation would then be managed in accordance with Council's policy and procedures.

3. Links with Financial Procedure Rules and Risk Management Policy

This procedure supports Chief Offices in the successful execution of their duties contained in Section 26 of the Council's Financial Procedure Rules. Section 26 says that "Chief Officers shall be responsible for the identification, classification and control of all risks falling within their areas of responsibility". It also says that they should undertake regular reviews of risks within their Directorate. The Incident and Near Miss Reporting procedure will assist them to identify and record what happens and this will feed into their review and assessment of risk. The method by which risks are reviewed is contained in the Council's Risk Management Policy.

4. Definitions

Incident – any event or circumstance that led to harm to the Council or other occurrence that could impact on the Council's ability to achieve its objectives.

Example: A deadline for the application of a grant is missed and a transport improvement scheme cannot proceed.

Example: The Council becomes dependent on an outsourced contractor which suddenly ceases trading, leaving the Council unable to deliver certain functions.

Example: A pipe bursts in Civic Offices over a weekend which is not discovered until Monday morning. Extensive damage happens leaving certain areas unable to be occupied. Alternative workspace has to be found at short notice.

Example: The Council experiences a cyber-attack and key tasks such as the payment of benefits cannot be completed on time.

Near-miss – an incident that did not lead to harm, but could have done.

Example: A misprint on a ballot paper is discovered just before an election and replacements have to be printed at the last moment.

Example: A care home experiences financial difficulties and the Council steps in to protect the welfare of vulnerable people.

Example: Torrential rain is experienced and a school narrowly avoids being flooded.

Example: Vital data is lost but can be recovered from a backup.

5. Reporting an incident

It is essential that an Incident Report Form is completed for **all** incidents and near misses (**other than those relating to Health and Safety**) as soon as possible before the memory fades. This form, which is found at **Appendix 1** is available via the Intranet (under R for Risk Management) and can be submitted electronically or as a hard copy. All the information required on the form should be provided. The person experiencing or witnessing the incident must complete Part 1 immediately after the occurrence and then forward this to their Line Manager who will complete Part 2.

Part 2 includes an assessment of the incident or near miss. The responsible Line Manager records what investigation has been carried out and action taken to prevent a reoccurrence. To make sure this assessment is objective it should be scored using the measurements for likelihood and impact contained in **Appendix 2**. The score for likelihood is multiplied by the score for impact to reach an overall score for the incident or near miss.

The score will place it somewhere within the prioritization matrix shown in Table 3 of **Appendix 2**. If in the opinion of the Line Manager the incident falls into the **red zone**, which is a score of 15 and above, the Line Manager, following consultation with the Head of Service or member of staff at an appropriate level, will verbally report the incident to a Corporate Director. Following the verbal report a high priority email containing the Incident Report Form or a full description of the incident will be sent to the Corporate Director. The Corporate Director will then have responsibility to determine the appropriate response and action.

If the score is less than 12, it will fall into either the **amber zone** or **green zone**. In these circumstances the completed Incident Report Form should be forwarded to the

Head of Service, or if the Line Manager does not report to a Head of Service, straight to the Corporate Director. It should be copied to the Insurance and Risk Officer.

In the event of an incident being reported to them by a Line Manager within their area of responsibility, Heads of Service are required to check the score allocated. If it is in the **green zone** between 1 and 7 they are responsible for the response. If it is in the **amber zone** between 8 and 11 they must report the matter to their Directorate Management Team. If they think that the score is in the **red zone** between 15 and 24 they will immediately notify their Corporate Director. The completed Incident Report Form should be copied to the Insurance and Risk Officer. The Head of Service will ensure that an investigation has been carried out and that action has been or is being taken. They must satisfy themselves as to the adequacy of the plan of action and keep this under review so that they can be sure that actions are being followed up.

On receipt of a finalised Incident Report Form, the Insurance and Risk officer will add the incident to a database. The information on the database will assist with the assessment of corporate risk as required by the Corporate Risk Management policy.

When an incident occurs all evidence should be protected and secured in case of the need for further investigation.

Any incident involving an employee occurring outside the Council premises, where the person involved was engaged in activities directly related to their duties must be treated in the same way as any other incident.

6. Roles

All employees

All employees have a responsibility to report incidents to their Line Manager and to contribute to any subsequent investigation. They report the incident or near miss by completing the form at Part 1 of **Appendix 1**. A flowchart of the responsibilities for reporting and investigating incidents and near misses are provided in **Appendix 3**. The details of each of the roles are provided below.

Line Managers

In the event of an incident occurring which involves an employee or other person within their team and/or area of responsibility, Line Managers are required to ensure that the incident is reported to their Head of Service, or if they do not report to one, to their Corporate Director. To do this they must use the form at Part 2 of **Appendix 1**. They must conduct an appropriate investigation, see what lessons should be learnt, score the incident and prepare a plan of action.

If in the opinion of the Line Manager the incident falls into the **red zone**, which is a score of 15 and above, the Line Manager, following consultation with the Head of Service or member of staff at an appropriate level, will verbally report the incident to a Corporate Director. Following the verbal report a high priority email containing the

Incident Report Form or a full description of the incident will be sent to the Corporate Director, copied to the Insurance and Risk Officer.

Heads of Service

In the event of an incident being reported to them by a Line Manager within their area of responsibility, Heads of Service are required to check the score allocated. If the score is between 1 and 7, the **green zone**, they are responsible for the response. If the score is between 8 and 12, the **amber zone**, they must report the matter to their Directorate Management Team. If they think that the score is between 15 and 24, the **red zone**, they will immediately notify their Corporate Director. The Head of Service will ensure that an investigation has been carried out and that action is taken. This will include making sure that there has been a proper investigation and satisfying themselves as to the adequacy of any plan of action and keeping this under review so that they can be sure that actions are being followed up.

Directorate Management Team

Where the incident or near miss scores 8, or above, the **amber zone**, the Head of Service will bring it to the attention of the Directorate Management Team. The Directorate Management Team will satisfy themselves as to the score allocated and report any scores over 15, the **red zone**, to the Corporate Management Board. They will review the investigation and ensure that the action plan is satisfactory and is being followed up. They will record and review the management of the incident and the associated risk(s). The Directorate Management Team will ensure that the necessary lessons are learnt from the incident and that any necessary training is completed. They will make sure that any risk reduction measures continue to be effective. The actions taken will be recorded using the form at Part 3 of **Appendix 1**.

The Corporate Management Board

The Corporate Management Board needs to know about, and be satisfied with, the response to incidents and near misses which have a score that exceeds 12. These are situated in the **red zone**.

If it is immediately obvious to a Line Manager, following consultation with their Head of Service that the score exceeds 12 the Corporate Director should have already received immediate notification. If it is initially thought that the risk score is 12 or less, but is subsequently increased by the Directorate Management Team then the Corporate Management Board will have been informed. The relevant Corporate Director will be responsible for making sure that approved corrective action plans are produced and implemented and that these are fully documented and monitored in order to ensure their completion.

The Chief Executive

The Chief Executive has ultimate responsibility for risk management within Bridgend County Borough Council and will ensure that all incidents are dealt with according to the Council's policy and procedures.

The Insurance and Risk Officer

The Insurance and Risk officer will maintain a database of the incidents and near misses. This data base will be used in the assessment of corporate risk as required by the Corporate Risk Management policy.

Appendix 1

Incident report form

Please complete and submit this form to your Line Manager.

Use this form for all incidents and near misses (**other than those relating to Health and Safety**). Any employee with knowledge of the incident may fill in the form.

PART 1 – to be completed by the person(s) experiencing or witnessing the incident within 24 hours of the event and passed to their Line Manager

| | | | |
|---|-------|------------|-----------|
| Name: | | Job Title: | |
| | | | |
| Date: | Time: | Location: | |
| Description of incident | | | |
| Cause (including any contributory factors): | | | |
| Impact of incident or near miss: | | | |
| Immediate action taken to prevent recurrence, if any: | | | |
| Signature (or name if electronic): | | | Date : |

Part 2 – To be completed by Line Manager and sent to Head of Service with a copy to the Insurance and Risk Officer.

| | | | |
|---|-------|-------------|-----------|
| Name | | Job Titl | |
| | | | |
| Date: | Team: | Service: | |
| Do you agree that the contents of the Part 1 form are correct? If not why not? | | | |
| What, investigation and action has been undertaken or is required to prevent recurrence | | | |
| Are there any lessons to be learnt from this incident | | | |
| Scoring - Likelihood x Impact = Score | | | |
| Signature (or name if electronic): | | | Date : |

Part 3 – To be used by the Directorate Management Team when a report is made to them concerning an incident (other than those relating to Health and Safety)

| | | |
|--|-----------------------------|-------|
| Date received: | | |
| Head of Service: | | |
| Has the risk been eliminated? | Is further action required? | |
| If further action required, please describe: | | |
| Signature (or name if electronic): | | Date: |

Appendix 2

Assessing the incident and near miss score

The response to the incident or near miss is governed by its score. Consequently it is important that the scoring mechanism is applied correctly.

Once an incident or near miss has been identified that threatens the achievement of the Council's objectives, the next step is to assess it in terms of what was the likelihood of the incident or near miss happening and what was or could have been the impact to the Council.

The Council has agreed criteria for assessing the levels of likelihood and impact. These are shown in Tables 1 and 2 below.

When both the likelihood and impact have been considered, multiply the likelihood by the impact to get the overall score. This should be mapped on to the matrix in Table 3. The colours of the matrix are a traffic light system that denotes the response to the event. High scores to be notified to Corporate Management Board are the **red zone**, the **amber zone** are the scores that stay with the Directorate Management Team and low scores are in the **green zone** which are under the control of the Head of Service.

Table 1: Description and definitions of LIKELIHOOD

| Score | Description |
|-------|--|
| 6 | It was almost certain - More than a 90% chance |
| 5 | It was highly likely – 70% to 90% chance |
| 4 | It was more likely than not – 50% to 70% chance |
| 3 | It might have happen, but probably not – 30% to 50% chance |
| 2 | It was unlikely to happen - A 10% to 30% chance |
| 1 | It was very unlikely - Less than a 10% chance |

Table 2: Description and definitions of the IMPACT

| Impact | Example Detail Description |
|--------|---|
| 4 | Medium term loss of service capability Adverse UK wide publicity Litigation almost certain and difficult to defend Corporate budget realignment Breaches of law punishable by imprisonment |
| 3 | Short term loss of service capability Adverse Wales wide publicity Litigation to be expected Budget adjusted across service areas Breaches of law punishable by fines only |
| 2 | Short term disruption to service capability Adverse local publicity High potential for complaint, litigation possible Financial implications contained within the Directorate Breaches of regulations/standards |
| 1 | No significant disruption to service capability Unlikely to cause any adverse publicity Unlikely to cause complaint or litigation Financial implications contained within service area Breaches of local procedures or standards. |

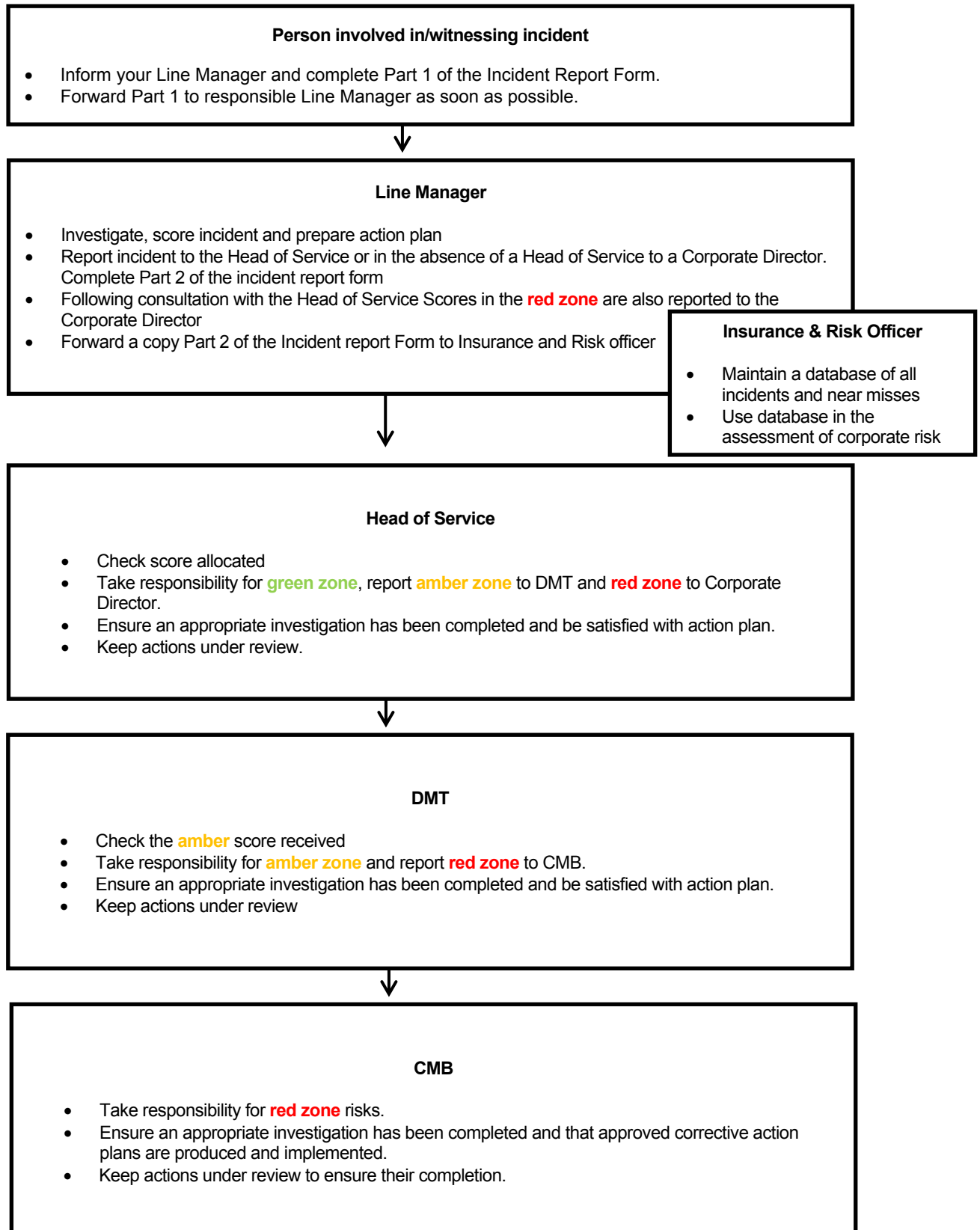
Now that the score has been calculated, you can plot it against the matrix in Table 3. This will be a guide of their relative significance to the Council, and how the response should be managed.

Table 3: Prioritisation Matrix

| | Impact | | | |
|------------|--------|----|----|----|
| Likelihood | 6 | 12 | 18 | 24 |
| | 5 | 10 | 15 | 20 |
| | 4 | 8 | 12 | 16 |
| | 3 | 6 | 9 | 12 |
| | 2 | 4 | 6 | 8 |
| | 1 | 2 | 3 | 4 |

Appendix 3

Incident reporting flowchart



BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

28 JUNE 2018

REPORT OF THE INTERIM HEAD OF FINANCE AND SECTION 151 OFFICER

PROPOSAL TO INCORPORATE THE SHARED INTERNAL AUDIT SERVICE (RIASS) INTO A LARGER SERVICE HOSTED BY THE VALE OF GLAMORGAN COUNCIL TO INCLUDE TWO ADDITIONAL COUNCILS

1. Purpose of Report

- 1.1 The purpose of the report is to inform Audit Committee of the proposal for the Council's Internal Audit Service, which is already part of an existing Regional Internal Audit Shared Service (RIASS) hosted by the Vale of Glamorgan Council, to become part of a larger collaboration and for the Committee to oversee the implementation during 2018/19.

2. Connection to Corporate Improvement Objectives/Other Corporate Priorities

- 2.1 This report assists in the achievement of the following corporate priority/priorities:

Smarter use of resources – ensuring that all its resources (financial, physical, human and technological) are used as effectively and efficiently as possible and support the development of resources throughout the community that can help deliver the Council's priorities.

3. Background

- 3.1 All local authorities in Wales have a legal duty to maintain appropriate and effective internal audit arrangements as set out in the Accounts and Audit (Wales) Regulations 2018 (and prior to this, the Accounts and Audit (Wales) Regulations 2014).
- 3.2 The Council has a consistent track record of meeting this legal duty through the delivery of annual internal audit plans; forming evidence based opinions on the standard of internal control across the Council; ensuring recommendations to improve the standard of internal control have been implemented; and supporting the Council's Audit Committee to deliver its Terms of Reference.
- 3.3 Cabinet at its meeting held on 6th March 2012 approved the proposal that Bridgend County Borough Council become a partner in the Internal Audit Shared Service (IASS) partnership as a joint discharge of functions under Section 101 of the Local Government Act 1972; with the Vale of Glamorgan Council operating as the host authority and authorised the Section 151 Officer in consultation with the Monitoring Officer to make the necessary arrangements to establish the IASS, subject to an agreed Partnership Agreement and Contract.

- 3.4 A formal Partnership Agreement was signed and sealed by both Councils on 1st February 2013, whereby an IASS would be provided by the Vale as the Host Authority for a period of three years to Bridgend Council. Cabinet at its meeting held on 10th January 2017 approved the extension of the IASS Partnership Agreement for a period of two years to 31st January 2020.
- 3.5 As Members will be aware, the Council has a proactive approach to exploring opportunities to develop and improve service provision, including collaborative working, where it is in the Authority's best interest to do so. In line with this approach, the Council's Interim Head of Finance and Section 151 Officer, along with counterparts within Rhondda Cynon Taf, Merthyr Tydfil and the Vale of Glamorgan Councils have undertaken a business case review to consider extending the RIASS currently in place for Bridgend and the Vale of Glamorgan Councils to include Rhondda Cynon Taf and Merthyr Tydfil County Borough Councils.
- 3.6 The current RIASS in place between Bridgend and the Vale of Glamorgan Councils has been fully operational under a formal Partnership Agreement since February 2013. During this time, both Councils report that:
- The RIASS has delivered consistently against the approved annual risk based plans and achieved the necessary coverage in order to issue a robust, evidence based audit opinion at the end of each year; and
 - Benefits have been realised by bringing the sections together, some of which included the effective use of the total audit resource, knowledge sharing and harmonising working practices and systems.
- 3.7 Following on, both Councils indicate that the RIASS has and is achieving the following objectives:
- The service is affordable and is delivering efficiencies and economies of scale;
 - The service enhances the professionalism and quality of audit services provided to both Councils through shared knowledge and best practice;
 - The service is flexible and can respond to changing service requirements and priorities;
 - The service can extend access to specialist audit services and other related disciplines to both Councils; and
 - The service conforms with the Public Sector Internal Audit Standards, with no significant deviations noted.
- 3.8 The RIASS is a small service and is currently unable to deliver the audit plan with its own resources. Furthermore, based on the outcomes delivered by the RIASS to date, it is considered that there would be business benefits for Bridgend if it were to become part of a larger regional service. This includes providing opportunities:
- To further improve the resilience of the service by creating a larger team of staff compared to the current set up of smaller separate teams across a number of local authorities;
 - To develop in-house specialist audit skills not currently in place, such as contract and computer auditing, that will add value to key areas of the Council's business and provide development opportunities for team members;

- To further modernise the service by applying consistent working practices and optimising the use of information technology and agile working; and
- To take advantage of the economies of scale and in-house specialist audit skills to develop a more commercial approach whilst ensuring the Service's core business is maintained.

4. Current Situation / Proposal

- 4.1 As set out in Section 3 of the report, there are clear business benefits for Bridgend Council in becoming part of a larger RIASS. A proposed way forward is set out below.

Partnership Agreement

- 4.2 In accordance with the current Partnership Agreement, the IASS Board may agree that the Agreement shall be terminated upon terms agreed by it unanimously. It is anticipated that a new Partnership Agreement based on Section 101/102 of the Local Government Act 1972 will then be drafted on similar terms to the original agreement but including Rhondda Cynon Taf County Borough Council and Merthyr Tydfil Borough Council as new parties.
- 4.3 All Councils will be required to sign-up to the terms and conditions of this agreement for a set period of time (proposed minimum of three years) in order to demonstrate commitment.
- 4.4 The Vale of Glamorgan Council will continue to be designated as the single employing authority and the Council's staff currently employed within RCT and Merthyr Internal Audit Service will be subject to TUPE (Transfer of Undertakings - Protection of Employment Regulations) and transferred to the Vale of Glamorgan Council. On this basis, Bridgend County Borough Council have no involvement.
- 4.5 Subject to approval from each Authority and consideration of appropriate implementation arrangements, it is envisaged that the new RIASS would become operational during this financial year, that is, 2018/19.

Governance Arrangements

- 4.6 Oversight of the RIASS will be in the form of a Joint Partnership Board and would comprise of Section 151 Officers (or their nominees) from each Council. The Board will monitor the performance of the Shared Service to ensure that it delivers the standards and expectations set out in the Partnership Agreement.
- 4.7 Whilst the Board will jointly oversee the performance of the Shared Service, the responsibility for the adequacy of the Council's whole system of internal audit will continue to remain with the Council and cover, amongst other things, being responsible for approving audit plans and monitoring delivery via the Audit Committee. This will be fully compliant with the Terms of Reference for the Audit Committee and ensure the requirements of the Accounts and Audit (Wales) Regulations 2018 and Public Sector Internal Audit Standards are met.

- 4.8 The Council will also continue to be responsible, via the Audit Committee, for overseeing the effectiveness of the internal audit function, governance, risk management and control arrangements and holding the Head of Internal Audit to account for delivery of the approved Audit Plan. In addition, the existing arrangements in place to hold managers to account to implement recommendations made by Internal Audit will remain unchanged.

Annual Audit Planning

- 4.9 The annual Audit Plan for 2018/19, as agreed by Audit Committee on 26th April 2018, will continue to be delivered as set out. Subject to agreement on the new RIASS, the draft 2019/20 Audit Plan will be compiled by the RIASS and reported to Audit Committee for consideration and approval.
- 4.10 As part of the annual audit planning process for 2019/20, the Head of the Regional Internal Audit Service will undertake an assessment of risk and 'audit need' across all partner local authorities to ensure audit coverage is appropriate and optimum use is made of available resources. This approach is in line with existing arrangements and will also take into account the new business benefits a RIASS will provide as set out in paragraph 4.6.

Staffing Arrangements

- 4.11 A key principle underpinning the proposal is that all existing employees will remain as part of the new RIASS on current grades and terms and conditions. As part of the transfer process, engagement with staff, Trade Unions and Human Resources would take place, in line with agreed arrangements.
- 4.12 Following the transfer process, a proposed staffing structure for a new RIASS would be consulted upon with staff and Trade Unions, with the proposed staffing structure having sufficient posts for all existing employees to be recruited into. As such there will be no requirement to consider compulsory redundancies.

Cabinet Report

- 4.13 A report was presented to Cabinet on the 19th June 2018 seeking approval for:-
1. The proposal for the RIASS to expand to include RCT and Merthyr with the Vale of Glamorgan Council continuing to operate as the host authority;
 2. The authorisation of the Interim Head of Finance and Section 151 Officer, in consultation with the Monitoring Officer, to make the necessary arrangements for Bridgend County Borough Council to become part of an enhanced RIASS subject to an agreed Partnership Agreement and Contract;

It also requested that Audit Committee oversee the implementation arrangements during 2018/19.

5. Effect upon Policy Framework & Procedure Rules.

- 5.1 None.

6. Equalities Impact Assessment

6.1 In developing the proposal, an Equality Impact Assessment screening has been undertaken to ensure that:

- The Council meets the requirements of the Public Sector Equality Duties, and
- Due regard has been taken of the likely impact of the decision in terms of equality and discrimination

6.2 There are no negative equality impacts arising from this report.

7. Well-being of Future Generations (Wales) Act 2015 Implications

7.1 The proposal supports the Well-being of Future Generations Act in the following ways:

- The well-being goal of a prosperous Wales through the efficient use of resources and developing skills and employment opportunities, and
- The sustainable development principle of 'collaboration' through working with others to help achieve common objectives.

8. Financial Implications

8.1 In line with the review work undertaken, it is estimated that potential future budget savings to the Council could be delivered over time. Following the first year and subject to developing a more commercial emphasis, it is anticipated that additional income generation will reduce the net cost of the service to all partner local authorities.

9. Recommendations

9.1 It is recommended that Audit Committee:

- Note the contents of this report and that the Committee will be tasked with overseeing the implementation arrangements during 2018/19 subject to Cabinet approving the proposals outlined at paragraph 4.13.

Gill Lewis
Interim Head of Finance and Section 151 Officer
18 June 2018

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Background documents: None

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BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

28 JUNE 2018

REPORT OF THE CHIEF INTERNAL AUDITOR

INTERNAL AUDIT – OUTTURN REPORT – APRIL TO MAY 2018

1. Purpose of report

- 1.1 The purpose of this report is to inform the Audit Committee of actual Internal Audit performance against the two months of the Audit Plan year covering April and May 2018.

2. Connection to corporate improvement objectives/other corporate priorities

- 2.1 This report assists in the achievement of the following corporate priority/priorities:

- Smarter use of resources – ensuring that all its resources (financial, physical, human and technological) are used as effectively and efficiently as possible and support the development of resources throughout the community that can help deliver the Council's priorities.

3. Background

- 3.1 The 2018/19 Internal Audit Plan was submitted to the Audit Committee for consideration and approval on the 26th April 2018. The Plan outlined the assignments to be carried out and their respective priorities.
- 3.2 The Plan provided for a total of 1,000 productive days to cover the period April 2018 to March 2019. These days were split into those reviews considered to be Priority One and those considered to be Priority Two with the aim of completing the whole plan by the end of the financial year.

4. Current situation/proposal

- 4.1 Actual progress against the 2018/19 Risk Based Plan is attached at **Appendix A** and a detailed analysis as extracted from the Internal Audit Shared Service management information system is shown at **Appendix B**.
- 4.2 At present the overall structure of the Section continues to be based on 14 Full Time Equivalent (FTE) employees. As previously reported, the Section continues to carry vacant posts, however the recent recruitment campaign has proved to be extremely successful in so much as the Section has managed to fill all the vacant auditors posts and one of the Senior posts. The Section has once again commissioned the services of the South West Audit Partnership in order to address in part some of the shortfall in days necessary to complete the plan; this is likely to continue during the first half of this Financial Year. The information provided in Appendix A and B does not include any of the work allocated or any time utilised by the South West Audit Partnership.

4.3 In order to assist with the effective monitoring of the annual risk based plan, further information is attached at **Appendix C** which details those reviews which have not yet been allocated in the respective quarter and those reviews which have been brought forward from future quarters.

4.4 As it is only two months into the start of the new Audit Plan, no significant weaknesses in the system of internal control have been identified so far to date.

5. Effect upon policy framework and procedure rules

5.1 There is no effect upon the policy framework and procedure rules.

6. Equality Impact Assessment

6.1 There are no equality implications arising from this report.

7. Well-being of Future Generations (Wales) Act 2015 implications

7.1 The well-being goals identified in the Act were considered in the preparation of this report. It is considered that there will be no significant or unacceptable impacts upon the achievement of well-being goals/objectives as a result of this report.

8. Financial implications

8.1 Effective Audit planning and monitoring are key contributors in ensuring that the Council's assets and interests are properly accounted for and safeguarded.

9. Recommendation

9.1 That Members give due consideration to the Internal Audit Outturn Report covering the period April to May 2018 to ensure that all aspects of their core functions are being adequately reported.

Helen Smith
Chief Internal Auditor
28th June 2018

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Background Documents - None

HIGH RISK – PRIORITY ONE

| Area | Directorate | Type | Audit Scope | Budget Days Qtr. 1 | Update for Audit Committee June 2018 |
|---|---------------|-------------------------------|---|--------------------|--|
| Carry Forward from 2017/18 | Cross Cutting | Assurance | Provision for those assignments which are still ongoing at the end of 2017/18. | 20 | 7 C/F jobs raised. 4 completed and issued. 2 issued as draft and awaiting completion of the MIP 1 under review. |
| 2017/18 Closure of Reports | Cross Cutting | Assurance | To finalise all draft reports outstanding at the end of 2017/18. | 10 | All jobs have been closed and issued. Two are awaiting the return of the MIP |
| Follow up of recommendations for 2017/18 Recommendation Monitoring | Cross Cutting | Assurance | To ensure that all outstanding recommendations made during 2017/18 have been actioned. Monitoring the implementation of Internal Audit recommendations in consultation with service areas which have received these recommendations. During the year, Internal Audit will review the process to ensure recommendations are followed up and reported upon to Audit Committee in a timely, efficient and effective manner. | 10 | Three jobs have been raised to undertake follow up work on previously limited reports. These are all ongoing. Recommendation monitoring is ongoing. |
| Annual Opinion Report 2017/18 Annual Opinion Report 2018/19 | Cross Cutting | Governance | To prepare and issue the Head of Audit's Annual Opinion Report for 2017/18. Preparation for the production of the 2018/19 Annual Opinion Report. | 10 | Completed and presented to Audit Committee 26th April 2018 |
| Audit Planning – 2018/19 | Cross Cutting | Governance / Assurance / Risk | To prepare and present the annual risk based audit plan for 2018/19. | 20 | Completed and presented to Audit Committee 26th April 2018 |

| Area | Directorate | Type | Audit Scope | Budget Days Qtr. 1 | Update for Audit Committee June 2018 |
|----------------------------------|----------------------------|-------------------------------|--|--------------------|---------------------------------------|
| Annual Planning – 2019/20 | | | Preparation for the production of the annual risk based plan 2019/20. | | |
| Good Governance | Cross Cutting | Governance | To provide assurance that key Corporate Governance processes are in place within the Council and that these are operating effectively to enable the Council to be provided with sufficient information to enable them to discharge their responsibilities. To assist the Council in the production of the Annual Governance Statement. | 10 | Completed and issued |
| Safeguarding | Cross Cutting | Governance / Assurance / Risk | Case management of safeguarding incidents are dealt with in accordance with the Council’s safeguarding policies and procedures. This review will also include an annual assessment of the Council’s overall operating model for safeguarding; including reviewing the adequacy of assurances obtained by the Council in respect of safeguarding arrangements in place for vulnerable adults and children. Preparatory work for the 2018/19 review. | 10 | Allocated but not yet started. |
| CRSA | Education & Family Support | Assurance | To undertake the annual controlled risk self-assessment for schools. The aim of the process is to enable Head Teachers to review their internal controls and to ensure that they undertake and comply with the requirements of current legislation and the Financial Procedure rules. The objectives of the Control Risk Self-Assessment | 10 | Not yet allocated. |

| Area | Directorate | Type | Audit Scope | Budget Days Qtr. 1 | Update for Audit Committee June 2018 |
|--|---------------------------|-------------------------------|--|--------------------|--|
| | | | (CRSA) questionnaires are to provide a tool for the Internal Audit Service to evaluate the financial and other related controls in operation, help to provide a basis upon which the scope and frequency of audits can be determined and allow Head Teachers to self-assess themselves against potential risks. CRSAs is a widely used technique in both the public and private sectors | | |
| Audit Committee /Members and CMB Reporting | Cross Cutting | Governance / Risk / Assurance | This allocation covers Member reporting procedures, mainly to the Audit Committee. Regular reporting to, and meeting with, the Section 151 Officer, Corporate Management Board and the IASS Board. | 10 | Prepared reports and attended Audit Committee 26th April 2018 and 28th June 2018. |
| Advice & Guidance Provision of Internal control / General advice. | Cross Cutting | Assurance | To allow auditors to facilitate the provision of risk and control advice which is regularly requested by officers within the authority, including maintained school based staff. | 5 | Ongoing – advice & guidance is provided when requested and this is monitored under job reference 762. |
| Grant Certification Work | Cross Cutting | Assurance | Under the conditions of the specific grant determination, the Head of Audit must certify that the conditions of the grant have been complied with. | 10 | Three grants allocated so far – two have been completed and one is ongoing. |
| Financial Systems | Chief Executive / Finance | Assurance | To provide assurances that the financial systems in operation are efficient and effective and that the internal control environment is robust. | | |

| Area | Directorate | Type | Audit Scope | Budget Days Qtr. 1 | Update for Audit Committee June 2018 |
|--|---------------|------------------|---|--------------------|---|
| Quality Assurance & Improvement Programme / Review of the Effectiveness of Internal Audit | Cross Cutting | Assurance | To undertake a series of internal audits to ensure compliance with PSIAS. To review / ensure compliance with the Accounts and Audit (Wales) Regulations 2014 / Public Sector Internal Audit Standards (PSIAS). | 5 | Ongoing. |
| Emerging Risks / unplanned | Cross Cutting | Contingency | To enable Audit Services to respond to provide assurance activity as required. | 10 | Only one unplanned piece of work has been raised during April and May and this was completed and issued (Job no 780) |
| External Audit Liaison | Cross Cutting | Governance | To ensure that a “managed audit” approach is followed in relation to the provision of internal and external audit services. | | |
| Health & Safety | Cross Cutting | Assurance / Risk | Deferred from 2017/18 - To review procedures in operation by the Council to ensure compliance with policies and procedures, Health & Safety training, Risk Assessments, records maintenance and incident reporting. | 10 | Not allocated |
| Members | Cross Cutting | Governance | Partly deferred from 2017/18 - Following the May elections, reviews will be undertaken to ensure that Members comply with the Council’s Gifts and Hospitality Policy, Declaration of Interests and Code of Conduct. | 10 | Not allocated |
| Performance Indicators | Cross Cutting | Assurance | Deferred from 2017/18 – To review the performance management arrangements | 10 | Completed and awaiting the overall WCAG benchmarking |

| Area | Directorate | Type | Audit Scope | Budget Days Qtr. 1 | Update for Audit Committee June 2018 |
|--|-----------------------------|-------------------------------|---|--------------------|--|
| | | | paying particular attention to the accuracy of the performance information collected. | | results. |
| Transformational Change | Cross Cutting | Governance / Assurance | To gain assurance that high risk projects are being managed under the Transformational Change Agenda and delivering the savings required. | 10 | Not allocated |
| Direct Payments | Social Services & Wellbeing | Governance / Risk / Assurance | Review the effectiveness of the procedures and processes in place for Direct Payments to ensure compliance particularly in light of the increase in numbers as a result of the SS&WB Act. | | Allocated to SWAP. The Terms of Reference has been agreed and the work is underway. |
| Domiciliary Care | Social Services & Wellbeing | Assurance | Review of Commissioning, Contracts / Framework / Agreements, monitoring and invoicing. Provider performance and complaints linked to safeguarding. | | |
| Property Compliance | Cross - cutting | Governance / Risk / Assurance | This review had been rolled forward from 2017/18. This will be undertaken as a cross-cutting review due to the diversity of responsibility i.e. schools. | | |
| Healthy Organisation Review – follow up | Cross Cutting | Governance / Risk / Assurance | To follow up on the areas for attention as outlined in the Healthy Organisation Review 2017/18 – particularly focusing on Risk Management and Information Management | | Follow up on the Information Management function is being undertaken by SWAP |
| Fraud / Error / Irregularity | Cross Cutting | Contingency | Irregularity Investigations - Reactive work where suspected irregularity has been detected. Anti-Fraud & Corruption – Proactive - Proactive counter-fraud work that includes targeted testing of processes with inherent | 10 | Two investigations have been commenced under the Council’s Disciplinary Policy. One has been referred to the Police. |

| Area | Directorate | Type | Audit Scope | Budget Days Qtr. 1 | Update for Audit Committee June 2018 |
|---------------------------------------|---|--------------------------|---|--------------------|--|
| | | Fraud & Error | <p>risk of fraud.</p> <p>Developing fraud risk assessment in inform further areas for detailed focus (Fraud Risk Tools).</p> <p>National Fraud Initiative - Collection of data and analysis of matches for the NFI exercise, acting as first point of contact and providing advice and guidance to key contact officers.</p> | | |
| | | | Total – Priority One | 190 | |
| Procurement | Operational & Partnership Services | Assurance | This audit will review the procurement framework and a sample of individual procurement activities across the Council in order to evaluate the level of compliance with legislation and the Council’s Constitution. | 15 | Not Allocated |
| Additional Learning Needs Bill | Education & Family Support | Assurance | To review the adequacy and effectiveness of early interventions in line with the proposed Additional Learning Needs Bill and to examine the effectiveness of collaboration. | | Allocated to SWAP; Terms of Reference has been agreed and work is underway. |
| Risk Management | Cross Cutting | Risk | Review of evidenced to ensure that the Council has a fully embedded risk management system in place that identifies and treats risks to key strategic and operational objectives | | |
| Highways | Communities | Assurance | To review the procedures and processes in operation within Highways – specifically relating to potholes to determine if the | 15 | Not Allocated |

| Area | Directorate | Type | Audit Scope | Budget Days Qtr. 1 | Update for Audit Committee June 2018 |
|------------------------------|------------------------------------|-------------------------------|---|--------------------|--|
| | | | control environment is robust. | | |
| Schools | Education & Family Support | Assurance | To undertake a number of school based reviews in accordance with the Internal Audit risk based assessment. To undertake cross cutting projects to ensure compliance across all schools. | 10 10 | Not Allocated |
| Safer Recruitment | Operational & Partnership Services | Assurance | To provide assurances that safer recruitment is operating effectively across the Council. | 10 | Not Allocated |
| DOLS | Social Services & Wellbeing | Governance | Significant increase in number of DoLS cases impacting on resources. Included in corporate risk register. No previous Internal Audit coverage. | | Allocated to SWAP – Terms of Reference has been agreed and work is underway. |
| YOS | Social Services & Wellbeing | Governance / Risk / Assurance | Statutory Service – new Funding streams; early intervention and prevention schemes, young people transferred to secure estate. No audit coverage since 2011/12. | | Allocated to SWAP; Terms of Reference has been agreed and work is underway. |
| Business Continuity Planning | Operational & Partnership Services | Assurance / Risk | To evaluate the Council’s Business Continuity Plan to provide assurances that it sets out how the Council will operate following an incident and how it expects to return to ‘business as usual’ in the quickest possible time afterwards, that roles and responsibilities are clearly defined and understood and that all relevant stakeholders are fully aware of the plan and its content. | 10 | Allocated to Senior Auditor |

| Area | Directorate | Type | Audit Scope | Budget Days Qtr. 1 | Update for Audit Committee June 2018 |
|-------------------------------|-----------------------------|-------------------------------|---|--------------------|--------------------------------------|
| Use of mobile communications | Cross Cutting | Risk | The Council has recognised the growth of mobile communications which can be demonstrated in a number of ways including integrated self-service opportunities via the Council website. The review will evaluate the effectiveness of the Council's use of Mobile Communications for its community having regards to any appropriate legislation, guidance and internal policies. | | |
| Supplier Management | Cross Cutting | Assurance | To undertake a trend analysis identifying the spend profile of the council to ensure that policies and procedures are being adhered to. | | |
| Project / Contract Management | Communities | Governance / Risk / Assurance | To undertake a review of the procedures and processes associated with a number of Projects / Programmes. Particular emphasis will be placed on compliance. | 10 | Not Allocated |
| Access to Records - GDPR | Cross Cutting | Governance / Risk / Assurance | To ensure that the GDPR are being implemented and embedded throughout the Council | | |
| Asset Management | CEX Finance | Risk / Assurance | To ensure that the disposal of assets is in accordance with Council policy, rules and regulations. | | |
| POVA | Social Services & Wellbeing | | To review the processes and procedures in place for the administration for the Protection of Vulnerable Adults. | | |
| ICT Audit | Cross Cutting | Governance / Risk / Assurance | In consultation with ICT, systems reviews will be undertaken across Directorates to ensure robust controls are evident and operating effectively. | | |

| Area | Directorate | Type | Audit Scope | Budget Days Qtr. 1 | Update for Audit Committee June 2018 |
|--|--|--------------------------------------|---|--------------------|---|
| Complaints / Representations & Advocacy | Social Services & Wellbeing | Governance / Risk / Assurance | <p>Review complaints processes within Social Services to provide assurance as to their effectiveness and compliance with set targets.</p> <p>To provide assurances that the Council's policies and procedures are aligned to the National Approach to Statutory Advocacy for Children & Young People being introduced.</p> <p>Provide assurance that procedures and processes are in accordance with the Golden Thread Advocacy programme for Adults.</p> | 10 | Allocated to SWAP; Terms of Reference agreed and work is underway. |
| Looked After Accommodated Children | Social Services & Wellbeing | Governance / Risk / Assurance | Limited Internal Audit report in 2017/18 for Fostering that requires follow up. Placements, Out of County, Leaving Care. | | |
| | | | Total – Priority Two | 90 | |
| | | | Grand Total | 280 | |

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| <u>Cod</u> | <u>Job</u> | <u>Job Name</u> | <u>Days</u> | <u>Budget</u> | <u>Date Commenced</u> | <u>Date Closed</u> | <u>Opinion</u> |
|------------------|--------------------|--|--------------|---------------|-----------------------|--------------------|----------------|
| ASSURANCE | | | | | | | |
| | Directorate | CHIEF EXECUTIVE - FINANCE | | | | | |
| B | | 772 BCBC - C/F Creditors | 8.18 | 3.00 | 02/04/2018 | 22/05/2018 | Substantial |
| | | 773 BCBC - C/F Debtors | 13.38 | 10.00 | 02/04/2018 | | |
| | | 774 BCBC - C/F Automated Processes | 4.56 | 2.00 | 02/04/2018 | 17/05/2018 | Substantial |
| | | 775 BCBC - C/F Banking | 6.45 | 5.00 | 02/04/2018 | 22/05/2018 | Reasonable |
| Total | Directorate | CHIEF EXECUTIVE - FINANCE | 32.57 | 20.00 | | | |
| | Directorate | OPERATIONAL SERVICES & PARTNERSHIPS | | | | | |
| B | | 776 BCBC - C/F O/T & Excessive Hours | 9.32 | 10.00 | 02/04/2018 | | |
| Total | Directorate | OPERATIONAL SERVICES & PARTNERSHIPS | 9.32 | 10.00 | | | |
| | Directorate | EDUCATION AND FAMILY SUPPORT | | | | | |
| B | | 784 BCBC - School Agency Follow Up | 0.20 | 5.00 | 16/04/2018 | | |
| Total | Directorate | EDUCATION AND FAMILY SUPPORT | 0.20 | 5.00 | | | |
| | Directorate | COMMUNITIES | | | | | |
| B | | 771 BCBC - C/F Energy Management CRC | 7.30 | 5.00 | 02/04/2018 | 04/06/2018 | Reasonable |
| | | 785 BCBC - Porthcawl Harbour Grant Cert | 2.06 | 3.00 | 14/05/2018 | 30/05/2018 | Reasonable |
| Total | Directorate | COMMUNITIES | 9.36 | 8.00 | | | |
| | Directorate | SOCIAL SERVICES AND WELLBEING | | | | | |
| B | | 778 BCBC - Grievance Appeal | 2.06 | 3.00 | 26/04/2018 | | |
| Total | Directorate | SOCIAL SERVICES AND WELLBEING | 2.06 | 3.00 | | | |
| | Directorate | BCBC CROSS CUTTING | | | | | |
| B | | 762 BCBC - Advice and Guidance | 0.47 | 20.00 | 02/04/2018 | | |
| | | 763 BCBC - Audit Committee / CMB | 6.08 | 40.00 | 02/04/2018 | | |
| | | 764 BCBC - Audit Planning and Monitoring | 3.78 | 35.00 | 02/04/2018 | | |
| | | 765 BCBC - C/F Flying Start | 4.32 | 5.00 | 02/04/2018 | | |
| | | 766 BCBC - Finalising 17/18 Reports | 6.05 | 10.00 | 02/04/2018 | | |
| | | 767 BCBC - External Audit Liaison | 0.27 | 10.00 | 02/04/2018 | | |
| | | 768 BCBC - Follow up / Monitoring Recs | 0.03 | 25.00 | 02/04/2018 | | |
| | | 769 BCBC - Quality Assurance QAIP | 0.47 | 10.00 | 02/04/2018 | | |
| | | 780 BCBC - Audit Committee - TOR's | 2.40 | 3.00 | 01/05/2018 | 03/05/2018 | Reasonable |
| B | | 786 BCBC - Coychurch Crem Grant Cert | 2.26 | 3.00 | 14/05/2018 | 30/05/2018 | Reasonable |
| | | 788 BCBC - Grievance NI Underpayment | 1.25 | 5.00 | 21/05/2018 | | |

| | | | | | | | |
|------------------------------------|--------------------|--|--------------|---------------|------------|------------|---------|
| Total | Directorate | BCBC CROSS CUTTING | 27.40 | 166.00 | | | |
| | Directorate | SOCIAL SERVICES | | | | | |
| | | 781 BCBC - BSSG Grant | 3.11 | 5.00 | 16/04/2018 | | |
| | | 782 BCBC - Section 117 Follow Up | 0.74 | 5.00 | 16/04/2018 | | |
| | | 783 BCBC - Fostering Follow Up | 0.91 | 5.00 | 16/04/2018 | | |
| Total | Directorate | SOCIAL SERVICES | 4.76 | 15.00 | | | |
| Total | Function | ASSURANCE | 85.68 | 227.00 | | | |
| ANTI-FRAUD & CORRUPTION | | | | | | | |
| | Directorate | EDUCATION AND FAMILY SUPPORT | | | | | |
| B | | 770 BCBC - Potential Misuse of PCard (FS) | 7.84 | 10.00 | 09/04/2018 | 31/05/2018 | Limited |
| | | 787 BCBC - Potential Financial Mismanagement | 0.41 | 10.00 | 30/05/2018 | | |
| Total | Directorate | EDUCATION AND FAMILY SUPPORT | 8.24 | 20.00 | | | |
| Total | Function | ANTI-FRAUD & CORRUPTION | 8.24 | 20.00 | | | |
| | | Grand | 93.92 | | | | |

Table 1: Unallocated Work in Quarter 1.

| Progress Against Plan – Priority One – Not Yet Allocated | | |
|--|--------------------|---|
| Audit Area | Budget Days | Comments |
| Transformational Change | 10 | These days can be incorporated into Quarters 2 - 4 |
| Health & Safety | 10 | This review can be deferred to Quarter 3 |
| Members (Members Fund) | 10 | This review is required to be completed by the end of the Financial Year |
| CRSA (Schools) | 10 | Deferred to Quarter 3 for the new School year. |
| Total Priority One | 40 | |
| Progress Against Plan – Priority Two – Not Yet Allocated | | |
| Procurement | 15 | Deferred to Quarter 2 / 3 however, some work has been undertaken in this area as a result of a whistleblowing allegation. |
| Highways | 15 | This will need to be picked up in a future quarter |
| Schools | 20 | This will be incorporated in the new School Year. In quarter 2 some school cross cutting work will be scheduled. |
| Safer Recruitment | 10 | Deferred to Quarter 2 |
| Project and Contract Management | 10 | This will be included in future quarters. |
| Total Priority Two | 70 | |
| Overall Total of un allocated days – Priority One & Two | 110 | |

Table 2: Brought Forward Work from Future Quarters.

| Progress Against Plan – Priority One – Brought Forward from Future Quarters | | |
|--|--------------------|--|
| Audit Area | Budget Days | Comments |
| Healthy Organisation Review Follow Up – allocated in Quarter 2 and 3 | 35 | This has been allocated to SWAP to focus on the Information Management function. |
| Direct Payments – allocated in Quarter 4 | 10 | This has been allocated to SWAP, Terms of Reference have been agreed and work is underway. |
| Total Priority One | 45 | |
| Progress Against Plan – Priority Two – Brought Forward from Future Quarters | | |
| Additional Learning Needs – allocated in Quarter 2. | 15 | Allocated to SWAP – Terms of Reference agreed and work is underway. |
| Deprivation of Liberty (DOLS) – allocated in Quarters 2 and 4 | 20 | Allocated to SWAP – Terms of Reference agreed and work is underway. |
| Youth Offending Service – allocated in Quarter 2. | 15 | Allocated to SWAP – Terms of Reference agreed and work is underway. |
| Total Priority Two | 50 | |
| Overall Total of brought forward allocations Priority One & Two | 95 | |

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

28 JUNE 2018

REPORT OF THE CHIEF INTERNAL AUDITOR

AUDIT REPORT – HEALTHY ORGANISATION REVIEW

1. Purpose of report

1.1 The purpose of this report is to present to Members the audit report in respect of the Healthy Organisation Review which was undertaken by the South West Audit Partnership on behalf of the Council's Internal Audit Shared Service (IASS) and which formed part of the Council's 2017/18 audit plan.

2. Connection to corporate improvement objectives/other corporate priorities

2.1 This report assists in the achievement of the following corporate priority/priorities:

- Smarter use of resources – ensuring that all its resources (financial, physical, human and technological) are used as effectively and efficiently as possible and support the development of resources throughout the community that can help deliver the Council's priorities.

3. Background

3.1 As a consequence of resourcing issues within the Internal Audit Shared Service (IASS) during 2017/18, it was necessary to commission a number of reviews to be undertaken by an external provider. The South West Audit Partnership (SWAP) was therefore contracted to undertake a Healthy Organisation Review on five of the eight core function of the Council.

3.2 The review was part of the 2017/18 Internal Audit risk Based Plan and was undertaken on behalf of the Internal Audit Shared Service.

4. Current situation/proposal

4.1 The purpose of the Healthy Organisation Review is to provide an objective assessment of the management control framework or "health" of the Council. The framework comprises eight corporate themes: Corporate Governance; Financial Management; Risk Management; Programme & Project Management; Commissioning and Procurement; Information Management; Programme & Project Management; and finally People and Asset Management.

4.2 Five of the eight themes were reviewed as follows:

- Governance;
- Risk Management,
- Commissioning and Procurement;
- Programme & Project Management and;

- Information Management.

4.3 For each of the corporate themes, the strength of the management control framework in place was assessed against a benchmark model by identifying the presence or otherwise of key controls. As the Healthy Organisation review is a high level corporate overview, it assists with ensuring that there is a balanced view of the control framework in operation across the Council

4.4 The assurance for each of the five themes referred to above have been reviewed indicating an overall High Assurance opinion, however, it should be noted that SWAP were unable to form a conclusion on Information Management as the evidence needed to complete this review was not provided at the time of the audit. SWAP have subsequently been commissioned to follow up on this theme during the first quarter of the plan year 2018/19. The detailed report is attached at **Appendix A**. Set out from pages 41 onwards it details those areas where attention is needed and whilst these have already been recognised as such by services; and work is either ongoing or planned to address them; further details have been provided as to the owner of the action and whether or not follow up will be required by Internal Audit during 2018/19.

5. Effect upon policy framework and procedure rules

5.1 There is no effect upon the policy framework and procedure rules.

6. Equality Impact Assessment

6.1 There are no equality implications arising from this report.

7. Well-being of Future Generations (Wales) Act 2015 implications

7.1 The well-being goals identified in the Act were considered in the preparation of this report. It is considered that there will be no significant or unacceptable impacts upon the achievement of well-being goals/objectives as a result of this report.

8. Financial implications

8.1 Effective Audit planning and monitoring are key contributors in ensuring that the Council's assets and interests are properly accounted for and safeguarded.

9. Recommendation

9.1 That Members give due consideration to the content of the Healthy Organisation Review and the actions to be taken to address those areas requiring attention.

Helen Smith
Chief Internal Auditor
28th June 2018

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Background Documents

None

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Healthy Organisation – A Strategic Review Final Report

Issue Date: April 2018

Working in Partnership to Deliver Audit Excellence

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Executive Summary

This section provides an overview of the approach taken in relation to the Healthy Organisation strategic review, as well as the overall assurance assessment.

Summary Assessment

This section contains the summary assessment by theme and the key strengths and Areas for Attention identified are highlighted.

Detailed Assessment

This section contains a more detailed assessment of each area considered by theme.

Appendices:

- Appendix A – Mapping Areas for Attention to 2018/19 Internal Audit Plan
- Key Contacts and Distribution
- Statement of Responsibility

Executive Summary

Overview

The concept of a Healthy Organisation review was developed by the South West Audit Partnership and the West of England Chief Internal Auditors Group to provide an objective assessment of the management control framework or 'health' of an organisation. In 2015/16 a Healthy Organisation review was carried out at Dorset County Council and Wiltshire Council and was well received at both and it was agreed to complete one for Bridgend County Borough Council as part of this year's audit plan.

The review framework assesses against eight corporate themes: Corporate Governance; Financial Management; Risk Management; Performance Management; Commissioning and Procurement; Information Management; Programme & Project Management; and finally, People and Asset Management. A Red, Amber and Green (RAG) rating is applied to each theme reviewed. These eight themes together contribute towards an overall assessment and understanding of the Council as a 'Healthy Organisation'.

Bridgend County Borough Council have selected to review five of the eight themes this year:

- Governance
- Risk Management
- Commissioning and Procurement
- Programme & Project Management
- Information Management

For each of the corporate themes the strength of the management control framework in place was assessed against a benchmark model by identifying the presence or otherwise of key controls. This included the use of assurance from other sources, such as external audit, as well as recent internal audit reports. The work was carried out during 2018 with testing completed by mid-March 2018. A senior manager from Bridgend County Borough Council was appointed as a key contact for each theme and outcomes were agreed with them ahead of producing this overall report.

The Bridgend County Borough Council Internal Audit Plan is very much focused towards the high-risk areas of the Council. The range of services delivered by the Council, by itself and in partnership with others, is very large and therefore this approach makes the best use of the audit days available. This does mean however that we may not achieve a balanced view of risk management across the organisation. As the Healthy Organisation review is a high level corporate overview, it will help ensure that we all have a balanced view of the control framework in operation across the Council. It has not checked for 'compliance' with the control framework at Service level (although we have looked at Adult Social Care where we needed to sample check).

To stay 'healthy', the Council, like all organisations, must undergo periods of change to remain current, but such change will introduce uncertainty. The existing control framework itself will be challenged by the new demands brought about by the very change needed to move the Council forward. At the start of this change, this framework is in part unproven. Consequently, all healthy

organisations must move between periods of green and amber as they set new priorities which are then subsequently reflected in their governance and service structures. This lifecycle is an ongoing, iterative process.

Most of these ‘areas for attention’ have already been recognised as such by services and work is either ongoing or planned to address this. The intention is for the main areas of weakness to be included in the 2018/19 internal audit plan, to provide assurance that improvements are made and achieve expected outcomes.

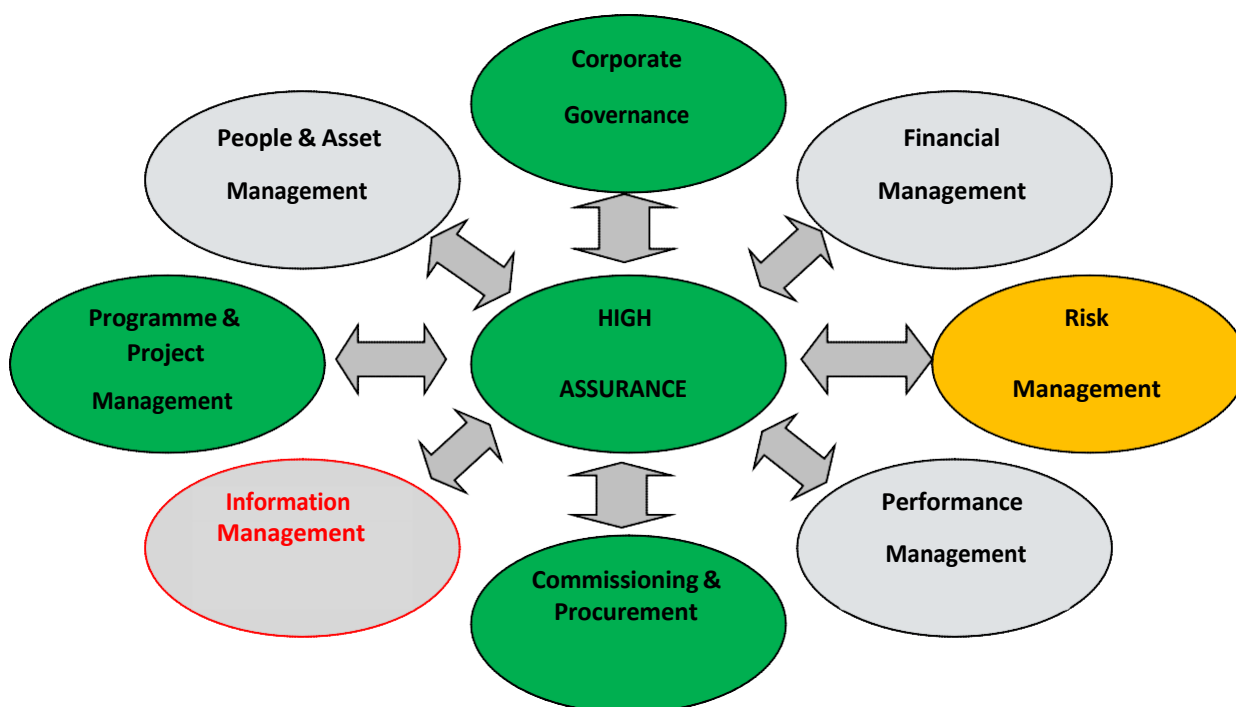
Following the section on overall assurance below, each theme is summarised with a management overview and beyond this more detailed findings for each theme has been provided. Appendix A then maps areas requiring attention to the 2018/19 Internal Audit Plan.

Audit Assurance:

High

The assurance for each of the five themes referred to above have been reviewed and depicted in the following chart. This indicates an overall **High Assurance** opinion, although we were unable to form a conclusion on Information Management as we were not provided with the evidenced needed to complete our work at the time of the audit.

Overall assurance graph



R/A/G Rating Key:

- RED** (Low Assurance / High Risk)
- AMBER** (Medium Assurance / Medium Risk)
- GREEN** (High Assurance / Low Risk)

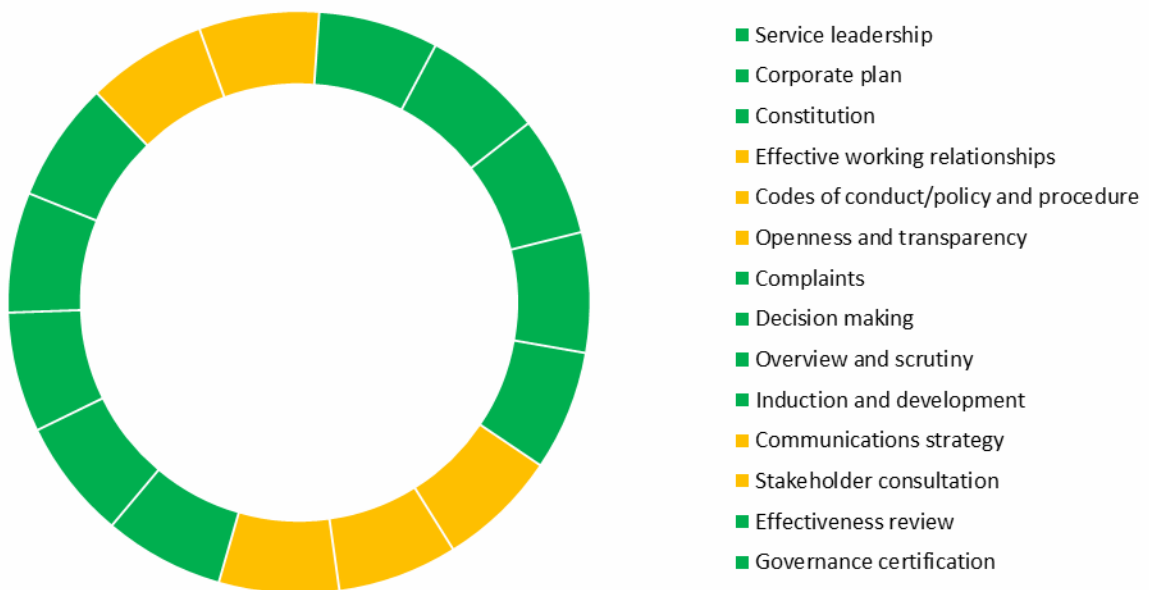
Summary Assessment by Theme

1. Corporate Governance

GREEN

Good corporate governance will facilitate effective management that can deliver long term success and performance of an organisation. Corporate Governance refers to the Strategic (rather than operational) management practices and values and beliefs by which the Council operates that balances accountability and the interests of all its stakeholders, including service users, the wider public and business community, management, Members and staff across the Council. It provides the framework for achieving the Council's goals in every respect including service delivery objectives, preservation of reputation and accountability, together with the values and culture in which services are delivered. Many of the elements of a good corporate framework should be replicated in structures and processes within service levels.

Corporate Governance Assurance Wheel



The **Green** RAG rating has been assigned because of the strong control framework in place in relation to corporate governance.

Governance - AREAS OF STRENGTH

Leadership

- The Corporate Management Team is currently undergoing a restructure by the Chief Executive. It is evident that interim cover arrangements are in place to ensure continuity of the management arrangements where required.

- In response to the recent Ethics audit recommendation, the Corporate Management Board (CMB) have addressed upward feedback mechanisms available to staff by asking the Corporate Director of Education and Family Support to consider the approach which could be used for this.
- Corporate Management Board meetings are held on a weekly basis with relevant senior officers in attendance. The agenda is flexible enough to accommodate emerging issues, but also includes some standing items.
- Attendance at Corporate Management Board meetings is good.

Corporate Plan

- A Corporate Plan is in place for 2016-2020, which is reviewed annually to ensure it remains aligned to the Council's corporate priorities. A draft Corporate Plan for 2018-2022 was presented to the Corporate Review Board in January 2018.
- Public consultation and member involvement are part of the development of the Corporate Plan.
- The Corporate Plan is published internally and externally using a variety of methods to ensure it is accessible by all stakeholders.

Constitution

- A Constitution is in place and is formally updated as required during the year, in accordance with the Annual Governance Statement review indicator table.
- Accountabilities and responsibilities of both Members and Officers are well documented, including the accountabilities for those Officers responsible for Partnerships, Shared Services and other Joint arrangements.

Effective Working Relationships

- Well documented guidance/protocols are in place to define how Officers and elected Members should work together, including an induction framework.
- Evidence is available within Corporate Management Board meeting minutes to show that Members and officers are working together.

Codes of Conduct

- Codes of conduct regarding behavioural standards are well documented in the Constitution and are aligned with the National Assembly Standards.
- There is a well-documented procedure to follow regarding declaration of Conflicts of Interest within the Councils Constitution document.

Openness and Transparency

- The Constitution, forward plans, policies, strategies, agendas and minutes are published online, easily accessible by the public.

Complaints

- Complaints procedures are readily available for members of the public via the website.
- The procedure wording on the website clearly explains the timescales and what responses the Public should expect from the Council.
- The procedure on the website identifies who to contact in the event that a complainant does not find the Council's response to their satisfaction.

Decision Making

- There is a clear protocol regarding decision making for both Council Policy and for Council Budgets, with minimum requirements for obtaining advice or consultation set out in the Constitution.
- Minimum timeframes are well defined, for example periods of consultation.
- A sample check of Council, Cabinet and Audit Committee minutes found them to be of suitable format, with evidence of informed decision making.

Overview and Scrutiny

- Definitions of Audit Committee and Scrutiny Committee responsibilities are contained within the Constitution.

Induction and Development

- Member induction training is well designed, with a detailed framework in place.
- A variety of internal and external training providers are used.
- Surveys of Member's opinions on the quality of their training are completed, with the surveys further utilised to influence external supplier approval.
- There is a focus within the Member Development Strategy on targeted development plans and having mentors in place to assist with Member development.
- There is plenty of opportunity for Leadership team development provided in the form of Leadership training programmes and e-learning modules.
- Evaluation forms are available to invite feedback from staff on the external training courses that they attend.

Communication

- The Communications, Marketing and Engagement Team Plan includes the general approach to engaging with public and other stakeholders.

Stakeholder Consultation

- The Communications, Marketing & Engagement Team Plan defines the Council's stakeholders.

Effectiveness Review

- The Annual Governance Statement includes a review of the effectiveness of governance arrangements.

Governance Certification

- The Annual Governance statement was found to accurately reflect the opinions of both the External and Internal Auditors.

Governance - AREAS FOR ATTENTION

Leadership

- In some instances, actions are agreed at Corporate Management Board, but the minutes do not record any timescales for completion for those actions.
- The "Action review" part of the minutes should state whether previous meeting

actions have been completed (as indicated within the agenda).

- There were some items on the cancelled meeting 20th December 2017 Corporate Management Board Agenda that were not returned to in either of the following 2 meeting agendas, making it difficult to confirm that the issues had been addressed later on.

Corporate Plan

- None

Constitution

- A number of minor referencing issues were identified in Part 1 Summary and Explanation "What's in the Constitution?";
 - There is no reference to the Democratic Services Committee (Article 9) in Part 1.
 - Part 1 states that The Standards Committee is under Article 9, but it's under Article 10.
 - All references to Articles after 10 require update to the corresponding Article number, as a result of the addition "Democratic Services Committee" in Article 9.
- The commissioning of services processes/procedures are not described within the Constitution document, nor within any structure/responsibilities and duties documents within Directorates information available on the intranet.

Effective Working Relationships

- While there is a stated ambition to encourage effective working relationships (Elected Member Learning Development Strategy), opportunities to measure the effectiveness of this in practice are missing due to a lack of feedback mechanisms to gather feedback on Member/Officer relations. There is evidence within Corporate Management Board minutes that this is already being addressed and was raised as a recommendation in the 2017 SWAP Ethics Audit.
- The Constitution is not referred to within the Corporate Induction Framework, which is important as the Constitution contains the Codes of Conduct and behavioural standards.

Codes of Conduct

- There is a need to update the Council's Whistleblowing Policy and ensure once updated that it is communicated to all Council staff. This was already recommended within the 2017 SWAP Ethics audit and we believe this is already being addressed.

Openness and Transparency

- There is no reference to the Council's view on good governance within the Constitution.
- There is a clear and publicised protocol for Freedom of Information Requests on the website, but the Council does not regularly publish requests and responses on their site (the latest being November 2016). This would reduce time spent answering repeat questions, and adhere with the expected levels of transparency as laid out in the Freedom of Information Act's Publication Scheme.

Complaints

- Note: Whistleblowing has been included in the code of conduct section above.

Decision Making

- None

Overview and Scrutiny

- None

Induction and Development

- While there is a schedule of mandatory and optional training available for Members, the mandatory list should be updated to reflect the updated GDPR training once in place.
- A Development Strategy could be implemented for the Leadership teams (various levels), in the same way that there is a Strategy for Members.

Communication

- There is no guidance within the Communications, Marketing and Engagement Team Plan regarding how officers (or Members) should handle a situation if they are approached for comment on a major issue, which could impact on the reputation of the Council.
- Consider the development of an 'overarching' Council Communications Strategy, separate from the Team Communications Plan. To include defined Strategies/protocol for instances such as Officer/Member communication if they're approached for comment on a major issue, and other communication related potential risks.

Stakeholder Consultation

- There is no guidance within the Communications, Marketing and Engagement Team Plan regarding how Officers (or Members) should engage and communicate with various stakeholders. This links to the above area for attention regarding a Council Communication Strategy.

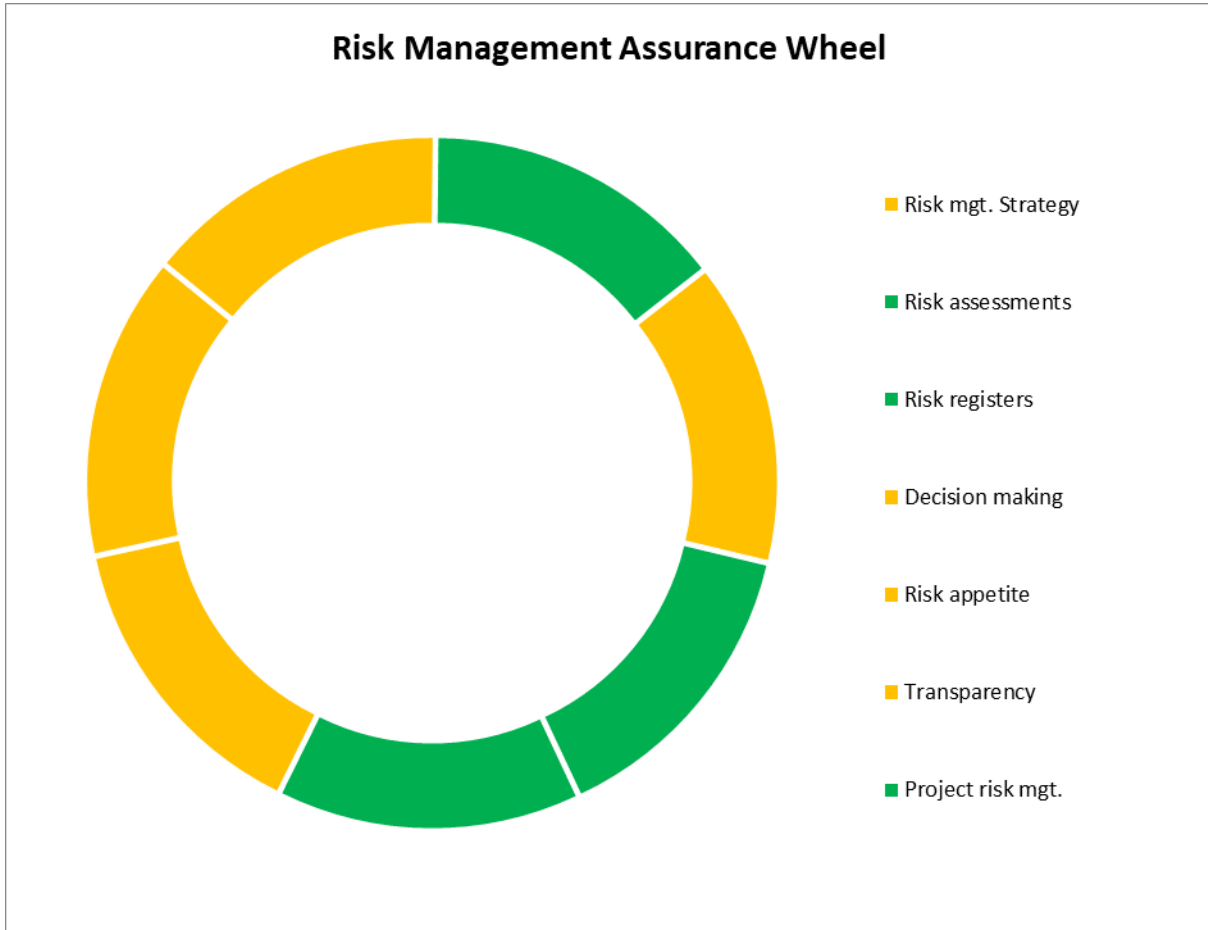
Effectiveness Review

- The Annual Governance Statement could be improved if action points, timescales and responsibilities were included in either a table at the end, or within an appendix; to give clear communication of the issue which the action addresses, who's responsible for completing the action, the status of the actions and expected dates of completion.

Governance Certification

- None

Effective Risk Management forms a key aspect of assurance and governance for an organisation. Organisations which can demonstrate and operate under a structured and active risk management approach are far more likely to be able to focus upon their key priorities and outcomes and, in doing so, take informed and robust decisions.



The **Amber** RAG rating has been given in recognition that this work is ongoing and needs to continue to further strengthen control frameworks to ensure that risk management practice is fully embedded across the Council. Given the progress seen to date there is good reason to believe that this will be achieved.

Risk Management - AREAS OF STRENGTH

Risk Management Strategy

- A Risk Management Policy is in place which is up to date, has been approved by Audit Committee and is reviewed annually.
- Responsibilities of staff and members are clearly defined within the Policy document.

Risk Assessment

- Project management standard documentation and guidance includes the need for a risk/issue tracker to be created and regularly reviewed.
- Directorate Business Plan templates include a section for a service risk register, which is reviewed as part of the quarterly Corporate Performance Assessment process.

Risk Register

- Corporate risks are reviewed and updated by management and the Insurance and Risk Officer at least quarterly.
- The corporate risk assessment is reviewed and taken to Audit Committee for approval twice a year.
- Corporate risks are also embedded within each Directorates Corporate Performance Assessment (CPA), monitored quarterly.

Decision Making

- Business cases include an assessment of the key risks; therefore, when taken before Members these risks are able to be reviewed as part of the decision making process.

Risk Appetite

- A 6x4 risk priority matrix in place to assess risk against likelihood and impact and the level of monitoring required for risks is clearly defined by three zones (red, amber, and green), which are depicted on the risk management policy's risk matrix.

Transparency

- The Council's approach to risk management is clearly defined and communicated to staff, members and the public via the Risk Management Policy, which is available online.
- The risk profile is communicated to Members twice a year in the form of the corporate risk assessment. This document is also available online for the public to view.

Project Risk

- The project management toolkit document includes a section on risk management, including the need for risks to be considered at all stages of a project.
- Project Managers are required to complete a risk/issues tracker prior to the commencement of the project, before using it as a live document throughout the duration of the project.
- Project Managers and Sponsors are often Service Managers or Directors, enabling risks to be considered at an appropriate level.
- For two of the sampled programmes/projects from the Programme & Project Management theme, there was a standing item for risk management within the project board meetings.

Risk Management - AREAS FOR ATTENTION

Risk Strategy

- Although the Policy is understood at a corporate level, it is possible that it is not within staff below management level.
- The same risk matrix should be utilised consistently throughout the Council (at least one other matrix is in use).

Risk Assessment

- Commissioning plans could be improved by making it a requirement for there to be a risk section.
- Although the Project Management documentation includes a requirement to identify and monitor risk, project risk is not included in the Risk Management Policy itself (see below).

Risk Register

- The register is maintained using word. A bespoke software solution would enable improved access controls, easier reporting and alerts when updates were required.
- The numerical threshold for risk tolerance is not explicitly referenced within the risk management policy, which may mean that there is a lack of clarity for staff and risks are not flagged for corporate review when they should be.

Decision Making

- The standard report to Members pro-forma does not currently include a section regarding the assessment of risk. Introducing this would ensure that risk assessment forms part of Members' decision making process. The assessment should include all options, including 'do nothing'.
- Current and residual risk scores should be provided within the risk section, which would also enable mitigating actions against these risks to be monitored, and reported back to Members as necessary, following their approval.

Risk Appetite

- To improve the guidance to staff further, the Council could set a numerical risk appetite value, which could be included within the Risk Management Policy's risk matrix to act as a visual aid to staff when considering risks.
- This numerical risk appetite value should be taken to Audit Committee as part of the current corporate risk register review schedule.

Transparency

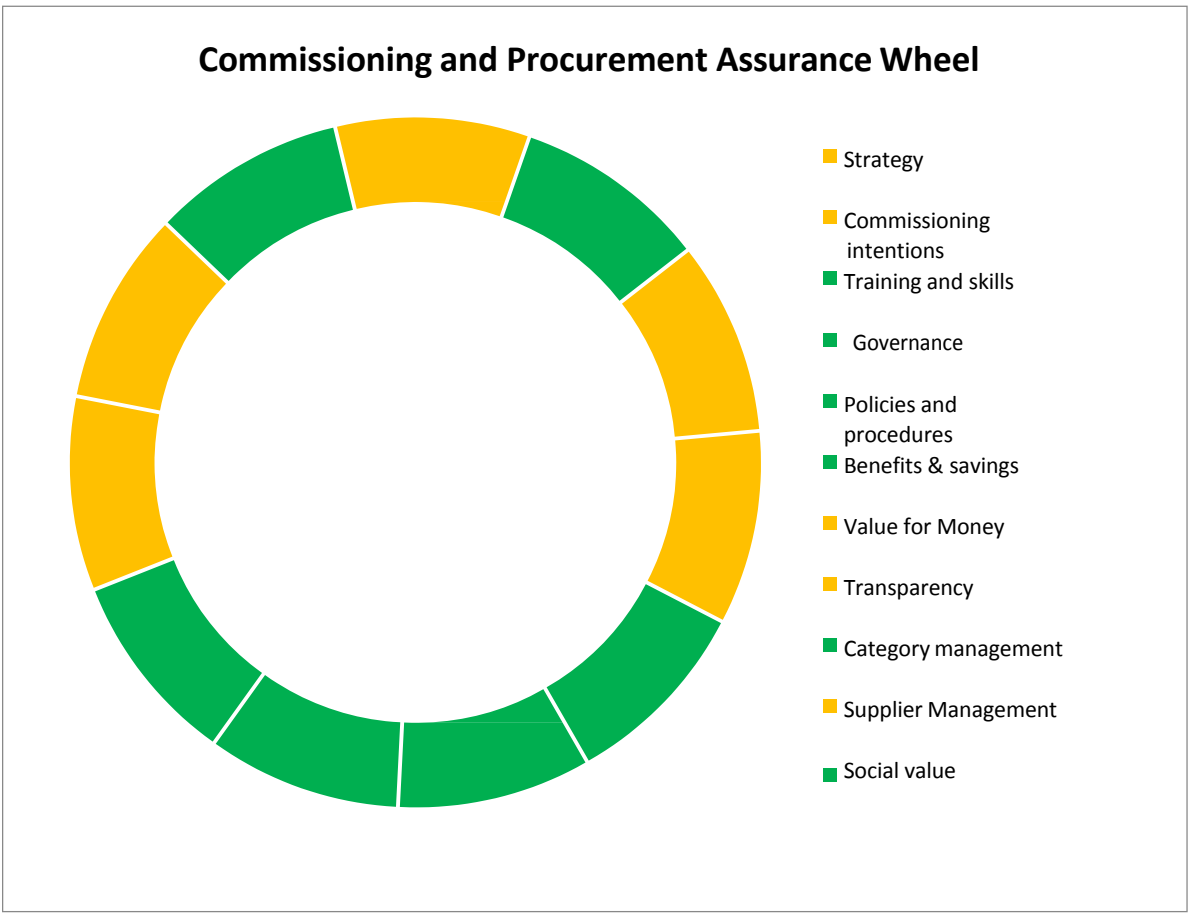
- The Risk Management Policy does not assign a numerical value to outline what score is beyond the Council's risk appetite.
- The corporate risk assessment is not communicated with other local authorities and bodies.

Project Risk

- The Risk Management Policy does not provide information regarding how project risks should be assessed and dealt with. There is also no information on raising project risks to risk registers.
- All projects should include risk management as a standing item on their project board meeting agendas.

Assessing Procurement & Commissioning activity of a Local Authority is a critical determinant in establishing its effectiveness in both being able to deliver benefit for its community but also in showing whether it can maximise VFM for its taxpayers.

Successful organisations understand the complex needs of their service users and design services which take into account the effectiveness of its internal provision against the market place to ensure taxpayers get the best value for money and the local economy is supported. The activity is complex and risky and therefore clear strategies, policies and plans are required which can be measured with appropriate targets that give the right level of assurance.



The **Green** RAG rating has been assigned because of the strong control framework in place in relation to corporate governance.

Commissioning & Procurement - AREAS OF STRENGTH

Strategy

- We sampled the Adult Social Care Commissioning Plan and the Procurement Strategy and found sufficient references to achieving value for money.
- There are plans in place to review/update the Procurement Strategy, to align with the present day Corporate priorities and services (following finalisation of the Contract Procedural Rules review scheduled for completion in April 2018).

Commissioning Intentions

- The Adult Social Care Commissioning Plan adequately documents the commissioning intentions of this Directorate and how the objectives will be achieved.

Training and Skills

- NVQ level 3 and 5 (Supply Chain Management) are being rolled out across the Corporate Procurement team.
- Procurement and Commissioning life cycles are clearly identified within the sample Procurement and Adult Social Care Commissioning Strategies viewed.

Governance

- The Corporate Procurement team enforce the requirement of a Delegated Authority being provided prior to commencing procurement.
- The levels of authority required for Procurement thresholds are adequately documented within procedure documents.
- There are effective mechanisms in place to communicate and monitor performance, and to take action where necessary.

Policies and Procedures

- Model Service Level Agreements (SLA) are in place between the Social Care and Wellbeing Directorate and its suppliers, as a condition of contract.

Benefits and Savings

- Of the samples viewed, Key Performance Indicators have been established within Business Plans and are reflected in KPI/Contract monitoring evaluation documents.
- Of the SLA sample report viewed, where targets had not been met there were sufficient actions put in place to resolve these and there is indication that the status of these will be reported on at future reviews.

Value for Money

- Value for Money targets are communicated well to potential suppliers via the website and in the Adult Social Care Commissioning Plan and are included within the contract monitoring arrangements of existing suppliers.
- Sufficient evaluation of tenders and final tender bids were performed to ensure that Value for Money was achieved in the case of the Transport for Schools Bus Contracts.
- A performance management system is in place for the Transport for Schools contracts to ensure Value for Money throughout the duration of the contracts.

Transparency

- Procurement frameworks and practices are operating in accordance with the National Procurement Service and Public Contract Regulations 2015.
- A maintained Corporate Contracts Register is in place.

Category Management

- The approach to Category Management is included in the Procurement Strategy.
- Category Managers are in place for each Directorate and are nominated due to their Service specialisms.

Supplier Management

- The 'Supplier Manager Framework' is modelled around the NPS (National Procurement Service) frameworks, with adequate amount of supplier and contract monitoring in place.

Social Value

- There is a standard procedure which clearly denotes the stages of procurement including stakeholder engagement at the start of the procurement process.
- Development of stakeholders is considered for staff, existing suppliers and for Members to actively engage with Procurement processes.

Commissioning and Procurement - AREAS FOR ATTENTION

Strategy

- Although we understand there are plans to update them, the current Adult Social Care Commissioning Plan and the Council's Procurement Strategy do not represent the current Priorities of the Council as they were developed prior to the current Corporate Plan 2016-2020.
- Commissioning is devolved within the Council to Service level. Without corporate oversight there is a risk that other Commissioning Plans/Strategies do not link to the current Corporate Priorities of the Council.

Commissioning Intentions

- Although Commissioning intentions were located for Adult Social Care, no other Directorate Commissioning Plans could be located.
- The Commissioning Plan viewed (Adult Social Care) was not found to be readily available to the public. Rather than finding it published via the website, it was part of a 2010 Cabinet Agenda pack. Potential suppliers are unlikely to be able to locate it to understand the Council's commissioning intentions for this Service area.

Training and Skills

- There are no 'required personal qualities/qualifications' indications within the Adult Social Care Commissioning Plan or elsewhere on the Intranet, to identify what skills and/or qualifications the Commissioning teams require to be effective in their roles.

Governance

- None

Policies and Procedures

- Although plans are in place to update them, the existing Procurement Strategy and Contract Procedure Rules do not reflect the Public Contract Regulations 2015.
- With the exception of the Social Care and Wellbeing Directorate, we were not able to confirm whether Service Level Agreements are in place between other Directorate services and their suppliers.

Benefits and Savings

- None

Value for Money

- Ensure that there are adequate performance monitoring, supplier support and management arrangements in place to address potential issues of the Waste Management Services supplier being able to fully meet their contract requirements.

Transparency

- See Policies and Procedures above.

Category Management

- The Contract Procedure Rules do not currently include information about identifying savings targets and category opportunities or indicate where these should be recorded for each Directorate.

Supplier Management

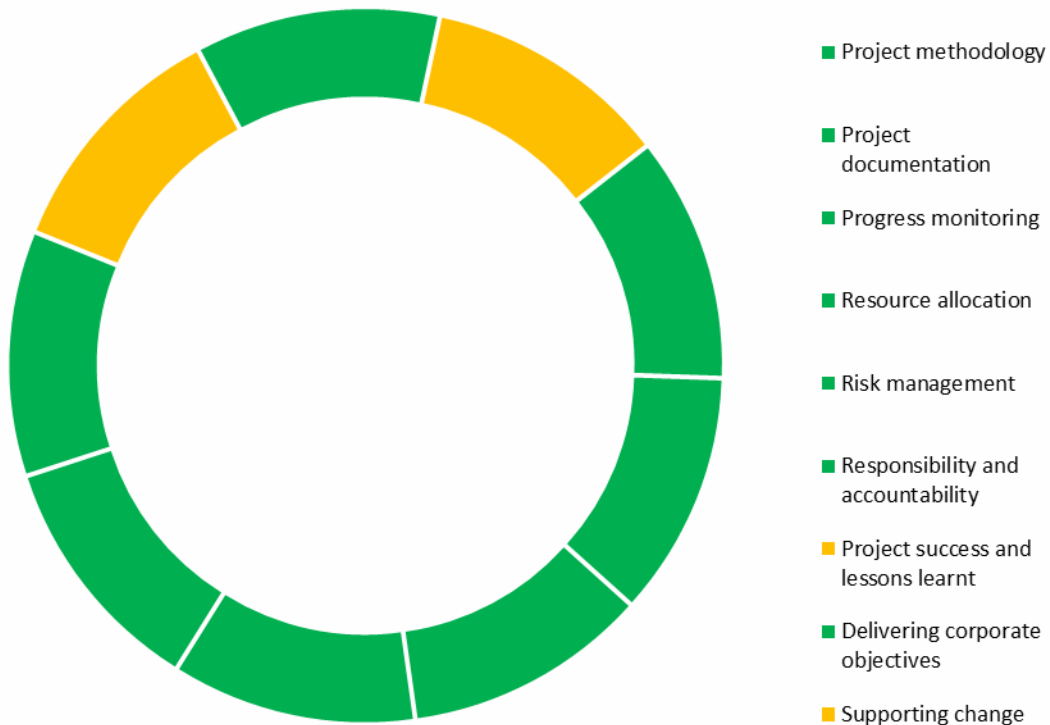
- The authority can identify their 'Key suppliers' via the Corporate Contracts Register, but should consider creating either a central document, or separate Directorate documents, identifying key suppliers in their areas in terms of value, risk and business criticality.
- The Business Continuity Plans for the Communities Directorate and for the ICT Service Group are both out of date.
- Consider inclusion within Directorate Business plans of a Key Suppliers List in terms of criticality and risk, with clear steps (or 'action cards') to follow in the event that a supplier becomes unavailable.

Social Value

- None

Effective Programme and Project Management forms a key aspect of assurance and governance for an organisation. Organisations which can demonstrate and operate under a structured and active approach are far more likely to be able to focus their efforts and successfully achieve the delivery of anticipated outcomes and their associated benefits. It is important that programmes and projects are clearly defined and resourced. Equally they need to demonstrate a clear link to the delivery of corporate aims and objectives and be adequately governed.

Programme and Project Management Assurance Wheel



The RAG ratings given are reflective of this. The **Green** RAG rating has been assigned because of the strong control framework in place.

Project Management - AREAS OF STRENGTH

Project Methodology

- Standard project methodology is in place with templates available which are reviewed on an annual basis.
- Guidance is available for staff in the form of a comprehensive toolkit which is

updated annually.

Project Documentation

- Central oversight of corporate programmes and projects is provided by the Corporate Transformation Team, who maintain a database of corporate projects.
- Each of the programmes/projects sampled had sufficient documentation to support them, such as Project Initiation Documents and business cases.
- The scope, anticipated outcomes, and estimated costs were detailed within the documentation of the sampled programmes/projects.

Progress Monitoring

- Clear approval, reporting and monitoring arrangements were in place for each of the sampled programmes/projects.
- Quarterly Corporate Performance Assessment meetings take place with Senior Management and Members, which include updates on progress of projects.
- Monthly updates to Programme Management Board take place for each of the Corporate Programmes.

Resource Allocation

- The Project Initiation Documents for each of the sample programmes/projects included details of the members of staff required to undertake the work, along with their area of expertise.
- The capacity requirements in relation to the programmes/projects were clearly defined for most of the cases sampled, including information on whether parts of the work would be outsourced.

Risk Management

- The project management toolkit document includes a section on risk management, including the need for risks to be considered at all stages of a project.
- Project Managers are required to complete a risk/issues tracker prior to the commencement of the project, before using it as a live document throughout the duration of the project.
- Project Managers and Sponsors are often Service Managers or Directors, enabling risks to be considered at an appropriate level.
- For two of the sampled programmes/projects, there was a standing item for risk management within the project board meetings.

Responsibility

- Programme/project initiation documentation requires the project roles to be defined.
- For each of the sampled programmes/projects, the roles are defined within initiation documentation. Each of these roles are being undertaken by staff of appropriate seniority.

Lessons Learned

- The need for benefits realisation were included within the initiation documentation of the sampled programmes/projects.

Delivering Corporate Outcomes

- Senior Leadership Team and elected Member oversight of core Council programmes

ensures that the objectives of the programmes are linked to corporate objectives on an ongoing basis.

- The Corporate Transformation Team's project databases clearly outline which corporate priority the project is linked to.

Supporting Change

- For the sampled programmes/projects, a representative from HR had been identified to assist with the proposal. This should enable the project to be aligned to the organisational development needs of the Council.

Project Management - AREAS FOR ATTENTION

Project Methodology

- Although projects with a corporate impact will have some involvement from the Corporate Transformation Team, it is possible that some smaller projects are being completed in silo with the standard templates not being utilised.

Project Documentation

- Some smaller scale projects may not follow the corporate approach to programme and project management.

Progress Monitoring

- None

Resource Allocation

- Minor instances of a lack of clarity were identified within one of the sampled programmes/projects (Digital Transformation), in terms of capacity requirements for the programme.

Risk Management

- The Risk Management Policy does not provide information regarding how project risks should be assessed and dealt with. There is also no information on raising project risks to risk registers.
- All projects should include risk management as a standing item on their project board meeting agendas.

Responsibility

- None

Lessons Learned

- Information on the success of projects is not collated centrally so that corporate oversight of can be maintained over the outcome of completed projects.

Delivering Corporate Outcomes

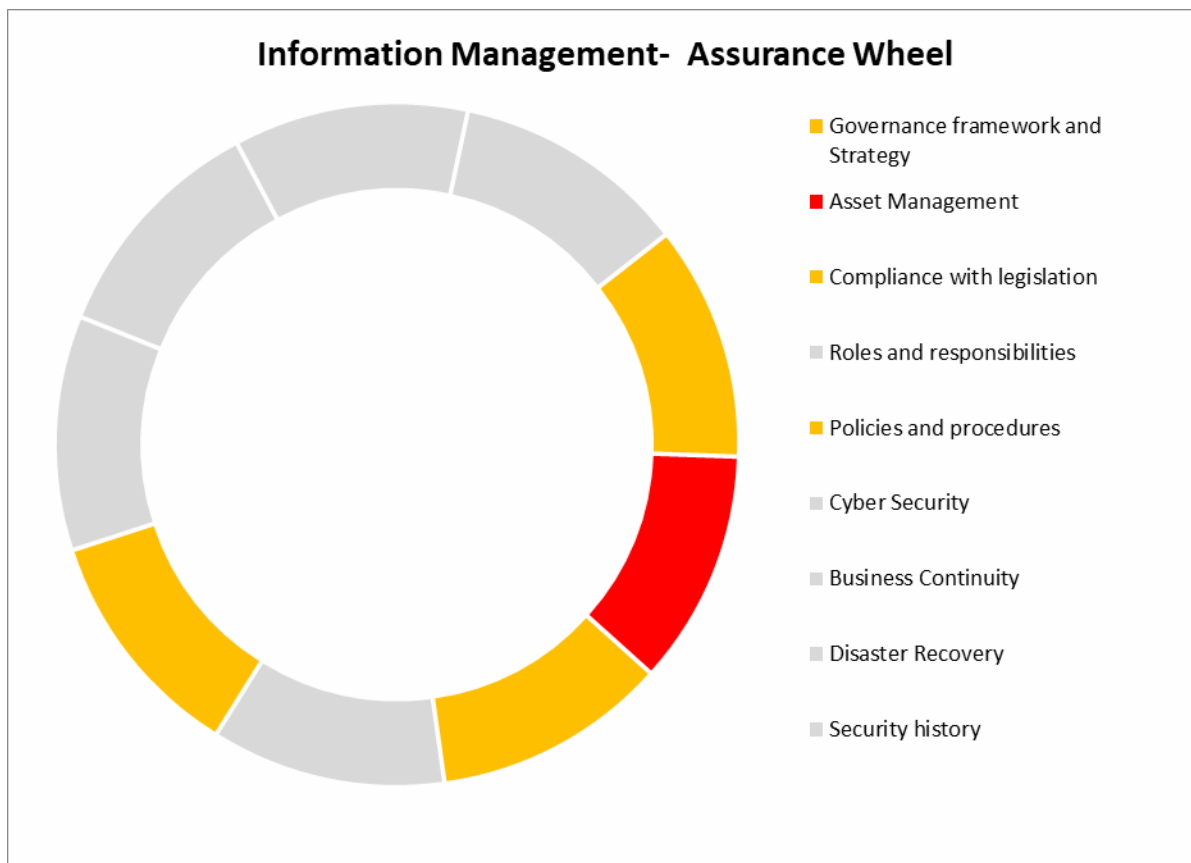
- None

Supporting Change

- The project initiation documentation templates could require additional information in relation to cultural change and the likely impact upon staff.
- Providing additional feedback mechanisms to staff may make proposals to change be better received, as recommended within the 2017/18 Ethics audit.

| | |
|---------------------------------|----------------------|
| 5 Information Management | No Conclusion |
|---------------------------------|----------------------|

Information Management is an important aspect of governance for an organisation. Effective Information Management will facilitate and support efficient working, better decision-making, improved customer service and business transformation to facilitate the delivery of key priorities and objectives.



Although we met with the Group ICT manager to discuss the programme of work, we were unable to obtain sight of some key pieces of information to verify the controls in place. We are therefore unable to conclude on this theme and have instead highlighted the areas we sought to confirm and included them in the Improvement Plan as areas for the Council to satisfy themselves over.

Information Management - AREAS OF STRENGTH

Strategy

- There is clear reference within the ICT Strategy to the Corporate Plan and supporting its priorities.
- Goals and priorities of the ICT Service are included in the ICT Strategy.
- There is a bi-monthly Information Governance Board in place, which is a requirement of PSN/CoCo compliance.

Asset Management

- Mandatory ICT Policies have been identified and are included within the Corporate Induction training for all employees and further Policies are including for those staff in specific posts.

Legislation

- GCSx classified email accounts are in place for those who are required to send information externally.
- There is an Electronic Document Records Management system in place.
- Policy and Privacy notices are already under review in advance of the GDPR deadline, with the Data Retention Policy having been approved by Cabinet.
- Information is being gathered to inform an Information Asset Register.

Roles and Responsibilities

- None

Policies and Procedures

- Although out of date, the current suite of ICT Code of Conduct and Policy/Strategy is available to all staff via the Intranet.
- Information Security is addressed broadly throughout the Code of Conduct available to staff via the Intranet.

Cyber Security

- None

Business Continuity

- None

Disaster Recovery

- Although untested, we have been advised that a system back up process is in place.

Security

- Mandatory training covers Data Protection.
- Adequate processes appear to be in place to report security breaches to the SIRO.

Information Management - AREAS FOR ATTENTION

Strategy

- There are no formal plans or timeline for updating the IT Strategy or having it formally approved.
- The existing ICT strategy does not include a 'roadmap' plan of the technologies/transformational programmes underway or due to start.
- There is a list of anticipated 'programmes'/technology being implemented under priority action plans, but no roadmap given to indicate timescales for implementation.
- More regular and formal meetings between ICT teams and ICT Management would help to ensure that targets are being met and progress monitored.
- The Information Management Strategy requires review to ensure that it reflects accountability for the various Information Governance roles clearly, including the Data Protection Officer Role.
- Although we have been advised that KPI reports are being reported for quarterly review by the Head of Operational and Partnership Services and further by Cabinet, at the time of the audit we were unable to verify whether Key Performance Indicators were in place and being monitored for the ICT Service as the most recent Performance Indicators report to Cabinet did not include those for ICT. The ICT Group Manager is looking into why this is.
- We are not aware of any Service Level Agreement in place for ICT Services.

Asset Management

- There is no documented plan regarding ICT Asset Management. Therefore, it has not been possible to review the impact of ICT assets on areas such as service desk, change management, procurement processes, release processes or staff leavers.
- Due to there not being an ICT Asset Management Plan in place, there is no documented direction as to how hardware or software asset management functions should be run, nor intended goals of this service. There is also no indication given therefore to the punitive impact of breaching said Policy/Plan.
- From a sample of policy documents reviewed, document control measures are not in place.
- From a review of the Intranet, no policies or guidance was found on the following in relation to asset management: procurement, release to the environment, finance, licensing, or disposal.
- At the time of the audit we were unable to confirm the following:
 - Whether asset lifecycle management is in place for all ICT Assets.
 - How the Council knows whether its ICT policies have been read and understood.
 - Although we understand that a Configuration Management Data Base is in place, we were unable to verify further details.

Legislation

- The ICT Strategy Does not define which legislation/regulations the ICT Dept comply with.
- Although the Information Management Policy does include details of relevant

legislation, it does not confirm what action will be taken should there be a breach of the Policies.

- In the absence of an Asset Management Plan, we found no reference towards the consideration to the following legislation:
 - Disability Discrimination Act means that any employee has a right to equipment that will give them the same access to resources as their more able bodied colleagues.
 - Waste Electrical Electronic Equipment, Regulations (WEEE).
 - Copyright Designs and Patents Act is what protects the misuse of software and the Council needs to ensure officers understand what they can and cannot do with software while using Council systems or delivering work for the Council.
- The ICT Code of Practice – Handling and Classification Policy requires review as the version we obtained was dated 2011.
- There is little evidence of discussions regarding the GDPR Project Plan deadlines, due to the lack of minutes/record of the process.
- Due to conflicting information, there is confusion over who will be responsible for the Council's DPO role in the long term
- The Retention Schedule requires review to ensure compliance with the relevant Retention Guidelines for Local Authorities and other Acts as necessary.
- GDPR awareness has not already been rolled out amongst staff but is being developed for implementation in May.

Roles and Responsibilities

- At the time of the audit we were unable to confirm the following:
 - Whether all posts within the ICT service were filled, or whether the service had vacancies.
 - Whether the role profiles match expectations in terms of delegations and responsibilities.
- Due to conflicting information, there is confusion over who will be responsible for the Council's DPO role in the long term
- There were no structure charts available on the intranet. An ICT Structure chart was provided from the I-Trent software, but this lacked the detail required for audit testing.

Policy and Procedures

- Several ICT Policies were noted as being out of date back to 2008-2011, with the exception of the Social Media Protocol and related documents which were reviewed in 2017.
- Equality & Diversity should be considered as part of any policy update (Discrimination Act regarding ICT Asset rights etc).
- No policies were identified surrounding removable media devices, mobile ICT equipment/assets use, or security/protection
- An action plan (or an appendix to) should be included within the revised ICT Strategy with timescales, responsible persons for actions and method of review.
- The Intranet requires update with revised documents when available, ensuring that all documents referred to within the Strategies and Policies are available as stated

within the Intranet.

- At the time of the audit we were unable to confirm what advanced training has been undertaken by relevant ICT staff, and there were some instances within the ICT Training matrix provided where mandatory training was incomplete. Generally, the ICT Training matrix lacked detail.
- Although the Corporate Induction Framework indicates that all staff receive mandatory basic ICT training as part of the Corporate Induction, the Group ICT Manager confirmed that only 'relevant' staff receive this.
- Neither the Appraisal form nor the Employee Appraisal Protocol includes a requirement to confirm whether relevant policies have been read and understood.

Cyber Security

- Although we have been advised that regular PSN check testing is performed internally, we were unable to view a copy of the most recent compliance certificate at the time of the audit, and the improvement plan was not of the granularity to confirm implementation of any recommendations, with no timescales or accountabilities were identified in the plan.

Business Continuity

- Although we have been advised that a 'critical' applications list is stored within the Configuration Management Data Base and that a system owner from ICT is in place for each application along with a representative from each service, we have been unable to verify this at the time of audit testing, or check the list is up to date.
- We have been advised that Tier 1 applications are those listed within the ICT Business Continuity Plan, and the process of identifying these applications took place approximately 3 years ago, and as such may require update. We were provided a copy of the ICT Business Continuity Plan at a late stage in the audit testing, but this provided only partial plans for the recovery of some applications within it and did not clarify which of those were critical applications.
- We have been advised that the ICT Business Continuity Plan is approximately 2 years out of date and requires review. It was last tested in May 2016 but is not expected to be reviewed until completion of a large server 'reshuffle' later this year.
- The back-up schedule provided to us and discussion with the Servers and Storage Manager identified that backup storage is completed by transfer onto discs held for a maximum of 2 years, which are held within an unsecured appliance in the access controlled production site, and that the same was true for the Disaster Recovery storage location.

Disaster Recovery

- Although we have been advised that there is an ICT Business Continuity Plan, at the time of the audit we were unable to verify this or check whether the contacts contained within it were up to date. We understand that it does not link into a Corporate/Council-wide Continuity/Disaster Recovery Plan.
- A search on the Intranet could not identify Disaster Recovery or Business Continuity guidance.
- Although the back-up process was explained to us, at the time of the audit we were unable to verify whether a back-up schedule is in place and adhered to.

Security

- Security breach Codes of Practice/ relevant Strategies need to be updated regarding the implementation of GDPR.
- We understand that all security breaches are recorded on a central spreadsheet by the SIRO. However, at the time of the audit we were unable to obtain a copy and were therefore unable to test the extent to which breaches are reported to the ICO.
- Similarly, we were unable to test whether security breaches are monitored, and action plans followed to mitigate/reduce potential breaches, having been input into the central spreadsheet.

1. Corporate Governance

Service Leadership – Low Risk

The Council's Chief Executive has been proactive in addressing potential gaps in the Corporate Director team by instigating interim posts to avoid any shortfalls in between recruiting permanent Heads of Finance and Education/Family Support Directors. These interim positions are based on open-ended agreements, to ensure continuity of the department's management.

Corporate Management Board meetings are held weekly and are more of a 'Strategic Forum' than a decision making committee. These meetings have agendas and minutes, but no formal Terms of Reference structure, to allow the flexibility to raise and discuss urgent matters arising. However, a review of the minutes found there to be a lack of information regarding follow-up of actions agreed, with deadlines sometimes unclear. Where meetings were cancelled, some agenda items were not picked up at the following meetings.

It was pleasing to note in recent Corporate Management Board minutes that the Head of Education & Family Support has been asked to action the recommendation raised as part of the recent Ethics Audit regarding upwards feedback from staff to management. However, no follow up conditions were noted/set for this within the minutes.

Corporate (County) Plan - Low Risk

The Corporate Plan was written by the Chief Executive and the Leader of the Council, and an amendment/review was approved at Full Council in March 2017. The Corporate Plan identifies the Council's priorities and is subject to an annual review, confirmed verbally by the Group Manager for Corporate Performance, Partnerships & Transformation. There is no document control table within the Corporate Plan, although the date of the review is given on the first/cover page of the document. The Corporate Plan has been communicated via various means to different stakeholders, electronically and in paper form.

The current Corporate Plan is a four-year plan, under regular (annual) review to align the Council's priorities for the year ahead. The Chief Executive is involved in the development of the Plan and there is sufficient use of public consultations to inform the Plan. New performance indicators have been developed within the plan to allow for better performance analysis in coming years. The Corporate Plan is communicated widely to the public, via social media campaigns, local radio channels, local newspapers, the BCBC website and in the local libraries.

Constitution – Low Risk

The Constitution document agreed by the Council is in place to set out how the Council operate including Member/Officer responsibilities in relation to each other, how decisions are made and the procedures which are followed in order to ensure that these are transparent, efficient and accountable to stakeholders. The Constitution is under regular review and is updated when there are changes made to processes which affect its contents. However, there

was a lack of consideration within the document surrounding the commissioning procedures, responsibility and protocol.

Effective Working Relationships - Medium Risk

The Corporate Induction Framework aims to deliver sufficient information to inform Council staff and Members of their roles, responsibilities and duties; as well as setting out protocol for collaborating with one in other. However, there is no direct mention of the Constitution within the Induction framework, which is the Council's 'bible' of procedure and protocol. There is a lack of feedback mechanisms, as already identified within the recent Ethics audit, for Members to provide feedback to officers, and vice versa. Once these are in place it is anticipated that this area will move from medium to low risk.

Codes of Conduct – Medium Risk

The Codes of Conduct for members/officers are well documented within the Constitution and are influenced by the National Assembly National Standard. Codes of Conduct are a mandatory part of the staff induction training and period reminders come in the form of personal appraisals or by email if an amendment/new Code of Conduct has been created. Declarations of a Conflict of Interest guidance can be found within the Constitution, and also forms part of the contract of employment for staff.

The Whistle Blowing Policy has been identified as out of date within the recent Ethics audit. Once this policy has been updated it is anticipated that this area will move from medium to low risk.

Openness & Transparency – Medium Risk

The Constitution is readily available to the Public via the Council website. The Constitution gives no clear indication to the Council's views on good governance, although it refers within the Functions of Committees and Responsibilities of Officers sections to aspects of governance. The Constitution does refer to the Council's approach to transparency. The Council publish the agendas, minutes and forward plans publicly via their website, so that the public can locate information about issues that are important to them.

The Council have not self-published their Freedom of Information requests and responses on their social media or web page since November 2016. On discussion with the Information Officer, the Council currently rely on the person receiving the Freedom of Information response and on a website which is not controlled by the Council to publish the requests and responses. We recommend publishing the requests and responses on the Council's website to move the risk rating on this element from medium to low risk.

Complaints – Low Risk

Complaints procedures are readily communicated to the public via the Council's website, along with guidance on raising a complaint to the Ombudsman in the event that they feel their complaints hasn't been addressed sufficiently. This Policy clearly notes the timeframes in which the Council will respond.

Decision Making – Low Risk

The Constitution document clearly defines the process and responsibility for the Budgetary and Policy decisions that are to be made by the Council. Minimum requirements for obtaining

advice and consultation to inform Policy and Budgetary changes are clearly identified within the Constitution, along with timeframes for each activity, such as periods of consultation. The committee decisions within a cross-section of meeting minutes appear to be well-informed, taking consideration from Members and Officers together and coming to mutual decisions by all.

Overview & Scrutiny – Low Risk

There is an Audit Committee and a Standards Committee in place at the Council, which are held at least quarterly. Attendance of the expected persons at these Committees appears to be good. The Audit Committee and Standards Committee Terms of References are within the Constitution document, and these Terms of References clearly identify the purpose of the committees and the expected outputs.

Member & Officer Induction and Development – Low Risk

There is a Corporate Induction Framework in place which includes Members training programmes. This Induction ensures that mandatory training modules are completed, that essential and additional workplace information is provided (roles, responsibilities and duties of Members) and that there is a follow up after the training has taken place. The Induction is structured to give sufficient training and information to Members, to allow them to be effective in their roles.

Training is designed and delivered by a range of internal and external providers, approval of which comes in the form of feedback survey review. External providers are usually selected using the Welsh Local Government Association suppliers list. There is an "Event Feedback" form available to Members, who are invited to provide feedback on any training that they receive. There is plenty of opportunity for development and a lot of support is available to Members in order to aid their personal targeted training and development plans; as well as sufficient review/monitoring of their development.

The Corporate Induction Framework is used to deliver induction training to Leadership teams, to ensure the delivery of mandatory training modules and provision of the individual's responsibilities, duties and their department's functions within the Council. In addition to this, the Chief Executive and HR department collaborate to implement further top-level training as/when required.

As is the case with the Members training design and delivery, Leadership Team training is conducted both internally and in some cases by external providers. Feedback mechanisms are available to the Senior Leadership Team, to feedback their experience of training received.

Communication - Medium Risk

The Council do not have an overarching Corporate Communications Strategy, but a Communications, Marketing and Engagement Team Plan exists for the 2017-18 period. There is an explanation which indicates the Council's agreed approach to engaging with the public and other stakeholders, but no table of scenarios/issues that have been identified as requiring corporate engagement and/or consultation. The Communications, Marketing and Engagement Team Plan identifies the actions/steps that the Communications teams will take to promote the Council's corporate identity. There is no clear guidance/procedure which Council staff or Members should follow to handle a situation if they are approached for

comment on a major issue which could impact on the reputation of the Council. Separation of the corporate strategy from the operational activities of the Communication Team, and their Team Plan, would be sufficient to move the risk rating from medium to low risk.

Stakeholders Consultation – Medium Risk

While stakeholders have been identified within the Communications, Marketing and Engagement Team Plan, there is no identification of the stakeholder groups that should be engaged with for a range of potential scenarios. As this is not a corporate document, there is a risk that stakeholders are not engaged with in a way that best meets their needs or the Council's needs.

Effectiveness - Low Risk

The Head of Finance's Annual Governance Statement (AGS) for 2016-17 report to Audit Committee shows the AGS being submitted for approval by the Audit Committee, and minutes show subsequent approval of the AGS 2016-17. The AGS can be found within the Statement of Accounts 2016-17 on the Council's website. While there was a description of the Actions within the Statement, and the Corporate Management Board appear to monitor achievement of these actions, there was no document available publicly as an appendix to the AGS showing the issues from which the actions arise, the responsible person for seeing the actions through, the status of the actions nor the expected timescales for completion.

Governance Certification – Low Risk

The Annual Governance Statement 2016-17 sections accurately included the opinions of both internal and external assessors. Minor improvements could be made to ensure the source of all findings and actions are consistently referenced within the report.

2. Risk Management

Risk Management Strategy – Medium Risk

The Council has a Risk Management Policy which is updated on an annual basis. Following review by Senior Management Team, the Audit Committee reviewed and approved the document. The document clearly defines the roles and responsibilities in relation to ensuring the policy is effectively implemented. The policy is available to staff via the Council's intranet site, although we were advised by the Insurance and Risk Officer that staff below managerial level may not have a full awareness of the Council's risk strategy. We also noted that more than one risk scoring matrix is in use within the Council. The Education and Family Support Directorate utilise a 5x5 scoring matrix rather than the 6x4 matrix outlined within the policy.

Medium risk has been assigned to this area on the basis that it may not be fully embedded throughout all levels of the Council, and differences appear in the methodologies across services.

Risk Assessment – Low Risk

Service risk registers are built into annual Directorate Business Plans, with a section for this included within the template document. They are considered on a quarterly basis through the Corporate Performance Assessment process. The project management toolkit includes the need for a risk/issue tracker to be completed and regularly reviewed, for which there is a template to be used. However, this approach is not reflected within the Risk Management

Policy. There is not a standard template for commissioning plans and this review has shown that the considerations towards risks to the achievement of commissioning intentions could be enhanced (see Commissioning and Procurement section of the report).

Risk Registers – Low Risk

The Council's Corporate risk register is managed by the Insurance and Risk Officer using Word. On a quarterly basis, meetings are held with a representative from each Directorate, to discuss any changes in risks within the quarter, both for risks currently on the corporate risk register and any new risks within the Directorate. Following this process, the corporate risk register is updated as necessary and then taken to Senior Management Team for review.

Each risk within the corporate risk register has an owner, who is responsible for monitoring and challenging performance of the risks they own.

Twice a year, a full corporate risk assessment is taken to Audit Committee for review and approval.

As noted in the risk appetite section, there is no numerical threshold or tolerance above which risks are included in the risk register.

Decision Making – Medium Risk

The standard report to Cabinet template does not contain a section for the consideration of risks or issues within a proposal. Some areas of risk are outlined within a business case for a project, however it would be of benefit for the consideration of risk to be a standing heading within the report which goes to Members, to ensure that an assessment of risk occurs at the earliest opportunity in the decision-making process for both formal projects and other approval requests. This could also include current and inherent risk scores, which would allow mitigating actions against these risks to be monitored once the request has been approved.

Risk Appetite – Medium Risk

The Council uses a 6x4 risk scoring matrix to assess risk against likelihood and impact. Their score defines each risk into zones (red, amber and green), which determines the level of monitoring the risk should receive. This is depicted within the Council's Risk Management Policy. There is, however, not a numerical tolerance level in place, a figure in which if the risk scored higher than, it would be deemed as "out of tolerance".

Transparency – Medium Risk

The Council's Risk Management Policy and corporate risk assessment are available to members of public via the Audit Committee minutes on the Council's website. The documents are also available to staff via the intranet. Risks are monitored and reviewed on a regular basis between managers and reported to Members every six months.

The corporate risk assessment is not currently shared with other local authorities and bodies. Introducing this would provide opportunities for shared learning. The medium risk rating has been awarded because the lack of a numerical risk tolerance threshold makes it difficult to determine whether a risk sits within acceptable limits.

Project Risk Management – Low Risk

Within the Council's project management toolkit document, there is a section on risk management. This includes the need for risks to be considered at stages of a project, with project teams expected to utilise a risk/issue tracker to assist this process. The Sponsors and Managers of projects are often Service Managers or Directors, thus enabling key project risks to be considered at an appropriate level within the Council. For two of the four sampled programmes/projects within the Programme & Project Management theme, risk management is a standing item on project board meeting agendas.

The risk management policy does not provide information regarding how project risks should be assessed and dealt with. There is also no guidance regarding the need to raise some project risks to the corporate risk registers (see risk appetite section above).

3. Commissioning and Procurement

Strategy – Medium Risk

The 2012-14 Procurement Strategy requires an update to bring it in line with the current Council priorities and services. This is already in hand, as explained by the Corporate Procurement Manager.

We sample checked the Adult Social Care Commissioning Plan and the Procurement Plan and found both to have good links to Value for Money within their approach.

Although links to the Corporate Priorities of the Council are reflected within the Adult Social Care Commissioning Plan sampled, the Council will need to ensure that this is replicated elsewhere too as there is no central Corporate oversight process in place.

A medium risk rating has been made on the basis that there is no corporate overview process for commissioning and the Procurement Strategy requires update.

Commissioning Intentions – Medium Risk

There are no central commissioning documents outlining the commissioning strategy of the Council as a whole, and no other commissioning plans available other than the Adult Social Care plan were identified in the course of the audit. There are commissioning intentions within the Adult Social Care plan which provide sufficient information regarding the aspirations and plans of action for the Directorate, but these are not published making them inaccessible by potential suppliers.

Training and Skills – Low Risk

The Procurement Strategy together with the Adult Social Care Commissioning Plan clearly identify the Commissioning and Procurement life cycles. The Procurement Strategy identifies the required training and competencies for the procurement department. The Commissioning Plan is more focussed around the skills required of the Operational care staff/volunteers and does not mention the corporate training required for the staff 'behind' the Commissioning processes at the Council. A procurement skills need assessment delivered the verdict that an NVQ should be rolled out across the Procurement team, to align skills across the board. This was subsequently approved and is due to go ahead.

Governance – Low Risk

The Corporate Procurement Manager described the Delegation of Authority processes in place and confirmed that these were adhered to. The Delegated Authority, Scrutiny and Cabinet approval levels explained by the Corporate Procurement Manager align with the requirements of the Public Contract Regulations 2015. The approval levels are documented within the Contract Procedure Rules (within the Councils Constitution document).

We found that the Commissioning team performance and achievements are monitored within the Adults Social Care Directorate by Key Performance Indicator reviews on a regular basis and in accordance with the Performance Management Framework. Reports on performance are also fed upwards via the Corporate Director for Social Services and Well-Being to Cabinet within relevant reports which also feature the record of savings by Procurement.

Policies and Procedures – Low Risk

The Council's Contract Procedure Rules were last updated in 2012, as were the Procurement Strategy (including Sustainable Procurement Strategy) but are all undergoing a review/update at present, as informed by the Corporate Procurement Manager.

These are all readily available; the Contract Procedure Rules within the Constitution are available to the Public via the Council's website, and the Procurement Strategies to staff internally via the Intranet, though not readily available to the Public.

There is no document published specifically regarding cost guidance on the Procurement life cycle, but tenders are awarded using the MEAT (Most Economically Advantageous Tender) mechanism.

There is no stand-alone Social Value Policy, instead with social values being communicated throughout the Procurement Strategy within procurement objectives.

The Contract Procedure Rules and Procurement Strategies are out of date and therefore do not refer to the most recent edition of the Public Contract Regulations (2015). However, there is evidence that the outdated edition is no longer being used in practice and that Public Contract Regulations 2015 compliance is in place.

There is a Commissioning Team tool to show the Commissioning/Procurement life cycle, which was provided by the Commissioning Manager for Social Services and Well-Being Directorate. This Commissioning tool echoes the Procurement Management Framework which is in place surrounding the Analyse, Plan, Do, Review cycle.

There was a sample Model Service Level Agreement provided by the Commissioning Manager for Social Services and Well-Being Directorate, which was completed by the supplier and submitted back to Procurement for review as a condition of the Contract Terms and Conditions which indicates that Service Level Agreement reviews are taking place.

Benefits and Savings – Low Risk

Key Performance Indicators and Service Level Agreement reviews are in place for all service teams, including for Procurement and Commissioning/Contract Management teams. KPIs are

established via a number of methods and are agreed by Corporate Management at Directorate Board meetings, for inclusion within the Directorate Plan.

Monitoring is undertaken in the form of Service Level Agreement/KPI reviews and contract reviews on a regular basis, including supplier self-assessments of their services provided and an analysis of gaps/areas for improvement. For example, targets within the Contract Review document for Adult Social Care provider People First indicate that targets are largely being met. The Service Level Agreement review document for People First showed some areas in Quarter 3 which require improvements, and there were actions put in place to achieve these. Corrective Actions for when targets have not been achieved are decided on and initiated during Corporate Management Team meetings.

Value for Money – Medium Risk

Value for Money is documented within the Procurement Strategy and Sustainable Procurement Policy, both of which require an update to align with the current Council Priorities. There are no 'quantitative' measures mentioned within these documents whereby the Council assess Value for Money, nor social value, although Value for Money would be assessed during supplier contract reviews. There is communication of the Council's requirement to achieve Value for Money within the guidance provided to potential suppliers and it is stated publicly via the Council's website procurement page. Value for Money is communicated also within the service Commissioning Plans, although these are not published and accessible by the public/potential suppliers. Guidance, evaluation tools and scoring used by those assessing was evidenced within the Specific Conditions of Tender document provided, which is given to Tendering Contractors.

There is concern regarding the performance management and therefore Value for Money in relation to the Waste Management Contract's performance management, as it was advised that the supplier is currently under a self-certification agreement with the Council and that the Contractor submits payment slips with the relevant defaults under the performance management framework and that the information submitted is checked/audited by the Neighbourhood Service team. The Council are unable to fully rely on the information being supplied by the Contractor at present as they are having difficulty in putting the systems/processes in place to operate with the way the contract has been designed.

The Terms & Conditions/Contractual agreement in place for the Transport for Schools contracts were provided, which outlines the monitoring the Contracts will be subject to so that the Council can ensure Value for Money. Due to resources, performance monitoring is undertaken in reaction to complaints raised by the Public/service users as/when they are raised. There is a log of the complaints received and what penalty points and fines have been awarded to operators. The tendering and evaluation processes for the Transport for Schools contracts were also reviewed, which were found to be suitable.

Transparency - Medium Risk

The Procurement Strategies and Contract Procedure Rules have already been identified as out of date and are undergoing review currently with the Corporate Procurement Manager. They do not comply at present to the Public Contract Regulations 2015. Nevertheless, there is evidence that in practice, the Public Contract Regulations 2015 and the National Procurement

Service (NPS) frameworks are being adhered to. There is a 'live', maintained and detailed Contracts Register in place, which is not published via the website. Adverts are placed on the National Procurement website Sell2Wales as prescribed by the Public Contract Regulations 2015 and in accordance with the NPS framework, but this is not referenced to within the out of date Contract Procedure Rules. Once the policy documents are updated, it is anticipated that the risk rating for this area will move from medium to low.

Category Management – Low Risk

The Procurement activity at the Council follows a Category Management approach for their key spend areas. These were identified as Adult & Children's Social Services, Supporting People, Construction/Highways, Building Maintenance, Facilities Management, Corporate Needs, ICT and Transport.

The Procurement Strategy reflects most of the above Categories identified by the Corporate Procurement Manager but will require updating as part of the review of the Procurement Strategy. There are Category Managers within each Directorate, who have the required specialisms for their services.

The Procurement Strategy identifies Category management methods being used at the Council, but this does not suggest the targets for savings across categories nor the process for identifying category opportunities - as these fall within each Directorates' Business or Commissioning Plans. The Procurement Strategy identifies the objectives of Services to drive value for money by means of Market Testing, encouraging competition, promoting constructive engagement and partnerships, and allowing markets to respond with innovative solutions where possible. There is evidence of a pre-tender engagement future notice via Sell2Wales, encouraging organisations to discuss the matter of advice and support for recipients of Personal Independence Payments. The Contract Procedure Rules section relating to Competitive Dialogue refers to the previous version of the Public Contract Regulations, but is currently going through an update by the Corporate Procurement Manager, so should be rectified during the review.

Supplier Management – Medium Risk

There is no documented reference to the Council's Key Suppliers in terms of value, risk or business criticality, although suppliers can be identified via the Corporate Contracts list in terms of their contract value. There is no Council-wide Business Continuity Plan available via the Intranet and it appears that Directorates develop their own plans. However, only one sample of this could be located via the Intranet, for the Communities Directorate. The Communities Business Continuity Plan did not have adequate procedures to follow in the event that a Supplier failure triggered the Plan. The viability of suppliers is assessed during periodical quality and performance reviews as covered within other Controls in this review. The Procurement team utilise the National Procurement Service framework to undertake their procurement processes.

Social Value – Low Risk

There is a documented process showing how Stakeholders are engaged with at the start of a Procurement process, which was confirmed with the Commissioning Manager for the Social Care and Well-Being Directorate. There is a standard procedure for the Procurement stages, which is documented within the Tender Management Overview guidance and the Contract

Procedure Rules. Evidence of the standard procurement procedures influencing a contract was seen during testing.. Development of stakeholders is considered for staff, existing suppliers and for Members, to enable them to be actively engaged in the processes.

4. Project and Programme Management

Project Methodology – Low Risk

The Council has a Corporate Transformation Team who provide Project Management, Project Support, or Project Assurance on projects as deemed necessary from the project initiation documentation.

There are standard project methodology templates in place for use across the Council. There is also a Project Management Toolkit, which is based upon the PRINCE2 project methodology and provides staff with support and assistance with the completion of their project.

It is acknowledged that some projects that fall outside of the core council programme and are not a major project may be 'unknown' corporately and therefore may take place outside of this framework. However, these are likely to be lower risk projects.

Project Documentation – Low Risk

Key project document templates are available and expected to be used, such as a Project Initiation Document and a Business Case. Each of the four programmes/projects sampled within this review were found to have sufficient documentation to support them, in the form of PIDs and business cases. The documentation outlined the scope, anticipated outcomes and estimated costs of the programmes/projects.

Progress Monitoring – Low Risk

Approval of key documents for a project is performed by the Project Board, however to do so they must have authority for the resources required for the project, which may require Cabinet approval. If the project is of substantial corporate interest, or high in value or risk, it will go to Cabinet to be approved.

Reporting and monitoring is undertaken between the Project Manager and the Project Board. A key tool in this process is the completion of Highlight Reports, which provide an update on the current status of the project. For programmes/projects which are part of the Corporate Programme, monthly Highlight Reports are sent to the Programme Management Board (PMB), which meets monthly to help ensure that any live issues or changes with programmes can be discussed and addressed.

Communication of programme/project progress to Members is through the Council's Corporate Performance Assessment (CPA) process for each Directorate, which include updates on the progress of projects affecting each Directorate.

For each of the four sampled programmes/projects, the approval, reporting and monitoring arrangements were clearly evidenced.

Resource Allocation – Low Risk

A central resource is available to assist with programmes/projects in the form of the Corporate Transformation Team.

The project documentation for each of the four programmes/projects which were sampled within this review defined the skills and capacity required in order to be able to successfully complete the work. This was usually in the form of identifying the individual(s) from HR, Legal, Finance etc who would be assisting with the programme/project.

Risk Management at Project Level – Low Risk

Within the Council's project management toolkit document, there is a section on risk management. This includes the need for risks to be considered at stages of a project, with project teams expected to utilise a risk/issue tracker to assist this process. The Sponsors and Managers of projects are often Service Managers or Directors, thus enabling key project risks to be considered at an appropriate level within the Council. For two of the four sampled programmes/projects, risk management is a standing item on project board meeting agendas.

The risk management policy does not provide information regarding how project risks should be assessed and dealt with. There are also no details regarding the need to raise some project risks to risk registers.

Responsibility and Accountability – Low Risk

The sampled programmes/projects clearly identified the roles and accountabilities in relation to the successful completion of the works. The individual's tasked with performing the roles were also of appropriate seniority to do so.

Lessons Learned – Medium Risk

Plans for benefits realisation are included within the project documentation of programmes/projects. There is not a corporate level oversight of completed projects to determine a longer term picture regarding the successfulness of projects in terms of time, budget and outcomes.

Delivering Corporate Objectives – Low Risk

Section 1.1 of the business case template requires links to be made between the project and the corporate objectives of the Council. Section 2 of the project initiation document template requires details of how the project will 'Fit to Strategy', including its links to the Medium Term Financial Strategy.

If the programme/project is high in value and/or is of corporate interest (i.e. is part of the transformational programme), oversight is provided by Senior Leadership Team and Members throughout the course of the project.

Supporting Change - Medium Risk

For each of the sampled programmes/projects, a representative from HR was outlined within the project documentation. The documentation also provided some links to cultural change and how staff 'buy-in' would be maximised, however there was no set approach to this. To

enhance this, the project initiation templates could include a section for cultural change and the likely impact upon staff.

Providing additional feedback mechanisms to staff may make proposals to change be better received, as recommended within the 2017/18 Ethics audit.

Governance Framework and Strategy – Medium Risk

The Corporate Plan identifies the Digital Transformation Programme and how ICT will play a large role in achieving this plan.

From a review of the minutes, we were unable to confirm whether the current ICT Strategy was approved via Cabinet. The Group ICT Manager confirmed that the ICT Strategy is overdue for review.

Although the Principles & Priorities within the ICT Strategy link well to the current Corporate Plan Priorities, it does not provide a 'roadmap' of the major technologies/ transformational programmes expected during its course. Though it identifies that there will be some, there are no target deadlines, monitoring techniques or accountabilities given within the document for these.

The Group ICT Manager confirmed that there is a live system (I – Trent) where the ICT structure is recorded, including responsibilities, however, sight of the ICT responsibilities was not provided at the time of audit testing, only a basic structure flowchart. We were therefore unable to conclude on the structure and scheme of delegation and the extent to which it is fit for purpose. Over the course of the audit we found another area of accountability that was unclear: The Information Governance Strategy states that the Data Protection Officer (DPO) role will be held by the Monitoring Officer, which is contrary to the what we were advised by the both the Information Officer and Group Manager of ICT.

There is a bi-monthly Information Governance Board, however, which is a requirement of the PSN/CoCo compliance and three of the ICT Management team attend these along with the chair Head of Operational and Partnership Services and representatives from Directorates. The Information Governance board is minuted, but we were unable to review a sample minutes for the board at the time of audit testing.

The Group ICT Manager confirmed that quarterly Key Performance Indicator reports are created which includes information regarding ICT performance. The copy of this report that Cabinet received did not include KPIs for the ICT service, which was an anomaly that the Group ICT Manager said he would investigate. There doesn't appear to be a Service Level Agreement in place for ICT services. We are therefore unable to conclude on the extent to which the priorities stated in the ICT Strategy are measured, monitored and achieved and whether the requirements of the Performance Management Framework are being met.

Asset Management – High Risk

There is no documented Asset Management Plan in place for the ICT department. For this reason we were unable to conclude how the ICT asset management functions links with the Service Desk, Configuration Management, Change Management, Procurement, Release Management and Starters/Leavers Process, or whether a full Asset Management life cycle is considered for all ICT assets.

There are some ICT Codes of Conducts regarding Software use, Social Media Use, Mobile Device use (overseas only) and information governance available via the Intranet, which appear to be out of date, with the exception of the Social Media Policy, which is more recent. From a review of the Intranet, no policies or guidance were found for the following areas in relation to asset management: procurement, release to the environment, finance, licensing, or disposal.

The method for ensuring that staff see the Policies relevant to them is determined during their Corporate Induction, but we were unable to identify whether there is a test to check understanding of the policies at a check-up or during an appraisal process.

Document Control does not feature on the policy documents, nor the ICT/Information Management Strategy viewed.

There is a database in place which is used for ICT Asset Management, however only one screenshot of the information held within the database was provided for audit testing, with no further reports on the management of other assets provided. We were therefore unable to confirm whether all asset lifecycles are monitored, or how assets are recorded on this register.

Compliance with Legislation – Medium Risk

The ICT Strategy does not define which regulations the ICT service complies with. The Information Management Strategy refers to the Data Protection Act, Freedom of Information Act, Companies Act 1985 and 2006, Limitations Act 1980, the Electronic Communications Act 2000, the Computer Misuse Act and the Human Rights Act 2000. There is no reference to the following Acts within the documentation viewed: Disability Discrimination Act, WEEE Directive nor the Copyright Designs and Patents Act.

Protective Marking of Information shared externally is in place through GCSx email accounts in accordance with the Local Government Classification Scheme. Information classifications are outlined in the Information Management Strategy.

Due to conflicting conversations and documented evidence, there is some confusion over who will be designated the Data Protection Officer role in the long-term. However, for the time being, the Principal Solicitor within the Legal team is confirmed by the Group ICT Manager as having been assigned (though not via Member approval).

There is no documented GDPR implementation plan, and meetings where the plan is discussed are not 'formal' in the sense that they are not minuted. However, the Information Manager confirmed that a representative from each Directorate (Group Managers) have been attending monthly Implementation Meetings since October 2017 and they are all aware of their own plans and deadlines, and we were informed that attendance at these meetings has been sufficient.

It should be noted that there has been a recommendation raised relating to the Freedom of Information Requests made to the Council within the Corporate Governance strand of this Healthy Organisation Review, which should be considered within the GDPR implementation plan, ensuring compliance with the Government Publication Scheme and relevant GDPR

clauses.

On discussion with the Information Manager, it is evident that an Information Asset Register is being developed as part of the plan, which should identify the Controllers and Processors for each data set held and should support the provision of information requests responses as necessary once implemented.

The Data Retention Policy and Schedule was presented to Cabinet for approval in January 2018 and was subsequently approved. There were incidents of conflict between the information within the schedule and that relating to it within the Retention Guidelines for Local Authorities, which was passed to the Information Manager for review.

The Council should satisfy itself that training for the Data Protection Officer is adequate. Awareness training for staff in general is the responsibility of each Directorates Group Management teams and a draft training module is being prepared for implementation in May 2018.

Roles & Responsibilities – Unable to Conclude

The Group ICT Manager confirmed that there is a live system (I – Trent) where the ICT structure is recorded, including responsibilities, however, sight of this was not provided at the time of audit testing and there were no structure charts available to view on the intranet. We were therefore unable to conclude on the structure and scheme of delegation and the extent to which it is fit for purpose.

Over the course of the audit we found at least one area of accountability that was unclear: The Information Governance Strategy states that the Data Protection Officer (DPO) role will be held by the Monitoring Officer, which is contrary to the what we were advised by the both the Information Officer and Group Manager of ICT.

Policies & Procedures – Medium Risk

While the Policy/Strategy and Codes of Conduct are available via the Intranet, the majority of documents are quite significantly out of date and without document control. The only alternative viewing for some documents is related to the Welsh language, and this does not cover the entire suite of Policies/Codes of Conduct. There is no consideration for the Equality/Diversity of ICT in relation to the Discrimination Act, regarding equipment/assets or staff procedures within the documents viewed. The following areas are not addressed within the suite of documents reviewed: Change Management, Asset Management, some Acceptable Use Policies, Malware/Virus Protection, Capacity Management.

At the time of the audit, we were not provided with the ICT Training Matrix to confirm the extent to which staff have undergone appropriate training. We were therefore not able to conclude on this area of testing.

Cyber Security -Unable to Conclude

Although it was advised that regular PSN check testing takes place internally, we were unable to view a copy of the most recent compliance certificate at the time of the audit and the actions tracker provided regarding the recommendations around PSN compliance did not

provide dates for completion of the actions or much detail around them, making it difficult to confirm implementation of some recommendations.

We have been advised the cash receipting function has been outsourced and therefore the responsibility for PCI Compliance Returns and quarterly compliance scans does not rest with the Council. At the time of the audit we were unable to verify whether these are taking place on behalf of the Council as envisaged.

Business Continuity – Unable to Conclude

We have been unable to conclude a full opinion regarding the Critical Application list, having not been able to view the database. The ICT Business Continuity Plan also does not define 'critical' applications.

The Group ICT Manager confirmed that this critical applications list is not under a regular review process and had not been updated since it was compiled three years ago.

It was unclear whether the System Owners would have updated the list with changes to/removal of/addition of applications as required.

There is no evidence of the definition of a 'critical' application within the ICT Strategy or other ICT Policies reviewed as part of the audit.

Disaster Recovery – Unable to Conclude

Regarding the Corporate Business Continuity Plans for the Council, the tests could not be concluded as there were no documents identified/provided. The Group ICT Manager confirmed that there are Service/Directorate Business Continuity Plans, but the ICT Plan does not feed into an 'overarching'/Corporate Continuity Plan.

The back-up schedule provided to us and discussion with the Servers and Storage Manager identified that backup storage is completed by transfer onto discs held for a maximum of 2 years, which are held within an unsecured appliance in the access controlled production site. It was advised that the same processes are followed at the disaster recovery storage location.

Security History – Unable to Conclude

The Group Manager for ICT confirmed that the Data Protection Officer and SIRO monitor Security Breaches at the Council, deciding on which to report to the ICO and monitoring breaches once reported via a central spreadsheet. The spreadsheet was not provided for audit testing.

The Strategy/Codes of Conducts and mandatory Data Protection training in place appear to be robust enough to ensure that breaches are reported and monitored, though these will all require review to align with the implementation of GDPR.

Appendix A - Mapping Areas for Attention to 2018/19 Internal Audit Plan

| Theme | Area for Attention | Inclusion in 2018/19 Plan | Owner | Date of Audit Work |
|--|--|------------------------------------|-------|--------------------|
| Governance - Leadership | Corporate Management Board meetings should include the following: <ul style="list-style-type: none"> timescales for completion of actions recorded in the minutes. The "Action review" part of the minutes should state whether previous meeting actions have been completed. Cancelled meeting agenda items carried forward to the next meeting. | Low risk – Advisory Recommendation | CMB | N/A |
| Governance – Constitution/ Transparency | Future updates should include the following: <ul style="list-style-type: none"> Referencing inconsistencies Commissioning of services processes/procedures The Councils view on Good Governance. | Low Risk – Advisory Recommendation | CMB | N/A |
| Governance – Effective Working Relationships | Feedback mechanisms should be put in place to measure the effectiveness of member/ officer relations. | Medium Risk – Follow up required | CMB | N/A |
| Governance – Effective Working Relationships | The Corporate Induction Framework should be updated to refer to the Constitution and its associated Codes of Conduct. | Medium Risk – Follow up required. | CMB | TBA |
| Governance – Code of Conduct | There is a Whistleblowing policy, but it requires updating as well as broader communication to all Council staff and for the update to be published publicly. | Medium Risk – Follow up required. | CMB | TBA |
| Governance – Transparency | The Council should regularly publish Freedom of Information requests and responses on their website. | Medium Risk – Follow up required. | CMB | TBA |
| Governance – Induction and Development | The mandatory training list for members should be updated to include GDPR. | Medium Risk – Follow up required | CMB | TBA |
| Governance – Induction and Development | A development programme could be developed for the Leadership teams (various levels), in the same way that there is one for Members. | Low Risk – Advisory Recommendation | CMB | N/A |
| Governance-Communication/ Stakeholder Consultation | The Communications, Marketing and Engagement Team Plan should be updated to include the following: <ul style="list-style-type: none"> how officers (or members) should | Medium Risk – Follow up required. | CMB | TBA |

| Theme | Area for Attention | Inclusion in 2018/19 Plan | Owner | Date of Audit Work |
|--|--|------------------------------------|-------|--------------------|
| | <p>handle a situation if they are approached for comment on a major issue, which could impact on the reputation of the Council.</p> <ul style="list-style-type: none"> how officers (or members) should engage and communicate with various stakeholders. | | | |
| Governance-Communication | The Communications, Marketing and Engagement Team Plan should be separated from an overarching Communication Strategy. | Medium Risk – Follow up required | CMB | TBA |
| Governance Effectiveness Review | The Annual Governance Statement should include action points, timescales and responsibilities in either a table at the end, or within an appendix, to give a clear communication of the issue resulting in the action being made, who's responsible for completing the action, the status of the actions and expected dates of achievement. | Low Risk – Advisory Recommendation | CMB | N/A |
| Risk Management Strategy | Steps should be taken to ensure the Risk Management Strategy is understood at all levels of the Council, and not just at Senior levels. | Medium Risk – Follow up required. | CMB | TBA |
| Risk Management Strategy | The Council should ensure the same risk matrix is used consistently throughout the different Directorates. | Low Risk – Advisory Recommendation | CMB | N/A |
| Risk Management Appetite/ Transparency | To improve the guidance to staff further, the Council should consider setting a numerical risk appetite value, which could be included within the risk management policy's risk matrix to act as a visual aid to staff when considering risks. This numerical risk appetite value should be taken to Audit Committee as part of the current corporate risk register review schedule. | Medium Risk – Follow up required. | CMB | TBA |
| Risk Management Register | A bespoke software solution for the Risk Register should be considered to enable improved access controls, easier reporting and alerts when updates were required. | Low Risk – Advisory Recommendation | CMB | N/A |
| Risk Management Register/ Project Risk | The Risk Management Policy should be updated to include the following: <ul style="list-style-type: none"> the numerical threshold for risk tolerance (above which the risk requires inclusion in the risk | Low Risk – Advisory Recommendation | CMB | N/A |

| Theme | Area for Attention | Inclusion in 2018/19 Plan | Owner | Date of Audit Work |
|--|--|------------------------------------|-------|--------------------|
| | <p>register).</p> <ul style="list-style-type: none"> how project risks should be assessed and dealt with and when they should be included in the corporate risk register. | | | |
| Risk Management - Assessment | Commissioning plans should be improved by including a mandatory risk section. | Low Risk – Advisory Recommendation | CMB | N/A |
| Risk Management - Project Risk | All projects should include risk management as a standing item on their project board meeting agendas. | Low Risk – Advisory Recommendation | CMB | N/A |
| Risk Management - Decision Making | The standard report to members pro-forma should be updated to include a section regarding the assessment of risk. Current and residual risk scores should be provided within the risk section. | Medium Risk – Follow up required. | CMB | TBA |
| Risk Management - Transparency | The corporate risk assessment should be shared with other local authorities and bodies. | Medium Risk – Follow up required. | CMB | TBA |
| Commissioning and Procurement – Strategy/ Transparency/ Policies and Procedures. | Although we understand there are plans to update them, the current Adult Social Care Commissioning Plan and Procurement Strategy include no reference to the present Priorities of the Council or the Public Contract Regulations 2015, which has an impact on transparency. | Medium Risk Follow up required. | CMB | TBA |
| Commissioning and Procurement - Strategy | Arrangements should be made to ensure there is sufficient corporate oversight of Commissioning across the Council. | Medium Risk Follow up required. | CMB | TBA |
| Commissioning and Procurement – Commissioning Intentions | Commissioning Intentions should be publicly available for all areas of the council where commissioning takes place, and not just Adult Social Care. | Medium Risk Follow up required. | CMB | TBA |
| Commissioning and Procurement – Training and Skills | The Procurement Strategy and Commissioning Plans should be updated to include required personal qualities/ qualifications. | Low Risk Advisory Recommendation | CMB | N/A |
| Commissioning and Procurement – Policies and Procedures | With the exception of the Social Care and Wellbeing Directorate, we were not able to confirm whether Service Level Agreements are in place between services and suppliers. | Low Risk Advisory Recommendation | CMB | N/A |
| Commissioning and Procurement | Consider implementing a quantitative approach to assessing Social Value, to | Medium Risk Follow up | | TBA |

| Theme | Area for Attention | Inclusion in 2018/19 Plan | Owner | Date of Audit Work |
|---|---|-------------------------------------|-------|--------------------|
| – Value for Money Commissioning and Procurement – Value for Money | ensure that targets are provided and met. Ensure that there are adequate performance monitoring, supplier support and management arrangements in place to address potential issues of the Waste Management Services supplier being able to fully meet their contract requirements. | Medium Risk Follow up required. | CMB | TBA |
| Commissioning and Procurement – Category Management | The Contract Procedure Rules should be updated to include information about identifying savings targets and category opportunities or indicate where these would be recorded for each Directorate. | Low Risk Advisory Recommendation | CMB | N/A |
| Commissioning and Procurement – Supplier Management | The authority can identify their 'Key suppliers' via the Corporate Contracts Register, but should consider creating either a central document, or separate Directorate documents, identifying key suppliers in their areas in terms of value, risk and business criticality. | Medium Risk Follow up required. | CMB | TBA |
| Commissioning and Procurement – Supplier Management | The Business Continuity Plans for the Communities Directorate and for the ICT Service Group require update. | Medium Risk Follow up required. | CMB | TBA |
| Commissioning and Procurement – Supplier Management | Consider inclusion within Directorate Business plans of a Key Suppliers List in terms of criticality and risk, with clear steps (or 'action cards') to follow in the event that a supplier becomes unavailable. | Medium Risk Follow up required. | CMB | TBA |
| Project Management – Project Methodology | Although projects with a corporate impact will have some involvement from the Corporate Transformation Team, it is possible that some smaller projects are being completed in silo with the standard templates not being utilised. | Low Risk Advisory Recommendation | CMB | N/A |
| Project Management - Resource Allocation | Minor instances of a lack of clarity were identified within one of the sampled projects/programmes (Digital Transformation), in terms of capacity requirements for the programme. Clear guidance should be available setting out requirements. | Low Risk Advisory Recommendation | CMB | N/A |
| Project | The risk management policy needs to | Low Risk | CMB | N/A |

| Theme | Area for Attention | Inclusion in 2018/19 Plan | Owner | Date of Audit Work |
|--|---|-------------------------------------|-------|--------------------|
| Management – Risk Management | be updated to include information regarding how project risks should be assessed and dealt with. There is also no information on raising project risks to risk registers. | | | |
| Project Management – Lessons Learned | Information on the success of projects should be collated centrally so that corporate oversight of can be maintained over the outcome of completed projects. | Medium Risk Follow up required. | CMB | TBA |
| Project Management – Supporting Change | The project initiation documentation templates could require additional information in relation to cultural change and the likely impact upon staff. | Medium Risk Follow up required. | CMB | TBA |
| Project Management – Supporting Change | Providing additional feedback mechanisms to staff may make proposals to change be better received, as recommended within the 2017/18 Ethics audit. | Medium Risk Follow up required. | CMB | TBA |
| Information Management-Strategy | A formal plan and timeline should be put in place for updating the IT Strategy. | IN THE PROCESS OF BEING FOLLOWED UP | CMB | Quarter 1 |
| Information Management-Strategy | The existing ICT strategy should be updated to include a 'roadmap' plan of the technologies/ transformational programmes underway or due to start. | AS ABOVE | | |
| Information Management-Strategy | At the time of the audit it was not possible to confirm whether all required posts are filled and that the ICT Structure reflects the responsibilities and scheme of delegation within the department. The Council should satisfy itself that this is the case. | AS ABOVE | | |
| Information Management-Strategy | There is a list of anticipated 'programmes'/technology being implemented under priority action plans, but no roadmap given to indicate timescales for implementation. | AS ABOVE | | |
| Information Management-Strategy | More regular and formal meetings between ICT teams and ICT Management would help to ensure that targets are being met and progress monitored. | AS ABOVE | | |
| Information Management-Strategy/ | The Information Management Strategy requires review to ensure that it reflects accountability for the various | AS ABOVE | | |

| Theme | Area for Attention | Inclusion in 2018/19 Plan | Owner | Date of Audit Work |
|--|--|---------------------------|-------|--------------------|
| Legislation | Information Governance roles clearly as there is currently a lack of clarity around the Data Protection Officer Role. | | | |
| Information Management-Strategy | Although we have been advised that KPI reports are being reported for quarterly assessment, at the time of the audit we were unable to verify this and conclude whether Key Performance Indicators were in place and being monitored for the ICT Service. The Council should satisfy itself that this is the case. | AS ABOVE | | |
| Information Management-Strategy | We are not aware of any Service Level Agreement in place for ICT Services. The Council should ensure that this is in place. | AS ABOVE | | |
| Information Management – Asset Management/ Legislation | An ICT Asset Management Plan should be created to include: <ul style="list-style-type: none"> the impact of ICT Assets on areas such as Service Desk, change management, procurement processes, release processes or staff leavers. How Hardware of Software Asset Management functions should be run and intended goals of this service. The punitive impact of breaching said Policy/Plan. Indication of which regulations/directives/legislation are relevant (including Disability Discrimination Act, Waste Electrical Electronic Equipment, Regulations (WEEE). Copyright Designs and Patents Act) | AS ABOVE | | |
| Information Management – Asset Management | From a sample of policy documents reviewed, document control measures are not in place. | AS ABOVE | | |
| Information Management – Asset Management | From a review of the Intranet, no policies or guidance was found on the following in relation to asset management: procurement, release to the environment, finance, licensing, or disposal. | AS ABOVE | | |
| Information | At the time of the audit we were unable | AS ABOVE | | |

| Theme | Area for Attention | Inclusion in 2018/19 Plan | Owner | Date of Audit Work |
|---|--|---------------------------|-------|--------------------|
| Management – Asset Management | <p>to confirm the following:</p> <ul style="list-style-type: none"> • Whether asset lifecycle management is in place for all ICT assets. • How the Council knows whether its ICT policies have been read and understood. • Although we understand that a Configuration Management Data Base is in place, we were unable to verify further details about what it is used for and how it is managed. <p>The Council should satisfy themselves that the above are being managed effectively.</p> | | | |
| Information Management - Legislation | <p>There is little evidence of discussions regarding the GDPR Project Plan deadlines, due to the lack of minutes/record of the process. The Council should ensure that decision making processes are transparent.</p> | AS ABOVE | | |
| Information Management - Legislation | <p>The Retention Schedule requires review to ensure compliance with the relevant Retention Guidelines for Local Authorities and other Acts as necessary.</p> | AS ABOVE | | |
| Information Management - Legislation | <p>GDPR awareness has not already been rolled out amongst staff but is being developed for implementation in May.</p> | AS ABOVE | | |
| Information Management – Roles and Responsibilities | <p>At the time of the audit we were unable to confirm the following:</p> <ul style="list-style-type: none"> • Whether all posts within the ICT service were filled, or whether the service had vacancies. • Whether the role profiles match expectations in terms of delegations and responsibilities. | AS ABOVE | | |
| Information Management – Roles and Responsibilities | <p>There were no structure charts available on the Intranet. The Council should ensure these are readily available.</p> | AS ABOVE | | |
| Information Management – Policies and Procedures | <p>Several ICT Policies were noted as being out of date back to 2008/2011, with the exception of the Social Media Protocol and related documents which were reviewed in 2017. As part of a general policy update, The ICT Code of Practice –</p> | AS ABOVE | | |

| Theme | Area for Attention | Inclusion in 2018/19 Plan | Owner | Date of Audit Work |
|--|--|---------------------------|-------|--------------------|
| Information Management – Policies and Procedures | Handling and Classification Policy requires review as the version we obtained was dated 2011. | AS ABOVE | | |
| Information Management – Policies and Procedures | Equality & Diversity should be considered as part of any policy update (Discrimination Act regarding ICT Asset rights etc). | AS ABOVE | | |
| Information Management – Policies and Procedures | No policies were identified surrounding removable media devices, mobile ICT equipment/assets use (within the UK), security/protection that is in place and guidance, which identify the process to follow beginning to end, responsibilities, reference to relevant Policies, laws and regs, timescales were relevant and the punitive impact of breaching the policy. | AS ABOVE | | |
| Information Management – Policies and Procedures | An action plan (or an appendix to) should be included within the revised ICT Strategy with timescales, responsible persons for actions and method of review; and a section regarding the ICT stance and commitments re equality/diversity. | AS ABOVE | | |
| Information Management – Policies and Procedures | The Intranet requires update with revised documents when available, ensuring that all documents referred to within the Strategies and Policies are available as stated within the Intranet. | AS ABOVE | | |
| Information Management – Policies and Procedures | The Council should satisfy itself that the ICT Training matrix is up to date and that staff have received relevant training. | AS ABOVE | | |
| Information Management – Policies and Procedures | The Council should clarify the section in the Corporate Induction Framework which indicates that all staff receive mandatory ICT training, during the Corporate Induction (since only some staff received this). | AS ABOVE | | |
| Information Management – Policies and Procedures | Neither the Appraisal form nor the Employee Appraisal Protocol includes a requirement to confirm whether relevant policies have been read and understood. | AS ABOVE | | |
| Information Management – Cyber Security | Although we have been advised that regular PSN check testing internally, we were unable to view a copy of the most recent compliance certificate or improvement plan at the time of the audit to confirm implementation of any | AS ABOVE | | |

| Theme | Area for Attention | Inclusion in 2018/19 Plan | Owner | Date of Audit Work |
|--|---|---------------------------|-------|--------------------|
| Information Management – Business Continuity | <p>recommendations.</p> <p>Although we have been advised that an applications list is stored within the Configuration Management Data Base, that 'Tier 1' 'critical' applications are defined within the ICT Business Continuity Plan, and that a system owner from ICT is in place for each application along with a representative from each service; we have been unable to verify this at the time of audit testing, or check the list is up to date.</p> | AS ABOVE | | |
| Information Management – Business Continuity | <p>We have been advised that Tier 1 applications are those listed within the ICT Business Continuity Plan, and this the process of identifying these applications took place approximately 3 years ago, and as such may require update.</p> | AS ABOVE | | |
| Information Management – Business Continuity | <p>We have been advised that the ICT Business Continuity Plan is approximately 2 years out of date and requires a 'rehaul'. It was last tested in May 2016 but is not expected to be reviewed until completion of a large Server 'reshuffle' later this year.</p> | AS ABOVE | | |
| Information Management – Disaster Recovery | <p>We have been advised that the Contacts List within the ICT Business Continuity Plan is 'mostly' up to date. However, this would require review as the plan has not been updated for approximately 2 years. We understand that it does not link into a Corporate/Council-wide Continuity/Disaster Recovery Plans.</p> | AS ABOVE | | |
| Information Management – Disaster Recovery | <p>A search on the Intranet could not identify Disaster Recovery or Business Continuity guidance, so these are untested by us.</p> | AS ABOVE | | |
| Information Management – Disaster Recovery | <p>The back-up schedule provided to us and discussion with the Servers and Storage Manager identified that Backup storage is completed by transfer onto discs held for a maximum of 2 years, which are held within an unsecured appliance in the access controlled production site and that the same is true for the Disaster Recovery storage location.</p> | AS ABOVE | | |
| Information Management - | <p>Security Breach Codes of Practice/ relevant Strategies need to be updated</p> | AS ABOVE | | |

| Theme | Area for Attention | Inclusion in 2018/19 Plan | Owner | Date of Audit Work |
|--|--|---------------------------|-------|--------------------|
| Security Information Management - Security | regarding the implementation of GDPR. We understand that all security breaches are recorded on a central spreadsheet by the SIRO. However, at the time of the audit we were unable to obtain a copy and were therefore unable to test the extent to which breaches are reported to the ICO. | AS ABOVE | | |
| Information Management - Security | We were unable to test whether security breaches are monitored and action plans followed to mitigate/reduce potential breaches, having been input into the central spreadsheet. | AS ABOVE | | |

Report Authors and Distribution

Report Authors

This report was produced and issued by:

- Assistant Director
- Senior Auditor
- Auditor

Key Contacts

The key contact for each theme:

- **Corporate Governance** – Andrew Jolley, Corporate Director Operational and Partnership Services
- **Risk Management** – Insurance and Risk Officer
- **Commissioning and Procurement** – Corporate Procurement Officer
- **Programme and Project Management** – Senior Project and Programme Officer
- **Information Management** – Group ICT Manager

Distribution List

The draft report was distributed to the above and the following have also received a copy of the final report:

Statement of Responsibility

Conformance with Professional Standards
SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Auditing Standards.

SWAP Responsibility

Please note that this report has been prepared and distributed in accordance with agreed Audit Charter and procedures. The report has been prepared for the sole use of the Partnership. No responsibility is assumed by us to any other person.

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

28 JUNE 2018

REPORT OF THE CHIEF INTERNAL AUDITOR

UPDATED FORWARD WORK PROGRAMME 2018/19

1. Purpose of report

1.1 The purpose of this report is to present to Members the updated Forward Work Programme for 2018/19 for Audit Committee.

2. Connection to corporate improvement objectives/other corporate priorities

2.1 This report assists in the achievement of the following corporate priority/priorities:

- Smarter use of resources – ensuring that all its resources (financial, physical, human and technological) are used as effectively and efficiently as possible and support the development of resources throughout the community that can help deliver the Council's priorities.

3. Background

3.1 The Core functions of an effective Audit Committee are:-

- To consider the effectiveness of the Council's Risk Management arrangements, the control environment and associated anti-fraud and corruption arrangements.
- Seek assurances that action is being taken on risk-related issues identified by auditors and inspectors.
- Be satisfied that the Council's assurance statements properly reflect the risk environment and any actions required to improve it.
- Oversee the work of internal audit (including the annual plan and strategy) and monitor performance.
- Review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary.
- Receive the annual report of the Chief Internal Auditor as Head of Audit.
- Consider the reports of external audit and inspection agencies, where applicable.
- Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
- Review and approve the financial statements, external auditor's opinion and reports to Members, and monitor management action in response to the issues raised by external audit.

3.2 Effective Audit Committees help raise the profile of internal control, risk management and financial reporting issues within an organisation, as well as providing a forum for the discussion of issues raised by internal and external

auditors. They enhance public trust and confidence in the financial governance of an authority.

4. Current situation/proposal

- 4.1 In order to assist the Audit Committee in ensuring that due consideration is given by the Committee to all aspects of their core functions the updated Forward Work Programme for is attached **at Appendix A**.

5. Effect upon policy framework and procedure rules

- 5.1 There is no effect upon the policy framework and procedure rules.

6. Equality Impact Assessment

- 6.1 There are no equality implications arising from this report.

7. Well-being of Future Generations (Wales) Act 2015 implications

- 7.1 The well-being goals identified in the Act were considered in the preparation of this report. It is considered that there will be no significant or unacceptable impacts upon the achievement of well-being goals/objectives as a result of this report.

8. Financial implications

- 8.1 There are no financial implications arising from this report.

9. Recommendation

- 9.1 That Members consider and note the updated Forward Work Programme for 2018/19.

Helen Smith
Chief Internal Auditor
28th June 2018

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CF31 3NA

Background Documents

None

**AUDIT COMMITTEE
SCHEDULE OF MEETINGS AND FORWARD WORK PROGRAMME
2018 - 2019**

| PROVISIONAL DATE OF MEETING | FORWARD WORK PROGRAMME | OFFICER RESPONSIBLE | UPDATE |
|----------------------------------|--|--|-----------|
| 2018 | | | |
| 28th June | Information and Action Requests (if applicable). | Chief Internal Auditor (CIA) | N/A |
| | Updated Forward Work Programme 2018/19. | CIA | Submitted |
| | Pre-audited Statement of Accounts 2017/18. | Head of Finance | Submitted |
| | Draft Annual Governance Statement 2017-18 | Head of Finance | Submitted |
| | Treasury Management Outturn 2017/18 | Head of Finance | Submitted |
| | Proposal to Incorporate the Shared Internal Audit Service (RIASS) into a Larger Service Hosted by the Vale of Glamorgan Council to Include Two Additional Councils | Head of Finance | Submitted |
| | Incident and Near Miss Reporting Procedure (Excluding Health and Safety) | Head of Finance | Submitted |
| | Community Action Fund 2017-18 Update | Head of Finance | Submitted |
| | Audit Committee's Term of Reference | Head of Finance | Submitted |
| | External Auditors / Inspection Reports (where applicable). | Head of Finance / WAO | |
| | IASS Outturn Report April and May 2018. Together with progress against Plan. | CIA | Submitted |
| | Healthy Organisational Review | CIA | Submitted |
| | | | |
| 13th September | Information and Action Requests | CIA | |
| | Updated Forward Work Programme | CIA | |
| | Statement of Audited Accounts and Final Annual Governance Statement 2017/18 | Head of Finance / WAO | |
| | Internal Audit 5 months Outturn Report April to August 2018. | CIA | |
| | External Auditors / Inspection Reports (where applicable). | Head of Finance / WAO | |
| | | | |
| 15th November | Up dated Forward Work Programme | CIA | |
| | Information and Action Requests (where applicable) | CIA | |
| | Fraud update | Head of Finance / Benefits Manager | |
| | Risk Management | Head of Finance / Risk & Insurance Officer | |
| | Treasury Management Half Year monitoring report 2018-19 | Head of Finance | |
| | Internal Audit Outturn Report – April 2017 to October 2018. | CIA | |
| | External Auditors / Inspection Reports (where applicable). | Head of Finance / WAO | |
| | | | |
| 2019 | | | |
| 17th January | Up dated Forward Work Programme | CIA | |
| | Internal Audit 8 months Outturn Report April – November 2018 | CIA | |
| | External Auditors / Inspection Reports (where applicable) | Head of Finance / WAO | |

APPENDIX A

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|------------------------------|---|------------------------------|--|
| | Corporate Risk Assessment 2018-19 | Head of Finance | |
| | Treasury Management Strategy 2019-20 | Head of Finance | |
| | External Auditors / Inspection Reports (where applicable). | Head of Finance / WAO | |
| | | | |
| 18th April | Updated Forward Work Programme | CIA | |
| | Proposed Forward Work Programme 2019-20. | CIA | |
| | Internal Audit proposed Annual Strategy and Audit Plan 2019-2020. | CIA | |
| | Audit Committee – Terms of Reference | CIA | |
| | Internal Audit Shared Service Charter 2019/20 | CIA | |
| | Draft Head of Audit’s Annual Opinion Report and outturn for the Year 2018/19 | CIA | |
| | External Auditors / Inspection Reports (if applicable): - | Head of Finance / WAO | |
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