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Bridgend County Borough Council



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Cyfarwyddiaeth y Prif Weithredwr / Chief Executive's Directorate

Deialu uniongyrchol / Direct line /: 01656 643148 / 643147 / 643694

Gofynnwch am / Ask for:

Ein cyf / Our ref:

Eich cyf / Your ref:

Dyddiad/Date: Thursday, 9 July 2020

Dear Councillor,

AUDIT COMMITTEE

A meeting of the Audit Committee will be held Remotely via Skype for Business on **Thursday, 16 July 2020 at 14:00.**

AGENDA

1. Apologies for Absence
To receive apologies for absence from Members.
2. 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 2008.
3. Approval of Minutes 3 - 8
To receive for approval the minutes of the Committee of 30/01/20
4. Audit Committee Action Record 9 - 16
5. Wales Audit Office Follow Up Review of Corporate arrangements for the Safeguarding of Children 17 - 58
6. Audit Wales Audit Committee Update 59 - 66
7. External Audit Annual Audit Plan 2020 67 - 94
8. Wales Audit Office Financial Sustainability Assessment 95 - 110
9. Council Tax Reduction Fraud Investigations: April 2019 to March 2020 111 - 118
10. Statement of Accounts 2019-20 (Unaudited) 119 - 208
11. Annual Governance Statement 2019-20 209 - 234
12. Porthcawl Harbour Return 2019-20 (Unaudited) 235 - 246

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| 13. | <u>Annual Internal Audit Report 2019-20</u> | 247 - 272 |
| 14. | <u>Regional Internal Audit Shared Service Charter 2020-21</u> | 273 - 294 |
| 15. | <u>Forward Work Programme 2020-21</u> | 295 - 300 |
| 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

K Watson

Chief Officer - Legal, HR & Regulatory Services

Please note: Due to the requirement for social distancing this meeting will not be held at its usual location. This will be a virtual meeting and Committee Members and Officers will be attending remotely. The meeting will be recorded for subsequent transmission via the Council's internet site which will be available once the meeting has concluded. If you have any queries regarding this, please contact cabinet_committee@bridgend.gov.uk or tel. 01656 643147 / 643148.

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
A Hussain

Lay Member:

Mrs J Williams

AUDIT COMMITTEE - THURSDAY, 30 JANUARY 2020

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD IN COMMITTEE ROOMS 2/3,
CIVIC OFFICES ANGEL STREET BRIDGEND CF31 4WB ON THURSDAY, 30 JANUARY
2020 AT 14:00

Present

Councillor LM Walters – Chairperson

JE Lewis
AJ Williams

MJ Kearn
PA Davies

RM Granville
A Hussain

A Williams

Apologies for Absence

P Davies and TH Beedle

Officers:

Mark Thomas	Head of Regional Audit Service
Andrew Rees	Democratic Services Manager
Gill Lewis	Interim Head of Finance and Section 151 Officer
Michael Pitman	Democratic Services Officer - Committees
Joan Davies	Audit Client Manager

Lay Member:

Mrs J Williams

173. DECLARATIONS OF INTEREST

None.

174. APPROVAL OF MINUTES

RESOLVED: That the minutes of the 14/11/2019 be approved as a true and accurate record subject to the addition of apologies from Cllr Cheryl Green and the Wales Audit Office representative.

175. AUDIT COMMITTEE ACTION RECORD

The Democratic Services Manager presented a report which provided Members with an update on the Audit Committee Action Report.

He advised that the up to date Action Report was listed at Appendix A of the report and asked Members if they had any questions or comments relating to it.

The Chairperson asked if items that were dealt with be greyed out on the page so that the committee could keep better track of completed actions.

A Member mentioned that she had a safeguarding issue to report while on a school trip. She stated that there was no clear procedure for reporting and asked if the Corporate Director of Social Services and Wellbeing could be invited to the meeting for Members to ask questions. The Interim Head of Finance stated that it may be beneficial for the Corporate Director - Education and Family Support to attend as well.

RESOLVED: That the Committee:

1. Noted the contents of the Action Record and;
2. Asked that both the Corporate Director – Education and Family Support and the Corporate Director of Social Services both be invited to the next meeting of Audit Committee.

176. WALES AUDIT OFFICE - OVERVIEW AND SCRUTINY - FIT FOR THE FUTURE

The Democratic Services Manager presented a report which provided Members with an update on the recommendations made in the Wales Audit Office (WAO) report to the Audit Committee meeting of 6th December 2018 'Overview and Scrutiny – Fit for the Future?' for noting.

He explained that the WAO undertook a piece of work as part of a national report and explored how 'fit for the future' scrutiny functions were within the Authority. The review concluded that the Council's Overview and Scrutiny Function was well run, but needed to adapt to meet future challenges.

The Democratic Services Manager outlined the progress that had been made to date in relation to the WAO proposals. The five proposals for improvement were listed at section 4 of the report.

A Member mentioned that in the report it stated that the Scrutiny Team here was fully staffed. She asked if we were happy with the experience of the staff going forward.

The Chairperson stated that one of the new members of the Scrutiny Team was a very experienced Scrutiny Officer who not only had years of experience, but used to work here in BCBC, so was familiar with the processes and procedures.

The Democratic Services Manager stated that the three previous Scrutiny Officers were all employed part time, each having 1 day a week off, however, the three Scrutiny Officers now employed were all full time. He added that one of the new starters had worked elsewhere in the authority in a role that involved research, which was seen to be a beneficial skill to bring to the Scrutiny role.

RESOLVED: That the Committee noted the report.

177. CORPORATE RISK ASSESSMENT, CORPORATE RISK MANAGEMENT POLICY AND INCIDENT AND NEAR MISS REPORTING PROCEDURE

The Interim Head of Finance presented a report which provided the Committee with the outcome of the Corporate Risk Assessment 2020-21 in Appendix A, informed the Committee of the changes to the Councils Risk Management Policy in Appendix B and provided an update on reported Incident and Near Miss occurrences in Appendix C.

She advised that Appendix A in the report contained incorrect dates, and provided the Committee with a printed copy of the up to date Corporate Risk Assessment 2020-21.

A Member asked about the risk that related to retention and recruitment of staff and what the main issues were. The Interim Head of Finance stated that it was often to do with the pay and quality of the market. She said private sector compared with Local Government was often more pay and more variety of jobs. She added that there were a number of complications when a job is evaluated/changed and said that one small change can affect many other aspects.

A Member asked what the situation was regarding employment of social workers as there was once a difficulty with this. The Interim Head of Finance stated that it was

better than it used to be but it was still a difficulty with the shortage, which was the case with a number of areas including surveyors and engineers. She added that as many of the positions were not well paid, this made it difficult to appeal to people.

A Member expressed concerns with the responsibility being shown as 'CMB' and suggested that it disallowed for proper ownership.

The Interim Head of Finance stated that the majority of the risks did not fall with just one Corporate Director and therefore sharing the responsibility across all of CMB meant that they all had a joint responsibility to ensure the risks were being dealt with. A Member agreed that displaying one name would create a blame culture which was unnecessary.

The Chairperson proposed that the Committee read through each of the risks listed in Appendix A to ensure everyone was happy with the actions.

A Member expressed concerns relating to Risk 4 and asked if existing schools were being improved, i.e. was the money available for existing schools as well as new schools. The Chairperson agreed that existing schools needed to be looked at and finding ways to improve the space used as well as ensuring children nearby to the school can actually go there.

A Member reaffirmed this and stated that BCBC were footing a large bill for having to transport children a number of miles by taxi due to the lack of places for many children who live in catchment area of a school but were not able to get a place.

A Member asked if the relationship with the Health Boards were as good as they could be as she said that she recently requested information relating to the EU Settlement Scheme and was turned away. The Chairperson stated that this was something that was also discussed in a Scrutiny meeting.

A Member asked if the Council discusses best practice with other Local Authorities. The Interim Head of Finance stated that the Council discusses methods of best practice and how we can share services with each other, which had been done for many years with neighbouring authorities.

The Lay Member asked how the suppliers were linked in with the major incident plan in respect of financial resilience. The Interim Head of Finance stated that it was difficult to plan for if a company were to have a cyber-attack or go into financial administration and this was something that we would need to monitor.

A Member mentioned that it was a requirement for schools to have a first aid policy, however, when looking for guidance relating to first aid policy on the Welsh Government website it stated to follow the local authority guidance. She stated that BCBC did not have their own policy and were using guidance taken from authorities in England. She added that sufficient training had not been provided to teachers on how to use defibrillators on the children in Primary Schools.

The Chairperson stated that this needed to be looked into and added to the action record to ensure BCBC develop a first aid policy that covers schools in Bridgend as well as suitable training provided.

A Member queried whether the likelihood of some of the risks in the incident and near miss report were accurate, and should the risk level be higher as a result. The Chairperson stated that there would be a danger of doing this as some risks would go too high up a level where issues would be over reported.

A Member stated that the health board had a good reporting system so it might be worth looking at their system. The Chairperson agreed that this may be beneficial and was worth Officers seeking the best way to take that forward.

RESOLVED: That Members of the Committee:

1. Considered the Corporate Risk Assessment 2020-2021 (Appendix A) and the updated Corporate Risk Management Policy (Appendix B)
2. Noted the Incident and Near Miss Reporting occurrences reported in the last 12 months (Appendix C)

178. TREASURY MANAGEMENT STRATEGY 2020-21

The Group Manager - Chief Accountant presented a report to the Committee which included:

- Borrowing Strategy 2020-21
- Investment Strategy 2020-21
- Treasury Management Indicators for the period 2020-21 to 2022-23

He explained that the Council carries out its treasury management activities in accordance with the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (2017) and relevant legislation, and that the Audit Committee had been nominated by Council to be responsible for ensuring the effective scrutiny of the Treasury Management Strategy (TMS) and Treasury Management Prudential Indicators.

He explained that the TMS 2020-21 at appendix A confirmed the Council's compliance with the CIPFA Code, which required that formal and comprehensive objectives, policies and practices, strategies and reporting arrangements are in place for the effective management and control of treasury management activities and that effective management and control risk were the prime objectives of these activities.

The Group Manager - Chief Accountant stated that table 1 of the report outlined the Council's external debt and investment position as at 31st December 2019.

He added that Table 2 provided a balance sheet summary and forecast of the Council's expected borrowing, which used estimates of capital spend and forecast on useable reserves for the current financial year and the next 3 years. He noted that these figures will be updated in line with the revised Capital Programme presented to Council in February.

The Group Manager - Chief Accountant explained that a Liability benchmark had been calculated which showed the lowest risk level of borrowing which forecasted the minimum amount of debt the Council could hold if its internal resources were used in lieu of external borrowing. This was indicated at table 3 of the report. He added that section 4 of the report detailed the borrowing strategy and Table 4 provided the expected future borrowing.

He advised that further details relating to the investment strategy, approved investment counterparties and limits, investment limits and non-specified investment limits were indicated in tables 5-9 of the report.

RESOLVED: That the Committee:

- Gave due consideration to the Treasury Management Strategy for 2020-21 and;
- Recommended that it was presented to Council for approval in February 2020.

179. PROGRESS AGAINST THE AUDIT RISK BASED PLAN 1 APRIL 2019 TO 31 DECEMBER 2019

The Audit Client Manager presented a report which provided Members with a position statement on progress being made against the audit work that was included and approved within the 2019-20 Internal Audit Annual Risk Based Plan.

She advised that the plan provided for a total of 1,101 audit days to cover the period April 2019 to March 2020. These days were split into those reviews considered to be Priority One and those considered Priority Two with the aim of completing the whole plan.

She explained that the actual progress against quarter 1 to quarter 3 of the 2019/20 Risk Based Plan was attached at Appendix A of the report which detailed the status of each planned review.

The Audit Client Manager explained that Appendix A illustrated that as at 31st December 2019, 28 items of work had been completed of which 23 audit reviews had resulted in an opinion being provided. A further 3 reviews had been carried out and draft reports issued that were awaiting feedback from Service Departments.

The Audit Client Manager explained that the 3 remaining audit reviews had been given an audit opinion of limited, that is, only limited assurance can be placed on the current system of internal control. These areas were as follows:

- Ogmore Vale School
- Banks Automated Clearing System (BACS)
- General Data Protection Regulations (GDPR)

Further details on these were at section 4.4 of the report.

A Member asked in relation to the ongoing SWAP audit on Home to School Transport if they were looking at the chaperones as well as the drivers of the vehicles. The Audit Client Manager stated that the work had not begun yet but confirmed that this was something that would be looked at.

A Member stated that the removal of chaperones was a topic at a recent Overview and Scrutiny meeting as an area of savings. She said that she did not agree that this should be a topic for discussion as there were a lot of children on the buses and was too much for the driver alone to deal with.

RESOLVED: That Members noted the content of the report and the progress made against the 2019/20 Internal Audit Risk Based Plan.

180. UPDATED FORWARD WORK PROGRAMME 2019/20

The Head of Regional Audit Service presented a report which updated Members of the Forward Work Programme for 2019/20.

AUDIT COMMITTEE - THURSDAY, 30 JANUARY 2020

He advised that there were a number of new additions to the Forward Work Programme as well as a number of reports that had been deferred to later dates. The Forward Work Programme was listed at Appendix A of the report. He added that the Audit Committee Self-Assessment Report was good practice for Members to self-assess and identify any knowledge or skill gaps that could be improved with training.

RESOLVED: That Members noted the updated Forward Work Programme for 2019/20.

181. URGENT ITEMS

None

The meeting closed at 16:30

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

16 JULY 2020

REPORT OF THE CHIEF OFFICER – LEGAL, HR AND REGULATORY SERVICES

AUDIT COMMITTEE ACTION RECORD

1. Purpose of report

- 1.1 The purpose of this report is to provide Members with an update on the Audit Committee Action Record.

2. Connection to corporate well-being objectives/other corporate priorities

- 2.1 This report assists in the achievement of the following corporate well-being objectives under the Well-being of Future Generations (Wales) Act 2015:-

- 1. **Supporting a successful sustainable economy** – taking steps to make the county borough a great place to do business, for people to live, work, study and visit, and to ensure that our schools are focussed on raising the skills, qualifications and ambitions for all people in the county borough.
- 2. **Helping people and communities to be more healthy and resilient** - taking steps to reduce or prevent people from becoming vulnerable or dependent on the Council and its services. Supporting individuals and communities to build resilience, and enable them to develop solutions to have active, healthy and independent lives.
- 3. **Smarter use of resources** – ensure that all resources (financial, physical, ecological, human and technological) are used as effectively and efficiently as possible and support the creation of resources throughout the community that can help to deliver the Council's well-being objectives.

3. Background

- 3.1 An Action Record has been devised to assist the Committee in tracking the decisions made by the Committee in the exercise of its functions.

4. Current situation/proposal

- 4.1 In order to assist the Audit Committee in ensuring that decisions made by the Committee are actioned and implemented, the Action Record is attached at **Appendix A**. The Action Record will be presented to each meeting of the Committee for approval.

5. Effect upon policy framework and procedure rules

- 5.1 There is no impact on 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 the Audit Committee note the Action Record.

Kelly Watson
Chief Officer – Legal, HR & Regulatory Services
29 June 2020

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 Democratic Services Manager

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Angel Street,
Bridgend
CF31 4WB

Background Documents

None

Audit Committee Tracker

Date of Committee / Minute Number	Agreed Action	Lead	Target Date	Progress/ Completed
26 April 2018 / 47	External Audit Annual Audit Plan 2017-18. An audit to be undertaken by the Internal Shared Service, in addition to one carried out by lead authority of Cardiff City Council and/or Cardiff City Deal Joint Committee, to ensure accountability was shown by BCBC as a participating authority.	Chief Internal Auditor	September 2020	Awaiting new City Deal projects to be approved as currently only one project is live and then an Internal Audit review can begin. Review
6 September 2018 / 75	Wales Audit Office – Overview And Scrutiny – Fit For The Future? <ul style="list-style-type: none"> Proposed to benchmark overview and scrutiny in BCBC against other neighbouring authorities. WAO to come back to the Committee with examples of good practice on ‘innovative practice in scrutiny’. 	Democratic Services Manager Financial Audit Manager – Audit Wales	September 2020	Completed Audit Wales to present interactive tool to Committee on innovative practices within Scrutiny.
15 November 2018 / 83	Wales Audit Office Report On The Service User Perspective Of Disabled Facilities Grant. <ul style="list-style-type: none"> Case studies are to be undertaken where properties have benefited from DFGs and reported to Committee for information. 	Group Manager Housing		Completed

Date of Committee / Minute Number	Agreed Action	Lead	Target Date	Progress/ Completed
	<ul style="list-style-type: none"> • Head of Finance to provide report to Committee providing action plan relating to WAO recommendations. • Disclose to the Committee the fee paid to the agent to support service user through the building process. 	Head of Partnerships and Performance Group Manager Housing		September 2020 Completed
15 November 2018 / 87	Audit Report – Information Management Follow Up <ul style="list-style-type: none"> • In response to question from Committee for information on the GDPR Implementation Board and Governance Board, the Chief internal Auditor stated that he would provide the Committee with details of the composition, terms of reference and frequency of meetings of those boards. • Request Group Manager ICT to attend to provide a report addressing the actions in relation to information management. 	Chief Internal Auditor Group Manager ICT		Completed Completed
17 January 2019 / 109	Audit Report – Wales Audit Office – Digital Risk Diagnostic Response The SIRO should ensure that access to the Data Security Breach Incident tracker is adequately access - restricted.	Head of Partnerships and Performance		Completed

Date of Committee / Minute Number	Agreed Action	Lead	Target Date	Progress/ Completed
17 January 2019 / 110	Corporate Risk Assessment, Corporate Risk Management Policy And Incident And Near Miss Reporting Procedure. <ul style="list-style-type: none"> Proposed Committee considers annual report summarising incidents and near misses recorded and action taken to prevent reoccurrence of these/ others. 	Interim Head of Finance		Completed
	<ul style="list-style-type: none"> A further report would have to be presented to Council, seeking amendment to the Committees Terms of Reference within the Constitution, to include this function. 	Interim Head of Finance		Completed
18 April 2019 / 125	Regional Internal Audit Shared Service Charter 2019/20 <ul style="list-style-type: none"> Harmonisation of the Audit Committees Terms of Reference with neighbouring authorities. 	Head of Internal Audit	January 2021	Harmonisation of the Audit Committees Terms of Reference with neighbouring authorities is in the Forward Work Programme for January 2021 depending on Local Government Bill being published by Welsh Government.
	<ul style="list-style-type: none"> Suggested consideration for potential networking initiative – Chairs of Audit 	Head of Internal Audit		All Wales Session for Audit Committee Chair took place on 11 th October 2019 - Completed.

[illegible]

Date of Committee / Minute Number	Agreed Action	Lead	Target Date	Progress/ Completed
	further report be brought to the Audit Committee on the Integrated Care Fund.			
8 August 2019 / 149	Corporate Fraud Review 2018-19 & National Fraud Initiative Update Explanation to be brought to the November meeting of the Audit Committee on the reasons for the difference between the amounts over claimed and recovered for those in receipt of Single Person Discount.	Head of Internal Audit		Completed.
14 November 2019 / 153	Integrated Care Fund Governance <ul style="list-style-type: none"> Wales Audit Office to make enquiries on whether ICF across Wales was effective. Corporate Director Social Services and Wellbeing to provide the Committee with details of schemes at risk due to delays in funding. Corporate Director Social Services and Wellbeing to provide the Committee with the papers of the Regional Partnership Board. 	Wales Audit Office Corporate Director Social Services & Wellbeing Corporate Director Social Services & Wellbeing		Audit Wales has recommended that the Welsh Government works with RPBs to agree key outcome measures which are expected to be achieved, and monitored, for the different target groups in receipt of the fund. Where possible, these measures should align to wider outcome measures set out in national outcome frameworks already in place. Information disseminated to members of the Audit Committee prior to the next meeting – Completed. Information disseminated to members of the Audit Committee - Completed

Date of Committee / Minute Number	Agreed Action	Lead	Target Date	Progress/ Completed
14 November 2019 / 156	Disabled Facilities Grant (DFG) - Response To WAO Recommendations Head of Performance and Partnership Services to embed new ways of working, and carry out two procurement exercises and also start to recruit staff.	Head of Performance and Partnership Services	September 2020	Head of Performance and Partnership Services to report back to a future Committee on improvements made in the performance of DFGs.
14 November 2019 / 159	Wales Audit Office Follow-Up Review Of Corporate Arrangements For The Safeguarding Of Children An update on the actions to be reported to the next meeting of the Committee	Corporate Director Social Services & Wellbeing	July 2020	Report being presented to July 2020 Committee.
14 November 2019 / 165	Corporate Risk Assessment Further report in January 2020 concerning the 2020-21 Corporate Risk Assessment and review of the Corporate Risk Management Policy.	Interim Head of Finance		Completed.
30 January 2020 / 177	Wales Audit Office – Overview And Scrutiny – Fit For The Future? Wales Audit Office to provide report on innovative practices within Scrutiny.	Wales Audit Office	September 2020	Audit Wales to present interactive tool to Committee on innovative practices within Scrutiny.
30 January 2020 / 178	Corporate Risk Assessment Concerns expressed by the Committee around First Aid policies and paediatric first aid training in schools, thereby putting pupils and staff at risk.	Corporate Director Education and Family Support		Written response provided by the Corporate Director Education and Family Support – Completed.

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO THE AUDIT COMMITTEE

16 JULY 2020

REPORT OF THE CORPORATE DIRECTOR OF SOCIAL SERVICES & WELLBEING

WALES AUDIT OFFICE FOLLOW UP REVIEW OF CORPORATE ARRANGEMENTS FOR THE SAFEGUARDING OF CHILDREN

1. Purpose of report

- 1.1 The purpose of this report is to inform the Committee of the outcome of the Wales Audit Office (WAO) 2019 review and the proposals for improvement made and to update the Committee on the actions taken in response to the proposals for improvement.

2. Connection to corporate well-being objectives / other corporate priorities

- 2.1 This report assists in the achievement of the following corporate well-being objectives under the **Well-being of Future Generations (Wales) Act 2015**:-
1. **Helping people and communities to be more healthy and resilient** - taking steps to reduce or prevent people from becoming vulnerable or dependent on the Council and its services. Supporting individuals and communities to build resilience, and enable them to develop solutions to have active, healthy and independent lives.
 2. **Smarter use of resources** – ensure that all resources (financial, physical, ecological, human and technological) are used as effectively and efficiently as possible and support the creation of resources throughout the community that can help to deliver the Council's well-being objectives.

3. Background

- 3.1 The Wales Audit Office have undertaken the review to seek assurance that the Council has effective corporate arrangements in place to support safeguarding of children and to implement the recommendations and proposals for improvement contained in the national and local reports of the Auditor General published in 2014 and 2015.
- 3.2 The review was undertaken between July and September 2019, through the completion of a self-assessment attached as **Appendix A**, document reviews and interviews.

4. Current situation/proposal

- 4.1 The review report issued in October 2019 found that 'overall the Council has met, or partially met, the recommendations and proposals for improvement, and have identified further proposals for improvement to strengthen aspects of the Council's corporate safeguarding arrangements'.

4.2 The table below details the nine proposals for improvement:

Proposals for improvement
<p>P1 The Council should strengthen awareness of the roles of the lead officer and lead member for safeguarding by:</p> <ul style="list-style-type: none"> including information about the roles of the lead member and lead officer for safeguarding on the Council's safeguarding intranet pages; and ensuring safeguarding is included in the lead member's portfolio responsibilities on the Council website
<p>P2 The Council should strengthen the Corporate Safeguarding Policy in the following ways:</p> <ul style="list-style-type: none"> clarify the role and responsibilities of the lead member for safeguarding; set out the role of scrutiny in the Council's safeguarding arrangements; clarify the role of the operational corporate safeguarding board; and remove obsolete reference to safeguarding champions.
<p>P3 The Council should strengthen its Recruitment and Selection Managers' Guidelines in relation to safeguarding and safe recruitment. For example:</p> <ul style="list-style-type: none"> the job descriptions section could refer to safeguarding for relevant posts; specify that job adverts for posts that require a Disclosure and Barring Service (DBS) check will contain an explicit statement on safeguarding; and the guidelines should cross refer to the DBS Policy and the Corporate Safeguarding Policy
<p>P4 The Council should update its DBS policy to ensure it makes reference to current legislation</p>
<p>P5 The Council should ensure the consistent use of safeguarding provisions in tenders and contracts across all Directorates and ensure appropriate monitoring of such contractual provisions.</p>
<p>P6 The Council should improve its approach to safeguarding training in the following ways:</p> <ul style="list-style-type: none"> clarify when mandatory safeguarding training needs to be refreshed; clarify how often safeguarding training should be offered to members; and accelerate the rate of compliance with the completion of its mandatory safeguarding training
<p>P7 The Council should develop a central system for recording and monitoring volunteer information, including any training records and DBS checks for volunteers, and consider producing central guidance for the recruitment of volunteers.</p>
<p>P8 The Council should consider producing further performance measures (for example in respect of DBS check compliance and mandatory safeguarding training) to enhance the performance that goes to scrutiny and aid transparency.</p>
<p>P9 The Council should consider the merits of the operational corporate safeguarding group having oversight of corporate safeguarding risks from across the Council.</p>

4.3 The full report is attached as **Appendix B**.

4.4 Officers have considered the comments and observations outlined in the report and an action plan (**Appendix C**) has been developed against the nine proposals for improvement. Progress against the agreed actions is detailed in the table below:

Proposal no	Actions	Response	Responsible officer	Status
P1	Information about the roles of the lead member and lead officer for safeguarding to be included on the Corporate Safeguarding Intranet pages.	Corporate Safeguarding pages have been updated as per the recommendation	Workforce Development Officer – Social Care	Completed
	Safeguarding to be included in the lead Member's portfolio responsibilities on the Council's website.	Corporate website has been updated as per the recommendation	Democratic Services Manager	Completed
P2	The role and responsibilities of the lead member for safeguarding are set out in the lead member's role description.	The lead members role description reflects the roles and responsibilities as per the recommendation	Democratic Services Manager	Completed
	The Subject Overview and Scrutiny Committee 2 considers matters which are Social Services and Wellbeing themed.	Safeguarding was considered by the Subject Overview and Scrutiny Committee 2 in July 2019 and will be included as a future item on the Scrutiny Forward Work Programme.		
	The terms of reference of the Overview and Scrutiny Committees can be amended at the Annual Meeting of Council to set out the role of scrutiny in the Council's safeguarding arrangements.			
	The Corporate Safeguarding Policy to be refreshed to reflect the changes to safeguarding procedures in Wales being introduced from April 2020.	<p>The Corporate Safeguarding Policy has been updated as per the recommendation.</p> <p>The Policy aligns to new All Wales Safeguarding Procedures.</p> <p>There will be a further update to include reference to the role of the operational safeguarding board. This action is linked to P9.</p>	Workforce Development Manager - Social Care	<p>Completed</p> <p>Ammendment will be required to include reference to the role of the operational safeguarding group once partnership agreement as to its structure and remit has been reached.</p>
P3	Recruitment and Selection Managers' Guidelines will be updated to reinforce the importance of safeguarding in recruitment as well as employees' roles in safeguarding. The changes will include	All recruitment documentation has been updated as per the recommendations	Group Manager – Human Resources and Organisational Development	Completed

	<ul style="list-style-type: none"> • the job descriptions section could include reference to safeguarding • adverts for posts that require a DBS check will contain an explicit statement on safeguarding; and • the guidelines will make reference to the DBS Policy and the Corporate Safeguarding Policy. 			
P4	The protocol will be updated to accurately reflect current legislation.	A further review of this policy is underway and the updated version will be reported to Council for approval in due course.	Group Manager – Human Resources and Organisational Development	Completed
P5	Whilst preparing tenders, procurement will consider use of safeguarding provisions in tenders and contracts – we will look to liaise with our contract lawyers for contract conditions.	Further communication would need to take place with client departments with regards to specific contracts as procurement does not manage the day to day operational arrangements of contracts, this only happens with corporate contracts.	Corporate Procurement Manager	This action is being progressed
P6	<p>The content of the safeguarding e-learning is to be refreshed to reflect the changes to safeguarding procedures in Wales being introduced from April 2020.</p> <p>And then be reviewed every 3 years or sooner if required.</p> <p>Safeguarding training was previously delivered to Members in September 2017</p> <p>See also P8 re training compliance</p>	<p>The safeguarding e-learning module has been updated to reflect the changes to safeguarding procedures and practice. The module is hosted on Corporate learning and development website.</p> <p>Members can access the e-learning safeguarding module.</p> <p>Compliance with completion of mandatory safeguarding training is monitored and quarterly reporting is in place.</p>	Group Manager – Human Resources and Organisational Development	Completed
P7	<p>An audit of volunteering activity will be undertaken and corporate guidance developed on the use volunteers.</p> <p>This will include the consideration of either central or Directorate systems for recording and monitoring.</p>	<p>The audit has been completed, however, the outcomes have not yet been reported to CMB, due to other pressing demands.</p> <p>Further work will be progressed to consider the options for recording and monitoring volunteer records. This will take</p>	Group Manager – Human Resources and Organisational Development	In progress

		account of safeguarding requirements and best practice.		
P8	Monitoring arrangements are currently in place for DBS compliance and Safeguarding training. Reporting arrangements will be established to enable monitoring of this performance at a corporate level.	Quarterly reports are in place and these will be scheduled for CMB meetings	Group Manager – Human Resources and Organisational Development	Completed
P9	<p>The Corporate Safeguarding Group has been superseded by the Bridgend Locality Operational Safeguarding Group which has multi-agency representation.</p> <p>A workshop to review the functionality of the group and to make recommendations for future arrangements was held on the 15th January 2020.</p> <p>A multi-agency task and finish group will take forward the recommendations.</p>	<p>There was general agreement from partner agencies present at the workshop that there is benefit in retaining a group.</p> <p>The task and finish group is to be convened to explore options and make recommendation for the future structure and remit of the group</p>	Corporate Director of Social Services & Wellbeing	<p>In progress</p> <p>Task and Finish Group delayed due to Covid-19 pressures.</p>

5. Effect upon policy framework and procedure rules

5.1 There is no impact on the policy framework and procedure rules.

6. Equality Impact Assessment

6.1 The Safeguarding Policy has been updated to reflect national changes to safeguarding procedures. The All Wales Safeguarding Procedures aim to ensure practice is in accordance with the legislative requirements and expectations of the Social Services and Well-being (Wales) Act 2014. Updates have also been made to corporate policy and practice which pertain to safeguarding children, young people and adults who are or may be at risk of abuse or neglect. There would be no negative impact on those with one or more of the nine protected characteristics identified within the Equality Act 2010.

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

7.1 The implementation of the duties and responsibilities under the Social Services and Well-being (Wales) Act 2014, in turn, supports the promotion of two of the seven goals of the Well-Being of Future Generations (Wales) Act 2015 within the County Borough of Bridgend. By promoting an environment, that maximises people's physical and mental well-being and by supporting children, young people, adults and their carers and families to fulfil their potential no matter what their circumstances, the wellbeing goals of a healthier and more equal Bridgend and Wales are supported.

7.1 The Wellbeing of Future Generations (Wales) Act 2015 provides the basis for driving a different kind of public service in Wales, with five ways of working to guide how the Authority should work to deliver wellbeing outcomes for people. The following is a summary to show how the five ways of working to achieve the well-being goals have been considered in this report:

- Long Term – the Council supports people at times of difficulty as well as in the long term. It is important that a safeguarding culture is embedded across the Council so that everyone understands their role in preventing and protecting people from abuse and neglect and enabling people to lead fulfilled lives and achieve well-being. Having effective corporate arrangements in place for safeguarding will support this outcome.
- Prevention – safeguarding is everyone’s business whether they work for or on behalf of the Council, in a paid or voluntary capacity. Raising awareness and having in place systems which aim to prevent harm from occurring in the first place evidences that the Council considers safeguarding as core business and recognises the role that early intervention and prevention can play in promoting wellbeing.
- Integration – ensuring the Council has effective corporate arrangements in place for safeguarding requires the collaboration of all directorates and services across the Council, partner agencies and within the community. The audit report provides evidence of clear strategic direction.
- Collaboration –the Social Services and Well-being (Wales) Act 2014 requires local authorities to work with partners, to ensure care, support and protection of all and more specifically, it’s most vulnerable persons. The Council takes up opportunities to identify and to share approaches and practice that support effective safeguarding arrangements with a view to improving well-being outcomes.
- Involvement – there are mechanisms in place to ensure that stakeholder engagement contributes to effective safeguarding. The provision of accessible information and advice helps to ensure that the voice of children, young people and adults is heard and responded to.

8. Financial implications

8.1 There are no direct financial implications linked to this report.

9. Recommendation(s)

9.1 It is recommended that that the Audit Committee receive the WAO report and note the actions and progress made against the proposals for improvement.

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July 2020

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Review of corporate arrangements for the safeguarding of children – self-assessment tool – Bridgend County Borough Council

National report recommendations

The Auditor General published his report 'Review of Corporate Safeguarding Arrangements in Welsh Councils' in July 2015. The report contained eight recommendations that are set out below. We would be grateful if you would include in the table below any action that the Council has taken in response to the recommendations and any evidence of their effectiveness.

Exhibit 6: action that the Council has taken in response to the national report recommendations

Recommendations	Progress / Result
<p>R1 Improve corporate leadership and comply with Welsh Government policy on safeguarding through:</p> <ul style="list-style-type: none"> the appointment of a senior lead officer who is accountable for safeguarding and protecting children and young people with corporate responsibilities for planning improvements; the appointment of a lead member for safeguarding; and regularly disseminating and updating information on these appointments to all staff and stakeholder 	<p>The Director for Social Services and Wellbeing is the senior lead officer who holds the corporate responsibility for Safeguarding.</p> <p>The Council has an identified elected member for Children's Social Care who has a responsibility for Safeguarding.</p> <p>Children's Social Care has an identified senior manager who holds responsibility for Safeguarding across the directorate.</p> <p>Clear communication channels are in place for disseminating information about the appointments to key internal and external audiences, and for keeping them updated with developments. This includes internal mechanisms such as a weekly mailshot via the Bridgend all-staff / elected member email network, features and news in the Bridgend staff newsletter, announcements at full Council to all elected members, and staff drop-in briefings with the Leader and Chief Executive. External mechanisms include media releases, corporate social media accounts (Twitter and Facebook), the corporate website, tailored messages via engagement with minority and equality groups, digital signage, partnership communications, etc.</p>

Recommendations	Progress / Results
<p>R2 Ensure there is a corporate-wide policy on safeguarding covering all council services to provide a clear strategic direction and clear lines of accountability across the council.</p>	<p>Bridgend's Corporate Safeguarding Policy reflects the overarching responsibilities placed on the Local Authority under the Social Services & Well-being (Wales) Act 2014. The policy will be revised in line with the new All Wales Safeguarding People procedures when they are published later this year (2019).</p>
<p>R3 Strengthen safe recruitment of staff and volunteers by:</p> <ul style="list-style-type: none"> ensuring that Disclosure and Barring Service (DBS) checks and compliance with safe recruitment policies cover all services that come into contact with children; creating an integrated corporate compliance system to record and monitor compliance levels on DBS checks; and requiring safe recruitment practices amongst partners in the third sector and for volunteers who provide services commissioned and/or used by the council which are underpinned by a contract or service level agreement. 	<p>The Council's Disclosure and Barring Service (DBS) policy and Recruitment and Selection policy clearly set out the expectations of all managers/service areas to comply with safer recruitment principles.</p> <p>DBS checks are undertaken in accordance with the specific DBS eligibility guidance for those undertaking regulated activity relating to children.</p> <p>The Council has robust systems in place, to ensure that all posts requiring DBS checks are identified; that post holders undertake the checks prior to commencing employment with the Council; and that these are refreshed every three years.</p> <p>Reports are used as internal controls for tracking the status of pre-employment checks (including DBS) for new starters (weekly) and monitoring compliance of DBS renewals for existing staff (monthly). Any compliance issues identified are referred by HR to service heads and/or Headteachers for appropriate action and resolution.</p> <p>A robust system for recording and storing DBS information on required systems in line with GDPR guidelines is also in place.</p> <p>Where services are commissioned from partner organisations, specific safeguarding provisions and clauses are included in contractual documentation, including requirements in respect of recruitment and selection.</p>

Recommendations	Progress / Results
<p>R4 Ensure all relevant staff, members and partners understand their safeguarding responsibilities by:</p> <ul style="list-style-type: none"> ensuring safeguarding training is mandated and coverage extended to all relevant council service areas, and is included as standard on induction programmes; creating a corporate-wide system to identify, track and monitor compliance on attending safeguarding training in all council departments, elected members, schools, governors and volunteers; and requiring relevant staff in partner organisations who are commissioned to work for the council in delivering services to children and young people to undertake safeguarding training. 	<p>The 'Safeguarding Children and Adults - Raising Awareness' E-Learning Module forms part of the Councils induction framework and is mandatory for all employees. It can also be accessed via a hardcopy workbook.</p> <p>New starters are expected to complete mandatory modules within 6 months of employment. Compliance reports are generated on a monthly basis and quarterly reports are both cascaded to service managers to monitor staff completions</p> <p>The Council maintains record of those persons undertaking safeguarding training (both internal and external) via the corporate wide HR system.</p> <p>Member training: Safeguarding Training has been delivered to Members during this Council term on 19 September 2017, which was then repeated on 25 September 2017. All Members of the Council were invited to attend that training.</p> <p>In addition, a pre-Council Briefing was delivered to Members on Carers / Young Carers on 21 November 2018.</p> <p>Mandatory safeguarding training is delivered within schools by the Councils Vulnerable Groups Team</p> <p>Bridgend has a bespoke Governor Training Programme that includes safeguarding children. Governors are also able to attend training that is organised by RCT, Merthyr, Cardiff and the Vale of Glamorgan Council.</p> <p>Where services are commissioned from partner organisations, specific safeguarding provisions and clauses are included in contractual documentation, including requirements in respect of training.</p>

Recommendations	Progress / Results
<p>R6 Improve accountability for corporate safeguarding by regularly reporting safeguarding issues and assurances to scrutiny committee(s) against a balanced and council-wide set of performance information covering:</p> <ul style="list-style-type: none"> • benchmarking and comparisons with others; • conclusions of internal and external audit/inspection reviews; • service-based performance data; • key personnel data such as safeguarding training, and DBS recruitment checks; and • the performance of contractors and commissioned services on compliance with council safeguarding responsibilities. 	<p>The Council's Overview and Scrutiny committee receive an annual Safeguarding report. The report encapsulates all aspects of Safeguarding across both Children's and Adult social care. The committee receives information from officers which makes comparisons where appropriate with other local authorities across Wales and those within the remit of its Safeguarding Board.</p> <p>Service based performance data is shared and scrutinized by senior managers on a weekly basis. This data is disseminated through Children's Social Care by means of team managers meetings, team meetings and performance meeting with team managers and again with senior managers chaired by the Director of Social Services and Wellbeing.</p> <p>The Head of Children's Social Care meets with its identified inspector from the Care Inspectorate Wales on a regular basis to review its performance data. Likewise the data is routinely scrutinised on a quarterly basis by Heads of Service, Directors, elected members and the chief executive. The data reported is collated within a document called the Corporate Performance Assessment.</p> <p>The findings from safeguarding inspections and reviews are considered by senior management within its weekly management meeting, thus ensuring learning is embedded in practice and required changes to process and practice are actioned as a priority.</p> <p>Completed Child Practice Reviews are presented before the Corporate Parenting Committee to ensure elected members, Directors and the Chief Executive of the Council are informed of the findings and the recommendations of the review.</p> <p>The Early Help and Safeguarding Board which meets on a quarterly basis and is chaired by both the Director for Education and Social Services and Wellbeing, reviews an action plan as a standing agenda item. The action plan is a combination of recommendations from inspections and reviews in conjunction with actions set by the Board to broaden and progress service development.</p> <p>Bridgend facilitates a multi-agency Operational Safeguarding Board chaired by the Director of Social Services and Wellbeing. The Board meets on a quarterly basis to share statistical data from both adults and children's services along with finds from adult and child practice reviews. Partner agencies are also invited to</p>

	share relevant safeguarding information from their services and to share local findings/issues that may have arisen
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Recommendations	Progress / Results
R7 Establish a rolling programme of internal audit reviews to undertake systems testing and compliance reviews on the council's safeguarding practices.	<p>The Directorate has developed a Quality Assurance Framework in which is contained guidance for practitioners and a clear plan for audit across its services.</p> <p>Since the restructure of senior management within Children's Social Care, each senior manager is now responsible for ensuring that audits are completed across their service area. The coordination of audit and dissemination of its findings is ultimately the responsibility of all senior managers across the service and does not fall to one manager alone.</p> <p>The Independent Reviewing Service has a specific role in monitoring the service delivery to children and young people and receives quarterly reports from performance management with regard to themes or identified gaps in services or practice. These findings are fed back to the senior management team who in turn ensure appropriate relevant action is taken.</p> <p>Safeguarding is included annually in our audit plan and we have covered various elements over the last couple of years. The 2019/20 audit plan includes 20 days for this area and the scope of this review will be agreed in consultation with key officers and based on our previous work.</p>
R8 Ensure the risks associated with safeguarding are considered at both a corporate and service level in developing and agreeing risk management plans across the council.	Corporate and Directorate risks, and the actions being taken to mitigate them, are detailed in Directorate Business plans.

Local report

As part of the study, the Auditor General also produced a local report on the Council's arrangements in October 2014. This report concluded that **the governance, accountability and management arrangements for overseeing whether the Council is meeting its safeguarding responsibilities to children are adequate but some improvements could be made**. The local report also included the following proposals for improvement. We would be grateful if you would set include in the table below any action that the Council has taken in response to the recommendations and any evidence of their effectiveness.

Exhibit 7: action that the Council has taken in response to the local report proposals for improvement

Proposals for Improvement	Progress / Result
P1 Develop a Corporate Safeguarding Policy that clearly specifies roles, responsibilities and procedures for safeguarding.	<p>Bridgend's Corporate Safeguarding Policy reflects the overarching responsibilities placed on the Local Authority under the Social Services & Well-being (Wales) Act 2014. The policy will be revised in line with the new All Wales Safeguarding People procedures when they are published later this year (2019).</p> <p>Cwm Taf Morgannwg Safeguarding Board (CTMSB) ensures that statutory safeguarding responsibilities are discharged appropriately and effectively. Bridgend has a Locality Safeguarding Operational Group that is chaired by the Statutory Director of Social Services and includes representation from partner agencies. The group has a focus on local operational issues, and ensures that there are effective local monitoring arrangements in place.</p> <p>Safeguarding is everyone's business and the Council is committed to supported employees to understand their duty to safeguard and promote the wellbeing of children, young people and adults who may be at risk. All new staff complete an e-learning safeguarding module as part of their induction. Staff have access to information on safeguarding via the Corporate Safeguarding pages available on the Council intranet.</p>

Recommendations	Progress / Result
<p>P2 Complete the Social Care Strategic Improvement Board review of performance information and produce measures that provide adequate assurance that systems are working effectively.</p>	<p>The Social Care Strategic Improvement Board no longer exists – current mechanisms include:</p> <ul style="list-style-type: none"> • CPA • Senior Management Team Meeting (Weekly) • Group Managers Performance Meeting (Bi-monthly) • Team Managers Performance Meeting (Monthly) • Remodelling Childrens Social Care Board
<p>P3 Ensure that the corporate induction programme for all new staff includes training on safeguarding and child protection issues and the Council's corporate policy on safeguarding</p>	<p>The 'Safeguarding Children and Adults - Raising Awareness' e-Learning Module includes sections on Bridgend's approach to safeguarding children (including child protection) and outlines employees responsibilities under the Council's corporate Safeguarding policy.</p>
<p>P4 Identify and agree an appropriate internal audit programme of work for safeguarding.</p>	<p>Safeguarding is included in the Councils quarterly Corporate Performance Assessment (CPA) process this includes:</p> <ul style="list-style-type: none"> • Challenge meetings • Dashboards • Thematic presentations <p>Safeguarding has been referenced in:</p> <ol style="list-style-type: none"> 1. Corporate Plans 2016 -2020 & 2018 – 2022 2. Annual Report 2017 -18 3. Annual Governance Statements 2016 – 17 & 2017 - 18 4. Directorate Business Plans 2018-19 <p>Listed below are the recent audit reviews undertaken:</p> <ul style="list-style-type: none"> • 2017/18 – Corporate Safeguarding • 2018/19 – Corporate Safeguarding • 2018/19 – Safer Recruitment

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WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

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Auditor General for Wales

Follow-up review of corporate arrangements for the safeguarding of children – **Bridgend County Borough Council**

Audit year: 2018-19

Date issued: October 2019

Document reference: 1505A2019-20

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This document is also available in Welsh.

The team who delivered the work comprised Ian Phillips and Sara-Jane Byrne under the direction of Huw Rees.

Contents

The Council has met, or partially met, our previous recommendations and proposals for improvement, but we have identified some further proposals for improvement to strengthen aspects of the Council's corporate safeguarding arrangements.

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Summary

What we reviewed and why

- 1 We undertook this review to seek assurance that the Council has effective corporate arrangements in place for safeguarding. We considered the findings of our 2014 report into the Council's arrangements to support safeguarding of children¹. We also considered the Council's progress in implementing the recommendations contained in the Auditor General's report, 'Review of Corporate Safeguarding Arrangements in Welsh Councils' (July 2015)²
- 2 We undertook the review between July and September 2019.

What we found

- 3 Our review sought to answer the question: Has the Council acted upon the recommendations and proposals for improvement contained in the national and local reports of the Auditor General published in 2014 and 2015?
- 4 Overall we found that: The Council has met, or partially met, our previous recommendations and proposals for improvement, but we have identified some further proposals for improvement to strengthen aspects of the Council's corporate safeguarding arrangements.

Proposals for Improvement

Exhibit 1: Proposals for Improvement

The table below sets out the proposals for improvement that we have identified following this review.

Proposals for improvement	
P1	<p>The Council should strengthen awareness of the roles of the lead officer and lead member for safeguarding by:</p> <ul style="list-style-type: none">• including information about the roles of the lead member and lead officer for safeguarding on the Council's safeguarding intranet pages; and• ensuring safeguarding is included in the lead member's portfolio responsibilities on the Council website.

¹ Auditor General for Wales, **Local Authority Arrangements to Support Safeguarding of Children – Bridgend County Borough Council**, October 2014

² **Auditor General for Wales, Review of Corporate Safeguarding Arrangements in Welsh Councils**, July 2015

Proposals for improvement

- P2 The Council should strengthen the Corporate Safeguarding Policy in the following ways:
- clarify the role and responsibilities of the lead member for safeguarding;
 - set out the role of scrutiny in the Council's safeguarding arrangements;
 - clarify the role of the operational corporate safeguarding board; and
 - Remove obsolete reference to safeguarding champions.
- P3 The Council should strengthen its Recruitment and Selection Managers' Guidelines in relation to safeguarding and safe recruitment. For example:
- the job descriptions section could refer to safeguarding for relevant posts;
 - specify that job adverts for posts that require a Disclosure and Barring Service (DBS) check will contain an explicit statement on safeguarding; and
 - the guidelines should cross refer to the DBS Policy and the Corporate Safeguarding Policy
- P4 The Council should update its DBS Policy to ensure it makes reference to current legislation.
- P5 The Council should ensure the consistent use of safeguarding provisions in tenders and contracts across all Directorates and ensure appropriate monitoring of such contractual provisions.
- P6 The Council should improve its approach to safeguarding training in the following ways:
- clarify when mandatory safeguarding training needs to be refreshed;
 - clarify how often safeguarding training should be offered to members; and
 - accelerate the rate of compliance with the completion of its mandatory safeguarding training.
- P7 The Council should develop a central system for recording and monitoring volunteer information, including any training records and DBS checks for volunteers, and consider producing central guidance for the recruitment of volunteers.
- P8 The Council should consider producing further performance measures (for example in respect of DBS check compliance and mandatory safeguarding training) to enhance the performance information that goes to scrutiny and aid transparency.
- P9 The Council should consider the merits of the operational corporate safeguarding group having oversight of corporate safeguarding risks from across the Council.

Assessment of progress against the recommendations from our 2015 report

The Council has met, or partially met our previous recommendations and proposals for improvement, but we have identified some further proposals for improvement to strengthen aspects of the Council's corporate safeguarding arrangements

Exhibit 2: recommendations from our 2015 report and our assessment of progress against them

Recommendation from the 2015 report	Wales Audit Office assessment of Council's progress
R1 Improve corporate leadership and comply with the Welsh Government policy on safeguarding through:	
<ul style="list-style-type: none"> the appointment of a senior lead officer who is accountable for safeguarding and protecting children and young people with corporate responsibilities for planning improvements; 	<p>Met:</p> <p>This role is the responsibility of the Corporate Director for Social Services and Wellbeing.</p>

Recommendation from the 2015 report	Wales Audit Office assessment of Council's progress
<ul style="list-style-type: none"> the appointment of a lead member for safeguarding; and 	<p>Met:</p> <p>This role is the responsibility of the Cabinet Member for Social Services and Early Help.</p>
<ul style="list-style-type: none"> regularly disseminating and updating information on these appointments to all staff and stakeholders. 	<p>Partially met with proposals for improvement identified:</p> <p>The Council has internal mechanisms for disseminating corporate information such as the 'Bridgend' emails and newsletters. The Council stated that information about the respective roles of the lead member and lead officer for safeguarding has been disseminated via such internal mechanisms.</p> <p>The role of the Corporate Director for Social Services and Wellbeing is set out in the Corporate Safeguarding Policy, but the role of the lead member responsible for safeguarding is not in that policy.</p> <p>The portfolio information on the Council website for the Cabinet Member for Social Services does not include safeguarding as one of his responsibilities.</p> <p>The Council has produced corporate safeguarding intranet pages but they do not set out the respective roles of the lead officer and lead member for corporate safeguarding.</p> <p>The Council has an operational corporate safeguarding board with an officer from every Directorate on that board. We understand the role of the Board is to help to ensure everyone in the Council is aware of safeguarding matters. However, we feel there is scope to clarify the role of the Board and have included a related proposal for improvement (PFI 2). The Council recognise that it is more challenging to disseminate information to those staff who do not have access to a computer and there is an expectation that managers will be the conduit for such information to those staff. The Council may wish to consider opportunities to further the awareness of key safeguarding roles amongst staff who do not have access to a computer.</p>

Recommendation from the 2015 report	Wales Audit Office assessment of Council's progress
<p>R2 Ensure there is a corporate-wide policy on safeguarding covering all council services to provide a clear strategic direction and clear lines of accountability across the council</p>	<p>Met with proposals for improvement identified:</p> <p>The Council has a corporate safeguarding policy that is published on the Council website and it is clear on individuals' roles and responsibilities (apart from the aforementioned omission of information about the role of the relevant Cabinet Member).</p> <p>The policy is generally comprehensive and includes information on relevant safeguarding topics, such as modern slavery and human trafficking and child sexual exploitation.</p> <p>However, the policy is silent on the roles of the operational corporate safeguarding board and scrutiny in the Council's safeguarding arrangements. The policy also refers to safeguarding champions but those roles are now obsolete.</p>
<p>R3 Strengthen safe recruitment of staff and volunteers by:</p>	
<ul style="list-style-type: none"> ensuring that Disclosure and Barring Service (DBS) checks and compliance with safe recruitment policies cover all services that come into contact with children; 	<p>Met but with a proposal for improvements identified:</p> <p>The Council has a DBS policy that applies to all staff and volunteers. However, the policy was last updated in March 2014 and needs to be updated as it contains an outdated reference to legislation (Data Protection Act 1998).</p> <p>The Council monitors compliance with DBS checks.</p> <p>The Council has a Recruitment and Selection Protocol and Recruitment and Selection Managers' Guidelines. However, those guidelines could be strengthened as set out in P3 above. Volunteers are recruited by</p>

Recommendation from the 2015 report	Wales Audit Office assessment of Council's progress
	<p>Directorates and the Council does not have central guidance for the recruitment of volunteers and should consider producing such guidance in order to provide consistency of approach and increased corporate oversight.</p> <p>Although elected members are not required to have DBS checks per se, the Council offered members the opportunity to have a DBS check. Officers informed us that the majority of members took up this opportunity.</p>
<ul style="list-style-type: none"> creating an integrated corporate compliance system to record and monitor compliance levels on DBS checks; and 	<p>Partially met with a proposal for improvement identified:</p> <p>The Council has a system, Trent, that captures DBS information for all staff who are required to be DBS checked. However, the Council does not have a central compliance record for volunteers' DBS check information.</p>
<ul style="list-style-type: none"> requiring safe recruitment practices amongst partners in the third sector and for volunteers who provide services commissioned and/or used by the council which are underpinned by a contract or service level agreement. 	<p>Met but with proposals for improvement identified:</p> <p>The Council has provided us with contractual examples that are clear on the need for DBS checks to be carried out.</p> <p>The Council also provided us with an example of a tender as part of our review (for the Provision of Transport Services for the Education and Family Support Directorate). We found some weaknesses in this tender document regarding safeguarding. For example, there is no specific reference to safeguarding in this document although it is clear on DBS check requirements. The document also refers to persons engaged by the supplier completing 'the required training' but it doesn't specify if that is referring to safeguarding training or not. The document does not refer to the provider needing to have their own safeguarding policy consistent with the Council's</p>

Recommendation from the 2015 report	Wales Audit Office assessment of Council's progress
	<p>Corporate Safeguarding Policy or them having one of their own. The document is silent on drivers or escorts raising safeguarding concerns (albeit there is a duty to protect pupils from abuse and bullying).</p> <p>Internal Audit carried out a safeguarding review in 2018-19 and found a similar issue. The Internal Audit review states 'The Auditor also obtained a copy of the tender for school transport (taxi's & minibuses). Whilst DBS checks and adequate training were incorporated into this document, there was no specific reference to safeguarding'. The review also states 'Safeguarding tends to only be incorporated into contracts such as Social Care, School Transport, live in carers etc.' The review recommended that 'Consideration should be given to incorporate Safeguarding into all documentation'. The Council needs to ensure the consistent use of safeguarding provisions, where appropriate, in contracts across all Directorates.</p> <p>Interviewees we spoke to clear were clear that the Council checks, whether safeguarding provisions of contracts relating to Social Care have been adhered to. However, similar assurance was not received for safeguarding provisions of contracts in other Directorates. While such contract monitoring needs to be proportionate, there is scope for a more consistent Council-wide approach to this matter.</p> <p>There may be a role for the operational corporate safeguarding board to check and monitor that there is consistent application of safeguarding provisions within tender documents and contracts across all Directorates.</p>

Recommendation from the 2015 report	Wales Audit Office assessment of Council's progress
R4 Ensure all relevant staff, members and partners understand their safeguarding responsibilities by:	
<ul style="list-style-type: none"> ensuring safeguarding training is mandated and coverage extended to all relevant council service areas, and is included as standard on induction programmes; 	<p>Met but with proposals for improvement identified:</p> <p>Safeguarding training is mandatory for all staff and is available via e-learning or as a hardcopy workbook. It is included as part of the induction programme. However, the Council has not yet specified a period (for example two or three years) after which safeguarding refresher training should be completed. As at the end of July 2019, the completion rate of the mandatory safeguarding training was 65.3% of staff. Although the Council has various mechanisms in place to ensure mandatory training is completed, such as running quarterly compliance reports for managers and monitoring completion through the appraisals process, it is clear that further work is needed to obtain full compliance with this training.</p> <p>It is a Welsh Government requirement that Violence against Women, Domestic Abuse and Sexual Violence (VAWDASV) training is mandatory for all staff. The latest figure is that 83% of staff have completed this training.</p> <p>Safeguarding training was offered to all members in September 2017 but officers we spoke to said take up was 'not high' although exact attendance figures were not given. The Council may wish to consider ways in which it can improve member take up of safeguarding training, albeit it is not mandatory training. The Council should also decide how often it should offer safeguarding training to members, either as a refresher for those members who have previously had the training, or otherwise to improve the number of members completing the training.</p>

Recommendation from the 2015 report	Wales Audit Office assessment of Council's progress
	<p>The Council has proactively offered safeguarding training to taxi drivers and plans to run further sessions. The Council has also provided safeguarding information to those working in the night time economy.</p> <p>The Council provides non-mandatory safeguarding training to staff, for example on topics such as modern slavery and county lines.</p> <p>The Council's Vulnerable Groups Team provides safeguarding training within schools in addition to the mandatory safeguarding training.</p>
<ul style="list-style-type: none"> creating a corporate-wide system to identify, track and monitor compliance on attending safeguarding training in all council departments, elected members, schools, governors and volunteers; and 	<p>Partially met with a proposal for improvement identified:</p> <p>The Council's corporate safeguarding policy states that 'All line managers are responsible for ensuring that their staff, volunteers and individuals undertaking work placements have appropriate safeguarding training'. The Council has a system, Trent, that captures the mandatory safeguarding training compliance information for all staff, including schools' staff and members. HR manage the work experience process and people undertaking work experience are expected to complete the mandatory e-learning safeguarding training. However, the Council does not have a central record of volunteers' compliance with safeguarding training.</p> <p>The Council may wish to consider making more consistent use of the Trent system to capture safeguarding training information (beyond the mandatory training) that Directorates have carried out.</p>

Recommendation from the 2015 report	Wales Audit Office assessment of Council's progress
	Governor training is not mandated at a national level, but the Council encourages governors to complete safeguarding training and provides various opportunities for them to do so. The Governor Support team retains records for all governor training.
<ul style="list-style-type: none"> requiring relevant staff in partner organisations who are commissioned to work for the council in delivering services to children and young people to undertake safeguarding training. 	<p>Partially met with a proposal for improvement identified:</p> <p>The Council provided us with contractual examples that specify the requirements for safeguarding training, although the narrative set out above in respect of the third bullet point of R3 is relevant to this recommendation.</p>
<p>R6³ Improve accountability for corporate safeguarding by regularly reporting safeguarding issues and assurances to scrutiny committee(s) against a balanced and council-wide set of performance information covering:</p> <ul style="list-style-type: none"> benchmarking and comparisons with others; conclusions of internal and external audit/inspection reviews; service-based performance data; key personnel data such as safeguarding training, and DBS recruitment checks; the performance of contractors and commissioned services on compliance 	<p>Partially met with a proposal for improvement identified:</p> <p>An annual safeguarding report does go to scrutiny. It is primarily focused on reporting on safeguarding matters in relation to Children's and Adults services although it does also cover wider corporate safeguarding issues, such as reporting compliance against the mandatory Violence against Women, Domestic Abuse and Sexual Violence (VAWDASV) training. However, there is scope to develop the annual report to include further Council-wide performance information such as information in respect of mandatory safeguarding training or DBS checks and the key findings from any relevant internal or external audit reports that relate to corporate safeguarding.</p>

³ Welsh Government were responsible for responding to recommendation 5 so that is not included above

Recommendation from the 2015 report	Wales Audit Office assessment of Council's progress
with council safeguarding responsibilities.	
R7 Establish a rolling programme of internal audit reviews to undertake systems testing and compliance reviews on the council's safeguarding practices.	<p>Met:</p> <p>Internal Audit did a report on corporate safeguarding in 2016-17. They also did a Safeguarding Review in 2018-19 and a report on Safer Recruitment in 2018-19.</p> <p>Safeguarding features on Internal Audit's audit plan for 2019-20 and the review will 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.</p>
R8 Ensure the risks associated with safeguarding are considered at both a corporate and service level in developing and agreeing risk management plans across the council.	<p>Partially met with a proposal for improvement identified:</p> <p>Safeguarding features as a risk on the Corporate Risk Register.</p> <p>Safeguarding features as a Directorate level risk in the Social Services and Wellbeing Directorate Business Plan 2019-20.</p> <p>Safeguarding does not feature as a Directorate level risk in any of the other Directorate Business Plans for 2019-20. This includes the Education and Family Support Business Plan, although we were informed that there are Group Plans and Team Plans sitting underneath the Directorate Business Plan. The Vulnerable Groups team was cited as an example of a team that would have a strong focus on safeguarding. In March 2019 Estyn reported that 'The local authority's arrangements for safeguarding in education provision are appropriate and do not raise any cause for concern'.</p>

Recommendation from the 2015 report	Wales Audit Office assessment of Council's progress
	While it is not always strictly necessary or proportionate for safeguarding to feature on every Directorate Business Plan, the Council should consider using the mechanism of the operational corporate safeguarding board to ensure consistent oversight and robust consideration of corporate safeguarding risks across all Directorates and services.

Assessment of progress against the proposals for improvement from our 2014 local report

Exhibit 2: proposals for improvement from our local 2014 report and our assessment of progress against them

Proposal for improvement in our 2014 local report issued to the Council in October 2014.	Wales Audit Office assessment of Council's progress
P1 Develop a Corporate Safeguarding Policy that clearly specifies roles, responsibilities and procedures for safeguarding.	Met with proposals for improvement identified: See narrative against recommendation 2 on page 8 above.
P2 Complete the Social Care Strategic Improvement Board review of performance	Met:

Proposal for improvement in our 2014 local report issued to the Council in October 2014.	Wales Audit Office assessment of Council's progress
information and produce measures that provide adequate assurance that systems are working effectively.	It should be noted that the reference to the Social Care Strategic Improvement Board is obsolete as that Board no longer exists. However, a number of different mechanisms are currently in place to consider performance information within Social Care. These include the Corporate Performance Assessment process and various Managers' meeting groups within Social Care. The evidence suggests that these mechanisms and the measures considered at them relating to safeguarding are appropriate.
P3 Ensure that the corporate induction programme for all new staff includes training on safeguarding and child protection issues and the Council's corporate policy on safeguarding.	Met: The mandatory safeguarding e-learning training is part of the Council's induction framework and the training can also be accessed via hardcopy workbook. There is a link to the Council's corporate safeguarding policy as part of the e-learning and there is a note on the hardcopy workbook. Managers are responsible for providing access to a hard copy of the policy should that be required.
P4 Identify and agree an appropriate internal audit programme of work for safeguarding.	Met: See narrative against recommendation 7 on page 14 above.

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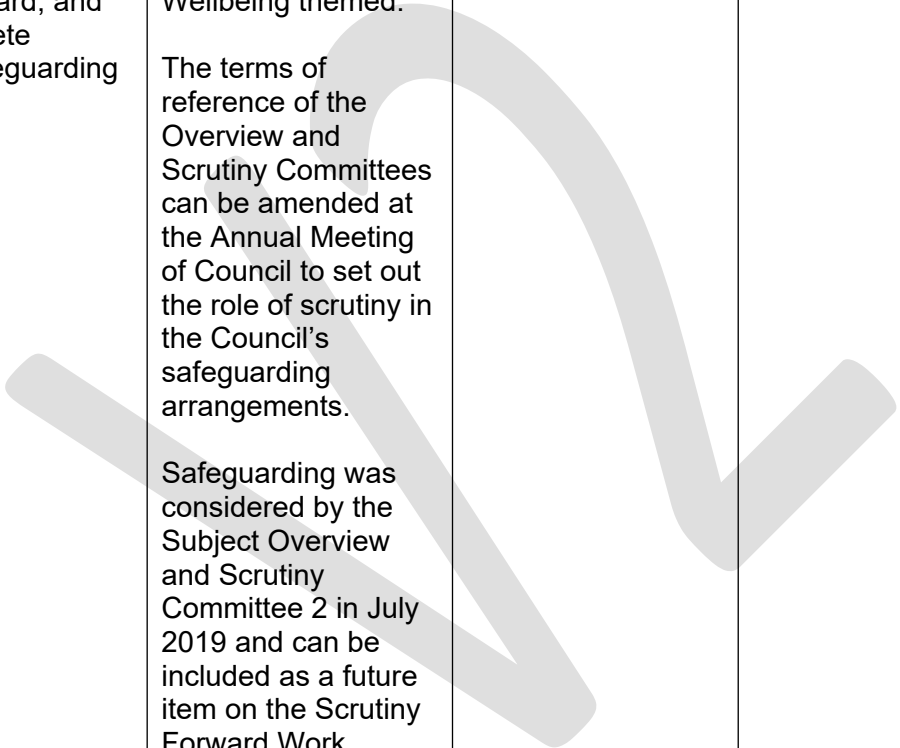
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Wales Audit Office - Review of corporate arrangements for the safeguarding of children: October 2019

Action Plan



Proposal no	Proposal for improvements	Actions	Responsible Officer	Timescale for response	Comment	Status RAG
P1	The Council should strengthen awareness of the roles of the lead officer and lead member for safeguarding by: • including information about the roles of the lead member and lead officer for safeguarding on the Council's safeguarding intranet pages; and • ensuring safeguarding is included in the lead member's portfolio responsibilities on the Council website.	Information about the roles of the lead member and lead officer for safeguarding to be included on the Corporate Safeguarding Intranet pages.	Workforce Development Manager – Social Care	Completed		
		Safeguarding to be included in the lead Member's portfolio responsibilities on the Council's website.	Democratic Services Manager	Completed		
P2	The Council should strengthen the Corporate Safeguarding Policy in the following ways: • clarify the role and responsibilities of the lead member for safeguarding; • set out the role of scrutiny in the Council's	The role and responsibilities of the lead member for safeguarding are set out in the lead member's role description. The Subject Overview and	Democratic Services Manager			

	<p>safeguarding arrangements;</p> <ul style="list-style-type: none"> • clarify the role of the operational corporate safeguarding board; and • Remove obsolete reference to safeguarding champions 	<p>Scrutiny Committee 2 considers matters which are Social Services and Wellbeing themed.</p> <p>The terms of reference of the Overview and Scrutiny Committees can be amended at the Annual Meeting of Council to set out the role of scrutiny in the Council's safeguarding arrangements.</p> <p>Safeguarding was considered by the Subject Overview and Scrutiny Committee 2 in July 2019 and can be included as a future item on the Scrutiny Forward Work Programme.</p> <p>The Corporate Safeguarding Policy to be refreshed to reflect the changes to safeguarding procedures in Wales</p>	<p>Workforce Development Manager Social Care</p>	<p>Completed</p>		
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		being introduced from April 2020.				
P3	<p>The Council should strengthen its Recruitment and Selection Managers' Guidelines in relation to safeguarding and safe recruitment. For example:</p> <ul style="list-style-type: none"> • the job descriptions section could refer to safeguarding for relevant posts; • specify that job adverts for posts that require a Disclosure and Barring Service (DBS) check will contain an explicit statement on safeguarding; and • the guidelines should cross refer to the DBS Policy and the Corporate Safeguarding Policy 	<p>Recruitment and Selection Managers' Guidelines will be updated to reinforce the importance of safeguarding in recruitment as well as employees' roles in safeguarding. The changes will include</p> <ul style="list-style-type: none"> • the job descriptions section could will include reference to safeguarding • adverts for posts that require a DBS check will contain an explicit statement on safeguarding; and • the guidelines will make reference to the DBS Policy and the Corporate Safeguarding Policy 	Group Manager – Human Resources and Organisational Development	Completed	All recruitment documentation has been updated as per the recommendation	
P4	The Council should update its DBS Policy to	The protocol will be updated to	Group Manager – Human Resources	Completed	A further review of this policy is	

	ensure it makes reference to current legislation.	accurately reflect current legislation.	and Organisational Development		underway and the updated version will be reported to Council for approval in due course.	
P5	The Council should ensure the consistent use of safeguarding provisions in tenders and contracts across all Directorates and ensure appropriate monitoring of such contractual provisions.	Whilst preparing tenders, procurement will consider use of safeguarding provisions in tenders and contracts – we will look to liaise with our contract lawyers for contract conditions. Further communication would need to take place with client departments with regards to specific contracts as procurement does not manage the day to day operational arrangements of contracts, this only happens with corporate contracts.	Corporate Procurement Manager			
P6	The Council should improve its approach to safeguarding training in the following ways:	The content of the safeguarding e-learning is to be refreshed to reflect the changes to	Workforce Development Manager Social Care	Completed		●

	<ul style="list-style-type: none"> • clarify when mandatory safeguarding training needs to be refreshed; • clarify how often safeguarding training should be offered to members; and • accelerate the rate of compliance with the completion of its mandatory safeguarding training. 	<p>safeguarding procedures in Wales being introduced from April 2020.</p> <p>And then be reviewed every 3 years or sooner if required.</p> <p>Safeguarding training was previously delivered to Members in September 2017 and now would be an opportune time to offer further safeguarding training as the Council is midway through its term.</p> <p>See P8 re training compliance</p>	<p>Democratic Services Manager</p> <p>Group Manager – Human Resources and Organisational Development</p>	Every 3 years		●
P7	The Council should develop a central system for recording and monitoring volunteer information, including any	An audit of volunteering activity will be undertaken and corporate guidance developed	Group Manager – Human Resources and Organisational Development	In progress	The audit has been completed, however, the outcomes and have not yet been reported to CMB,	●

	training records and DBS checks for volunteers, and consider producing central guidance for the recruitment of volunteers	on the use of volunteers. This will include the consideration of either central or Directorate systems for recording and monitoring.			due to other pressing demands. Further work will be progressed to consider the options for recording and monitoring volunteer records. This will take account of safeguarding requirements and best practice.	
P8	The Council should consider producing further performance measures (for example in respect of DBS check compliance and mandatory safeguarding training) to enhance the performance information that goes to scrutiny and aid transparency.	Monitoring arrangements are currently in place for DBS compliance and Safeguarding training. Reporting arrangements will be established to enable monitoring of this performance at a corporate level.	Group Manager – Human Resources and Organisational Development	Completed	Quarterly reports are in place and these will be scheduled for CMB meetings	
P9	The Council should consider the merits of the operational corporate safeguarding group having oversight of corporate safeguarding risks from across the Council.	The Corporate Safeguarding Group has been superseded by the Bridgend Locality Operational Safeguarding Group which has multi-agency representation.	Director of Social Services & Wellbeing / CMB	May 2020	Task and Finish Group delayed as a result of Covid-19	

		<p>A workshop to review the functionality of the group and to make recommendations for future arrangements was held on the 15th January 2020.</p> <p>A task and finish group will take forward the recommendations.</p>				
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BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO THE AUDIT COMMITTEE

16 JULY 2020

REPORT OF THE INTERIM CHIEF OFFICER - FINANCE, PERFORMANCE AND CHANGE

AUDIT WALES AUDIT COMMITTEE UPDATE

1 Purpose of Report

- 1.1 The purpose of this report is to submit an update on the Financial and Performance Audit work undertaken, and due to be undertaken, by Audit Wales, during 2019-20 and 2020-21.

2 Connections to corporate well-being objectives / other corporate priorities

- 2.1 This report assists in the achievement of the following corporate well-being objective under the **Well-being of Future Generations (Wales) Act 2015**:
- Smarter use of resources – ensuring that all resources (financial, physical, ecological, human and technological) are used as effectively and efficiently as possible and support the creation of resources throughout the community that can help deliver the Council's well-being objectives.
- 2.2 The Council's performance is an important element in determining the extent to which the well-being objectives can be delivered.

3 Background

- 3.1 This programme of work is undertaken to help the Auditor General discharge his duties under the Public Audit (Wales) Act 2004 (the 2004 Act) and the Local Government (Wales) Measure 2009. It may also inform a study for improving value for money under section 41 of the 2004 Act, and/or an examination undertaken by the Auditor General under section 15 of the Well-being of Future Generations (Wales) Act 2015. The Local Government (Wales) Measure 2009 also requires the Auditor General to carry out an annual Improvement Assessment to determine whether Bridgend County Borough Council is likely to comply with the requirements of Part 1 of the Measure. This involves:
- A review of the Council's arrangements to secure continuous improvement;
 - Improvement studies of areas which may hinder improvement or transformation or give rise to inefficiencies;
 - Bespoke pieces of work related to the Council's improvement objectives and arrangements; and
 - An audit of the Council's published improvement plans and its self-assessment of performance.

4 Current situation / proposal

- 4.1 The Audit Wales Audit Committee Update is attached as **APPENDIX A**. It outlines both financial and performance work undertaken in the Council by and on behalf of the Auditor General under the Local Government (Wales) Measure 2009 and the Public Audit (Wales) Act 2004.

5 Effect upon policy framework & procedure rules

- 5.1 There is no impact on 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 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 arising from this report.

9 Recommendation.

- 9.1 That members note the Audit Wales Audit Committee Update at Appendix A.

Gill Lewis
Interim Chief Officer – Finance, Performance and Change
July 2020

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Background Documents: None



Bridgend County Borough Council

Audit Committee Update – 16th July 2020

Financial Audit work

2019-20 Financial Audit Work	Scope	Status
Audit of the Council's 2019-20 Statement of Accounts	<p>We received the Council's draft statement of accounts (signed by the Section 151 Officer) on 30 June 2020, which we have commenced auditing in accordance with our 2020 Audit Plan. We expect to report the findings of our audit to a September meeting of the Audit Committee. We have suggested to officers that the Audit Committee meets on 10 September 2020, to consider our audit report and the approval and signing of the statement of accounts.</p> <p>We will commence of audit of the Council's 2019-20 grants and returns in the early autumn.</p>	<p>We expect to present our Audit of Financial Statements Report to the Audit Committee in September 2020.</p>

Performance Audit work

2019-20 Performance Audit Work	– Scope	Status
Well-being of Future Generations Act (Wales) 2015 (WFG Act) examinations	Examination of the extent to which the Council has acted in accordance with the sustainable development principle when delivering the key programme 'Active Bridgend Plan 2017-21' to meet the Council's well-being objective: Helping people to be more self-reliant.	Final report issued 18 th February 2020.
Financial Sustainability	A project common to all local councils that will assess financial sustainability in light of current and anticipated future challenges.	Final report issued 7 th February 2020.
Transitioning to new Health and Social Care Partnership	A project to assess the Council's progress in transitioning to a new Health and Social Care Partnership with Cwn Taf Health Board.	This project was put on hold due to Covid-19. As we are now re-engaging with the Council, we will discuss the scope and feasibility of this project with officers.
Annual Improvement Report	Annual report summarising the audit work undertaken in the last year which also includes a summary of the key findings from reports issued by 'relevant regulators'	Autumn 2020

2020-21 Performance Audit Work (updated)	Scope	Status
Improvement Plan audit Performance audit	Checks Council compliance with Local Government Measure (Wales) 2009 requirement to publish a self-assessment of performance in the previous year by 31 October.	Final Certificate issued 19th May 2020 Due October 2020
Annual Improvement Report (AIR)	Annual report summarising the audit work undertaken in the last year which also includes a summary of the key findings from reports issued by 'relevant regulators'	June/July 2021
Assurance and risk assessment	Project to identify the level of audit assurance and/or where further audit work may be required in future years in relation to risks to the Council putting in place proper arrangements to secure value for money in the use of resources.	Underway
Recovery Planning	We intend to support and challenge recovery planning in real-time. Collectively we need assurance that recovery takes due account of the multitude of risks, but also that it grasps the opportunities for a different and sustainable future. We have taken the decision to replace the 'prevention' themed work that we set out in audit plans with this work on recovery planning.	Planning
Financial Sustainability	Phase 1 will be a baseline assessment of the initial impact of Covid-19 on local authorities' financial position that will draw on the year-end position for 2019-20 as well as the position at the end of quarter 1 for 2020-21. The output from phase 1 will be a short national summary report that	Planning

	<p>will include comparative data for year-end 2019-20 as well as a summary of common themes and issues identified by local authorities.</p> <p>– Phase 2 will be undertaken over the remainder of 2020-21. This work will draw on the position and themes identified during phase 1 to enable a focus on financial recovery planning. At the conclusion of Phase 2 we will produce a local output for each council and a national summary report.</p>	
Project with a digital focus	As a result of our 2019-20 Assurance and Risk Assessment, we agreed with the Council that we would do a piece of work relating to digital.	Planning. Work to be scoped with the Council.
Covid 19 learning project	<p>To help public bodies capture and share the lessons they are learning, we have established the 'COVID-19 learning project'. Rather than the traditional audit approach of examining actions after the event, our aim here is to get alongside public services to capture and share learning in real time.</p> <p>We have released bloggs tweets and shared via wordpress. Please follow the Audit Wales and Good Practice Team's twitter to get the latest on our learning project: https://twitter.com/AuditWales_GPX</p>	<p>Ongoing</p> <p>Topics covered so far include: WG advice on Shielding, Finance and Test Trace and Protect.</p>

The Auditor General for Wales has recently published a [positioning statement](#) outlining that “we are moving to a third phase, maintaining our natural focus on good governance, sound financial management and resilience while also supporting recovery planning.”

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BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO THE AUDIT COMMITTEE

16 JULY 2020

REPORT OF THE INTERIM CHIEF OFFICER - FINANCE, PERFORMANCE AND CHANGE

EXTERNAL AUDIT ANNUAL AUDIT PLAN 2020

1 Purpose of Report

- 1.1 The purpose of this report is to submit for review the External Auditor's Annual Audit Plan 2020, together with a schedule of authorised grant signatories for the Council, both for noting.

2 Connections to corporate well-being objectives / other corporate priorities

- 2.1 This report assists in the achievement of the following corporate well-being objective under the **Well-being of Future Generations (Wales) Act 2015**:
- Smarter use of resources – ensuring that all resources (financial, physical, ecological, human and technological) are used as effectively and efficiently as possible and support the creation of resources throughout the community that can help deliver the Council's well-being objectives.

3 Background

- 3.1 The Annual Audit Plan has been prepared by the Council's External Auditor to meet the requirement of the auditing standards and proper audit practices. It sets out the work to be undertaken by the Appointed Auditor at Bridgend County Borough Council (BCBC) under the Public Audit (Wales) Act 2004, the Local Government (Wales) Measure 2009 (the Measure), the Local Government Act 1999, and the Code of Audit Practice.

4 Current situation / proposal

- 4.1 The key elements of the audit engagement of the Appointed Auditor are outlined in **Appendix A**. The Appointed Auditor is required to:-
- examine and certify whether the Council's financial statements are 'true and fair';
 - assess whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in the use of resources;
 - audit and assess whether the Council has discharged duties and met requirements of the Local Government (Wales) Measure 2009; and
 - undertake studies to enable him to make recommendations for improving economy, efficiency and effectiveness or for improving financial or other management arrangements.

- 4.2 The Financial Audit 2019-20 element of this plan has been prepared by Audit Wales. The purpose of this plan is to set out the proposed work, when it will be undertaken, how much it will cost and who will undertake it.
- 4.3 The Plan also outlines the Performance Audit, the Certification of Grant Claims and Returns and other Audit Work to be undertaken.
- 4.4 It is recommended that the following postholders are authorised grant signatories for the Council:
- Chief Officer – Finance, Performance and Change, and Section 151 Officer
 - Deputy Head of Finance, and Deputy S151 Officer
 - Group Manager – Chief Accountant
 - Group Manager – Financial Planning and Budget Management

5 Effect upon policy framework & procedure rules

- 5.1 There is no impact on 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 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 The proposed audit fee is in line with the budget for 2020-21.

9 Recommendation.

- 9.1 That Members note the content of the External Auditor's Annual Audit Plan 2020 attached as Appendix A and agree the authorised grant signatories outlined in paragraph 4.4.

Gill Lewis
Interim Chief Officer – Finance, Performance and Change
July 2020

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Background Documents: None

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2020 Audit Plan – Bridgend County Borough Council

Audit year: 2019-20

Date issued: April 2020

Document reference: 1790A2020-21

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

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

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2020 Audit Plan

Our duties

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

Audit of financial statements

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

Value for money

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

Continuous improvement

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

Sustainable development principle

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

Impact of COVID-19

- 6 The COVID-19 national emergency has had an unprecedented impact on the UK and will significantly impact on local authorities' preparation of the 2019-20 accounts and our audit work, both financial audit and performance audit.
- 7 Due to the UK Government's restrictions on movement and anticipated sickness absence levels, we understand that many local authorities will not be able to prepare accounts in line with the timetable set out in the Accounts and Audit (Wales) Regulations 2014. As well as the delivery of the Auditor General's statutory responsibilities, our priority is to ensure the health, safety and well-being of Audit Wales staff, their families and those of our partners elsewhere in the public service at this incredibly challenging time.
- 8 In response to the government advice and subsequent restrictions, we have ceased all on site work at audited bodies and our own offices. Audit Wales staff are working from home and we will continue to make whatever progress we can whilst working and engaging with you remotely.
- 9 Consequently, this audit plan does not include any details in relation to completion of our audit work. We will discuss a timetable with the authority once the current

national emergency situation is over and the authority is in a position to prepare its accounts.

- 10 We commit to ensuring that our audit work will not have a detrimental impact on you at a time when public bodies are stretched and focused on more important matters.

Audit of financial statements

- 11 It is my responsibility to issue a certificate and report on the financial statements which includes an opinion on their 'truth and fairness':
- we plan to give an opinion on the Council's financial statements
 - assess whether the Council's Annual Governance Statement and Narrative Report were prepared in line with the CIPFA Code and relevant guidance. We also review whether they were are consistent with the financial statements prepared by the Council and with our knowledge of the Council.
- 12 In addition to our responsibilities for auditing the Council's financial statements, we also have responsibility for:
- responding to questions and objections about the accounts from local electors (additional fees will be charged for this work, if necessary);
 - the audit of annual returns for Coychurch Crematorium joint committee and Porthcawl Harbour Authority; and
 - the certification of a number of grant claims and returns as agreed with the funding bodies.
- 13 There have been no limitations imposed on me in planning the scope of this audit.
- 14 Further information about our work is provided in our Statement of Responsibilities, which is available on our website (www.audit.wales).

Financial Statement Audit Risks

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

Exhibit 1: financial statement audit risks

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

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

Audit risk	Proposed audit response
Other areas of audit attention	
<p>Cardiff Capital Region City Deal</p> <p>The Cardiff Capital Region City Deal (the City Deal) involves 10 local authorities. The authorities have established a joint committee (the Regional Cabinet) to oversee the delivery of a range of programmes designed to increase connectivity and to improve physical and digital infrastructure over the course of 20 years. There could be a number of accounting issues to address including potential consolidation of joint committee accounts.</p>	<p>My audit team will liaise with the Council, and the auditors of the Regional Cabinet Joint Committee's financial statements, to confirm that the accounting treatment in the Council's 2019-20 financial statements is appropriate.</p>
<p>McCloud judgement</p> <p>In 2015 the Government introduced reforms to public sector pensions, meaning most public sector workers were moved into new pension schemes in 2015.</p> <p>In December 2018, the Court of Appeal ruled that the 'transitional protection' offered to some members of the judges' and firefighters' schemes, as part of the reforms, amounted to unlawful discrimination. On 15 July 2019 the Government announced that they accept that the judgement applies to all the main public service pension schemes.</p> <p>The impact of the judgement is likely to have a significant impact on the IAS19 disclosed liabilities.</p>	<p>My audit team will review the provision made in relation to the McCloud judgement and monitor progress on the development of proposals for a remedy to be applied in the local government pensions scheme.</p>

Performance audit

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

Exhibit 2: Performance Audit Programme 2020-21

This table summarises the performance audit programme for 2020-21

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

Certification of grant claims and returns

- 17 I have been requested to undertake certification work on the Council's grant claims and returns as set out in **Exhibit 3**.

Exhibit 3: summary of grant claim certification work

This table summarises my 2019-20 programme of grant claim certification work

Name of scheme	Estimated expenditure
Housing Benefits (BEN01)	£47,000,000
Pooled budgets – integrated family support service (HLG01)	£650,000
Pooled budgets – integrated community services (HLG01)	£4,950,000
Pooled budgets – assisted recovery in the community (HLG01)	£600,000
National Non-Domestic Rates (LA01)	£40,000,000
Teachers' Pension (PEN05)	£13,500,000

Fee, audit team and timetable

- 18 My fees and planned timescales for completion of the audit are based on the following assumptions:
- the financial statements are provided in accordance with a timescale to be agreed following the end of the COVID-19 national emergency, to the quality expected and have been subject to a robust quality assurance review;
 - information provided to support the financial statements is in accordance with the agreed audit deliverables document;
 - appropriate accommodation and facilities are provided to enable my audit team to deliver the audit in an efficient manner;

- all appropriate officials will be available during the audit;
- you have all the necessary controls and checks in place to enable the Responsible Financial Officer to provide all the assurances that I require in the Letter of Representation addressed to me;
- Internal Audit's planned programme of work is complete and management has responded to issues that may have affected the financial statements; and
- set out the extent to which you intend to rely on Internal Audit's work and where reliance is to be placed on the work of other auditors, specialists, etc.

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

Fee

20 Your estimated fee for 2020 is set out in **Exhibit 4**. There have been some small changes to my fees rates for 2019 however my audit teams will continue to drive efficiency in their audits to ensure any resulting increases will not be passed to you. This represents a 5% decrease compared to your actual 2019 fee.

Exhibit 4: audit fee

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

Audit area	Proposed fee (£) ¹	Actual fee last year (£)
Audit of accounts ²	188,000	193,000
Performance audit work ³	97,405	97,405
Grant certification work ⁴	42,500	56,377
Other financial audit work ⁵	1,900	1,236
Total fee	329,805	348,018

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

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

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

² Payable November 2019 to October 2020.

³ Payable April 2020 to March 2021

⁴ Payable as work is undertaken

⁵ Payable once the audits have concluded

Audit team

23 The main members of my team, together with their contact details, are summarised in **Exhibit 5**.

Exhibit 5: my audit team

This table lists the members of the local audit team and their contact details.

Name	Role	Contact number	E-mail address
Derwyn Owen	Engagement Director and Engagement Lead – Financial Audit	02920 320500	derwyn.owen@audit.wales
Huw Rees	Engagement Lead – Performance Audit	02920 320500	huw.rees@audit.wales
Mark Jones	Audit Manager (Financial Audit)	02920 320631	mark.jones@audit.wales
Sara-Jane Byrne	Audit Manager (Performance Audit)	07786 111385	sara-jane.byrne@audit.wales
John Llewellyn	Audit Lead (Financial Audit)	07973 699076	john.llewellyn@audit.wales
Samantha Clements	Audit Lead (Performance Audit)	02920 320163	samantha.clements@audit.wales

Timetable

- 24 We will continue to undertake such remote work as is possible during the COVID-19 national emergency. However, as set out above, we will not be in a position to agree a timetable with you until the COVID-19 national emergency has passed.
- 25 Therefore, we will report on a timetable for our audit work in due course.
- 26 I can confirm that my team members are all independent of the Council and your officers. In addition, I am not aware of any potential conflicts of interest that I need to bring to your attention.



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Fax: 029 2032 0600
Textphone: 029 2032 0660

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Website: www.audit.wales

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

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Mark Shephard, Chief Executive
 Bridgend County Borough Council

By e-mail

Reference: D020-003

Date issued: 20 April 2020

Dear Mark,

Annual Audit Plan 2020 – Impact of COVID-19

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

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

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

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

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

An update further to the audit plan issued to you on 15 April

The information below is an update to the audit plan issued to you on 15 April.

Audit of accounts

CIPFA/LASAAC Code of Accounting Practice

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

Audit risks

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

Potential audit issues

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

Specific areas of concern raised with us include:

- Increased use of estimates. Due to the UK lockdown, authorities may be required to use more estimations for their accounts than in previous years. Our auditors are used to dealing with estimates and applying auditing standards in relation to estimates. We will discuss with you the key assumptions and evidence bases underlying estimates and will do this at an early stage.
- Asset valuations. Authorities have raised concerns about professional valuers applying disclaimers to their valuations and the potential impact on audit opinions. We will discuss these valuations and any necessary disclosures related to the valuations with you to ensure that the financial statements as a whole present a true and fair view.
- Pensions valuations. Due to the significant movements in investment markets, there are concerns over whether valuations provided by actuaries will be acceptable. Our audit process includes the use of a consulting actuary to provide audit assurance over the methodology and assumptions used by actuaries in providing data for IAS19 disclosures. We will review your actuary's IAS19 reports and our consulting actuary's assessment and discuss any concerns with you at an early stage.
- Removal of disclosure notes to simplify the accounts preparation process. We have been asked for our views on the potential for excluding disclosure notes where it is felt that the notes add limited value to the user of the accounts. Examples quoted include the remuneration notes and related party

disclosures. The remuneration notes are required by statute and therefore cannot be removed from the accounts. For the other notes, we draw your attention to the Code's provisions related to materiality. The Code sets out that omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. The nature or size of the item, or a combination of both, could be the determining factor. The Council should consider the Code's provisions related to materiality when reviewing the disclosure notes and discuss any concerns with the audit team. Further detail on materiality can be found in the following paragraphs in the Code: 1.7.1, 2.1.2.14, 3.3.2.4, 3.4.2.7 and 3.9.2.17.

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

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

Audit timetable

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

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

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

Therefore, the audit team will discuss with you an appropriate timetable for public inspection when we have a clear idea of the date on which the accounts will be available and when lockdown restrictions have been sufficiently relaxed. The audit team will issue an audit notice in due course setting out the appointed date. This may mean that there is a delay before we can issue our audit opinion.

We will continue to discuss any amendments to the timetable for the production and audit of accounts with you and continue to work as flexibly as we can. The current agreed date for the Section 151 Officer's signed draft 2019-20 statement of accounts is 15 June 2020.

It will be vital that this engagement continues over the next few months, against what will doubtless be a fast-changing backdrop. My assessment is that our ability to meet revised audit completion dates will mainly depend on:

- the extent to which remote working and auditing is possible if the current lockdown restrictions are not lifted;
- the quality of the draft accounts and supporting working papers made available to us (driven in part by the extent of any pre-audit management reviews of that material);
- the continued availability of audited body staff to respond promptly to audit queries (given the potential pressures of sickness absences, carer and back-filling responsibilities etc);
- the continued availability of Audit Wales staff to conduct the audit work; and
- the ability of those charged with governance to convene (potentially on a virtual basis) to approve accounts.

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

Programme of performance work

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

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

Yours sincerely



Derwyn Owen
Engagement Director

Annex A: updated financial statement audit risks

The following table replaces Exhibit 1 in the audit plan issued on 15 April.

Financial statement audit risks

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

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

between the date of the financial statements and the date of the auditor's report. The consequences of the virus post 31 March 2020 will generally be non-adjusting post balance sheet events but some form of disclosure may be needed.

Use of estimates. The uncertainties and delays caused by the UK wide lockdown may result in actual data being unavailable and greater use of estimates in preparing the accounts

management to provide further evidence due to the fast-changing nature of this issue.

We will ensure that appropriate changes have been made to recognise any enhanced uncertainty in the calculation of accounting estimates (including impairment calculations). We will also consider whether assumptions are appropriate in the circumstances and

We will adopt a greater focus on the following areas:

The financial statement closing process (in particular journal entries and other adjustments made).

The auditor's evaluation of the overall presentation of the financial statements, including consideration of whether adequate disclosures have been made.

Audit risk	Proposed audit response
Other areas of audit attention	
<p>Cardiff Capital Region City Deal The Cardiff Capital Region City Deal (the City Deal) involves 10 local authorities. The authorities have established a joint committee (the Regional Cabinet) to oversee the delivery of a range of programmes designed to increase connectivity and to improve physical and digital infrastructure over the course of 20 years. There could be a number of accounting issues to address including potential consolidation of joint committee accounts.</p>	<p>My audit team will liaise with the Council, and the auditors of the Regional Cabinet Joint Committee's financial statements, to confirm that the accounting treatment in the Council's 2019-20 financial statements is appropriate.</p>
<p>McCloud judgement In 2015 the Government introduced reforms to public sector pensions, meaning most public sector workers were moved into new pension schemes in 2015. In December 2018, the Court of Appeal ruled that the 'transitional protection' offered to some members of the judges' and firefighters' schemes, as part of the reforms, amounted to unlawful discrimination. On 15 July 2019 the Government announced that they accept that the judgement applies to all the main public service pension schemes. The impact of the judgement is likely to have a significant impact on the IAS19 disclosed liabilities.</p>	<p>My audit team will review the provision made in relation to the McCloud judgement and monitor progress on the development of proposals for a remedy to be applied in the local government pensions scheme.</p>

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

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

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

Statutory requirements

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

Welsh Government interpretation

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

“Where, extraordinarily, certification cannot happen before [31 May/15 June], action needs to be taken to publish a statement that clearly sets out the reasons why this has not happened before that date and agree a course of action to ensure this is done as soon as is practicable after [31 May/15 June].”

The guidance also notes that the accounts should be published by 31 July/15 September even if the accounts have not been approved.

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

Audit Wales view and impact on the audit process

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

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

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

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

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

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

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

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

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

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

OR

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

OR

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

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BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

16 JULY 2020

REPORT OF THE INTERIM CHIEF OFFICER - FINANCE, PERFORMANCE AND CHANGE

WALES AUDIT OFFICE – FINANCIAL SUSTAINABILITY ASSESSMENT

1. Purpose of Report

- 1.1 The purpose of the report is to submit the Wales Audit Office (WAO) Financial Sustainability Assessment report, attached at Appendix A, for noting.

2. Connections to corporate well-being objectives / other corporate priorities

- 2.1 This report assists in the achievement of the following corporate well-being objective under the **Well-being of Future Generations (Wales) Act 2015**:
- Smarter use of resources – ensuring that all resources (financial, physical, ecological, human and technological) are used as effectively and efficiently as possible and support the creation of resources throughout the community that can help deliver the Council's well-being objectives.

3. Background

- 3.1 Wales Audit Office have undertaken a project to seek to assess the sustainability of councils' short to medium-term financial position. This included a focus on the financial strategy of each council as well as reviewing some key financial indicators of each council's financial position in relation to:
- performance against budget;
 - delivery of savings plans;
 - use of reserves;
 - council tax; and
 - borrowing.
- 3.2 Wales Audit Office undertook this assessment because they identified financial sustainability as a risk to councils putting in place proper arrangements to secure value for money in the use of its resources. This was in part informed by recent experiences of some English councils, knowledge of the financial situation in Welsh Councils and the general trend of decreasing resources for local government, combined with rising demand for some services.

4. Current situation / proposal

- 4.1 The report identifies that the Council has a strong financial position, but aspects of financial planning and its Medium Term Financial Strategy would benefit from strengthening. This conclusion was reached because:

- The Council's Medium Term Financial Strategy would benefit from strengthening in some important areas.
- In recent years the Council has underspent all its annual budgets and it also expects to underspend its 2019-20 budget.
- The Council has a good track record of achieving most of its planned savings.
- The Council has a high level of useable reserves.
- The Council has a good track record of collecting its council tax.
- The Council has a relatively low level of borrowing and interest costs and has not sought any new long-term loans since 2012.

4.2 WAO has identified a number of findings as set out within the attached report.

5. Effect upon policy framework & procedure rules

5.1 The report does not have any impacts on policy framework and procedure rules.

6. Equality Impact Assessment

6.1 There are no equality implications arising from this report.

7. Wellbeing 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 These are no financial implications relating to the report.

9. Recommendation

9.1 It is recommended that Audit Committee:

- Note the WAO Financial Sustainability Assessment Report at Appendix A.

Gill Lewis
Interim Chief Officer - Finance, Performance and Change
July 2020

Contact Officer: Nigel Smith
 Interim Group Manager – Chief Accountant

Telephone: (01656) 643605

E-mail: nigel.smith@bridgend.gov.uk

Postal Address Raven's Court, Brewery Lane, Bridgend CF31 4AP

Background documents: None



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Appendix A

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Financial Sustainability Assessment – Bridgend County Borough Council

Audit year: 2019-20

Date issued: February 2020

Document reference: 1696A2020-21

This document has been prepared for the internal use of Bridgend County Boropugh Council as part of work performed/to be performed in accordance with Section 17 of the Public Audit (Wales) Act 2004 and section 18 of the Local Government Wales Measure 2009.

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

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000.

The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at

info.officer@audit.wales.

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

Contents

The Council has a strong financial position, but aspects of financial planning and its Medium Term Financial Strategy would benefit from strengthening

Summary report

Summary	4
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Detailed report

The Council has a strong financial position, but aspects of financial planning and its Medium Term Financial Strategy would benefit from strengthening	6
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The Council's Medium Term Financial Strategy would benefit from strengthening in some important areas	6
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In recent years the Council has underspent all its annual budgets and it also expects to underspend its 2019-20 budget	7
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The Council has a good track record of achieving most of its planned savings	9
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The Council has a high level of useable reserves	9
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The Council has a good track record of collecting its council tax	11
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The Council has a relatively low level of borrowing and interest costs, and has not sought any new long-term loans since 2012	12
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Summary report

Summary

What we reviewed and why

- 1 The project sought to assess the sustainability of councils' short to medium-term financial position.
- 2 This included a focus on the financial strategy of each council as well as reviewing some key financial indicators of each council's financial position in relation to:
 - performance against budget;
 - delivery of savings plans;
 - use of reserves;
 - council tax; and
 - borrowing.
- 3 We undertook the review during November and December 2019.

Exhibit 1: about the Council



The Council's net revenue budget for 2019-20 was £270.809m¹



The Council employs around 6,000 people²



The Council's fixed assets as at 31 March 2019 were £534.538m³

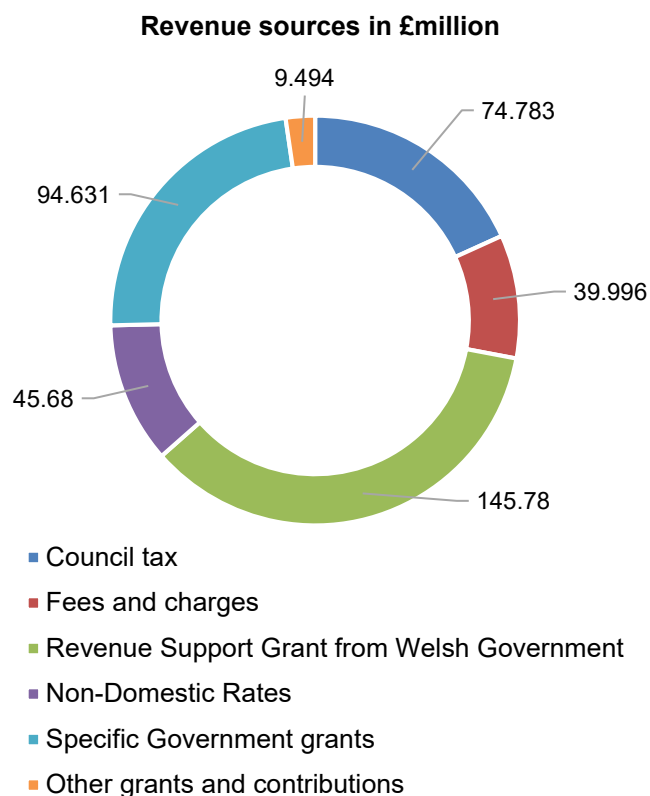
- 4 We undertook this assessment because we identified financial sustainability as a risk to councils putting in place proper arrangements to secure value for money in the use of resources. In part, this was informed by the recent experiences of some councils in England, our knowledge of the financial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

¹ Source: the Council's approved budget.

² Source: the Council's 2018-19 statement of accounts.

³ Source: the Council's 2018-19 statement of accounts.

Exhibit 2: the Council's sources of revenue⁴



What we found

- 5 Overall, we found that the Council has a strong financial position, but aspects of financial planning and its Medium Term Financial Strategy would benefit from strengthening. We reached this conclusion because:
- The Council's Medium Term Financial Strategy would benefit from strengthening in some important areas.
 - In recent years the Council has underspent all its annual budgets and it also expects to underspend its 2019-20 budget.
 - The Council has a good track record of achieving most of its planned savings.
 - The Council has a high level of useable reserves.
 - The Council has a good track record of collecting its council tax.
 - The Council has a relatively low level of borrowing and interest costs and has not sought any new long-term loans since 2012.

⁴ Source: the Council's 2018-19 statement of accounts.

Detailed report

The Council has a strong financial position, but aspects of financial planning and its Medium Term Financial Strategy would benefit from strengthening

The Council's Medium Term Financial Strategy would benefit from strengthening in some important areas

Why strategic financial planning is important

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

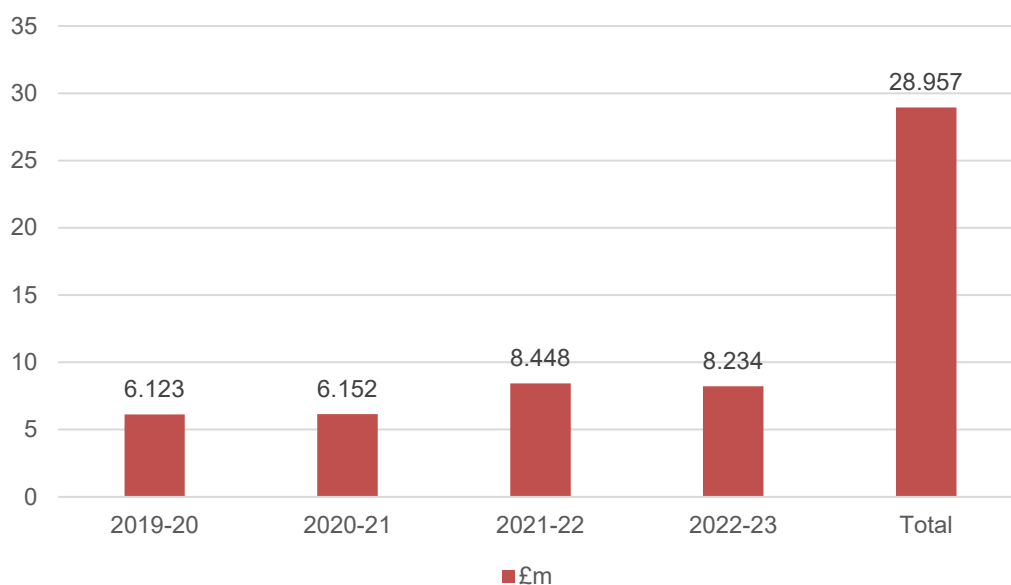
What we found

- 7 We found that:
- The Council has an approved Medium Term Financial Strategy for 2019-20 to 2022-23 (MTFS), which provides a high-level assessment of the financial challenges over that period.
 - The MTFS is updated annually, being approved in February.
 - While the current MTFS provides commentary on certain spending pressures, it only includes a schedule of cost pressures for 2019-20.
 - The MTFS does not provide detailed activity and expenditure projections for the four years to 2023.
 - The MTFS does not evaluate past financial performance, such as budget underspends and the lower-than-forecast use of its reserves, both of which the Council has experienced (see paragraphs 9 and 14).
 - For the four years to March 2023, the MTFS sets out savings requirements (or a funding gap) of between £32.4 million (best case scenario) and £43.3 million (worst case scenario).
 - Since the approval of the current MTFS, as part of this audit review the Council provided us with a self-assessment, which provides revised figures that show a funding gap of £28.9 million (see [Exhibit 3](#)).
 - The MTFS states that for 2019-20 the Council would raise its chargeable fees by inflation plus 1%. The Council has not secured new income streams in recent years, which we understand it is exploring for 2020-21.

- In December 2019 the Welsh Government announced a 4.7% increase in the Council's Revenue Support Grant for 2020-21. This settlement far exceeds the best-case settlement scenario in the Council's current MTFS.
- The implications of the 4.7% increase will be considered by the Cabinet and full Council during February 2020, as part of the approval of the 2020-21 budget.

Exhibit 3: projected funding gap

Source: ⁵.



In recent years the Council has underspent all its annual budgets and it also expects to underspend its 2019-20 budget

Why accurately forecasting expenditure is important

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

⁵ Source: the Council's self assessment.

What we found

9 We found that:

- For the four years to 31 March 2019, the Council has underspent its revenue budget by £35.399 million and it expects to underspend the 2019-20 revenue budget by £5.189 million (see [Exhibit 4](#)). Officers told us that a significant proportion of the Council's underspends had been due to the receipt of unexpected additional grant monies from the Welsh Government. The Council has tended to receive such receipts towards the end of a financial year. For example, the 2019-20 projected underspend of £5.189 million includes £2.6 million of unexpected grant funding, which the Council would have been unaware of when setting and approving its 2019-20 budget.
- For the four years to 31 March 2019, the Council has underspent its capital budget by £17.479 million and it expects to underspend the 2019-20 capital budget by £20.771 million. We understand that these underspends have been largely due to slippage in the delivery of certain capital projects, with costs, and therefore the budget, transferring into subsequent financial years.
- Once a financial year has passed, the outturn-to-budget report is considered by the Cabinet and then by the Corporate and Overview Scrutiny Committee. However, while full Council approves the annual budget for the year ahead, it does not receive the annual outturn-to-budget report.

Exhibit 4: amount of overspend/underspend against the approved revenue budgets⁶

REVENUE (NET)

Financial year	Original Budget net revenue budget (£million)	Actual Outturn net revenue budget (£million)	Amount of (underspend) /overspend (£million)	Percentage (underspend) /overspend
2015-16	252.210	243.009	(9.201)	(3.6)
2016-17	254.891	243.000	(11.891)	(4.7)
2017-18	258.093	251.639	(6.454)	(2.5)
2018-19	265.984	258.131	(7.853)	(2.9)
2019-20 ⁷	270.809	265.620	(5.189)	(1.9)
Total	1,301.987	1,261.399	(40.588)	(3.1)

⁶ Source: the annual outturn-to-budget report presented annually to the Cabinet in June.

⁷ Source: the forecast year-end position reported to the Cabinet on 21 January 2020.

The Council has a good track record of achieving most of its planned savings

Why the ability to identify and deliver savings plans is important

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

What we found

- 11 We found that:
- In September 2019 we published our [Savings Planning Follow Up Report](#).
 - The report concluded that: 'The Council has strengthened arrangements to develop and achieve savings plans, but further work is needed to develop a deliverable medium-term financial strategy'.
 - The Council has a generally good track record of meeting most of its planned savings, albeit in recent years the annual savings targets have been reduced and are some £5 million lower than those set for 2015-16.

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

£6.123m	£5.615m	£0.508m	91.7%
Total planned savings	Planned savings delivered	Planned savings not delivered	Percentage savings achieved

The Council has a high level of useable reserves

Why sustainable management of reserves is important

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

What we found

13 We found that:

- Based on 2018-19 figures, the Council's useable revenue-reserves represent a relatively high percentage of the net revenue budget, at 28.7% (see [Exhibit 6](#)).
- For the four years to 31 March 2019, the Council's useable revenue-reserves have increased from £50.5 million to £57.7 million (see [Exhibit 7](#)).
- For the four years to 31 March 2019, the Council's capital receipts reserve has fallen slightly from £18.3 million to £17.9 million (see [Exhibit 7](#)).

Exhibit 6: level of revenue reserves compared to the net revenue budget

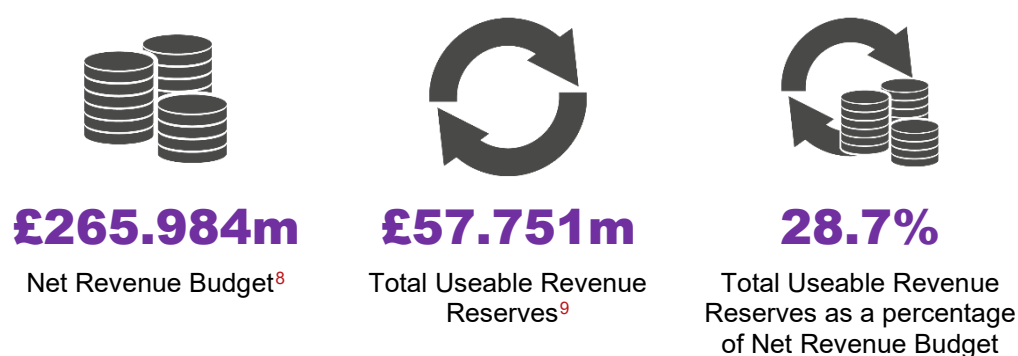


Exhibit 7: year-end useable reserves

Source: ¹⁰.

Financial year	Reserves balance as at 31 March (£million)*	Capital receipts reserve balance at 31 March (£million)	Total (£million)
2015-16	50.546	18.352	68.898
2016-17	58.436	21.364	79.800
2017-18	56.350	21.161	77.511
2018-19	57.751	17.922	75.673

*The reserves balance included in [Exhibit 7](#) includes a capital programme contribution reserve to fund specific capital projects. At 31 March 2019 the balance on this reserve was £14.072 million.

⁸ Source: the Council's approved budget.

⁹ Source: the Council's 2018-19 statement of accounts (excluding capital receipts reserve and school reserves).

¹⁰ Source: The Council's statement of accounts (excluding reserves held by schools).

The Council has a good track record of collecting its council tax

Why council tax collection rates are important

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

What we found

- 15 We found that:
- For 2018-19 the Council had collected 96.8% of the £76.2 million that was collectable (see [Exhibit 8](#)).
 - For the four years to 31 March 2019 the Council has collected £3.99 million more council-tax income than it had budgeted to receive (see [Exhibit 9](#)). This revenue is in addition to the revenue underspends set out in [Exhibit 4](#).
 - Collectable council tax ([Exhibit 8](#)) is higher than the Council's budgeted council-tax income because it sets an element of anticipated non-payment within its budgeted revenue.

Exhibit 8: council tax collection rates¹¹



Income collected from council tax at 31 March 2019 was 96.8% of the collectable debit of £76.2 million

¹¹ Source: Stats Wales.

Exhibit 9: amount of council tax collected in excess of the budgeted receipts, overspend/underspend against the approved revenue and capital budgets¹²

Financial year	Council tax income in excess of budgeted income (£million)
2015-16	1.752
2016-17	0.974
2017-18	0.594
2018-19	0.670
Total	3.990

The Council has a relatively low level of borrowing and interest costs, and has not sought any new long-term loans since 2012

Why maintaining sustainable levels of borrowing is important

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

What we found

- 17 We found that:
- The Council last obtained a new long-term loan in March 2012. The Council's level of long-term borrowing is relatively low.
 - The Council's short-term borrowing has increased by some £1.5 million in the last couple of years.
 - The Council's interest costs are low as a percentage of its net revenue budget, at 2.2%.
 - The Council has no commercial investments and therefore none of its borrowing is used to support such investments.

¹² Source: the annual outturn-to-budget report presented annually to the Cabinet in June.

Exhibit 10: Council borrowing¹³



£0m

Amount of borrowing to fund commercial investments



2.2%

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

Exhibit 11: Council borrowing¹⁴

Financial year	Long term borrowing as at 31 March (£million)	Short term borrowing as at 31 March (£million)	Total (£million)
2015-16	97.434	0.960	98.394
2016-17	97.432	0.952	98.384
2017-18	97.412	2.623	100.035
2018-19	97.412	2.551	99.963

¹³ Source: the Council's statement of accounts.

¹⁴ Source: the Council's statement of accounts.

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BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

16 JULY 2020

REPORT OF THE INTERIM CHIEF OFFICER – FINANCE, PERFORMANCE AND CHANGE

COUNCIL TAX REDUCTION FRAUD INVESTIGATIONS: APRIL 2019 to MARCH 2020

1. Purpose of report

- 1.1 The purpose of the report is to inform the Committee of the activities that have been undertaken during 1 April 2019 to 31 March 2020 with regard to Council Tax Reduction (CTR) fraud, and Disabled Persons' Parking Badges (Blue Badge) investigations. In addition, the report also summarises the results achieved during 2019/20 compared with the position for 2018/19.

2. Connection to corporate well-being objectives / other corporate priorities

- 2.1 This report assists in the achievement of the following corporate well-being objective/objectives under the **Well-being of Future Generations (Wales) Act 2015:-**
- **Smarter use of resources** – ensure that all resources (financial, physical, ecological, human and technological) are used as effectively and efficiently as possible and support the creation of resources throughout the community that can help to deliver the Council's well-being objectives.
- 2.2 The work of the Fraud Investigator impacts on the resources available to the Council that supports well-being objectives and other corporate priorities.

3. Background

- 3.1 On 1 November 2015, the investigation work for Housing and Council Tax Benefit transferred to the Department for Works and Pensions' (DWP) Single Fraud Investigation Service (SFIS). SFIS has the statutory powers to investigate and sanction all benefit and tax credit offences and combined the investigatory resources of DWP, Her Majesty's Revenue & Customs (HMRC) and local authorities. The prosecutions for SFIS are undertaken by the Crown Prosecution Service.
- 3.2 The localisation of support for council tax commenced in 2013/14 and from 1 April 2013 the responsibility to provide support for council tax, and the funding associated with it, was devolved to local authorities in England, to the Scottish Government and to the Welsh Government. Cases of fraud in CTR do not form part of the SFIS remit.
- 3.3 To maintain effective and functioning counter-fraud activities for CTR, the Benefits Service employs a Fraud Investigator primarily to undertake the following:

- Investigate allegations of CTR fraud, single person discount discrepancies and Blue Badge misuse.
- Undertake risk based intervention activities
- Assist SFIS in the provision of information and/or documentation
- Provide awareness and training for staff in relation to fraud, abuse and financial loss

4. Current situation/proposal

- 4.1 The Fraud Investigator has developed a contact network with other Fraud Investigators within neighbouring authorities. This network has widened across Wales and officers meet quarterly to discuss CTR fraud, Blue Badge misuse and other fraud matters, and also to share best practice.
- 4.2 Fraud awareness training continues to be undertaken for Benefit, Housing Options, Council Tax and Customer Service staff and with outside agencies. Fraud awareness also forms part of the induction process for all new Benefit staff.
- 4.3 The Council is committed to maintaining and promoting a zero tolerance culture to fraud and corruption. As such a Fraud Prevention e-learning module has been developed to support the Anti-Fraud and Bribery and Anti-Money Laundering policies which have been approved by Cabinet by providing training for staff to enhance their understanding of how fraud may occur, to encourage prevention, promote detection of suspicious activities, to act with integrity and to respond effectively when incidents occur. The E-Learning module is scheduled for release in summer 2020.
- 4.4 Fraud referrals are summarised in Table 1 below. This shows that during 2019/20 there was a 12.6% reduction in the number of referrals received across all sources, however there is no identifiable reason for the general reduction. National Fraud Initiative (NFI) referrals are biennial so these were just expected for 2019/20.
- 4.5 Table 1 illustrates the source of fraud referrals during the relevant periods.

Source of Referrals	2018/19	2019/20
N.F.I.	0	6
Benefit/Taxation staff	29	19
HBMS* data match	0	0
Department of Work and Pensions (DWP)	0	1
Claim review	10	8
Anonymous (letter/telephone/email)	33	34
Verify Earnings and Pensions (VEP) alerts	19	9
Other organisation/department	4	6
Total:	95	83

* DWP Housing Benefit Matching Service

- 4.6 CTR investigations were undertaken based upon information received as a data match or in the form of a specific allegation regarding the claimant's circumstances.

- 4.7 11% of referrals were received as a result of the DWP's Verify Earnings and Pensions (VEP) alerts initiative. VEP is an earned income and occupational pension data match with HMRC and indicates undeclared earnings or pensions, as well as highlighting significant variations in the amounts declared.
- 4.8 Almost 41% of the referrals were received via the public; the majority of these referrals relate to DWP benefits or Housing Benefits, and consequently these were forwarded to DWP's SFIS to investigate. Fraud referrals are normally forwarded to SFIS in the following circumstances:

- The referral relates to the entitlement to a DWP benefit such as Income Support, Jobseeker's Allowance or Employment and Support Allowance; or
- The Housing Benefit overpayment is expected to exceed £3,000 (the DWP's threshold for criminal action); or
- It is in the public's interest that a prosecution should result.

During 2019/20, the Fraud Investigator referred 32 cases to the DWP; the DWP do not provide feedback on the outcome of the referrals.

- 4.9 Table 2 illustrates a breakdown of the types of allegations that were referred during the periods:

Types of allegation	2018/19	2019/20
Undeclared income	25	18
Undeclared increase in income	24	11
Undeclared capital/savings	10	9
Living together	23	21
Non-residency	3	8
Discrepancy – non-dependant	8	9
Discrepancy – household occupants (e.g. SPD*)	1	0
Other (e.g. DLA**/Tax Credits/contrived)	1	7
Total:	95	83

*Single person discount

**Disability Living Allowance

- 4.10 The majority of investigations undertaken by Bridgend's Fraud Investigator relate to earnings and savings; this is purely the result of being unable to investigate cases where a DWP benefit may be affected.
- 4.11 During 2019/20, 55 cases were closed (compared to 57 for 2018/19); the closure categories are detailed here in Table 3.

Reason for closure	2018/19	2019/20
No fraud	1	2
Not investigated	22	29
Fraud proven*	34	24

Total:	57	55
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* i.e. sufficient evidence to instigate legal proceedings

- 4.12 Although the number of fraud proven cases has reduced to 44% of the closed cases (60% in 2018/19), there is no discernable reason for the change. 53% of the closed cases were not investigated as either they lacked sufficient details to instigate an investigation, or there was no evidence of fraud (e.g. the person was not claiming benefits).
- 4.13 Table 4 below provides the CTR, and incidental Housing Benefit savings that have been achieved as a result of the fraud investigations concluded during the relevant periods.

Savings	2018/19	2019/20
CTR excess reduction	£32,300	£22,024
Future CTR saving	£12,095	£8,906
Council Tax Benefit	£0	£741
Housing Benefit	£89,058	£67,888
Total:	£133,453	£99,559

The reduction in the value of savings is attributed to shorter periods over which the fraud occurred.

- 4.14 Once a case has been closed as fraud proven and the CTR adjustment (known as an excess reduction) is calculated, the case is referred to the Interim Chief Officer – Finance, Performance and Change or the Benefits and Financial Assessments Manager to determine whether a sanction is appropriate. The sanctions available to the Council are prosecutions, issuing a financial penalty or a fine.
- 4.15 The level of a financial penalty, which is offered as an alternative to prosecution, is prescribed in The Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (Wales) Regulations 2013. The amount of the penalty is 50% of the amount of the excess reduction subject to a minimum amount of £100, and a maximum amount of £1,000. As an alternative to this type of penalty, fines may be issued as follows:
- £100 – may be offered as an alternative to prosecution for acts or omissions that could have led to an incorrect award of CTR;
 - £70 – may be imposed for:
 - an incorrect statement, information or evidence that leads to CTR award that is greater than entitlement; or
 - a failure to notify a change in circumstances meaning that a CTR award is greater than entitlement.

Table 5 illustrates the penalties and fines issued in the relevant period:

Successful sanctions	2018/19	Amount	2019/20	Amount
Prosecutions	0	N/A	2	N/A
Penalties	25	£9,001	17	£6,959

Fines	5	£350	4	£280
Total:	30	£9,351	23	£7,239

4.16 The reduction in the total amount of sanctions directly relates to smaller levels of excess reduction (i.e. 50% of smaller amounts). In addition to the penalties and fines, the Fraud Investigator has also raised administration-penalties totaling £11,244 (£7,389 2018/19), following DWP investigations into Housing and Council Tax Benefit claims.

4.17 **CTR prosecutions**

4.18 Two CTR investigations undertaken by the Fraud Investigator led to successful prosecutions in 2019/20.

4.19 In May 2019, the prosecution resulted in a 12 month Community Order and 60 hours unpaid work. The person was also ordered to pay costs of £600 and an £80 victim surcharge. The CTR excess reduction totaled £2,648.68.

4.20 The second prosecution, in December 2019, resulted in a 12 month Conditional Discharge. The person was also ordered to pay costs of £350 and a £20 victim surcharge. The CTR excess reduction for this case totaled £2,572.73.

4.21 **Joint working**

4.22 In October 2017, the DWP provided details of the joint working approach between SFIS and local authorities' fraud teams. Following a pilot stage with 6 local authorities, including Swansea City Council, all local authorities were invited to sign-up to a joint counter fraud initiative.

4.23 This initiative means that local authority fraud teams will, in appropriate cases, undertake joint investigations with SFIS. Benefits include the sharing of expertise and knowledge, which makes investigations more efficient. Furthermore, the Crown Prosecution Service will instigate criminal proceedings via a single prosecution. Joint working was rolled out across all participating authorities between October 2018 and May 2019 with Bridgend CBC approved to go-live on 29 April 2019.

4.24 To date, one suitable investigation has been referred to the Council by SFIS, and this joint investigation is currently ongoing.

4.25 **Blue Badge misuse**

4.26 In July 2019, the Council worked in partnership with a specialist team from Portsmouth City Council to undertake Blue Badge enforcement action. Working in selected County Borough locations, the two-day drive resulted in 68 interventions, 15 of which were serious enough for fixed penalties to be issued.

4.27 Hundreds of badges were checked and officers were able to provide drivers with advice and clarification over the correct use of the scheme. Twenty Blue Badges, subject to misuse, were retained as part of the crackdown against the fraudulent abuse of the scheme with one further vehicle reported for misuse where no intervention took place as the driver failed to return to the vehicle. The majority of

the misuse involved people using someone else's badge dishonestly to avoid paying for parking.

- 4.28 Of the twenty badges retained, 5 were securely destroyed as they were found to be cancelled or expired, 1 was returned to the badge holder with an official warning letter, 3 were returned to the badge holder with no further action taken, and 11 were considered serious enough to take forward for prosecution. A further case where the badge was not retained, due to no intervention taking place with the driver, was also prosecuted.
- 4.29 Of the 12 cases taken forward for prosecution, 10 were found guilty by the Magistrates' Court. Each was issued with a fine, a victim surcharge, legal and investigation costs. The maximum fine imposed was £295, £100 legal costs, £100 investigation costs and a £32 victim surcharge. One case was found not guilty and another case has been forwarded for trial at Crown Court – this case is still ongoing with a trial date set for July 2020.

5. Effect upon policy framework and procedure rules

- 5.1 None.

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 have been 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 The financial implications are reflected within this report as any fraud impacts on the resources available to the Council.

9. Recommendation(s)

- 9.1 The Committee is recommended to note the report.

Gill Lewis

Interim Chief Officer – Finance, Performance and Change

30 June 2020

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Background documents:

The Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (Wales) Regulations 2013

<http://www.legislation.gov.uk/wsi/2013/588/regulation/13/made>

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BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

16 JULY 2020

REPORT OF THE INTERIM CHIEF OFFICER – FINANCE, PERFORMANCE AND CHANGE

STATEMENT OF ACCOUNTS 2019-20 (UNAUDITED)

1. Purpose of report

- 1.1 The purpose of this report is to present to Audit Committee the unaudited Statement of Accounts for 2019-20 for noting.

2. Connection to corporate well-being objectives / other corporate priorities

- 2.1 This report assists in the achievement of the following corporate well-being objective under the **Well-being of Future Generations (Wales) Act 2015:-**

1. **Smarter use of resources** – ensure that all resources (financial, physical, ecological, human and technological) are used as effectively and efficiently as possible and support the creation of resources throughout the community that can help to deliver the Council's well-being objectives.

- 2.2 The Council's financial performance is an important element in determining the extent to which the Corporate well-being 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 Chartered Institute of Public Finance and Accountancy's '*Code of Practice on Local Authority Accounting in the United Kingdom*' (the Code).

- 3.2 In accordance with these regulations, the unaudited Statement of Accounts for 2019-20 required approval and signature by the responsible finance officer by 15 June 2020, 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 15 September 2020 by the Audit Committee in accordance with the Committee's Terms of Reference. If the accounts are not able to be signed and published by this date then the Council must publish a Regulation 10 notice setting out the reasons why.

- 3.3 As a result of the Coronavirus pandemic, the Council was unable to meet the 15 June 2020 deadline and therefore, in line with the requirements of the Regulations, issued a notice advising of this. The unaudited accounts were signed by the responsible finance officer on 30 June 2020, and sent to Audit Wales the same day.

4. Current situation/proposal

- 4.1 The Council's unaudited Statement of Accounts for the financial year ended 31 March 2020 is attached at **Appendix A**. The Statement of Accounts comprise a number of different statements relating to financial performance and reserves, as well as the Annual Governance Statement. The Annual Governance Statement will be signed by the Leader of the Council and Chief Executive once the audit has been completed.
- 4.2 The unaudited Statement of Accounts 2019-20 was signed by the responsible financial officer on 30 June 2020, and sent electronically to Audit Wales the same day.
- 4.3 The Accounts include the following core Financial Statements (pages 15 to 18 of the Accounts):
- Comprehensive Income and Expenditure 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 £0.564 million. This is transferred to the Council Fund, increasing it to £9.340 million as at 31 March 2020 (£8.776 million at 31 March 2019). This represents a 6.4% increase on the Council Fund from the balance at 31 March 2019. The Expenditure and Funding Analysis (page 36) shows how this surplus on the Council Fund is adjusted to a deficit of £13.512 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 as at 31 March 2020 are summarised in the table below, with further details available on pages 61 to 63 of the Statement of Accounts:

Opening Balance 01-Apr-19	Reserve	Movement during year		Closing Balance 31-Mar-20
		Net Additions/ Reclassification	Drawdown by Directorates	
£'000		£'000	£'000	£'000
(8,776)	Council Fund	(564)	-	(9,340)
(614)	Delegated Schools Balance	-	506	(108)
(2,968)	Equalisation and Grant Reserves	(1,758)	1,030	(3,696)
(44,525)	Earmarked Reserves	(13,655)	6,762	(51,418)
(56,883)	TOTAL INCLUDING COUNCIL FUND	(15,977)	8,298	(64,562)

- 4.6 The balance on the Council Fund is in line with the Medium Term Financial Strategy (MTFS) Principle 9 that the balance "will normally be maintained at a level of 5% of the Council's net budget, excluding schools". The net budget excluding schools for

2019-20 was £177.133 million, 5% thereof being £8.857 million. The Council fund is currently at 5.27% of the net budget excluding schools.

- 4.7 As can be seen above, School balances have decreased by £506,000 to £108,000 at the end of the financial year, representing 0.17% of the funding available. Out of a total of 59 schools there are 28 schools (25 primary and 3 secondary) with deficit balances and of these 8 schools (5 primary, 1 secondary and 2 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’.
- 4.8 There has been a net increase to Earmarked and Equalisation and Grant Reserves of £7.621 million to £55.114 million at 31 March 2020 (£47.493 million at 31 March 2019). There have been additions to existing reserves or new reserves created of £15,413 million and drawdown by Directorates of £8.298 million. The table below shows some of the more significant movements on reserves:

Opening Balance 01-Apr-19 Reserve		Movement as at Quarter 4		Closing Balance 31-Mar-20
		Net Additions/Re classification	Draw-down	
£'000		£'000	£'000	£'000
13,872	Capital Programme Contribution	7,339	(333)	20,878
1,587	IFRS Grants	1,678	(865)	2,400
875	Building Maintenance Reserve	1,338	(189)	2,024
443	Capital Asset Management & Asbestos Fund	1,024	(367)	1,100
2,108	Digital Transformation, ICT & Finance Systems	-	(788)	1,320
1,600	MTFS Budget Contingency	-	(694)	906

- 4.9 The Capital Programme reserve has been increased to meet future pressures and schemes within the Capital Programme 2020-2030, including Band B school developments. The IFRS grants relates to grant income received this year that will be utilised during 2020-21. The Building Maintenance Reserve has been increased to meet the needs of future schemes including the required works to Brackla 1 Car Park. Additions have been made to the Capital Asset Management and Asbestos Fund to meet survey costs and any necessary works necessary for the removal of asbestos in buildings if necessary. There has been drawdown on these reserves during the year, as well as against the Digital Transformation, ICT & Finance Systems and MTFS Budget Contingency reserves.
- 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 2019-20 was £22.822 million. Assets created, improved or under development as a result of this spend included:
- Supporting people's independence at home via Disabled Facilities Grants
 - Highways and carriageway maintenance and improvement works
 - Bridge Strengthening – A4061 Ogmore Valley
 - Porthcawl Resort Investment
 - ICT infrastructure developments funded via the Welsh Government HWB Grant

- 4.11 There are various notes within the Accounts that detail how the capital expenditure is financed and the nature of assets have been developed or enhanced.
- 4.12 The Annual Governance Statement (AGS) from page 84 highlights the challenges the Council faces in the delivery of the £29 million savings identified in the Medium Term Financial Strategy. It also includes an Action Plan for 2020-21 which will be monitored by Corporate Management Board.
- 4.13 The unaudited Statement of Accounts is now being reviewed by Audit Wales. A reasonable amount of audit work had already been completed prior to passing the certified Accounts to Audit Wales. A final version of the Accounts will be brought back to the Audit Committee in September 2020, which will need Audit Committee approval in accordance with the Accounts and Audit (Wales) Regulations 2014 (as amended 2018), and to be signed by the Chair of Audit Committee.

5. Effect upon policy framework and procedure rules

- 5.1 There is a legal requirement for the Statement of Accounts to be signed by the responsible financial officer prior to submission to Audit Wales. In the current year a Regulation 10 notice has been issued which has set out why the Accounts were not certified by 15 June 2020, as a result of the Coronavirus pandemic. However, the Accounts were submitted as soon as possible and passed to Audit Wales on 30 June 2020.

6. Equality Impact Assessment

- 6.1 Whilst the production of the Statement of Accounts 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 The well-being goals identified in the Act were considered in the preparation of this report. As the report is for information 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 These are reflected in the body of the report.

9. Recommendation(s)

- 9.1 That members:
- note the unaudited Statement of Accounts 2019-20 (**Appendix A**).

Gill Lewis CPFA
Interim Chief Officer – Finance, Performance and Change
July 2020

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Statement of Accounts

Published subject to audit

Bridgend County Borough Council • 2019-20

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Narrative Report

“ One council, working together to improve lives ”

Introduction

This report presents the 2019-20 Statement of Accounts for Bridgend County Borough Council (the Council). It sets out the Council's financial performance for the past year and is prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20.

Over the past 10 years the Council has cumulatively made around £68 million of savings and further efficiencies and savings are required moving forward. The process of identification of savings, changing the way the Council works to ensure modern, improved and resilient services, is on-going. The continued need to achieve savings in a difficult financial year will need to continue at least in the short- and medium-term. Given significant economic uncertainty, not least the potential impact of the exit from the European Union, and the aftermath of the Covid-19 pandemic, the Council will continue to face financial challenges as it strives to deliver its vast array of services to the communities it supports. It needs to do so whilst remaining financially resilient.

Bridgend as a place

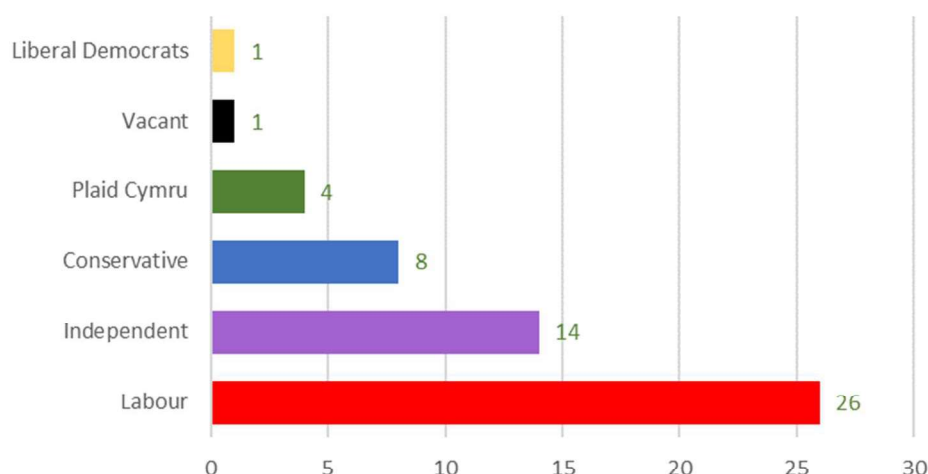
Bridgend is conveniently situated between Wales' capital city, Cardiff, to the east and the city of Swansea to the west, approximately 20 miles from each. Nestled just south of the M4 corridor, with easy access from both major cities, bounded by the Bristol Channel to the south, it is at the heart of the South Wales industrial and coastal belt. Bridgend as a County Borough is home to over 140,000 residents and continues to grow. The County 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, to the south west is the coastal town of Porthcawl and to the east is Pencoed. Bridgend is one of 22 Councils in Wales, and accounts for approximately 4.5% of the country's population.



Population	144,876
Land area	98.5 square miles
Households	64,766
Council employees	4,191 (full time equivalent)
Businesses	4,160
Councillors	54

- The Council manages an asset base, excluding the road network, of £530 million to deliver its services.
- The Council employs over 5,700 staff both full- and part-time, to deliver a wide range of services including education, social care, highways maintenance and economic development.
- The Council has 54 elected Councillors who represent the people of Bridgend and set the overall Council strategy and budget framework.

Bridgend Councillors Political Party Representation



The constitution sets out how the Council operates, how decisions are made and the procedures to be followed to ensure decisions are efficient, transparent and accountable to local people. Council elects a Mayor annually to perform a civic role and promote the county. Council also appoints a leader of the Council who appoints Cabinet Members, each with a responsibility for a specific portfolio of services.

The role of the Cabinet is to be responsible for most major decisions; provide leadership; and propose the budget framework and budget.

Scrutiny Committees support the work of the Cabinet and Council by:

- Monitoring decisions of the Cabinet
- Allowing all Councillors, citizens and stakeholders to have a say in matters concerning the Council
- Producing reports and recommendations to support the development of policies and decisions
- Having the ability to review a decision which has been made but not yet implemented.

Regulatory and other committees support delivery of Council services. Council has given Audit Committee the responsibility for the review of the Financial Statements of the Council.

The Council's Corporate Management Board is led by the Chief Executive and includes the 3 Corporate Directors, the Monitoring Officer and Chief Finance Officer.

The Council has agreed a principle of focusing diminishing resources on communities and individuals with the greatest need. It has identified three priorities that are intended to improve the quality of life of people in the county borough while significantly changing the nature of the Council:

These three priorities are the Council's well-being objectives under the Well-being of Future Generations (Wales) Act 2015 and set out the Council's contribution towards meeting the Act's seven national goals:

Our well-being objectives**Well-being of Future Generations (Wales) Act's seven 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.*

Governance

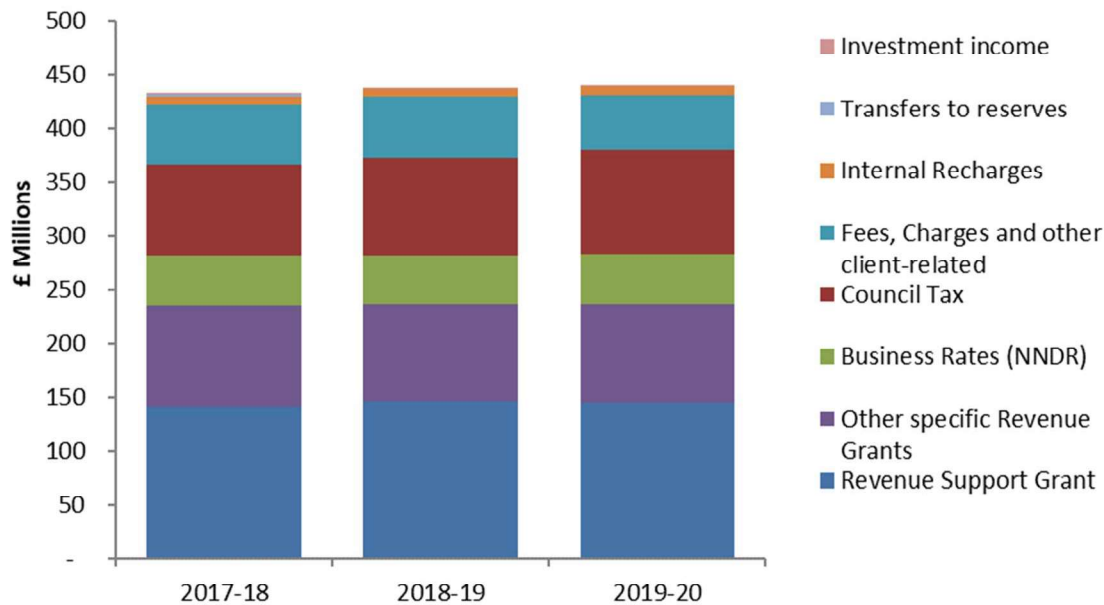
The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. This includes ensuring that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government (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 the Statement of Accounts sets, out in detail the Council's governance arrangements.

COVID-19

The UK was put into lockdown on 23 March 2020 in an unprecedented step to attempt to limit the spread of coronavirus. This followed similar action in other countries across the World. The UK Government put into place a limited number of reasons for people to be allowed to leave their homes. As a consequence many non-essential shops and businesses had to close, schools were closed and all non-key workers were required to work from home where possible. The initial 3-week lockdown has been extended a number of times, and as at 30 June had been in place some 15 weeks, though there have been some slight easing of restrictions from 1 June. The worldwide COVID-19 pandemic has, and will continue to have, an unprecedented impact upon society as a whole. This has led to significant changes to the day-to-day management of the Council, and the nature and delivery of its operations. Moving forward the Council will have to re-organise the way some of its services and staff work, making sure that it puts in place the necessary social distancing measures to keep both its staff and users of Council services safe.

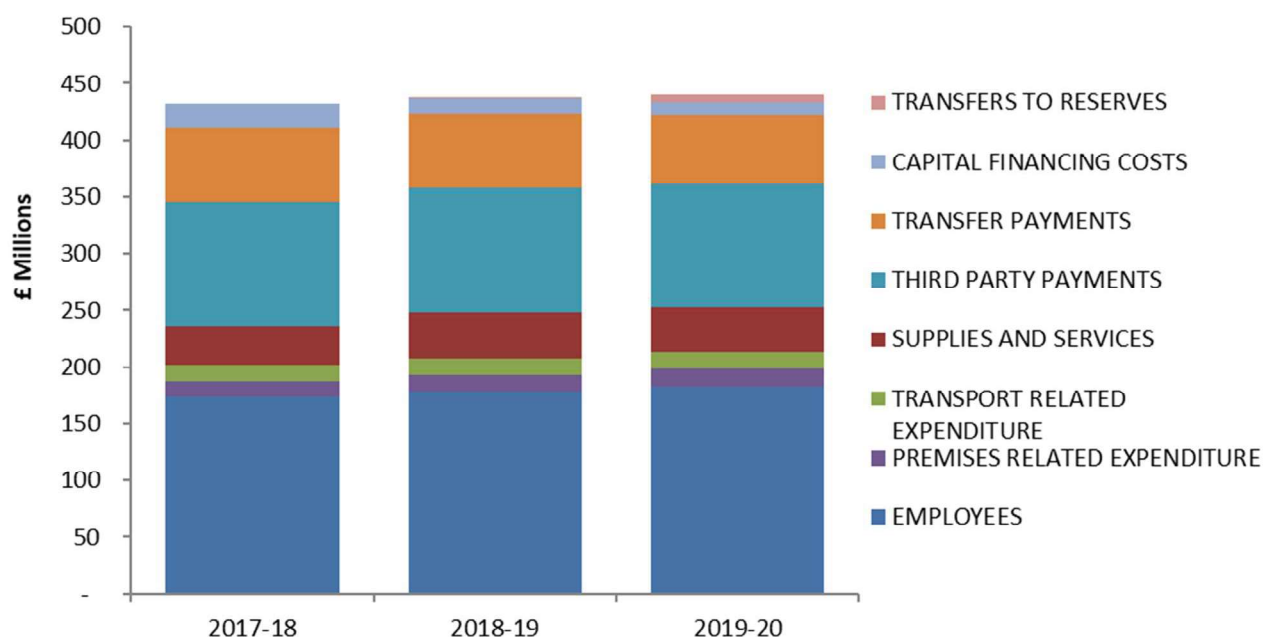
Financial Performance

Over the last 10 years the Council has made around £68 million of budget reductions. This represents 30% of the Council's 2009-10 budget. Taking into account expenditure and services which are funded by specific grants, fees or charges, the Council's gross budget for 2019-20 was £438 million. This covers the day-to-day running costs of the Council including staff, waste collection, schools, care workers, foster carers and leisure services. The Council receives revenue funding from the Welsh Government (Revenue Support Grant), specific grants, business rates (NNDR), Council Tax, fees and charges and from its investments as shown below.



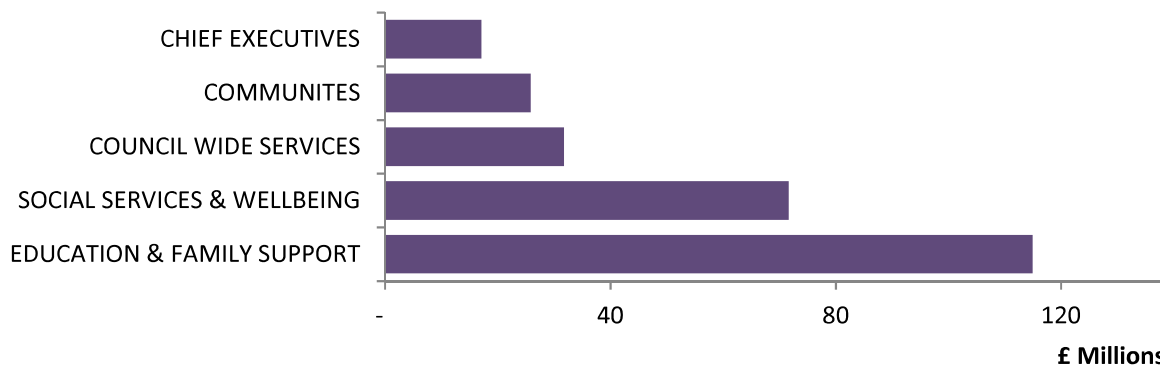
The majority of the Council's funding is from the Welsh Government via the Revenue Support Grant (35%) with other Government Grants (including specific grants from Welsh Government) making up just over another quarter of the Council's income (26%). Council tax accounts for approximately 23% of income. The Council is able to charge for a number of services including social care, car parking and licensing, which makes up just 8% of the total Council income.

The Council spends its money on employees, premises related expenditure, transport costs, supplies and payments to 3rd party providers. The Council also has to meet capital financing costs (interest) as part of its long-term borrowing arrangements. At the end of 2019-20 the Council created a COVID-19 reserve to provide for unknown future costs in relation to the pandemic. As such the Council was able to make a net contribution to reserves for the year. The Council's expenditure is analysed below.



Directorate Spending

Council spending by Directorate was within 99.76% of budget for all departments reflecting sound financial management and budgetary control. The table below shows the net spend by service Directorate.



The Council achieved an underspend in the year of £0.564 million, or 0.21% 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. The table below shows the closing position for each Directorate and also for the non-Directorate specific government and other funding to the Council. The Council's outturn report for the year can be found on the Council's website.

DIRECTORATE	Net Budget £'000	Net Expenditure £'000	(Under)/over spend £'000
Education & Family Support	114,843	114,953	110
Social Services and Well-being	71,587	71,650	63
Communities	26,284	25,852	(432)
Chief Executives	18,622	17,115	(1,507)
Council Wide Services	39,473	31,783	(7,690)
Funding and financing	(270,809)	(261,917)	8,892
Total	-	(564)	(564)

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 above inflation increases in the national living wage, and calls to implement the real living wage, but also any pay claims for local government workers and recent increases in employers' contributions for teachers' pensions. Whilst the published Welsh Government settlement for Bridgend for 2020-21 is an increase of 4.7%, the real increase is much less as it includes a significant number of transfers into the Revenue Support Grant towards the increased costs of teachers' pay and pensions. As a result of the Chancellor's one-year spending round in September 2019, and the subsequent UK General Election in December 2019, followed by the departure from the European Union and the Covid-19 pandemic at the beginning of 2020, no indications have been provided by the Welsh Government in respect of the settlement for Councils in 2021-22 which makes forward planning very difficult.

Whilst the Council continues to face increasing pressures on its budget, it had approved a balanced budget for 2020-21. However, the impact of the COVID-19 pandemic will have an inevitable impact on

the Council's income, costs and 2020-21 budget. The Council will need to review its priorities and budgets in light of the impact of the pandemic in the County Borough, and re-focus these to enable them to move towards a more stable recovery phase as we move out of lockdown.

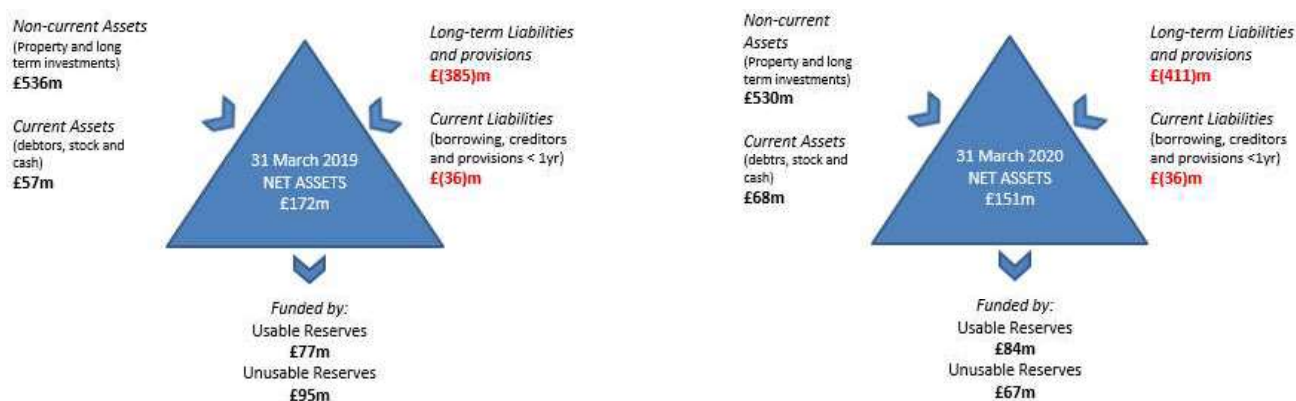
On 29 March 2017 the UK Government submitted its notification to leave the EU in accordance with Article 50. The triggering of Article 50 started a two-year negotiation process between the UK and the EU. On 31 January 2020 the United Kingdom left the European Union and the Withdrawal Agreement concluded with the EU entered into force. On 31 December 2020, at the end of the transition period, the UK will revert to its economic and political independence, and will no longer be part of the EU Single Market or Customs Union. The uncertainty regarding the impact of the UK's exit from Europe will inevitably create challenges for the Council and the communities it supports over the forthcoming months and years. The Council continues to work with its partners to prepare as best it can for Brexit and the UK's departure from the European Union and has maintained a project board, chaired by the Chief Executive, with representatives from each Council department, to review all council services, maintain and update a 'risk register' and to ensure that contingency plans are in place. Businesses, residents, staff and elected members are regularly updated, and the council is raising awareness of the EU Settlement Scheme. The Council will continue to work alongside partners to obtain answers on important issues such as how post-Brexit funding will be delivered.

Financial position

The Council manages significant assets and cash flows. During the year the Council:

- Held £530 million of long-term assets, including £522 million of operational assets for delivering services, £5 million investment properties and £3 million of intangible assets
- Generated £37 million of fees and charges and other service income used to deliver services

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



Borrowing

The Council has long term borrowing outstanding as at 31 March 2020 of £97.401 million. This is a mixture of Public Works Loan Board (PWLB) of £77.617 million and Lender Option Borrower Options (LOBOs) of £19.784 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 £530 million. Borrowing is permitted in line with the Prudential Code for Capital Finance in Local Authorities 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. Should the opportunity arise for the Council to repay its LOBOs at a benefit to the Council,

Pensions Liability: £289 million

Capital

	OUTTURN	TEN YEAR PLAN			
	2019-20	2020-21	2021-22	2022-23 to 2029-30	Total
EXPENDITURE	£'000	£'000	£'000	£'000	£'000
Education & Family Support	4,134	6,582	7,215	45,639	59,436
Social Services and Well-being	858	-	-	-	-
Communities	12,368	46,589	18,216	50,882	115,687
Chief Executives	5,462	2,550	2,250	18,000	22,800
Unallocated	-	713	-	8,367	9,080
Total Expenditure	22,822	56,434	27,681	122,888	207,003
FUNDING					
Grants and s106 Contributions	16,439	21,551	11,496	82,690	115,737
Capital Receipts and Revenue Contributions	1,168	23,664	9,947	8,694	42,305
Borrowing	5,215	11,219	6,238	31,504	48,961
Total Funding	22,822	56,434	27,681	122,888	207,003

The Council, in partnership with Linc Cymru, saw the completion and opening of a second Extra Care scheme in Bridgend to support older people to continue to live independently within their community. Improvements in Porthcawl continued with the completion of the town beach sea defence scheme. The Council continued to support adults and vulnerable people at home through increased expenditure in relation to Disabled Facilities Grants. The Council also invested significantly in ICT infrastructure for schools via the HWB Infrastructure grant award from Welsh Government.



Porthcawl Beach Defences

The Financial Statements

The Statement of Accounts are included in this document, and consist of the following financial statements:

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.

The Comprehensive Income & Expenditure Statement (CIES)

This records all of the Council's income and expenditure 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, which may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Movement in Reserves Statement (MiRS)

The Movement in Reserves Statement shows the movement from the start of the year to the end of the year on the different reserves held by the Council, analysed into 'usable reserves' - those that can be used to fund expenditure or reduce local taxation - and 'unusable' reserves, which must be set aside for specific purposes. Unusable reserves would include unrealised gains and losses (such as the Revaluation Reserve), where amounts would only become available if the assets are sold, and reserves that reflect 'adjustments between accounting basis and funding under regulations'. The surplus or deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the Council Fund Balance for council tax setting purposes. The Net Increase/Decrease line shows the statutory Council Fund balance movements in the year following those adjustments.

Balance Sheet

This records a snapshot of the Council's assets, liabilities, cash balances and reserves at the year-end date. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.

Cash Flow Statement

The Cash Flow Statement shows the reason for 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.

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.

Conclusion

Whilst 2019-20 has been a challenging year financially, the Council was able to remain within its net revenue budget despite increasing service demands and a continued negative funding outlook for the public sector in general. However, the impact of the COVID-19 pandemic is likely to have much greater financial and service delivery impacts for at least the next financial year and potentially beyond. These challenging times will have a significant financial impact for us as individuals, for our residents, communities and businesses, and the detailed financial assumptions underpinning the Council's Medium Term Financial Strategy will need constantly revisiting to ensure the ongoing financial resilience of the Council.

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 Chief Finance Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Chief Financial Officer's Responsibilities

The Chief Financial 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 Chief Financial 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.

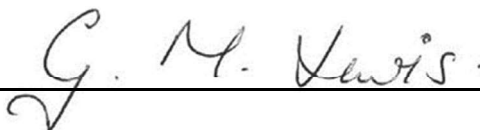
The Chief Financial Officer has also:

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

Chief Financial 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 2020 and of its income and expenditure for the year ended 31 March 2020

Signed: _____





Comprehensive Income and Expenditure Statement

2018-19 restated					2019-20				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	
140,656	(26,415)	(9,223)	105,018	Education and Family Support	164,877	(28,167)	(10,326)	126,384	
99,857	(5,531)	(16,336)	77,990	Social Services and Wellbeing	99,469	(7,332)	(17,919)	74,218	
52,223	(7,105)	(6,069)	39,049	Communities	53,945	(8,090)	(5,466)	40,389	
80,514	(55,580)	(2,439)	22,495	Chief Executives	74,483	(50,653)	(2,961)	20,869	
22,948	-	(1,642)	21,306	Council Wide Services	18,453	(175)	(300)	17,978	
396,198	(94,631)	(35,709)	265,858	Cost Of Services	411,227	(94,417)	(36,972)	279,838	
				Other Operating Expenditure					
14,945			14,945	Precepts payable	16,453		-	16,453	7
7,070			7,070	Levies payable	7,116		-	7,116	7
276			276	(Gain) / loss on disposal of non current assets	-		(210)	(210)	
22,291	-	-	22,291	Other Operating Expenditure	23,569	-	(210)	23,359	
				Financing and Investment Income and Expenditure					
4,550			4,550	Interest payable on debt	4,551			4,551	31
54			54	Interest element of finance leases (lessee)	48			48	31
1,306			1,306	Interest payable on PFI unitary payments	1,256			1,256	13
6,760			6,760	Net Interest on Net Defined Benefit Liability	6,120			6,120	30
		(1,012)	(1,012)	Investment Income & Other Interest Receivable	-		(1,099)	(1,099)	31
		(275)	(275)	Changes in fair value of investment properties	-		-	-	
12,670	-	(1,287)	11,383	Financing and Investment Income and Expenditure	11,975	-	(1,099)	10,876	
				Taxation and Non-Specific Grant Income					
	(145,780)		(145,780)	Revenue Support Grant	-	(145,354)	-	(145,354)	8
		(45,802)	(45,802)	National Non Domestic Rates	-	-	(46,452)	(46,452)	9
		(90,018)	(90,018)	Council Tax	-	-	(96,957)	(96,957)	10
	(9,494)		(9,494)	Recognised capital grants and contributions	-	(11,798)	-	(11,798)	11
-	(155,274)	(135,820)	(291,094)	Taxation and Non-Specific Grant Income	-	(157,152)	(143,409)	(300,561)	
431,159	(249,905)	(172,816)	8,438	(Surplus) or Deficit on Provision of Services	446,771	(251,569)	(181,690)	13,512	
		(33,337)	(33,337)	(Surplus) or deficit on revaluation of Property, Plant and Equipment	-	-	(4,094)	(4,094)	
5,605			5,605	Impairment losses on non-current assets charged to the Revaluation reserve	4,476	-	-	4,476	
		(26,320)	(26,320)	Actuarial (gains) / losses on pension liabilities	7,300	-	-	7,300	30
				Other Comprehensive (Income) and Expenditure				7,682	
			(45,614)	Total Comprehensive (Income) and Expenditure				21,194	

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 2018 brought forward	8,347	48,075	21,161	288	77,871	48,363	126,234
<u>Movement in Reserves during 2018-19</u>							
Total Comprehensive (Income) and Expenditure	(8,438)				(8,438)	54,052	45,614
Adjustments between accounting basis & funding basis under regulations (Note 20)	8,899		(3,239)	1,194	6,854	(6,854)	-
Transfers to Earmarked Reserves (Note 28)	(32)	32			-		
Increase/(Decrease) in 2018-19	429	32	(3,239)	1,194	(1,584)	47,198	45,614
Balance at 31 March 2019 carried forward	8,776	48,107	17,922	1,482	76,287	95,561	171,848

	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 2019 brought forward	8,776	48,107	17,922	1,482	76,287	95,561	171,848
<u>Movement in Reserves during 2019-20</u>							
Total Comprehensive (Income) and Expenditure	(13,512)				(13,512)	(7,682)	(21,194)
Adjustments between accounting basis & funding basis under regulations (Note 20)	21,191		686	(1,165)	20,712	(20,712)	-
Transfers to Earmarked Reserves (Note 28)	(7,115)	7,115			-		
Increase/(Decrease) in 2019-20	564	7,115	686	(1,165)	7,200	(28,394)	(21,194)
Balance at 31 March 2020 carried forward	9,340	55,222	18,608	317	83,487	67,167	150,654

Balance Sheet

31 March 2019 £'000		31 March 2020 £'000	Notes
	Property, Plant & Equipment		21c
430,421	Other Land and Buildings	424,613	
5,078	Vehicles, Plant, Furniture and Equipment	6,742	
65,147	Infrastructure	67,559	
4,912	Community Assets	4,912	
662	Assets under Construction	816	
17,530	Surplus Assets not Held for Sale	17,108	
220	Heritage Assets	220	
4,635	Investment Property	4,635	22
3,593	Intangible Assets	3,032	21d
4,011	Long Term Investments	-	31
536,209	Long Term Assets	529,637	
20,054	Short Term Investments	25,097	31
2,560	Assets Held for Sale	2,560	24
725	Inventories	678	
32,300	Short Term Debtors	36,342	23
1,051	Cash and Cash Equivalents	3,646	
56,690	Current Assets	68,323	
(2,551)	Short Term Borrowing	(915)	31
(31,782)	Short Term Creditors	(34,533)	25
(1,925)	Provisions due in 1 year	(986)	26
(36,258)	Current Liabilities	(36,434)	
(4,311)	Provisions due after 1 year	(3,999)	26
(97,412)	Long Term Borrowing	(97,401)	31
	Other Long Term Liabilities		
(17,054)	PFI & Other Long Term Liabilities	(16,447)	27
(263,510)	Net Pensions Liability	(289,190)	30
(2,506)	Capital Receipts in Advance	(3,835)	
(384,793)	Long Term Liabilities	(410,872)	
171,848	Net Assets	150,654	
	Usable reserves		28
8,776	Council Fund	9,340	
48,107	Earmarked reserves	55,222	28b
17,922	Capital Receipts Reserve	18,608	28a
1,482	Capital Grants Unapplied	317	
	Unusable Reserves		29
149,553	Revaluation Reserve	144,203	29a
(263,510)	Pensions Reserve	(289,190)	29b
213,123	Capital Adjustment Account	216,218	29c
(715)	Financial Instruments Adjustment Account	(706)	
	Short-term Accumulating Compensated		
(2,890)	Absences Account	(3,358)	
171,848	Total Reserves	150,654	

Cash Flow Statement

2018-19 £'000		2019-20 £'000	Notes
8,438	Net (surplus)/deficit on the Provision of Services	13,512	
(24,524)	Adjustments to net deficit on the provision of services for non-cash movements	(36,433)	34
11,378	Adjustments for Items included in the net deficit on the provision of services that are investing and financing activities	12,723	
(4,708)	Net Cash Flows from Operating Activities	(10,198)	35
14,565	Investing Activities	19,081	36
(10,820)	Financing Activities	(11,478)	37
(963)	Net (Increase) / Decrease in Cash & Cash Equivalents	(2,595)	
(88)	Cash & Cash Equivalent at the beginning of the Reporting Period	(1,051)	
(1,051)	Cash & Cash Equivalent at the end of the Reporting Period	(3,646)	

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.



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1. Accounting Policies

1.1 General principles

The Statement of Accounts summarises the Council's transactions for the 2019-20 financial year and its position at the year end of 31 March 2020. 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) 2019-20 and the *Service Reporting Code of Practice* 2019-20 supported by International Financial Reporting Standards (IFRS).

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

1.2 Standards that have been issued but not yet adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 (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 2019-20 Code:

Standard	Effective date	Further details
IAS 28 Investments in Associates and Joint Ventures – Long-Term interests in Associates and Joint Ventures	2019-20	This relates to the application of IFRS 9 – Financial Instruments – to the measurement and application, in particular relating to impairment, of long term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture.
IFRS Standards 2015-17 Cycle	2019-20	This provides amendments to two International Financial Reporting Standards (IFRSs) as a result of the IASB's annual improvements project, namely IFRS 3 – Business Combinations and IFRS 11 – Joint Arrangements, as well as IAS12 – Income Taxes and IAS 23 – Borrowing Costs.
IAS19 Employee Benefits: Plan Amendment, Curtailment or Settlement	2019-20	This requires that if a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the re-measurement are determined using the assumptions used for the re-measurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.
IFRS 16 Leases	2020-21	IFRS16 will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (with an exception for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2020.

The Council does not consider these changes will have any impact on the 2019-20 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 inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Investment income and 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 be impaired, the balance of debtors is written down by the difference between the carrying amount and revised future cash flows and a charge made for the impairment to revenue.

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 Support 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 the number 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 the number of 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 and 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 for 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 the Code of Practice on Local Authority Accounting (the Code) 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.

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 for 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 carrying amount and fair 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 to determine 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 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
- Sale highly probable
- Actively marketed
- Sale 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 non-current assets during the year:

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

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. The Council charges MRP on a straight line basis over 45 years. This ensures that the costs of supported capital expenditure are spread evenly over the lifetime of assets, and that the debt is fully extinguished within forty-five years.

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 Instruments

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

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI).

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified at amortised cost as they are held solely for payment of principal and interest.

Financial Assets held at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value, which is normally the transaction cost. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) represent investment and interest income receivable. For the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued investment and interest income).

Any gains or losses that arise on derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The Council recognises expected credit losses on all its financial assets held at amortised cost, either on a 12 month or lifetime basis. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assumed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

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. 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.

The Council does not hold any financial assets or liabilities at Fair Value, however it is required to provide fair value information as appropriate. The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs – unobservable inputs.

1.17 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.

1.18 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 these 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.

1.19 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; the Vale of Glamorgan and Bridgend. The Joint Committee has been established to oversee delivery of a range of programmes designed to secure sustainable economic growth for the region in order to improve the lives of all in the community, including increasing connectivity and improving 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.

1.20 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. Council Tax Income is shown gross in the Comprehensive Income and Expenditure Statement with any amounts allocated as a result of the Council Tax Reduction Scheme recognised as an expense within net costs of services.

1.21 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.

1.22 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.

1.23 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.

1.24 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 annually 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: based on most recent valuations, adjusted if necessary through 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 net Cost of Services 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.

1.25 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 £22.9 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 2020 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 2019 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 judgement is required in establishing fair values. These judgements 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.

4. Expenditure and Funding Analysis

2018-19 restated				2019-20		
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
110,544	5,526	105,018	Education and Family Support	115,059	(11,325)	126,384
69,135	(8,855)	77,990	Social Services & Wellbeing	71,651	(2,567)	74,218
27,822	(11,227)	39,049	Communities	25,746	(14,643)	40,389
18,065	(4,430)	22,495	Chief Executives	17,115	(3,754)	20,869
29,988	8,682	21,306	Council Wide Services	31,551	13,573	17,978
255,554	(10,304)	265,858	Net Cost Of Services	261,122	(18,716)	279,838
(255,983)	1,437	(257,420)	Other income and Expenditure	(261,686)	4,640	(266,326)
(429)	(8,867)	8,438	Surplus or Deficit	(564)	(14,076)	13,512
8,347			Opening Council Fund Balance	8,776		
429			Surplus or (Deficit) on Council Fund for year	564		
8,776			Closing Council Fund Balance as at 31 March	9,340		

5. Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis 2018-19				
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	10,666	(5,772)	632	5,526
Social Services & Wellbeing	(2,560)	(4,531)	(1,764)	(8,855)
Communities	(7,943)	(2,036)	(1,248)	(11,227)
Chief Executives	(962)	(2,111)	(1,357)	(4,430)
Council Wide Services	3,184	-	5,498	8,682
Net cost of services	2,385	(14,450)	1,761	(10,304)
Other income and expenditure from the Expenditure and Funding Analysis	9,494	(6,760)	(1,297)	1,437
Difference between Council Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	11,879	(21,210)	464	(8,867)

Adjustments between Funding and Accounting Basis 2019-20				
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	(6,307)	(5,006)	(12)	(11,325)
Social Services & Wellbeing	1,345	(3,789)	(123)	(2,567)
Communities	(10,838)	(1,728)	(2,077)	(14,643)
Chief Executives	(1,739)	(1,737)	(278)	(3,754)
Council Wide Services	3,178	-	10,395	13,573
Net cost of services	(14,361)	(12,260)	7,905	(18,716)
Other income and expenditure from the Expenditure and Funding Analysis	12,008	(6,120)	(1,248)	4,640
Difference between Council Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(2,353)	(18,380)	6,657	(14,076)

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. **A segmental analysis of fees, charges and other service income is presented on the face of the Comprehensive Income and Expenditure Statement.**

2018-19 restated £'000		2019-20 £'000
	Expenditure	
192,855	Employee expenses	196,559
198,880	Other services expenses	194,433
4,463	Depreciation, amortisation, impairment	20,228
12,670	Interest payments	11,975
22,015	Precepts and levies	23,570
276	Loss on disposal of assets	(210)
431,159	Total expenditure	446,555
	Income	
(35,709)	Fees, charges and other service income	(36,966)
(135,820)	Income from council tax, non-domestic rates	(143,409)
(249,905)	Government grants and contributions	(251,569)
(1,012)	Investment Income and other Interest Receivable	(1,099)
(275)	Other income	-
(422,721)	Total income	(433,043)
8,438	(Surplus) or Deficit on the provision of services	13,512

Notes to the Comprehensive Income and Expenditure Statement

7. Precepts and levies

Precepts are the amounts paid to non-billing authorities (e.g. community councils) by billing authorities 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 and other Councils contribute to the costs, or by external bodies who levy on the appropriate Councils. The amounts paid were as follows:

2018-19 £'000		2019-20 £'000
	Precepts	
12,450	Police and Crime Commissioner for South Wales	13,832
2,495	Community Councils	2,621
14,945	Total Precepts	16,453
	Levies	
6,689	South Wales Fire and Rescue Authority	6,747
271	Coroners Service	260
92	Archive Service	91
18	Swansea Bay Port Authority	18
7,070	Total Levies	7,116
22,015	Total Precepts and Levies	23,569

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 2019-20 was £145.35 million (£145.78 million for 2018-19).

9. National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Welsh Government (WG) 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 (the multiplier). The multiplier was 52.6p in 2019-20 (51.4p in 2018-19). The total rateable value of the Council equalled £99,152,723 on 31 March 2020 (£98,716,925 on 31 March 2019). 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 to local authorities pro rata to adult population in each Council's area.

The Council receives a contribution directly from the NNDR pool. The income from this is reflected separately in the Comprehensive Income and Expenditure Statement. This amount was £46.452 million in 2019-20 (£45.802 million in 2018-19).

10. Council Tax

Council Tax Income derives from charges raised from residential properties, which have been classified into ten valuation bands based on the value the property is estimated to have been on 1 April 2005. 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 factor to convert the number to a Band D equivalent, which is then adjusted for discounts. The gross tax base is then multiplied by the estimated collection rate to give the net tax base on which the budget is set – this was 53,710.97 Band D equivalents for 2019-20 (53,315.53 in 2018-19). The average charge for a Band D property is £1,777.19 in 2019-20 (£1,675.82 in 2018-19 on average) and this is multiplied by the factor 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
Factor	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9
Chargeable Dwellings	28	10,156	14,866	14,180	10,568	7,488	4,234	1,404	281	89

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

2018-19 £'000		2019-20 £'000
(90,018)	Council Tax Collectable	(96,957)
	Less:	
2,495	Payable to Community Councils	2,621
12,450	Payable to Police and Crime Commissioner for South Wales	13,832
290	Provision for non-payment of Council Tax increase/(decrease)	417
(74,783)	Net Proceeds from Council Tax	(80,087)

11. Grants

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

2018-19 re-stated £'000	Specific Grants credited to Services	2019-20 £'000
(46,357)	Housing Benefit Subsidy	(40,207)
(6,022)	Post 16 Grant	(6,105)
(4,921)	Education Improvement Grant	(4,895)
(4,549)	Pupil Development Grant	(4,592)
(5,837)	Other Education & Family Support	(9,136)
(3,140)	Other Social Services & Wellbeing	(3,274)
(2,210)	Others	(4,911)
(6,074)	Supporting People	(5,767)
(929)	Sport Play & Active Wellbeing	(858)
(2,931)	Concessionary Fares Grant	(2,763)
(3,227)	Flying Start	(3,076)
(781)	Sustainable Waste Grant	(870)
(576)	Housing/Council Tax Benefit Administration	(874)
(1,113)	Integrated Care Fund	(2,168)
(1,858)	Families First	(1,690)
(2,394)	General Capital Grant	(2,280)
(1,712)	Other Capital Grants	(951)
(94,631)	Total	(94,417)

2018-19 £'000	Other Government Grants credited to Taxation and Non-specific Grant Income	2019-20 £'000
(9,494)	Capital Grants and Contributions	(11,798)
(9,494)	Total	(11,798)

(104,125)	Total	(106,215)
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12. Leases

Council as a Lessee

Operating Leases

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

2018-19 £'000		2019-20 £'000
(704)	Not later than one year	(681)
(1,794)	Later than one year but less than five years	(1,419)
(7,094)	Later than five years	(6,664)
(9,592)	Total	(8,764)

Expenditure charged in the year to the Service areas was £0.734 million made up of minimum lease payments of £0.117 million and £0.617 million for contingent rents (2018-19: £0.747 million made up of £0.153 million minimum lease payments and £0.594 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:-

2018-19 £'000		2019-20 £'000
99	Not later than one year	102
159	Later than one year but less than five years	158
1,719	Later than five years	1,702
1,977	Total	1,962

13. Private Finance Initiative (PFI)

During the 2008-09 financial year, the Council commenced payment under a Private Finance Initiative (PFI) arrangement for the provision of a Secondary School in Maesteg – this contract was entered into in 2007-08 and 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 Revenue Support Grant agreed by the Welsh Government, and Council / Delegated School Budget.

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:-

2018-19 £'000	Unitary Charge	2019-20 £'000
682	Service Charge Element	699
1,306	Interest Element	1,256
641	Finance Lease Liability	690
2,629	Total	2,645

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	2020-21 £'000	2021-22 to 2025-26 £'000	2026-27 to 2030-31 £'000	2031-32 to 2034-35 £'000	TOTAL £'000
Service Charge Element	502	2,511	2,512	1,500	7,025
Interest Element	1,203	5,063	2,959	409	9,634
Finance Lease Liability	743	4,672	6,775	4,119	16,309
Total	2,448	12,246	12,246	6,028	32,968

14. Pooled Fund Arrangements

There are some formal pooled budget arrangements between the Council and Cwm Taf Morgannwg University Health Board under Section 33 NHS (Wales) Act 2006. These arrangements were formerly with Abertawe Bro Morgannwg University Health Board until the health board boundary changes from 1st April 2019. The pooled fund arrangement between 3 Councils for the delivery of an Integrated Family Support Service under s.166-169 of the Social Services and Wellbeing (Wales) Act 2014 ended on 31 March 2019

Purpose of Partnership	Partner	Year	Gross Income Of Partnership £'000	Gross Expenditure of Partnership £'000	Council's Contribution £'000
Provision of day opportunities for people recovering from mental health problems.	Cwm Taf-Morgannwg University Health Board	2018-19	(600)	600	300
		2019-20	(600)	600	300
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	Rhondda Cynon Taff CBC Merthyr Tydfil CBC Cwm Taf Morgannwg University Health Board	2018-19	(2,831)	2,712	594
		2019-20	(2,832)	2,799	729
Provision of integrated community support services	Cwm Taf-Morgannwg University Health Board	2018-19	(4,930)	4,930	2,678
		2019-20	(5,176)	5,176	2,539
Provision of an Integrated Family Support Service	Neath Port Talbot CBC, City and County of Swansea Council	2018-19	(632)	632	163
		2019-20	-	-	-

15. Officers' Remuneration

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

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

The ratio of the remuneration of the Chief Executive to the median remuneration of all the Council's employees was 6.28 (2018-19: 6.64). The median remuneration of all employees was £21,166 (2018-19: £20,541), and the Remuneration of the Chief Executive was 6.28 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.

2018-19 including Redundancy Costs	Remuneration Band	Number of Employees			
		2019-20 inc Redundancy Costs (Note 1)	2019-20 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)
32	£60,000 - £64,999	28	27	24	3
12	£65,000 - £69,999	19	19	18	1
6	£70,000 - £74,999	5	5	5	-
4	£75,000 - £79,999	4	4	3	1
10	£80,000 - £84,999	9	6	2	4
6	£85,000 - £89,999	5	4	3	1
5	£90,000 - £94,999	3	2	2	-
1	£95,000 - £99,999	3	3	3	-
1	£100,000 - £104,999	1	1	1	-
3	£105,000 - £109,999	1	-	-	-
1	£110,000 - £114,999	4	3	1	2
1	£120,000 - £124,999	-	-	-	-
-	£125,000 - £129,999	1	1	-	1
-	£130,000 - £134,999	-	-	-	-
1	£145,000 - £149,999	-	-	-	-
-	£150,000 - £154,999	1	-	-	-
1	£195,000 - £199,999	-	-	-	-
1	£225,000 - £229,999	-	-	-	-
1	£245,000 - £249,999	-	-	-	-
86		84	75	62	13

Note 1: These costs include redundancy costs and payments in lieu of notice at time of departure as well as any applicable pension 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: These are officers still in post, of which there are 75 individuals with remuneration of £60,000 or more, including:-

- a) 62 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		Compensation for Loss of Office		Pension Contributions (note 1)		Total Remuneration including Pension Contributions	
	18-19 £	19-20 £	18-19 £	19-20 £	18-19 £	19-20 £	18-19 £	19-20 £
Chief Executive Officer & Head of Paid Service (See Note 2)	104,500	132,099	-	-	22,259	28,137	126,759	160,236
Interim Chief Executive Officer & Head of Paid Service (See Note 2)	29,766	-	-	-	6,340	-	36,106	-
Corporate Director - Education and Family Support (See Note 3)	105,982	110,449	-	-	22,574	23,526	128,556	133,975
Corporate Director - Communities (See Note 4)	82,959	8,790	-	-	17,670	1,872	100,629	10,662
Corporate Director - Operational and Partnership Services (See Note 5)	28,205	-	93,903	-	147,424	-	269,532	-
Corporate Director - Social Services & Wellbeing	108,283	110,449	-	-	23,064	23,526	131,347	133,975
Head of Finance & s151 Officer (See Note 6)	-	-	-	-	-	-	-	-
Head of Legal and Regulatory Services (See Note 5)	56,503	53,937	-	-	11,588	10,840	68,091	64,777
Chief Officer - Legal, HR and Regulatory Services (Note 5)	-	26,968	-	-	-	5,420	-	32,388
Head of Partnership Services (See Note 7)	59,923	84,491	-	-	12,764	17,997	72,687	102,488
Head of Operations - Communities	20,708	89,651	-	-	4,411	19,096	25,119	108,747

Notes

- Note 1 No 'Taxable Expenses' or 'Benefits in kind' were paid in the year. Pension Contributions relate to actual payments made.
- Note 2 The Interim Chief Executive was appointed to the permanent post on 2 May 2019. The remuneration is for the full year in post. The salary excludes payment for Election Duties which amounted to £6,617 for 1 European Election and 1 General Election.
- Note 3 The Corporate Director - Education and Family Support salary excludes payment for Election Duties which amounted to £180 for 1 general election.
- Note 4 The Corporate Director – Communities was appointed on 1 March 2020. It was vacant until that date.
- Note 5 The Corporate Director – Operational and Partnership Services took voluntary redundancy on 6 July 2018.
- Note 6 The Head of Finance – s151 Officer position has been vacant during the year with the role fulfilled through an interim arrangement. The Interim Head of Finance and s.151 Officer is appointed under a contractual arrangement with the Welsh Local Government Association. The costs incurred in this arrangement during the year were £115,557 (2018-19: £104,129).
- Note 7 The Head of Performance and Partnership Services was re-designated as the Head of Partnership Services from 01 December 2019. The salary excludes payment for Election Duties which amounted to £390 for 1 European Election and 1 General Election.

Disclosure 4 – Table on Exit Packages

The number of exit packages approved in the year with total cost per band (£'s) and total cost of 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	
	18-19 £	19-20 £	18-19 £	19-20 £	18-19 £	19-20 £	18-19 £	19-20 £
£0 - £20,000	32	11	29	6	61	17	731,527	154,872
£20,001 - £40,000	34	9	16	3	50	12	1,446,731	344,406
£40,001 - £60,000	16	4	1	-	17	4	814,416	209,590
£60,001 - £80,000	4	2	1	-	5	2	329,394	150,148
£80,001 - £100,000	2	-	-	-	2	-	178,584	-
£100,001 - £150,000	-	1	1	-	1	1	141,821	141,924
£150,001 - £200,000	2	-	-	-	2	-	366,362	-
	90	27	48	9	138	36	4,008,835	1,000,940

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'.

2018-19 £'000		2019-20 £'000
557	Basic Salary (all Members)	571
481	Senior Salary	481
46	Civic Salary	49
1,084	Total	1,101

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 2019-20 Bridgend County Borough Council incurred the following fees relating to external audit and inspection.

2018-19 £'000		2019-20 £'000
192	Financial Statement Audit	188
97	Performance Audit	97
289	External Audit Services	285
54	Grant Claims and Returns	45
343	Total	330

18. Participation in Joint Committees and Joint Arrangements

The Council participated in a number of Joint Committees and Joint Arrangements during the year. The amounts contributed by the Council are set out below.

	2018-19 £'000	2019-20 £'000
Cardiff Capital Region City Deal (CCRCD)	1,257	103
Central South Consortium Joint Education Service	606	571
Integrated Family Support Service (IFSS)	163	-
Joint Adoption Service	949	949
Shared Regulatory Service	1,505	1,686
Shared Internal Audit Service	205	270
Western Bay Youth Justice and Early Intervention Service	287	-
Civil Parking Enforcement	185	190
Glamorgan Archives	92	92
Coychurch Crematorium	-	
Margam Crematorium	-	
Total	5,249	3,861

There were sufficient funds within the Cardiff Capital City Region Deal (CCRCD) pooled fund that the Council was only required to contribute £103,000 for 2019-20. The joint arrangements for the provision of an Integrated Family Support Service and Western Bay Youth Justice and Early Intervention Service both ended on 31 March 2019. These services were provided by the Council as from 1 April 2019.

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 been able 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 is shown in Note 16. Payments made to organisations where Members had an interest included Care and Repair (Bridgend) £1,749,669 (£1,365,954 in 2018-19), Bridgend County Borough Citizens Advice Bureau £180,556 (£226,709 in 2018-19) and Bridgend Association of Voluntary Organisations £ 596,607 in 2019-20 (£92,322 in 2018-19). 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 £478,886 (£293,576 in 2018-19).

Chief Officers

During 2019-20 the Head of Adult Social Care 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 2019-20 the Council was charged £959,453 (2018-19: £1,146,732) in respect of goods, services and capital works. In addition the Head of Operations Community Services took over from the Corporate Director on the 24th October 2019 to sit 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 Head of Operations Community Services was a Director of the Bridgend Business Improvement District (BID) until he resigned in December 2019 following the BID ending in September 2019. The Council acted as the collector of Business Rates on behalf of the Business Improvement District and transferred those monies to the company. The Council had no business transactions with the BID Company. No Directors received any remuneration for this role.

The Interim Head of Finance and s151 Officer is an Independent Member of the Health Education and Improvement Wales Board. The Council had no business transactions with the health authority in 2019-20.

Other 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 Cwm Taf 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 amount paid in 2019-20 was £3,231,354 (2018-19: £3,231,354). The Board of Awen Cultural Trust has two Councillors as Board members.

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.

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.

The tables below detail the adjustments for 2018-19 for comparative purposes and the adjustments for 2019-20.

	Usable Reserves			Unusable Reserves
	Council Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
2018-19	£'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)	21,210			(21,210)
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	(8)			8
Holiday Pay (transferred to the Accumulated Absences Reserve)	(422)			422
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)	8,377			(8,377)
Total Adjustments to Revenue Resources	29,157	-	-	(29,157)
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(1,884)	1,884		
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(4,958)			4,958
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(3,922)			3,922
Total adjustments between Revenue and Capital Resource	(10,764)	1,884	-	8,880
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure		(5,123)		5,123
Application of capital grants to finance capital expenditure	(9,494)			9,494
Cash payments in relation to deferred capital receipts			1,194	(1,194)
Total adjustments to Capital Reserves	(9,494)	(5,123)	1,194	13,423
Total Adjustments	8,899	(3,239)	1,194	(6,854)

	Usable Reserves			Unusable Reserves
	Council Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
2019-20	£'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)	18,380			(18,380)
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	(9)			9
Holiday Pay (transferred to the Accumulated Absences Reserve)	468			(468)
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)	21,561			(21,561)
Total Adjustments to Revenue Resources	40,400	-	-	(40,400)
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(926)	926		
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(5,523)			5,523
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(962)			962
Total adjustments between Revenue and Capital Resource	(7,411)	926	-	6,485
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure		(240)		240
Application of capital grants to finance capital expenditure	(11,798)			11,798
Cash payments in relation to deferred capital receipts			(1,165)	1,165
Total adjustments to Capital Reserves	(11,798)	(240)	(1,165)	13,203
Total Adjustments	21,191	686	(1,165)	(20,712)

Notes to the Balance Sheet

21. Non-current Assets

a) Capital commitments

As at 31 March 2020 the Council had the following material capital commitments.

2018-19 £'000		2019-20 £'000
	- Maesteg Town Hall	6,088
	- Total	6,088

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 undertaken 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 £'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 2018	399,145	9,364	214,177	4,951	15,130	7,739	650,506	24,142
Additions	3,391	1,530	7,457	-	-	9,062	21,440	-
Accumulated Depreciation and Impairment written out to Gross Carrying Amount	(19,417)	(1,123)	-	-	(502)	-	(21,042)	(2,783)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	27,437	352	-	(2)	(56)	-	27,731	1,258
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	16,054	-	-	-	(807)	-	15,247	251
Derecognition - Disposals	(234)	(532)	-	-	(100)	-	(866)	-
Assets reclassified (to)/from Held for Sale	(195)	-	-	-	1,761	-	1,566	-
Other Movements in Cost or Valuation	13,850	-	-	-	2,289	(16,139)	-	-
At 31 March 2019	440,031	9,591	221,634	4,949	17,715	662	694,582	22,868
Accumulated Depreciation and Impairments								
At 1 April 2018	(18,113)	(4,632)	(150,475)	(37)	(2)	-	(173,259)	(1,858)
Depreciation Charge for the year	(10,947)	(1,530)	(5,878)	-	(55)	-	(18,410)	(928)
Accumulated Depreciation and Impairment written out to Gross Carrying Amount	19,417	1,123	-	-	502	-	21,042	2,783
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	(612)	-	(134)	-	-	-	(746)	-
Derecognition - disposals	15	526	-	-	-	-	541	-
Other Movements	630	-	-	-	(630)	-	-	-
At 31 March 2019	(9,610)	(4,513)	(156,487)	(37)	(185)	-	(170,832)	(3)
NBV as at 1 April 2018	381,032	4,732	63,702	4,914	15,128	7,739	477,247	22,284
NBV as at 31 March 2019	430,421	5,078	65,147	4,912	17,530	662	523,750	22,865

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 2019	440,031	9,591	221,634	4,949	17,715	662	694,582	22,868
Additions	7,398	2,679	8,145	-	-	753	18,975	-
Accumulated Depreciation and Impairment written out to Gross Carrying Amount	(4,583)	-	-	-	(185)	-	(4,768)	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,288	-	-	-	(1,096)	-	192	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	499	-	-	-	(660)	-	(161)	-
Derecognition - Disposals	(987)	(26)	-	-	(10)	-	(1,023)	-
Derecognition - other	(213)	-	-	-	-	-	(213)	-
Other Movements in Cost or Valuation	(745)	-	-	-	1,344	(599)	-	-
At 31 March 2020	442,688	12,244	229,779	4,949	17,108	816	707,584	22,868
Accumulated Depreciation and Impairments								
At 1 April 2018	(9,610)	(4,513)	(156,487)	(37)	(185)	-	(170,832)	(3)
Depreciation Charge for the year	(11,151)	(1,015)	(5,490)	-	-	-	(17,656)	(1,213)
Accumulated Depreciation and Impairment written out to Gross Carrying Amount	4,583	-	-	-	185	-	4,768	-
Accumulated impairment written off (where no account balance at 1 April)	(2,656)	-	-	-	-	-	(2,656)	-
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	(574)	-	-	-	-	-	(574)	-
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	1,264	-	(243)	-	-	-	1,021	-
Derecognition - disposals	69	26	-	-	-	-	95	-
At 31 March 2020	(18,075)	(5,502)	(162,220)	(37)	-	-	(185,834)	(1,216)
NBV as at 1 April 2019	430,421	5,078	65,147	4,912	17,530	662	523,750	22,865
NBV as at 31 March 2020	424,613	6,742	67,559	4,912	17,108	816	521,750	21,652

d) Intangible Assets.

The Intangible asset refers to the Wales Community Care Information System, WCCIS. As at 31 March 2020 the remaining life of the asset was 4 years.

Intangible Assets	£'000
Cost or Valuation	
At 1 April 2018	6,003
Additions	37
At 31 March 2019	6,040
Accumulated Depreciation and Impairments	
At 1 April 2018	(1,894)
Depreciation Charge for the year	(553)
At 31 March 2019	(2,447)
NBV as at 1 April 2018	4,109
NBV as at 31 March 2019	3,593

Intangible Assets	£'000
Cost or Valuation	
At 1 April 2019	6,040
At 31 March 2020	6,040
Accumulated Depreciation and Impairments	
At 1 April 2019	(2,447)
Depreciation Charge for the year	(561)
At 31 March 2020	(3,008)
NBV as at 1 April 2019	3,593
NBV as at 31 March 2020	3,032

e) Sources of finance for Capital Expenditure

2018-19 £'000		2019-20 £'000
(6,163)	Loans	(5,215)
(12,037)	Government grants	(13,902)
(5,123)	Capital receipts	(240)
(3,922)	Revenue contribution	(1,168)
(369)	Other contributions	(2,297)
(27,614)	Total	(22,822)

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.

2018-19 £'000		2019-20 £'000
6,137	Revenue Expenditure Funded from Capital under Statute	3,847
(4,106)	Grants and Contributions	(3,230)
2,031	Total	617

g) Capital financing requirement and the financing of capital expenditure

2018-19 £'000	Capital Financing Requirement	2019-20 £'000
170,880	Opening Capital Financing Requirement	172,084
	Capital Investment	
21,477	Property, Plant and Equipment and Intangible Assets	18,975
6,137	Revenue Expenditure Funded from Capital under Statute	3,847
	Sources of Finance	
(12,407)	Grants & Contributions	(16,199)
(5,123)	Capital receipts applied	(240)
(3,922)	Revenue Contributions	(1,168)
(2,858)	Minimum Revenue Provision	(2,885)
(1,459)	Unsupported Borrowing MRP	(1,948)
(641)	PFI School MRP	(690)
172,084	Closing Capital Financing Requirement	171,776
	Explanation for Movements in Year	
1,077	Increase/(Decrease) in Underlying Need to Borrow (supported by government financial assistance)	1,053
768	Increase/(Decrease) in Underlying Need to Borrow (unsupported by government financial assistance)	(671)
(641)	Assets acquired under PFI Contract	(690)

22. Investment Properties

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

2018-19 £'000		2019-20 £'000
4,360	Balance at 1 April	4,635
275	Net gain / (loss) from fair value adjustments	-
4,635	Balance as at 31 March	4,635

23. Short Term Debtors

These represent the monies owed to the Council after making provision for debts that might not be recovered and are analysed as follows:

2018-19 £'000		2019-20 £'000
7,016	Trade Receivables	8,118
2,582	Prepayments	3,056
22,702	Other Receivable Amounts	25,168
32,300	Balance as at 31 March	36,342

The Council collects NNDR payments on behalf of Welsh Government. As at 31 March 2020, the Council had paid over more cash than it collected, this excess was included in the Balance Sheet as a debtor of £0.613 million. The equivalent for 2018-19 was a debtor of £1.385 million.

24. Assets Held for Sale

2018-19 £'000		2019-20 £'000
5,961	Balance at 1 April	2,560
195	Assets newly classified as held for sale: Property, Plant & Equipment	-
(1,761)	Assets declassified as held for resale: Property, Plant & Equipment	-
(1,835)	Revaluation Gain/(Loss)	-
(1,835)	Assets Sold	-
2,560	Balance as at 31 March	2,560

25. Short Term Creditors

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

2018-19 £'000		2019-20 £'000
(5,131)	Trade Payables	(5,883)
(26,651)	Other Payables	(28,650)
(31,782)	Balance as at 31 March	(34,533)

26. Provisions

The Council has provisions as detailed below:

	Insurance £'000	Carbon Reduction Commitment £'000	Other Provisions £'000	Total £'000
Balance at 1 April 2019	5,276	242	718	6,236
Amounts used in 2019-20	(369)	(242)	(640)	(1,251)
Balance at 31 March 2020	4,907	-	78	4,985

Provisions < 1 yr	908	-	78	986
Provisions > 1 yr	3,999	-	-	3,999
Balance at 31 March 2020	4,907	-	78	4,985

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 2019-20 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 contingency for 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 represented the obligation to purchase Carbon Reduction Commitment (CRC) Allowances in relation to carbon dioxide emissions incurred during 2018-19. The payment was made with the retrospective purchase of allowances in 2019-20. This scheme ceased on 31 March 2019.

Other Provisions

This provision is to provide for the value of potential future compensation payments arising from on-going litigation.

27. PFI and Other Long Term Liabilities

2018-19 £'000		Movement in year £'000	Moved to Short Term Creditors £'000	2019-20 £'000
16,310	Maesteg School PFI Lease		(743)	15,567
447	Innovation Centre		(98)	349
250	Waste Contract		(50)	200
47	Escrow		(34)	13
-	Salix Loan	374	(56)	318
17,054	Balance as at 31 March	374	(981)	16,447

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 2019-20, the amount written down was £690,000 and £743,000 has been transferred to Short Term Creditors leaving an outstanding long term liability of £15.567 million on the PFI scheme 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 2019-20 was £90,000 and £98,000 was transferred to Short Term Creditors resulting in a long term financial liability of £0.349 million at 31 March 2020.

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

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 Campus.

28. Usable Reserves

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

a) Usable Capital Receipts Reserve

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

2018-19 £'000		2019-20 £'000
21,161	Balance at 1st April	17,922
1,884	Capital Receipts Received	926
(5,123)	Receipts Used to Finance Capital Expenditure	(240)
17,922	Balance as at 31 March	18,608

b) Earmarked Reserves

The Earmarked Reserves in the Balance Sheet as at 31 March 2020 are detailed below:

Opening Balance 2018-19 £'000	Reserve	Movement during 2019-20		Closing Balance 2019-20 £'000
		Additions/ Re- classification £'000	Drawdown by Directorates £'000	
8,776	Council Fund	564	-	9,340
	Corporate Reserves:			
14,072	Capital Programme Contribution	7,339	(333)	21,078
5,274	Major Claims Reserve	1,000	(998)	5,276
5,301	Service Reconfiguration	-	(309)	4,992
12,083	Other Corporate Reserves	3,395	(3,336)	12,142
36,730	Total Corporate Reserves	11,734	(4,976)	43,488
	Other Reserves:			
5,895	Directorate Reserves	1,332	(1,786)	5,441
1,900	City Deal Reserve	589		2,489
7,795	Total Directorate Reserves	1,921	(1,786)	7,930
614	Delegated Schools Balance		(506)	108
45,139	Total Reserves excluding Equalisation Reserves	13,655	(7,268)	51,526
2,968	Equalisation and Grant Reserves	1,758	(1,030)	3,696
48,107	TOTAL EXCLUDING COUNCIL FUND	15,413	(8,298)	55,222
56,883	TOTAL INCLUDING COUNCIL FUND	15,977	(8,298)	64,562

Council Fund

The transfer to the Council Fund for 2019-20 was £0.564 million. This increased the balance on the Fund to £9.340 million at 31 March 2020 (£8.776 million at 31 March 2019).

Other Earmarked Reserves

The transfer to Earmarked Balances excluding the Council Fund Balance was a net increase of £7.115 million in 2019-20 (net increase of £0.305 million in 2018-19). An overview of each earmarked reserve is explained below.

Corporate Reserves

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.

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.

Service Reconfiguration / Severance Costs

This reserve has been established to meet potential costs relating to service remodelling and consequential severance costs.

Directorate Reserves**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 2020-21 together with some carried forward amounts from 2019-20. Examples include reserves to support transitional arrangements for a residential care home, the process towards Community Asset Transfer, the continued requirement for enforcement officers and dog litter wardens and road safety improvements.

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

2018-19 Closing Balance £'000	School Types	No's in Category	2019-20 Budget £'000	2019-20 Spend £'000	2019-20 Closing Balance £'000
351	Primary Schools	48	46,299	46,842	(543)
(198)	Secondary Schools	9	43,812	43,720	92
461	Special Schools	2	9,818	9,259	559
614	Total	59	99,929	99,821	108

The 2018-19 Closing Balance figure is included within the 2019-20 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

This includes grant reserves where 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 2019-20 there were £1,758,000 (2018-19 - £805,000) of new 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. In addition there are a small number of equalisation reserves that ensures 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. £1.030 million of the reserves were drawn down during the year.

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. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2018-19			2019-20	
£'000	£'000		£'000	£'000
	126,378	Balance at 1 April		149,553
(32)		Prior Year adj		
33,337		Upward Revaluation of Assets	4,094	
		Downward Revaluation of Assets and Impairment		
(5,605)		Losses not charged to the Surplus/Deficit on the	(4,476)	
		Provision of Services		
	27,700	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of services		(382)
(3,755)		Difference between fair value depreciation and historical cost depreciation (charged to the Capital Adjustment Account)	(4,566)	
(770)		Accumulated gains on assets sold or scrapped	(402)	
	(4,525)	Amount written off to the Capital Adjustment Account		(4,968)
	149,553	Balance as at 31 March		144,203

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.

2018-19 £'000		2019-20 £'000
(268,620)	Balance at 1 April	(263,510)
26,320	Actuarial gains or losses on pensions assets and liabilities	(7,300)
(38,650)	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	(35,850)
17,440	Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	17,470
(263,510)	Balance as at 31 March	(289,190)

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 going forward.

2018-19			2019-20	
£'000	£'000		£'000	£'000
	194,640	Balance at 1 April		213,123
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement :		
(18,964)		Charges for depreciation and impairment of non-current assets	(18,218)	
14,502		Revaluation gain/(losses) on Property, Plant and Equipment	(1,797)	
(2,031)		Revenue Expenditure funded from Capital Under Statute	(618)	
		Other amounts including Mortgage Payments		
(1,357)		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	(738)	
	(7,850)	Adjusting amounts written out to the Revaluation Reserve		(21,371)
	3,755			4,566
	(4,095)	Net written out amount of the cost of non-current assets consumed in the year		(16,805)
		Capital financing applied in the year:		
5,123		Use of the Capital Receipts Reserve to finance capital expenditure	240	
8,300		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that has been applied to capital financing	12,969	
4,958		Statutory provision for the financing of capital investment charged against the Council Fund	5,523	
3,922		Capital expenditure charged against the Council Fund	1,168	
	22,303			19,900
	275	Movement in the market value of Investment Properties credited to the Comprehensive Income and Expenditure Statement		
	213,123	Balance as at 31 March		216,218

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. The last triennial valuation took place in 2019-20.

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 2019-20 include information provided by the pension administrators, Rhondda Cynon Taff CBC and Aon Hewitt Associates Limited as the pension fund scheme's actuary.

McCloud Judgement

In December 2018, the Court of Appeal held that transitional protection provisions contained in reformed judicial and firefighter pension schemes, introduced as part of public service pension reforms in 2015, amounted to direct age discrimination and were therefore unlawful. On 27 June 2019 the Supreme Court denied the Government's application for leave to appeal the decisions. The calculation of the liability incorporates the impact of the 'McCloud' judgement.

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
2018-19	2018-19	2018-19	2018-19	Cost of Services :	2019-20	2019-20	2019-20	2019-20
22.65	-	-	22.65	Service cost comprising:	29.26	-	-	29.26
9.24	-	-	9.24	current service cost	0.47	-	-	0.47
-	-	-	-	past service costs	-	-	-	-
-	-	-	-	(gain)/loss from settlements				
6.47	0.19	0.10	6.76	Financing & Investment Income & Expenditure :-	5.87	0.17	0.08	6.12
				Net interest expense				
38.36	0.19	0.10	38.65	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	35.60	0.17	0.08	35.85
				Other Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement				
(40.76)	-	-	(40.76)	<i>Remeasurements of the net defined benefit liability comprising:</i>	22.71	-	-	22.71
46.24	0.19	0.07	46.50	Return on plan assets (excluding the amount included in the net interest expense)	(16.85)	(0.06)	(0.01)	(16.92)
- 32.89	- 0.33	- 0.20	- 33.42	Actuarial (gains) / losses due to changes in financial assumptions	(10.53)	(0.05)	0.00	(10.58)
1.33	0.02	0.01	1.36	Actuarial (gains) / losses due to changes in demographic assumptions	12.14	(0.03)	(0.02)	12.09
				Actuarial (gains) / losses due to liability experience				
(26.08)	(0.12)	(0.12)	(26.32)	Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	7.47	(0.14)	(0.03)	7.30
				Movement in Reserves Statement:-				
(38.36)	(0.19)	(0.10)	(38.65)	Reversal of net charges made for retirement benefits in accordance with IAS 19	(35.60)	(0.17)	(0.08)	(35.85)
				Actual amount charged against the Council Fund Balance for pensions in the year				
16.58	0.48	0.38	17.44	Employer's Contributions payable to the scheme	16.63	0.48	0.36	17.47
(30.34)	(0.48)	(0.38)	(31.20)	Retirement Benefits Paid Out	(25.48)	(0.48)	(0.36)	(26.32)

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
2018-19	2018-19	2018-19	2018-19		2019-20	2019-20	2019-20	2019-20
856.10	7.23	3.47	866.80	Present value of defined benefit obligation	870.04	6.78	3.16	879.98
(603.29)	-	-	(603.29)	Fair Value of Plan Assets	(590.79)	-	-	(590.79)
252.81	7.23	3.47	263.51	Net liability arising from defined benefit obligation	279.25	6.78	3.16	289.19

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

£m		£m
2018-19		2019-20
557.45	Opening fair value of scheme assets at 1 April	603.29
14.38	Interest income on assets	14.43
40.76	The return on plan assets, excluding the amount included in the net interest expense	(22.71)
16.58	Contributions by Employer	16.63
4.46	Contributions by Participants	4.63
(30.34)	Net Benefits Paid Out	(25.48)
603.29	Balance as at 31 March	590.79

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
2018-19	2018-19	2018-19	2018-19		2019-20	2019-20	2019-20	2019-20
814.56	7.64	3.87	826.07	Opening balance at 1 April	856.10	7.23	3.47	866.80
22.65	-	-	22.65	Current Service Cost	29.26	-	-	29.26
20.85	0.19	0.10	21.14	Interest Cost	20.30	0.17	0.08	20.55
4.46	-	-	4.46	Contributions from scheme participants	4.63	-	-	4.63
				<i>Remeasurement (gains) and losses:</i>				-
46.24	0.19	0.07	46.50	Actuarial gains / losses arising from changes in financial assumptions	(16.85)	(0.06)	(0.01)	(16.92)
(32.89)	(0.33)	(0.20)	(33.42)	Actuarial gains / losses arising from changes in demographic assumptions	(10.53)	(0.05)	0.00	(10.58)
1.33	0.02	0.01	1.36	Actuarial gains / losses arising from changes in liability experience	12.14	(0.03)	(0.02)	12.09
9.24	-	-	9.24	Past Service Cost	0.47	-	-	0.47
(30.34)	(0.48)	(0.38)	(31.20)	Benefits Paid	(25.48)	(0.48)	(0.36)	(26.32)
-	-	-	-	Liabilities extinguished on settlements	-	-	-	-
856.1	7.23	3.47	866.8	Balance as at 31 March	870.04	6.78	3.16	879.98

Local Government Pension Scheme assets comprised:

Fair Value of Scheme Assets 2018-19 £m	Asset Split 2018-19 %		Fair Value of Scheme Assets 2019-20 £m	Asset Split 2019-20 %
6.80	1.13	Cash and cash equivalents	5.04	0.85
		Equity Instruments:		
		<i>by industry type (FTSE Sector)</i>		
3.27	0.54	Oil & Gas	1.86	0.31
7.92	1.31	Basic Materials	6.71	1.14
26.08	4.32	Industrials	20.92	3.54
37.08	6.15	Consumer Goods	14.02	2.37
10.02	1.66	Health Care	10.71	1.81
0.00	0.00	Consumer Services	25.21	4.27
0.67	0.11	Telecommunications	1.30	0.22
0.46	0.08	Utilities	0.00	0.00
24.21	4.01	Financials	19.55	3.31
8.29	1.37	Technology	10.71	1.81
0.00	0.00	Real Estate	0.00	0.00
285.68	47.35	Pooled Equity Investment Vehicles	265.94	45.01
403.68	66.90	Sub-total equity	376.94	63.80
		Bonds:		
		<i>By Sector</i>		
75.09	12.45	Corporate	82.90	14.03
72.20	11.97	Government	75.18	12.73
147.29	24.42	Sub-total bonds	158.08	26.76
		Property:		
		<i>By Type</i>		
7.24	1.20	Retail	8.07	1.37
6.06	1.00	Office	6.75	1.14
13.43	2.23	Industrial	14.97	2.53
18.80	3.12	Other Commercial	20.95	3.55
45.53	7.55	Sub-total property	50.73	8.59
603.30	100.00	Total assets	590.79	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:

2018-19 % pa		2019-20 % pa
2.40	Discount rate	2.30
2.20	Rate of pension increases	2.00
3.45	Rate of salary increases	3.25
Years		
22.20	<i>Mortality Assumptions:</i> Longevity at 65 for current pensioners :-	
24.10	Men	21.70
	Women	24.00
23.89	Longevity at 65 for future pensioners :-	
25.90	Men	22.70
	Women	25.50

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 2018-19 £m	Decrease in Assumption 2018-19 £m		Increase in Assumption 2019-20 £m	Decrease in Assumption 2019-20 £m
(15.60)	15.89	Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(17.30)	17.66
3.19	(3.16)	Rate of increase in salaries (increase or decrease by 0.1%)	1.80	(1.78)
12.68	(12.47)	Rate of increase in pensions (increase or decrease by 0.1%)	16.68	(16.31)
27.68	(27.39)	Longevity (increase or decrease in 1 year)	27.86	(27.54)

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 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 2021 are:-

	2020-21 £m
Local Government Pension Scheme	34.51
LGPS Unfunded	0.15
Teachers Unfunded	0.07
Total	34.73

The weighted average duration of the defined benefit obligation for the scheme members is 20.1 years, which is an increase of 1.7 years compared to 2018-19.

Teachers

In 2019-20, the Council paid £10.845 million (£8.3 million for 2018-19) to the Teachers Pensions Agency in respect of teachers' pension costs. In addition, the Council is responsible for all pension payments relating to added years awarded, together with the related increases. In 2019-20, these amounted to £0.402 million (£0.420 million for 2018-19).

31. Financial Instruments Disclosures

Categories of Financial Instruments

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

Financial Assets

31 March 2019					31 March 2020			
Current		Non-current			Current		Non-current	
Invest- ments £'000	Debtors £'000	Invest- ments £'000	Total £'000		Invest- ments £'000	Debtors £'000	Invest- ments £'000	Total £'000
21,105	7,016	4,011	32,132	Amortised Cost	28,742	8,118		36,860
21,105	7,016	4,011	32,132	Total financial asset	28,742	8,118	-	36,860
-	-	4,635	4,635	Non-financial assets	-	-	4,635	4,635
21,105	7,016	8,646	36,767	Total	28,742	8,118	4,635	41,495

The current investments figure above includes accrued income receivable for long term investments in addition to short term interest.

The £8.118m (2018-19: £7.016 million) debtors figure in the table above relates to trade debtors for goods and services delivered and is included in the overall debtors figure of £36.342 million (2018-19: £32.300 million) included in the balance sheet. More information in relation to debtors can be found at note 23.

Financial Liabilities

31 March 2019					31 March 2020			
Current		Non-current			Current		Non-current	
Borrow- ings £'000	Creditors £'000	Borrow- ings & Other Long Term Liabilities £'000	Total £'000		Borrow- ings £'000	Creditors £'000	Borrow- ings & Other Long Term Liabilities £'000	Total £'000
(2,551)	(5,687)	(114,466)	(122,704)	Amortised Cost	(915)	(6,337)	(113,848)	(121,100)
(2,551)	(5,687)	(114,466)	(122,704)	Total	(915)	(6,337)	(113,848)	(121,100)

The current borrowings figure above includes £0.278 million of accrued interest payable for the year.

The current creditors figure of £6.337 million (2018-19: £5.687 million) relates to trade creditors for goods and services received of £5.883 million (2018-19: £5.132 million) and £0.454 million (2018-19: £0.555 million) monies held by the Council on behalf of third parties and is included in the overall creditors figure of £34.533 million (2018-19: £31.782 million) on the balance sheet. More information in relation to creditors can be found at note 25.

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.

31 March 2019 Gross Assets (Liabilities) £'000	Offsetting of Financial Assets and Liabilities	31 March 2020 Gross Assets (Liabilities) £'000
1,859	Bank Accounts in Credit	1,936
1,859	Total Financial Assets	1,936
(1,982)	Bank Overdrafts	(1,530)
(1,982)	Total Financial Liabilities	(1,530)
(123)	Net Position on Balance Sheet	406

Income, expense, gains and losses

The income, expense, gains and losses recognised in the Comprehensive Income and Expenditure Statement for financial instruments are shown below:

31 March 2019				31 March 2020		
Financial Liabilities Amortised Cost	Financial Assets Amortised Cost	Total		Financial Liabilities Amortised Cost	Financial Assets Amortised Cost	Total
£'000	£'000	£'000		£'000	£'000	£'000
5,910	-	5,910	Interest Expense	5,855	-	5,855
-	(1,012)	(1,012)	Investment Income and Other Interest Receivable	-	(1,099)	(1,099)
-	(1,012)	(1,012)	Investment Income and other interest receivable	-	(1,099)	(1,099)
5,910	(1,012)	4,898	Net (gain)/loss for the year	5,855	(1,099)	4,757

Fair Values of Financial Assets and Liabilities that are not measured at Fair Value

The Council does not have any financial assets or liabilities that are carried at fair value. The fair values calculated for assets held at amortised cost are detailed below.

31 March 2019		Financial Assets	31 March 2020	
Carrying amount £'000	Fair Value £'000		Carrying amount £'000	Fair Value £'000
		<i>Financial assets held at amortised cost:</i>		
4,011	4,010	Long-term investments	-	-
4,011	4,010	Total interest revenue	-	-

The fair value of **Financial Assets** is lower than the carrying amount because the interest rate on similar investments at the balance sheet date is higher than that agreed when the investment was originally made. The fair value of financial assets is calculated on other significant observable inputs (Level 2) which is interest rates for similar instruments.

31 March 2019		Financial Liabilities	31 March 2020	
Carrying amount £'000	Fair Value £'000		Carrying amount £'000	Fair Value £'000
		<i>Financial liabilities held at amortised cost:</i>		
(77,617)	(110,769)	PWLB	(77,617)	(111,997)
(19,795)	(31,507)	LOBOs	(19,784)	(31,299)
(17,054)	(25,391)	PFI and other long term liabilities	(16,447)	(22,813)
(114,466)	(167,667)	Total	(113,848)	(166,109)

The fair value of **Financial Liabilities** is higher than the carrying amount because the Council's portfolio of loans includes a number of loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date.

The fair value of liabilities is calculated using other significant observable inputs (Level 2) as follows:

- PWLB – Public Works Loan Board – market rates for local authority loans of the same remaining term to maturity as at the Balance Sheet date
- LOBO – Lender's Option Borrower's Option – 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 Bermudian 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 rate.
- Other financial liabilities – discounted contractual cash flows at the appropriate AA-rated corporate bond yield.

Nature and extent of risks arising from Financial Instruments

The Council's activities expose it to a variety of financial risks including:

- **Credit risk** – the possibility that other parties may 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 unplanned financial loss may arise for the Council as a result of changes in such measures as interest rates movements.

The Council's overall risk management strategy is approved by Council and set out within its annual Treasury Management Strategy. The Strategy sets out the parameters for the management of risks associated with financial instruments which covers specific areas such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. The risk is minimised through the Annual Investment Strategy included in the Council's Treasury Management Strategy, which is available on the Council's website via the Council agenda Item 10 – Treasury Management and Capital Strategies 2019-20 [here](#).

The Council's credit risk management practices are set out within the Investment Strategy. In determining whether the credit risk of financial instruments has increased since initial recognition, the Council has reviewed the creditworthiness of its investments and has concluded that there has not been a significant increase in credit risk.

The Council's primary objective is to give priority to security and liquidity prior to consideration of yield. Counterparty limits are constantly reviewed and where market conditions dictated, limits are reduced. During the year there were no changes that required the Council to consider any investments having an increased credit risk.

Credit risk exposure

As at 31 March 2020 the Council had the following exposure to credit risk. £21.079 million of the £30.094 million investments outstanding at 31 March 2020 were invested with other Local Authorities, where an expected loss allowance is not required. For those financial assets where a 12 month expected credit loss is calculable, the calculated credit loss is £6,657. This has been calculated by reference to historic default data published by credit rating agencies as advised by our Treasury Management Advisors. Due to the immateriality of the expected credit loss, no adjustment has been made in the accounts for this.

	Credit risk rating (as used by the Council)	Gross carrying amount £'000
12 month expected credit losses	AA+	(2,000)
	AA-	(2,008)
	A+	(3,000)
	A	(2,006)
Simplified approach	Local Authorities - unrated	(21,079)
TOTAL		(30,094)

Council does not generally allow credit for its customers (trade debtors) such that all the trade debtors are recognised as short term, however, £3.696 million balance of debtors is past due date for payment. These are not included in the credit risk table above.

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 Council can access Public Works Loan Board (PWLB) borrowing, although rates increased in October 2019 by 1%, making this a less favourable financing option. 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 Council sets limits on the maturity structure of fixed rate borrowing such that no more than 50% of loans are due to mature in any one year through careful planning of new loans taken out and (where it is beneficial to do so) making early repayments. The maturity analysis of financial liabilities is as follows:

31 March 2019 £'000	Maturity Analysis Financial Liabilities	31 March 2020 £'000
(11,314)	Less than 1 year	(8,181)
(891)	Between 1 and 2 years	(995)
(3,092)	Between 2 and 5 years	(3,248)
(19,410)	Between 5 and 10 years	(26,582)
(29,888)	Between 10 and 20 years	(21,800)
(41,390)	More than 20 years	(41,389)
(19,795)	Uncertain date*	(19,784)
(125,780)	Total Financial Liabilities	(121,979)

* This refers to the Lender's Options Borrower's Options which may be rescheduled in advance of their maturity date of 2054, however, the Council does not anticipate this will occur due to the current low interest rates.

All trade and other payables are due to be paid in less than one year.

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.

Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates – the 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 Surplus or Deficit on the Provision of Services will rise
- 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 asset will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investment will be posted to the Surplus or Deficit on the Provision of Services and affect the Council Fund Balance.

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 2020, 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	133	-
Interest receivable on variable rate investments	(212)	212
Impact on Surplus or Deficit on Provision of Services	(79)	212

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.

Price risk

As the Council has not invested in instruments that are subject to price risk, such as bank certificates of deposit and Government Bonds, it is not subject to price risk.

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

Transition to IFRS9 Financial Instruments

The Council adopted the IFRS9 Financial Instruments accounting standard with effect from 1 April 2018. The main changes include the reclassification and re-measurement of financial assets and the earlier recognition of the impairment of financial assets.

The nature of the Council's financial instruments has meant no changes to the Council's balance sheet on transition.

32. Events after the Reporting Period

The draft Statement of Accounts was authorised for issue by the Chief Finance Officer on 30 June 2020. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the financial statements and notes would be adjusted in all material respects to reflect the impact of this information. There have been no events after the balance sheet date that have required adjustment to the financial statements or notes.

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. As at 31 March 2020 the Council had no contingent liabilities.

Notes to the Cash Flow Statement

34. Adjustments for Non-Cash Movements

2018-19 £'000		2019-20 £'000
(4,463)	Depreciation & Impairment of Assets	(20,228)
5,067	Movement in Inventories, Debtors & Creditors	1,852
(21,210)	Pension Fund Adjustments	(18,380)
(2,034)	Provisions	1,251
(2,159)	Disposal of Non Current Asset	(928)
275	Changes in Fair Value of Investment Property	-
(24,524)	Adjustments to net deficit on the provision of services for non-cash movements	(36,433)

35. Operating Activities

The cash flows for operating activities include the following items:

2018-19 £'000		2019-20 £'000
(9,577)	Cash Flow on Revenue Activities	(16,662)
4,549	Interest Paid	6,228
1,360	Interest element of finance lease and PFI rental payments	1,305
(1,040)	Interest Received	(1,069)
(4,708)	Net Cash Flows from Operating Activities	(10,198)

36. Investing Activities

The cash flows for investing activities include the following items:

2018-19 £'000		2019-20 £'000
21,477	Purchase of Property, Plant and Equipment and Intangibles	18,975
(5,028)	Purchase / (Proceeds) from Short Term Investments	1,031
(1,884)	Proceeds from sale of Property, Plant and Equipment and Investment Property	(925)
14,565	Net Cash Flows from Investing Activities	19,081

37. Financing Activities

The cash flows for financing activities include the following items:

2018-19 £'000		2019-20 £'000
(2,920)	Cash Receipts of short and long term borrowing	1,647
(10,900)	Other Receipts from financing activities	(13,125)
3,000	Repayments of short and long term borrowing	-
(10,820)	Net Cash Flows from Financing Activities	(11,478)

The independent auditor's report of the Auditor General for Wales to the Members of Bridgend County Borough Council

DRAFT Report on the audit of the financial statements

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

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

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

In my opinion the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

Report on other requirements

Opinion on other matters

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

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

Matters on which I report by exception

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

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

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

Certificate of completion of audit

I certify that I have completed the audit of the accounts of 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.

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 13, the responsible financial officer is responsible for the preparation of the statement of accounts, which gives a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Anthony J Barrett

For and on behalf of the Auditor General for Wales

xxth September 2020

24 Cathedral Road, Cardiff CF11 9LJ

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.



BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

16 JULY 2020

REPORT OF THE INTERIM CHIEF OFFICER – FINANCE, PERFORMANCE AND CHANGE

ANNUAL GOVERNANCE STATEMENT 2019-20

1. Purpose of report

- 1.1 The purpose of this report is to present to Audit Committee the Annual Governance Statement 2019-20 (AGS) for approval and inclusion within the unaudited Statement of Accounts 2019-20.

2. Connection to corporate well-being objectives / other corporate priorities

- 2.1 This report assists in the achievement of the following corporate well-being objective under the **Well-being of Future Generations (Wales) Act 2015:-**

1. **Smarter use of resources** – ensure that all resources (financial, physical, ecological, human and technological) are used as effectively and efficiently as possible and support the creation of resources throughout the community that can help to deliver the Council's well-being objectives.

- 2.2 Achievement of the corporate priorities and well-being objectives defined in 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 Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Recommended Practice (the Code) states that the preparation and publication of an 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 attainments of sustainable economic, social and environmental outcomes as a key focus of governance processes and structures. Guidance notes relating 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 appraisal of the controls in place to manage the Council's key risks and identifies where improvements need to be made.
- 4.2 The draft AGS 2019-20 has been reviewed by Corporate Management Board (CMB) and Cabinet. The draft AGS is attached at **Appendix A**.
- 4.4 The AGS will be reviewed as part of the external audit on the Statement of Accounts and should reflect any governance issues right up to the date that the Auditor General for Wales signs off the Statement of Accounts 2019-20.

5. Effect upon policy framework and procedure rules

- 5.1 There are no implications upon the policy framework and procedural 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. As the report is for information 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 arising from this report.

9. Recommendation

- 9.1 It is recommended that the Committee:
- approve the draft Annual Governance Statement 2019-20 at **Appendix A** and agree its inclusion within the unaudited Statement of Accounts 2019-20.

Gill Lewis CPFA
Interim Chief Officer – Finance, Performance and Change
July 2020

Contact officer: Nigel Smith
Interim Group Manager – Chief Accountant

Telephone: 01656 643605

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Postal address: Raven's Court
Brewery Lane
Bridgend CBC
CF31 4AP

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

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APPENDIX A



Foreword

“One Council working together to improve lives”

This is the Council’s vision as stated in the [Corporate Plan](#) for 2018-2022 reviewed for 2020-21, which also sets out what our long-term Well-being objectives are so that amongst all of the complexity of increased demand and reduced resources we can keep a clear focus on what is really important for our communities.

We want to contribute to a place where people love to live, work, study and do business, where people have the skills and qualifications they need to improve their life chances, enjoy good health and a sense of well-being and independence.

It is necessary to ensure that our communities and those that use and pay for our services, those who deliver our services and our partners and suppliers have confidence in our governance arrangements. They must be assured that our services are provided effectively and efficiently and delivered on a consistent basis, that public money is safeguarded and properly accounted for; and that decisions are taken transparently and lawfully. This is especially the case given the challenges faced by us all during the worldwide Coronavirus pandemic that has affected everyone and every business across the county borough. Additional measures have been put in place to ensure the Council maintains proper governance through this unprecedented event.

The Council also has a duty to set well-being objectives under the Well-being of Future Generations (Wales) Act 2015 and 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.

Our governance arrangements operate effectively in supporting the Council in meeting its challenges and responsibilities, and have continued to do so in the current uncertain times. Improvements are continually being made and opportunities to do so going forward have been identified. These will be monitored during 2020-21 to ensure that the necessary improvements are made.



Mark Shephard
Chief Executive



Cllr Huw David
Leader of the Council



Dunraven Place regeneration

What is Corporate Governance?

Corporate governance comprises the systems, processes, culture and values by which the Council is directed and controlled, led and held to account, and how it engages with stakeholders. It is also about the way that Councillors and employees think and act.

The Governance Framework 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.

What this Statement tells you

This Statement describes the extent to which the Council has complied with its Code of Corporate Governance and the requirements of the Accounts and Audit (Wales) Regulations 2014, for the year ended 31 March 2020.

It also sets out how the Council has responded to governance issues identified during 2019-20 and actions to be undertaken during 2020-21 following an annual review of the Governance Framework.

The Statement has been prepared in accordance with the 2016 guidance: '[Delivering Good Governance in Local Government Framework](#)' produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE)

The Council's Governance Responsibilities

The 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.

It also has a duty 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 innovation¹.

The Council must consider the longer term impact of any decisions it makes, and should work collaboratively with other public bodies to improve wellbeing in Wales.²

As a public body the Council has to ensure it delivers sustainable social, cultural, environmental and economic outcomes as a key focus of its governance process and structures. This is achieved by:

- behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law
- ensuring openness and comprehensive stakeholder engagement

The Council's Code of Corporate Governance sets out its commitment to, and responsibility for, ensuring that there is a sound system of governance in place. The [Code](#) is on the Council's website or can be obtained from the Section 151 Officer.

The Council's Code of Corporate Governance sets out the seven principles of good governance in line with the CIPFA Code.

Bridgend County Borough Council Code of Governance (2017)	
The Council's Governance Principles are based on the following:	
A	Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
B	Ensuring openness and comprehensive stakeholder engagement
C	Defining outcomes in terms of sustainable economic, social and environmental benefits
D	Determining the interventions necessary to optimise the achievement of the intended outcomes
E	Developing the entity's capacity, including the capability of its leadership and the individuals within it
F	Managing risks and performance through robust internal control and strong public financial management
G	Implementing good practice in transparency, reporting, and audit to deliver effective accountability



¹ Local Government (Wales) Measure 2009

² Well-being of Future Generations (Wales) Act 2015

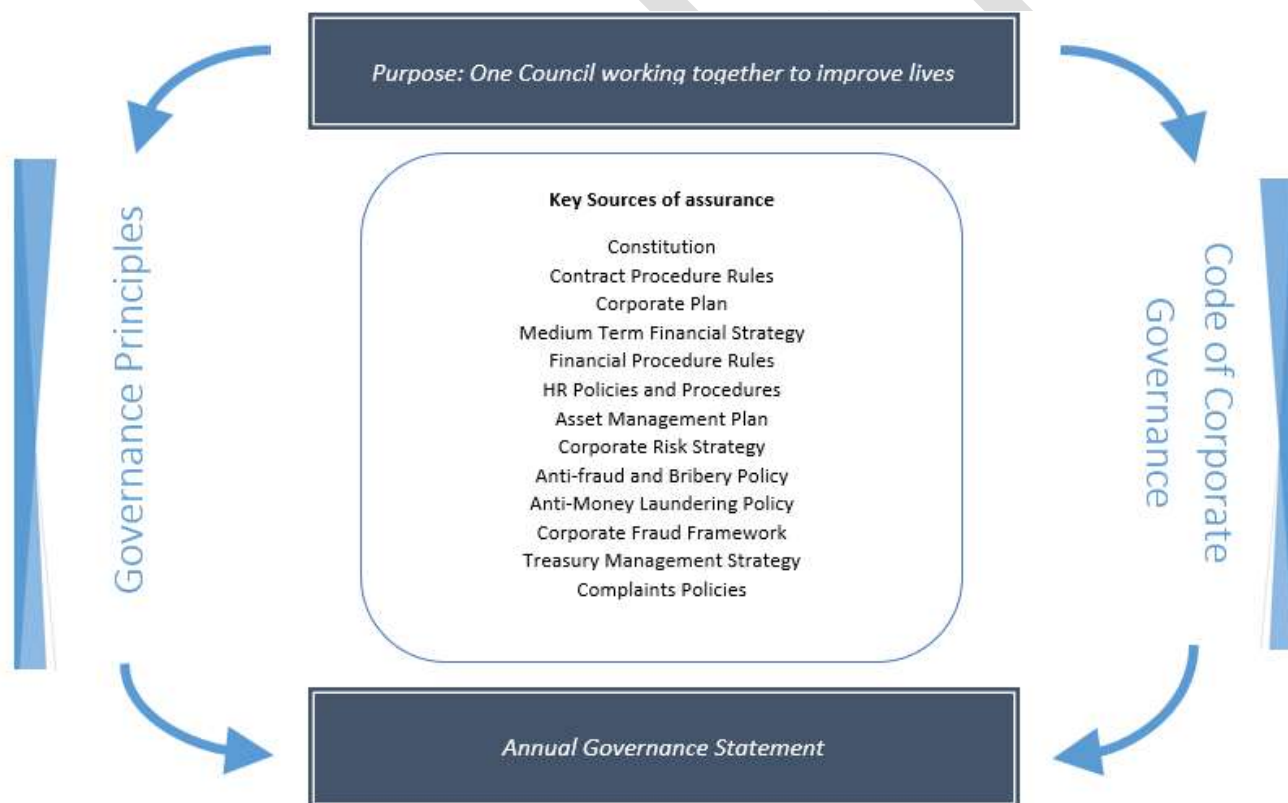
The Governance Framework

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.

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 the risk, the system of internal control is designed to identify and prioritise risks, evaluate the likelihood of those risks materialising and manage their impact.

In order to review the effectiveness of the governance framework, assurances are provided to, and challenged by, the Audit Committee, Scrutiny Committees, Council, Cabinet and Corporate Management Board as appropriate. In addition the Section 151 Officer promotes and delivers good financial management and the Monitoring Officer legal and ethical assurance.

Some of the key elements of the governance framework are highlighted below.



More widely, as part of its partnership and joint working arrangements, the Council is involved in bespoke external governance arrangements driven by the different partnership and delivery arrangements in place. Examples of these include the following:

- The Council is one of ten Councils jointly delivering the Cardiff Capital Region City Deal (CCRCD), which has in place joint Scrutiny and Cabinet to ensure governance in its implementation. The CCRCD aims to raise economic prosperity, job prospects and improve digital and transport connectivity and is a significant investment into the South Wales economy.

The Council is committed to contributing to the delivery of these objectives across the region to ensure that the community and business within the Borough can benefit from this investment.

- One of the most significant changes in April 2019 was the Health Board boundary change which meant that all community health services within Bridgend County Borough transferred from Abertawe Bro Morgannwg University Health Board into the new Cwm Taf Morgannwg University Health Board. Bridgend is now part of the new Cwm Taf Morgannwg Region. During 2019/20 the new regional arrangements have been put in place for the health and social care partnership and a new governance structure will be presented to the Regional Partnership Board in early 2020/21.
- The Council is a participant in a number of shared services, with other local authorities, such as the Shared Regulatory Services with Cardiff and the Vale of Glamorgan Councils, and Central South Consortium, a joint education service for five local authorities. These are governed by joint committees which comprise elected members from each of the local authorities. The Council also is a partner in the Regional Internal Audit Shared Services with Vale of Glamorgan, Rhondda Cynon Taff and Merthyr Tydfil Councils.

COVID-19

The UK was put into lockdown on 23 March 2020 in an unprecedented step to attempt to limit the spread of coronavirus. This followed similar action in other countries across the world. The UK Government put into place a limited number of reasons for people to be allowed to leave their homes. As a consequence many non-essential shops and businesses had to close, schools were closed and all non-key workers were required to work from home where possible. Initially the lockdown was for a period of 3 weeks but this was then extended with a slow lifting of restrictions only beginning 2 months after the lockdown started. The worldwide COVID-19 pandemic has, and will continue to have, an unprecedented impact upon society as a whole. This has led to significant changes to the day-to-day management of the Council, and the nature and delivery of its operations.

In order to maintain continuity of service wherever possible, the Council moved extremely quickly to equip as many of its office-based staff with mobile technology to enable home-working within a very short timescale. Nearly all office-based staff have been equipped to work at home with laptops, with telephone facilities installed on the laptops as offices across the County Borough closed. Some staff have been able to work on home computers and link to the Council's corporate network. The Council significantly increased its infrastructure ability to enable all who could work from home to do so. This included providing multiple accessibility platforms to enable access. The capacity of back end storage has been increased. Whilst the security of the network remains at a high level, to mitigate a potential risks the use of Outlook Web Access was removed. In addition to this and to further strengthen network security, the Council has increased its firewall provision. Where roles for staff have diminished as a result of reduced volumes of work or services not being delivered, opportunities for temporary redeployment are actively sought and implemented.

The Council has had to consider which of its front-line services it could continue to deliver, taking into account the number of staff self-isolating and actually sick. The Council maintained a significant number of essential services running, particularly the provision of social care services for vulnerable adults and children and waste collection services. However, following a Welsh Government announcement the majority of schools closed for pupils on 20 March 2020 with the exception of children of essential and key workers who have to be in work and are unable to keep their children at home. The Education Service has continued to make provision for the children of essential and key workers who have to be in work and are unable to keep their children at home. The provision of free school meals for eligible children has also continued. Whilst day centres within Adult Social Care were closed, alternative provision at home has been provided where possible. Services not operating during the pandemic include:

- Schools (as noted above)
- Day Services (although alternative provision is being put in place where appropriate)
- Leisure Centres (which are run by our partner organisation, Halo)
- Cultural venues – libraries, life centres and the Grand Pavilion
- Parks & Playing Fields

Some services were temporarily suspended and/or delivered in a new way, including:

- Community recycling centres and garden waste
- Registrars
- Provision of transport

As the country moved into lockdown, all formal meetings of Council were immediately cancelled. This was in line with government measures to mitigate the spread of Coronavirus. This extended to Council, Cabinet and all committee and sub-committee meetings including Development Control, Overview and Scrutiny, Audit Committee and Licensing. All other non-essential meetings were also cancelled. Key and urgent decisions continue to be made in accordance with the Council's Scheme of Delegation of Functions and urgent decision-making procedures. Schedules of the use of the Emergency Powers and key decisions exercised during the pandemic are reported to all Elected Members on a weekly basis and published on the Council's website. To ensure appropriate governance procedures are in place during this time, a COVID-19 Group has been established with members of the Cabinet and Corporate Management Board (CMB), along with a number of other key officers. Decisions made during these COVID-19 meetings and outside the normal delegation process are recorded in the minutes, and in some cases these lead to communications actions on the Council's website.

Local Authorities have now been given new powers to hold public meetings virtually using video conferencing technology. There is no longer a requirement to hold such meetings in person during the pandemic. This will enable the Council to make effective and transparent decisions on the delivery of services for residents whilst ensuring that Councillors, staff and the wider public are able to follow government advice by staying at home to stop the spread of Coronavirus. The Council will be required to determine how meetings are conducted, voting procedures will work and how to ensure that the public have access.

Part of the national response to the impact of the pandemic has been to provide additional financial support to the economy, including the distribution of Business Grants and extended business rates relief, both of which have been administered by the Council. This has required staff to focus on administering, managing and paying a large volume of grants in short timescales, at the same time as dealing with the impact of the new council tax and business rates bills on citizens and businesses within the County Borough. The management of this has been coordinated via the Finance department, working closely with colleagues in Regeneration, Legal and Customer Services to respond to as many businesses as possible within as short a timescale as possible, at the same time ensuring that public funds are used appropriately and that control mechanisms are in place to safeguard the funding.

Other services have had to think differently about how they could continue to provide services during the lockdown period, and to re-consider options as time went on. One example is the provision of free school meals, which initially was provided through a 'packed lunch' style arrangement, which pupils collected from specific locations. Over time, and to address social distancing rules, this has changed

to a food parcel delivery service to pupils' homes. Options were presented to the Covid-19 Group to determine the preferred way forward.

In addition to the business grants, Welsh Government has provided a number of specific grants to meet the additional costs of Local Authorities, for costs in general and targeted at specific areas, such as adult social care, free school meals, cyber security and school counselling. Costs are being collated across the Council to enable these grants to be drawn down. There is also the impact of lost income from fees and charges, which creates an additional pressure, coupled with a likely downturn in council tax collection due to the impact of the financial circumstances on a number of residents, and the consequential increase in those claiming council tax reduction. At this stage it is unclear whether this additional funding will cover all of the Council's additional costs incurred as a result of the pandemic, but close monitoring is in place and all costs are subject to close scrutiny,

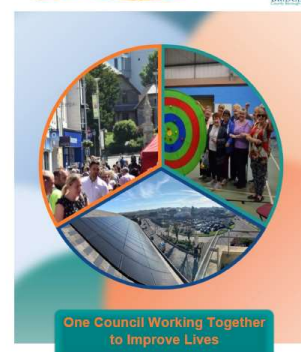
The longer term consequences of the coronavirus pandemic are not yet known. However it seems inevitable that a number of businesses will find themselves in financial difficulties and maybe go out of business. There are also likely to be potential increases in levels of deprivation with associated demands placed upon Council services as a consequence of the increased number of families applying for universal credit and council tax support. Financially we expect there to be pressures on service costs, reduced council tax and business rates income, reduced income at car parks and playing fields and other facilities as people remain wary of going out and socialising in large groups. In the short term it will be difficult to quantify the wider impacts, which will be understood once the peak of the pandemic has passed and life begins to return to normal. Whilst the Council has provided a holiday rental window to businesses renting Council premises during the crisis period, this may not be enough for their longer term survival. It is likely it will take some time to recover from the economic downturn due to Covid and the impact is likely to be felt for at least the next year if not longer.

The Government is likely to impose social distancing rules for some time to come, which will have consequential impacts on service such as leisure and cultural services, where mass attendances at leisure centres, swimming pools and public performance events will have to adjust to any new rules following Covid-19. Retail and leisure services independent to the Council will also be affected as it takes time for public confidence to increase.

The Corporate Plan

The Corporate Plan 2018-22, agreed in February 2018, sets out the Council's vision: **'One Council working together to improve lives'**. The Plan defines the Council's three priorities – also known as our Well-being objectives – that sets out how the Council intends to deliver them. The Council defines its purpose to 'contribute to a place where people love to live, work, study and do business, where people are qualified with the skills they need to improve their life chances and enjoy good health and independence'.

Bridgend County Borough Council
Cyngor Bwrdeistref Sirol Pen-y-bont ar Ogwr



Corporate Plan 2018-2022 reviewed for 2020-2021

Well-being Goal	Well-being Objective		
	Supporting a successful sustainable economy	Helping people and communities to be more healthy and resilient	Smarter use of resources
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	✓		✓

Underpinning the Council's Corporate Plan and throughout its decisions-making process, the principles of the Well-being of Future Generations (Wales) Act 2015 are applied. The table shows how the Council's well-being objectives contribute to the seven well-being goals.

In addition to the seven well-being goals, the Well-being of Future Generations (Wales) Act 2015 puts in place the sustainable development principle, and defines the five ways of working that public bodies must adopt to demonstrate they have applied the sustainable development principle. The five ways of working are:

Long-term: thinking of future generations and of our natural resources.

Prevention: this is the step before any issues arise and is aimed at making sure that solutions and interventions are targeted and available to stop statutory services being required

Integration and collaboration: with colleagues and partners. Ensure decisions are joined up across services and work more closely with partners in the public, private and third sectors.

Involvement: consult and involved local people in planning and delivering services.

5 Ways of Working		Long term	Prevention	Integration	collaboration	Involvement
Our Principles						
To support communities and people to create their own solutions and reduce dependency on the Council.						
To focus diminishing resources on communities and individuals with the greatest need.						
To use good information from service users and communities to inform its decisions.						
To encourage and develop capacity amongst the third sector to identify and respond to local needs.						
To not let uncertainty over the future of public services prevent meaningful and pragmatic collaboration with other public sector bodies.						
To work as one Council and discourage different parts of the organisation from developing multiple processes or unnecessarily different approaches.						
To transform the organisation and many of its services to deliver financial budget reductions as well as improvements.						

Welsh language – Wales has two official languages, Welsh and English, and services and information should be equally available in both. The Council's internal business language is English, but all the services and information we provide for local people will be equally available in either language.

The Corporate Plan identifies a number of key principles which underpin its Well-being objectives and has adopted a set of values that represent what the Council stands for and influences how it works.



Bridgend Council's well-being objectives	
Supporting a successful sustainable economy Helping people and communities to be more healthy and reliant Smarter use of resources	
Key Principles	Values
<p>Where ever possible the Council will support communities and people to create their own solutions and reduce dependency on the Council</p> <p>The Council will focus diminishing resources on communities and individuals with the greatest need</p> <p>The Council will use good information from service users and communities to inform its decisions</p> <p>The Council will encourage and develop capacity amongst the third sector to identify and respond to local needs</p> <p>The Council will not let uncertainty over the future of public services prevent meaningful and pragmatic collaboration with other public sector bodies</p> <p>The Council will work as one Council and discourage different parts of the organisation from developing multiple processes or unnecessarily different approaches</p> <p>The Council will transform the organisation and many of its services and in so doing will deliver financial budget reductions as well as improvements</p>	<p>Fair – taking into account everyone's needs and situations</p> <p>Ambitious – always trying to improve what we do and aiming for excellence</p> <p>Citizen-focused – remembering that we are here to serve our local community</p> <p>Efficient – delivering services that are value for money</p>

Assessing Performance

The Councils' performance is reported in its Annual Report, its annual self-evaluation of progress against the Council's Corporate Plan.

Audit Wales, our External Auditor, assesses the Council's arrangements for delivering continuous improvement and subsequent performance, the results of which are published in their [Annual Improvement Report](#). In October 2019 they reported that 'the Auditor General believes that the Council is likely to comply with the requirements of the Local Government Measure (2009) during 2019-20'. Whilst there were some proposals for improvements, the Auditor General made no formal recommendations, demonstrating the commitment of the Council to continuous improvement.

Audit Wales have undertaken and reported on a number of reviews during the year, the key outcomes of which are set out below.

Report	Key outcomes
Savings Planning Follow Up, August 2019	The purpose of the review was to assess the Council's progress in addressing proposals for improvement in the Council's savings planning, and consider the effectiveness of the Council's arrangements for achieving its savings proposals. Overall the review found that the Council has strengthened arrangements to develop and achieve savings plans, but further work is needed to develop a deliverable medium term financial strategy. The review noted that the Council has identified indicative proposals to cover the period of the medium term financial strategy, but more work is needed to fully develop proposals for 2020-21 and beyond. The Council has strengthened the arrangements for developing budget savings proposals, but further work is needed to ensure that timescales for delivery are as accurate as possible. The review also noted that in prior years achievement of savings plans has been variable, but the Council achieved most of its 2018-19 savings plans and now needs to ensure that its strengthened arrangements continue this improved position. No further proposals were identified during the follow up.
Delivery with Less – Environmental Health Services – Follow up Review, September 2019	The purpose of the review was to follow up on recommendations made after a 2014 national review of Environmental Services. Since that time Bridgend has partnered with Cardiff Council and the Vale of Glamorgan Council under a joint working agreement known as the Shared Regulatory Service (SRS), providing environmental health, licensing and trading standards. The review sought to answer the question: 'is the Council's environmental health service continuing to deliver its statutory obligations given the financial challenges?' Overall the Audit Wales found that the SRS model is enabling the Council to sustain its delivery of environmental health services in a context of reducing resources and additional responsibilities placed on it by ongoing changes in legislation. They did feel however that there is scope for the Council to strengthen its scrutiny and oversight arrangements of environmental health services and work with SRS and other providers to explore the opportunities for future improvement.
Well-being of Future Generations: An examination of delivering the Porthcawl Resort Investment Focus Programme, October 2019	The review sought to assess the steps the Council has taken to meet its Wellbeing Objectives and the extent to which it is acting in accordance with the Sustainable development principle in delivering the programme. The review found that there are positive aspects in how the Council has taken account of the sustainable development principle in its approach to delivering the programme. It did find however that the Council has further work to do to consistently embed the five ways of working. The Council has responded to these recommendations including a review of the Masterplan for Porthcawl to develop a long-term and holistic vision for the town; it will work with its partners and regularly review how to integrate local and national Wellbeing Goals as early as possible; and long

	term transport solutions will be considered as part of the Strategic Transport Plan and Local Development Plan.
Follow-up review of corporate arrangements for the safeguarding of children, October 2019	<p>Audit Wales undertook to seek assurance that the Council has effective corporate arrangements in place for safeguarding and to answer the question: 'Has the Council acted upon the recommendations and proposals for improvement contained in the national and local reports of the Auditor General published in 2014 and 2015?'</p> <p>Overall the review found that the Council has met, or partially met, the previous recommendations and proposals for improvement, but it identified some further proposals for improvements to strengthen aspects of the Council's corporate safeguarding arrangements. These included:</p> <ul style="list-style-type: none"> • strengthening awareness of the roles of the lead officer and lead member for safeguarding • strengthen the Corporate Safeguarding Policy • strengthen its Recruitment and Selection Manager's Guidelines in relation to safeguarding and safe recruitment • update the DBS Policy to make sure it makes reference to current legislation • ensure the consistent use of safeguarding provisions in tenders and contracts awarded across all Directorates and ensure appropriate monitoring of such contractual commitments • improve the approach to safeguarding training including when mandatory training needs to be refreshed • develop a central system for recording and monitoring volunteer information, including training records and DBS checks for volunteers

Decision Making and Responsibilities

The Council consists of 54 elected Members, with an elected Leader and Cabinet who are supported and held to account by Scrutiny Committees. The Council's constitution sets out how the Council operates, how decisions are made and the procedures for ensuring that the Council is efficient, transparent and accountable to local people. It contains the basic rules governing the Council's business, and sets out a list of functions and decisions exercisable by officers. It also contains the rules and protocols by which the Council, Members and officers operate.



Through the Constitution, along with the Member's Code of Conduct, Standards Committee and role of internal audit, the Council operates with **integrity**, **ethical values** and within its **legal** powers.

All Council and Committee meetings' agendas, papers and minutes can be viewed on-line and all meetings are open to the public unless exempt or confidential matters are being discussed. The Council's forward work programme contains information about all matters that are likely to be the subject of a decision taken by full Council or Cabinet during the forthcoming period. They also include information regarding Scrutiny Committees. To further enhance **openness** and **comprehensive stakeholder engagement** the Council has a Citizen's Panel, which takes part in surveys on a range of issues. The Council also uses social media to promote services and engage with the public and makes information available on a range of formats to maximise the opportunity for information sharing and residents communicating with the Council.

Managing Risk

The Council faces a range of risks as would be expected from the broad range of services it delivers and activities it is engaged with. On a day-to-day basis operational risk arises from the challenge of ensuring sufficient capacity and capability to advise on, and to deliver, the key policy objectives of the Council.

The Council has developed a robust approach to the management of risk. The Corporate Risk Management Policy is aligned with Directorate Plans and the Council's performance management framework. The Council defines risk as: 'Any potential development or occurrence which, if it came to fruition, would jeopardise the Council's ability to:

- achieve its Well-being objectives
- provide services as planned
- fulfil its statutory duties, including the duty to make arrangements to secure continuous improvement.'

Risks are viewed from both a Service and Council-wide perspective which ensures the key risks are distilled in the [Corporate Risk Assessment](#). The Risk Assessment sets out how the Council is addressing these risks and the mitigating actions it will put in place to reduce them. It is regularly reviewed and challenged by both senior management and the Audit Committee.

It is not possible to eliminate all risk of failure to meet the targets in the Council's policies, aims and objectives and cannot therefore provide absolute assurance of effectiveness, but one of reasonable assurance.

Financial Management

The financial management of the Council is conducted in accordance with all relevant legislation and the Constitution. The Council has in place Financial Procedure Rules, Contract Procedure Rules, a specific Financial Scheme for Schools and the scheme of delegation also provides the framework for financial control. The Section 151 Officer is responsible 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.

The Council's ability to deliver savings and contain its expenditure within its overall budget is well established. However, the Council faces significant challenges in the future in the face of further Government plans to cut public spending and significant uncertainty as a result of Brexit and the impacts this might have on Council services. The Council estimates that it will need to generate approximately £29 million of savings over the period 2020-21 to 2023-24. The Medium Term Financial Strategy has taken account of cost pressures and priority areas in line with the Corporate Plan, and involved extensive consultation to ensure a robust process. Given the single-year funding provided by the Welsh Government, the Council has developed detailed budgets for year on of the Strategy with indicative budgets thereafter based on a range of funding scenarios.



Consultation overview

Over the past four years, we have made budgetary savings of more than £30 million. Some of the ways we have done this include:

- cutting senior management and reducing our workforce by more than 400 employees
- transferring cultural services to Awen Cultural Trust
- reducing provision of some services like public conveniences and street cleaning

Also, we have made a wide range of investments including state-of-the-art new schools, new sea defences, and new highways improvements.

Despite the changes made to date, we still have to make a further £35 million saving by 2023, which is currently 13.5% of our net budget.

In this consultation, some of the areas we are asking you about include:

- council tax
- leisure and cultural services
- schools and education
- transport
- recycling and waste
- social services

The Council has in place robust arrangements for effective financial control through the Council's accounting procedures, key financial systems and the Financial Procedure Rules. This includes

established budget planning procedures and regular budget monitoring reports to Cabinet and Scrutiny Committee, as well as detailed information to budget holders. The Council prepares its Annual Accounts as required by the Accounts and Audit (Wales) Regulations and in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom.

The Council follows the CIPFA Code on Treasury Management and Welsh Government's Guidance on Local Authority Investments to ensure that funds invested are secure, accessible when necessary and attract an appropriate return and any borrowings needed are in line with the Council's Treasury Management Strategy, as approved by Council. During the Coronavirus pandemic reliance on Treasury Management advice has been crucial, and significant levels of cash movements meant an increased focus was needed on managing cash flows in as secure a manner as possible. Significant use was made of the Treasury's Debt Management Office to deposit funds during the initial stages of the crisis to maintain security and liquidity, but as the crisis begins to ease monies will be invested in wider instruments in line with the Council's Treasury Management Advisor's advice.

The updated Prudential Code and Treasury Management Code of Practice, issued in December 2017, set out new requirements in relation to the setting of a Capital Strategy. Detailed guidance on these new codes were issued in August and September 2018 with new statutory guidance issued by the Ministry of Housing, Communities and Local Government (MHCLG) in March 2018, outlining new requirements for the Capital Strategy. Welsh Government adopted this guidance in 2019 and the Council approved its Capital Strategy 2019-20 in February 2019, in line with the Code requirements. The strategy requires the Council to consider the longer term as well as the short term. It requires that capital expenditure plans are affordable, prudent and sustainable and outlines the future commitments so that affordability of both the long term plan and any new proposals can be properly understood. Further it enables the ongoing capital and revenue implications of capital expenditure to be better understood. The Capital Strategy is evolving to provide a robust, medium to long term capital plan for the Council.



Audit and Audit Assurances

The Council is audited externally by the Auditor General for Wales, supported by Audit Wales. The objectives of this are to obtain assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; that the accounts have been prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom; and to issue an opinion thereon. They also assess our arrangements for securing economy, efficiency and effectiveness in the use of resources.

In 2019 the External Auditor gave an unqualified audit opinion on the financial statements 2018-19.

Audit Wales also audit a number of grant claims and in the year completed 11 audits of grants and returns. The audit confirmed that there were generally sound working papers and all claims were certified ahead of the audit deadlines in place. One recommendation was made in relation to Housing Benefits, to continue to review the strength of the Council's arrangements for processing housing benefit claims, which the Council is in the process of doing.

In addition Audit Wales undertake reviews of various services and also performance reviews throughout the year, the outcome of which are reported to Audit Committee.

The Internal Audit Service is a key means of assurance. From 1 April 2019 the Council partnered in an expanded Regional Internal Audit Shared Service (RIASS) with Vale of Glamorgan, Rhondda Cynon Taff and Merthyr Tydfil Borough Councils. This has operated effectively throughout the year and the service operated to the Public Sector Internal Audit Standards (PSIAS). The Audit Committee approved the Internal Audit Charter for the Regional Internal Audit Shared Service in April 2019. The Audit Committee also approve the Internal Audit Annual Plan and receives progress updates at every Audit Committee.

The Head of Internal Audit's annual opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control for 2019-20 is:

"Reasonable Assurance"

The opinion states that, based on the work completed by the Regional Internal Audit Shared Service for the financial year and the contribution to the Audit Plan made by the South West Audit Partnership Internal Audit Services (SWAP), no significant cross-cutting control issues have been identified that would impact on the Council's overall control environment. The weaknesses that have been identified are service specific.

The Audit Committee provides independent assurance on the Council's internal control environment. It is a statutory requirement and consists of 12 Councillors and 1 Lay Member. Its main functions are:

- Review & scrutinise reports and recommendations in relation to the Council's Financial Affairs
- Review & scrutinise reports and recommendations on the appropriateness of the Council's risk management, internal control and corporate governance arrangements
- Oversee the Council's internal and external audit arrangements
- To be responsible for ensuring effective scrutiny of the Treasury Management Strategy and Policies
- To monitor the Council's Anti-Fraud and Bribery Strategy, Whistleblowing Policy and Anti-Money Laundering Policy
- To Review and approve the Council's Annual Governance Statement and the Annual Statement of Accounts
- To review and consider reports from the External Auditor and Inspectors

The recommendations made to improve the overall control environment have been accepted and are being/will be implemented.

An issue for the Regional Internal Audit Service has been the number of vacant posts carried by the service. As a consequence SWAP Internal Audit Services were commissioned to help address the shortfall and deliver elements of the Plan. The Internal Audit coverage was still sufficient for the Head of Audit to be able to give an opinion.

A new staffing structure has been developed for the Service and it is planned to commence recruitment when the restrictions around the COVID-19 pandemic allow.

The COVID-19 outbreak has had little impact on the delivery of the internal audit plan for 2019-20 as relevant testing in all but 3 reviews had been completed prior to the lockdown coming into force, allowing final reports to be issued.

During the year there continued to be interim arrangements in place to cover the statutory position of the Council's Section 151 Officer/Head of Finance, which does cause some concern from a continuity and capacity perspective. Whilst there is little or no risk in the short term as the current Statutory Officer is extremely experienced and more than capable to fulfil the role, it is important that the interim position is permanently addressed as soon as possible. To help strengthen the resilience of the Finance function, a temporary Deputy Head of Finance and Section 151 Officer post was appointed in May 2019. Following a review of the Head of Finance role, Council agreed the post should be re-designated as Chief Officer, Finance, Performance and Change. The post was subsequently advertised at the start of 2020, but there was not sufficiently qualified applicants to be able to progress through all stages of the appointments process.



The Pavilion, Porthcawl

Improving Governance

The progress made on the significant issues identified in the Council's 2018-19 Annual Governance Statement is shown below:

<p>Medium Term Financial Strategy – the economic uncertainty and increasing public expectations and demands facing public sector organisations continue to challenge and place pressures on the Council, impacting on its ability to deliver the required efficiencies.</p>	<p>The external fiscal climate is kept under continuous review, with regular information on the economic climate, including interest rates and inflation predictions received from our Treasury Management advisors. Assumptions built into the MTFS are adjusted accordingly over the 4 year period.</p> <p>All current and proposed budget reductions are monitored closely against their implementation plan to ensure that they remain deliverable. Any deviation from plans are highlighted through quarterly monitoring reports to Cabinet, and more regular reports to Directors, to ensure plans are put in place to mitigate these.</p> <p>A budget reduction contingency reserve is also available to draw on for one-off delays to proposals that are outside of officers' control.</p> <p>In addition the Council's earmarked reserves are regularly reviewed to make sure they are still required, and at the right level. New reserves are established to deal with one-off pressures, to avoid unnecessary burden on the MTFS, and the Council Fund is maintained at a level that is deemed sufficient to mitigate any unexpected events, without placing the Council in financial difficulty and challenging its financial sustainability.</p>
<p>The findings from the HMIP report on Western Bay Youth Offending Service concluded that the overall rating was inadequate and that <i>'The governance and leadership of the service are ineffective. There is no vision, understanding of purpose or the strategy to provide a high-quality personalised responsive service to children and young people.'</i></p>	<p>Good progress is being made with implementing the post inspection action plan (PIAP). A new staff management structure is in place with two operational lead practitioners overseeing the work of the team. New quality assurance and management oversight arrangements are in place which will result in improved assessments, care plans and associated interventions. A full-time health practitioner has now started with the team to oversee the health needs of young people open to the service.</p> <p>A new management board is in place which has strengthened the governance arrangements. The board is jointly chaired by the Chief Executive of the Council and Cabinet Member for Communities.</p> <p>The focus now is on quality assurance and risk management, which is being driven by the two new operational lead practitioners. Support for young people open to the team is also benefiting from services available from the wider integrated working and family support portfolio.</p>
<p>Outcome of the Estyn Inspection on Education Services</p>	<p>A post inspection action plan was submitted to Estyn in August 2019 following reporting of the plan to Scrutiny. Estyn established 4 recommendations:</p> <ul style="list-style-type: none"> • raise standards of literacy in primary schools • improve outcomes for post-16 learners in sixth forms • increase the pace of improvement in schools causing concern • strengthen the role of the Welsh Education Strategic Forum (WESP) to ensure timely progress in delivering the priorities identifying in the Welsh Education Strategic Plan. <p>The Council has in place a detailed action plan and continues to deliver the actions identified in order to respond to the recommendations raised by Estyn. The Director of Education and Family Support and the Post-16 Coordinator conducted reviews with</p>

	<p>all the schools at the beginning of the academic year to identify and share good practice. There have been a number of activities for more able pupils via the Seren Network to help them work towards the highest grades.</p> <p>One school was taken out of special measures in September 2019, a 2nd is on track to be taken out in a timely manner following the most recent Estyn inspection and the 3rd has had a change of leadership and is now making good progress in improvements.</p> <p>The Council has been working closely with Welsh Government, other local authorities and the national coordinator for the parent's action group (RhAG) to review the composition and function of the Forum to increase its effectiveness in delivering the WESP priorities.</p> <p>The impact of COVID-19 and the closure of schools in March 2020 will mean that further progress will need to be made in the new academic year to fully respond to the recommendations made.</p>
The role of the s.151 Officer is filled on an interim basis pending decisions on way forward with the post in light of the appointment of the Chief Executive	The Chief Executive was permanently appointed in May 2019 and the Section 151 post was advertised at the start of 2020. Unfortunately there was not sufficiently qualified applicants to be able to progress to the assessment centre stage. To help strengthen the resilience of the Finance function, a temporary Deputy Head of Finance and Section 151 Officer post was appointed in May 2019.
The impact of the Health Boundary change from the Western Bay Region to the Cwm Taf Region	The Council is now formally part of the new Cwm Taf Morgannwg Regional Partnership Board and the associated groups. The Council has contributed to the planning and review of this new partnership to ensure that the new arrangements reflect the changes made. This was monitored throughout the year and the partnership continues to progress well.
The impact of Brexit on services and finances could place increased pressures on Council resources	The Council has established an internal cross-Directorate Brexit Forum, chaired by the Chief Executive, to assess the potential impact of Brexit on service delivery along with actions to mitigate against risks. A report was presented to Cabinet in March 2019 setting out a Brexit risk register, which has been actively monitored and updated as necessary, and the Council will continue to do so as the UK progresses an exit from the European Union.
The Council's scrutiny functions should seek ways to improve its focus and scrutiny activity to ensure that the Council makes the most effective use of the resources available and improve the impact of scrutiny activity ³	<p>A system of monitoring recommendations has been implemented to ensure that the impact of scrutiny is properly evaluated and acted upon to improve the function's effectiveness; including following up on proposed actions and examining outcomes. A report is presented to each Overview and Scrutiny Committee to approve the feedback and responses to the comments and recommendations prepared by Members at the previous meeting. Red, Amber and Green (RAG) statuses are allocated to each recommendation where appropriate and action the feedback as needed. The RAG statuses are monitored by Committees on an ongoing basis and actioned as appropriate.</p> <p>Research has been undertaken by the Scrutiny Team to look at best practice elsewhere, particularly how other local authorities get the public involved in the scrutiny process. In pursuance of this, members of the Scrutiny Team attend and participate fully in two Scrutiny Networks, namely the Welsh Local Government Association (WLGA) Scrutiny Officers' Network and the South East Wales Scrutiny</p>

³ Audit Wales Annual Improvement Report 2017-18 – September 2018

	<p>Officers' Network. Both Networks provide an invaluable opportunity for Scrutiny Officers to exchange ideas on best practice and to receive training.</p> <p>Regular Officer Planning meetings take place with the Chairs of Overview and Scrutiny Committees to enable them to have more involvement and input into the Scrutiny Forward Work Programme items that are recommended by Officers.</p> <p>Regular quarterly meetings are held between Cabinet, Corporate Management Board (CMB) and Scrutiny Chairs. These meetings have been very positive to agree to add to and also change the order of the Forward Work Programme to accommodate pre decision topics.</p> <p>The WLGA has recently delivered training to Scrutiny Committee Members on Questioning Skills to enable Members to be equipped with the necessary skills to effectively scrutinise and challenge service performance. A repeat session has been arranged to take place. In addition, the WLGA will shortly be delivering Scrutiny Committee Chairs training.</p>
Digital Transformation and channel shift – the Council needs to continue to develop its online platforms to enable residents and businesses to interact with the Council digitally	<p>The continuation of promoting self-serve routes into council services and supporting the ambition of helping people be more self-reliant is the ongoing focus. The introduction of a chatbot has been the recent contact tool to aid channel shift; this will also be enhanced by creating a new customer self-serve hub in the civic reception where our public can utilise technology to transact with us via the My Account platform.</p> <p>The Housing Jigsaw portal is now live and provides an online, bi-lingual customer gateway to housing services that supports the individual management of supported accommodation and maximises the capacity of the customer services and housing staff. The online portal provides citizens with a digital solution that replaces the previous 'homelessness' and 'housing register' processes which were time consuming, often involving follow up meetings and the production of evidence which caused unnecessary delay. The online portal allows citizens to complete their applications online, at a time that is convenient to them, and also allows them to upload any evidence that is required, saving time and speeding up the housing services we offer.</p> <p>We are in the final stages of testing the Love Clean Streets functionality and we are now at a point to go-live with this system, allowing citizens to report their environmental issues with us.</p> <p>Our Social Services teams have also been trialling new software enhancing the support services that are given to older people and our most vulnerable citizens. This will be live in June 2020.</p> <p>With a rapidly changing market in digital platforms, work has been ongoing to assess how the Council can further improve citizen independence by growing the platform further with intelligent and innovative functionality.</p>

Based on a review of the governance framework, the following significant issues identified in 2019-20 which will be addressed in 2020-21:

Covid-19 will have significant impacts as the infection rate increases. This will impact on workforce, delivery of services, economic and social pressures and disruption for months and possibly years to come.	The Council will need to consider how its front-line services can continue to deliver, taking into account the number of staff self-isolating and those who are ill with the virus. The Council will face increasing cost pressures, such as the provision of personal protective equipment (PPE) to front line staff, equipping office based staff to work remotely via IT solutions – laptops and associated software requirements, and increased needs of communities as people's personal financial positions change. Following the move back to more normal operating conditions the Council will need to plan to bring back into operation those services temporarily suspended, and the potential impacts on service demand following the pandemic.
The uncertainty regarding the impact of and exit from the European Union may well place continued increasing expectations and demands on public sector organisations and the Council which will need to be factored into the Medium Term Financial Strategy	The Council will continue to monitor external economic and fiscal information to ensure that it can respond as quickly as possible to unexpected events. The COVID-19 pandemic will place increasing pressures on Council resources and budgets, and the Council will need to closely monitor costs and lost income as a result of the pandemic and lockdown arrangements, on its budget and cash-flow requirements.
Changes in Senior Management at Corporate Management Board level	The current coronavirus pandemic means that taking forward any recruitment process will be delayed, until such time as the Council is able to return to more normal operational arrangements. The Corporate Director Social Services and Wellbeing was due to retire at the end of April, but has agreed to continue in the role for a 3 month period during the pandemic. The recruitment process for this post has commenced and longlisted candidates were due to be interviewed in March 2020. The interview arrangements are currently on hold and will be rescheduled as soon as the lockdown arrangements ease. A new Corporate Director Communities took up position in March 2020 and the advertisement for the Chief Officer, Finance, Performance and Change will be advertised as soon as is practicable. Meanwhile the current interim arrangements are likely to continue past summer 2020.
Outcome of the Audit Wales report into Safeguarding and implementing the recommendations made therein	The outcome of the Audit Wales report are noted under 'Assessing Performance'. The report makes a number of recommendations that the Council will need to put in place to ensure that the Councils' safeguarding arrangements are robust. The Council's Audit Committee have requested they have the opportunity to review an action plan and progress report from Officers.
Strengthen the scrutiny and oversight arrangements of environmental health services and work with the Shared Regulatory Services and other providers to explore the opportunities for future improvements	As noted above under 'Assessing Performance', a number of recommendations have been made to strengthen the scrutiny and oversight of environmental health services for Bridgend, within the overall Shared Regulatory Services arrangements. The Council will need to ensure that it works with the Shared Regulatory Services and other providers to ensure a robust service with sufficient and appropriate monitoring thereof.
The risk of fraud especially in the current Covid-19 pandemic with significant funding moving around and increased digitalisation of transacting with the Council	The Council is seeking to strengthen arrangements to tackle and minimise fraud including considering the appointment of a Corporate Fraud Officer, updating and strengthening anti-fraud and anti-money laundering policies and mandatory e-learning for all staff, and continued working alongside the UK Government's National Fraud Initiative.

	In terms of the specific funding being provided for business grants, we are considering alternative options for a post-payment check on grants awarded to provide assurance that grants were not fraudulently obtained. This most likely will be through the National Fraud Initiative.
The increasingly challenging budgets for Schools, with potential for greater deficit school budgets	<p>There have been increasing pressures on school budgets and an increase in schools setting deficit budgets. Whilst schools do set deficit budgets, this must be a licensed deficit and in line with the requirements set out in the Financial Scheme for Schools, which includes the need to have approved deficit recovery plans in place. At the end of 2019-20 school balances overall were a net surplus of £108,000, a reduction of £506,000 for the year.</p> <p>It is difficult to know what impact Covid-19 will have on school budgets during 2020-21 as the majority will have been closed for months, whereas others are set up as hubs. There may be a requirement to re-allocate funding either amongst schools where expenditure was incurred, or even wider outside of school budgets where cost pressures have not been funded elsewhere.</p>

These issues will be monitored via a detailed action plan during 2020-21, with the responsible officer and deadline for implementation identified for each action, and reported to Cabinet/Corporate Management Board and to the Audit Committee.

Assurance

Subject to the above issues being resolved, we can provide an overall reasonable assurance that Bridgend County Borough Council's governance arrangements remain fit for purpose.

Steps to address the matters referred to above will be taken to further enhance our governance arrangements.

Signed: _____ Date: _____
(Chief Executive)

Signed: _____ Date: _____
(Leader)



BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

16 JULY 2020

REPORT OF THE INTERIM CHIEF OFFICER – FINANCE, PERFORMANCE AND CHANGE

PORTHCAWL HARBOUR RETURN 2019-20 (UNAUDITED)

1. Purpose of report

- 1.1 The purpose of this report is to present to Audit Committee the unaudited Porthcawl Harbour Return 2019-20 for approval.

2. Connection to corporate well-being objectives / other corporate priorities

- 2.1 This report assists in the achievement of the following corporate well-being objective under the **Well-being of Future Generations (Wales) Act 2015:-**

1. **Smarter use of resources** – ensure that all resources (financial, physical, ecological, human and technological) are used as effectively and efficiently as possible and support the creation of resources throughout the community that can help to deliver the Council's well-being objectives.

- 2.2 The Council's financial performance is an important element in determining the extent to which the well-being objectives can be delivered.

3. Background

- 3.1 The preparation of the Harbour Return is a requirement of the Accounts and Audit (Wales) Regulations 2014 (as amended 2018) and its content is defined by the Chartered Institute of Public Finance and Accountancy's *'Code of Practice on Local Authority Accounting in the United Kingdom'* (the Code).

- 3.2 In accordance with these regulations, the Harbour Return 2019-20 requires certification by the responsible finance officer and approval by the Audit Committee, by 15 June 2020, certifying that it presents a true and fair view of the financial position of the Harbour finances. If the return is not able to be signed and published by this date then the Council must publish a Regulation 10 notice setting out the reasons why. If no amendments are identified during the audit, no further approval is needed. However, should any amendments be needed, the audited Harbour return has to be approved by 15 September 2020 by the Audit Committee in accordance with the Committee's Terms of Reference.

- 3.3 As a result of the Coronavirus pandemic, the Council was unable to meet the 15 June 2020 deadline and therefore, in line with the requirements of the Regulations, issued a notice advising of this on the Council's website on 12 June 2020.

4. Current situation/proposal

- 4.1 The Council's unaudited Porthcawl Harbour Return the financial year ended 31 March 2020 is attached at **Appendix A**.
- 4.2 The return is produced in accordance with Internal 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 Harbour achieved a balanced position as at 31 March 2020. It generated £262,599 in fees, primarily for boat berthing/mooring. The main expenditures are staffing costs (£92,426) and depreciation of the Harbour assets (£113,518). The value of the Harbour and associated assets, including the kiosk and slipway, as at 31 March 2020 was £3,170,299.
- 4.5 The return has been reviewed by Internal Audit and no amendments were identified.

5. Effect upon policy framework and procedure rules

- 5.1 There is a legal requirement for the Harbour return to be certified by the responsible financial officer and approved by the Audit Committee prior to submission to Audit Wales. In the current year a Regulation 10 notice has been issued which has set out why the return was not certified by 15 June 2020, as a result of the Coronavirus pandemic. However, the return will be submitted to Audit Wales as soon as it is approved.

6. Equality Impact Assessment

- 6.1 Whilst the production of the Harbour return does not itself raise any equality issues, it does summarise the financial consequences of the running of the Harbour. When compiling the Harbour budget, consideration was given to the potential impact on protected groups within the community.

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 information 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 These are reflected in the body of the report.

9. Recommendation(s)

- 9.1 It is recommended that the Committee:
- approve the unaudited Porthcawl Harbour return 2019-20 at **Appendix A**.

Gill Lewis CPFA
Interim Chief Officer – Finance, Performance and Change
July 2020

Contact officer: Nigel Smith
Interim Group Manager – Chief Accountant

Telephone: 01656 643605

Email: nigel.smith@bridgend.gov.uk

Postal address: Raven's Court
Brewery Lane
Bridgend CBC
CF31 4AP

Background documents: None

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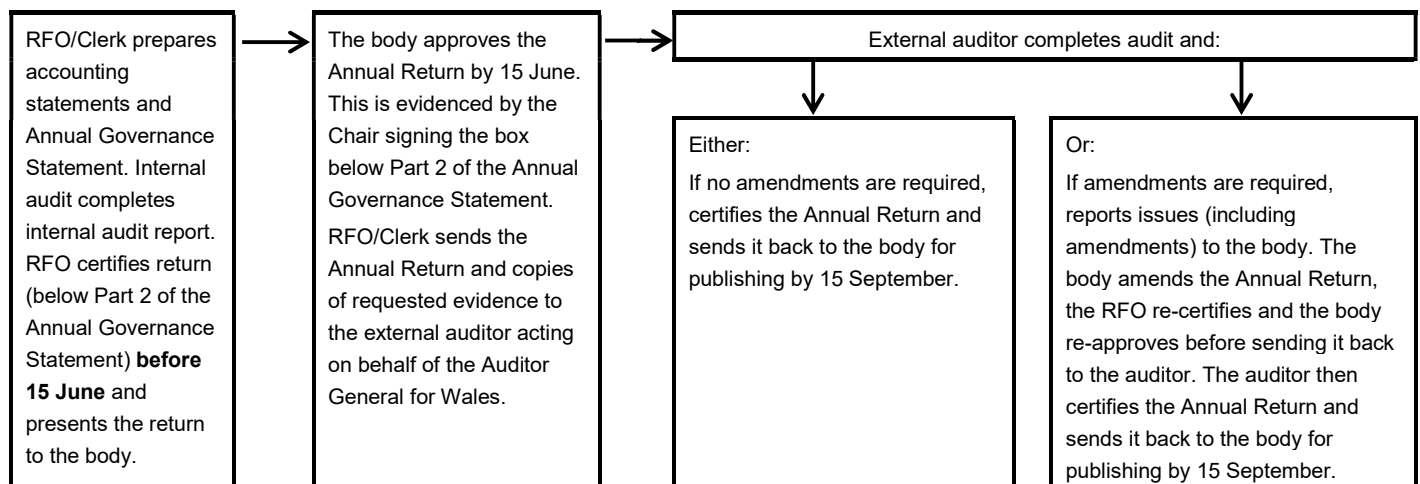
Smaller relevant local government bodies in Wales Annual Return for the Year Ended 31 March 2020

THE ACCOUNTS AND AUDIT PROCESS

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

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

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



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

APPROVING THE ANNUAL RETURN

There are two boxes for certification and approval by the body. The second box is only required if the annual return has to be amended as a result of the audit. You should only complete the top box before sending the form to the auditor.

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

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

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

Accounting statements 2019-20 for:

Name of body: Porthcawl Harbour

	Year ending		Notes and guidance for compilers
	31 March 2019 (£)	31 March 2020 (£)	Please round all figures to nearest £. Do not leave any boxes blank and report £0 or nil balances. All figures must agree to the underlying financial records for the relevant year.
Statement of income and expenditure/receipts and payments			
1. Balances brought forward	0	0	Total balances and reserves at the beginning of the year as recorded in the financial records. Must agree to line 7 of the previous year.
2. (+) Income from local taxation/levy	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	228,063	262,599	Total income or receipts recorded in the cashbook minus amounts included in line 2. Includes support, discretionary and revenue grants.
4. (-) Staff costs	(67,671)	(92,426)	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	(113,518)	(113,518)	Total expenditure or payments of capital and interest made during the year on external borrowing (if any).
6. (-) Total other payments	(46,874)	(56,655)	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	34,834	64,691	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	(34,834)	(64,691)	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	3,283,817	3,170,299	The asset and investment register value of all fixed assets and any other long-term assets held as at 31 March.
13. Total borrowing	0	0	The outstanding capital balance as at 31 March of all loans from third parties (including PWLB).

Annual Governance Statement

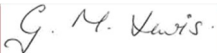
We acknowledge as the members of the **Committee**, our responsibility for ensuring that there is a sound system of internal control, including the preparation of the accounting statements. We confirm, to the best of our knowledge and belief, with respect to the accounting statements for the year ended 31 March 2020, that:

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

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

Committee approval and certification

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

Certification by the RFO I certify that the accounting statements contained in this Annual Return presents fairly the financial position of the Committee and its income and expenditure, or properly presents receipts and payments, as the case may be, for the year ended 31 March 2020.	Approval by the Committee I confirm that these accounting statements and Annual Governance Statement were approved by the Committee under minute reference:
	Insert minute reference and date of meeting
RFO signature: 	Chair of meeting signature:
Name: Gill Lewis	Name:
Date: 02/07/20	Date:

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

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

Auditor General for Wales' Audit Certificate and report

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

We certify that we have completed the audit of the Annual Return for the year ended 31 March 2020 of:

--

External auditor's report

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

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

Other matters and recommendations

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

(Continue on a separate sheet if required.)

External auditor's name:

External auditor's signature:

Date:

For and on behalf of the Auditor General for Wales

* Delete as appropriate.

Annual internal audit report to:

Name of body: Porthcawl Harbour

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

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

	Agreed?				Outline of work undertaken as part of the internal audit (NB not required if detailed internal audit report presented to body)
	Yes	No*	N/A	Not covered**	
1. Appropriate books of account have been properly kept throughout the year.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	All payments are made through the Councils bank account and ledger system. Main Accounting & Budgetary Control last audited 18/19 and no 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"/>	All payments are made through the Councils bank account and ledger system. Testing found no issues, all were compliant.
3. The body assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Operational risk assessments completed by Harbour.
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 annual precept payment. Central monitoring of budget and reserves are carried out with the Harbour Board provided with updates in meetings.
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"/>	Charges are listed on the Bridgend Council website. Invoices raised and monitored on central system for Harbour for 19/20 financial year. Sample of invoices selected and all had correctly charged VAT.
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"/>	No petty cash identified for 2019/20.
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"/>	Salaries are paid through Council's central payroll system on NJC agreed pay scales. All individuals paid under the Harbour cost centre on the ledger were employed in roles at the Harbour.

	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**	
8. Asset and investment registers were complete, accurate, and properly maintained.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Harbour listed as an asset on Council's Asset Register.
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"/>	Council's main bank account and ledger used and subject to central checks.
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 and no relevant issues identified.

For any risk areas identified by the Committee (list any other risk areas below or on separate sheets if needed) adequate controls existed:					
	Agreed?				Outline of work undertaken as part of the internal audit (NB not required if detailed internal audit report presented to body)
	Yes	No*	N/A	Not covered**	
11. Insert risk area	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text
12. Insert risk area	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text
13. Insert risk area	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text

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

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

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

Internal audit confirmation

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

Name of person who carried out the internal audit: Joan Davies	
Signature of person who carried out the internal audit:	
Date: 16/06/2020	

Guidance notes on completing the Annual Return

1. You must apply proper practices when preparing this annual return. Proper practices are set out in the Practitioners' Guide.
2. Make sure that the Annual Return is fully completed ie, no empty red boxes. Please avoid making any amendments to the completed return. If this is unavoidable, cross out the incorrect entries, make sure the amendments are drawn to the attention of the body, properly initialled and an explanation for them is provided to the external auditor. **Please do not use correction fluid.** Annual returns that are incomplete or contain unapproved and/or unexplained amendments or correction fluid will be returned unaudited and may incur additional costs. Ask your auditor for an electronic copy of the form if required.
3. Use a second pair of eyes, perhaps the Chair or a member, to review your Annual Return for completeness before sending the original form to the auditor.
4. Make sure that your accounting statements add up, that the balance carried forward from the previous year (line 7 of 2019) equals the balance brought forward in the current year (line 1 of 2020). Explain any differences between the 2019 figures on this annual return and the amounts recorded in last year's annual return.
5. Explain fully any significant variances in the accounting statements. Do not just send in a copy of your detailed accounting records instead of this explanation. The external auditor wants to know that you understand the reasons for all variances. Include a detailed analysis to support your explanation and be specific about the values of individual elements making up the variances.
6. Make sure that the copy of the bank reconciliation you send to your auditor with the Annual Return covers **all** your bank accounts and cash balances. If there are no reconciling items, please state this and provide evidence of the bank balances. If your Committee holds any short-term investments, please note their value on the bank reconciliation. The auditor should also be able to agree your bank reconciliation to line 9 in the accounting statements. More help on bank reconciliations is available in the Practitioners' Guide.
7. **Every committee must send to the external auditor, information to support the assertions made in the Annual Governance Statement even if you have not done so before.** Your auditor will tell you what information you need to provide. Please read the audit notice carefully to ensure you include all the information the auditor has asked for. You should send **copies** of the original records (certified by the Clerk and Chair as accurate copies) to the external auditor and not the original documents themselves.
8. Please do not send the auditor any information that you are not specifically asked for. Doing so is not helpful.
9. If the auditor has to review unsolicited information, repeat a request for information, receives an incomplete bank reconciliation or explanation of variances or receives original documents that must be returned, the auditor will incur additional costs for which they are entitled to charge additional fees.
10. **Please deal with all correspondence with the external auditor promptly.** This will help you to meet your statutory obligations and will minimise the cost of the audit.
11. **Please note that if completing the electronic form, you must print the form for it to be certified by the RFO and signed by the Chair before it is sent to the auditor.**

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

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

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

16 JULY 2020

REPORT OF THE HEAD OF THE REGIONAL INTERNAL AUDIT SERVICE

ANNUAL INTERNAL AUDIT REPORT 2019-20

1. Purpose of report

- 1.1 The purpose of this report is to provide the Head of Internal Audit's Annual Opinion on the Council's control environment in relation to governance, risk management and internal control and to inform the Audit Committee of the work and performance of Internal Audit for the Financial Year 2019-20.

2. Connection to corporate improvement objectives/other corporate priorities

- 2.1 This report assists in the achievement of the following corporate well-being objective priority under the Well-being of Future Generations (Wales) Act 2015:-

- Smarter use of resources – ensure that all its resources (financial, physical, ecological, 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 well-being objectives.

3. Background

- 3.1 The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an Annual Report to support the Annual Governance Statement. The report should:
- Include an opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control;
 - Present a summary of the audit work undertaken;
 - Draw attention to any issues that may impact on the level of assurance provided;
 - Provide a summary of the performance for the service;
 - Comment on conformance with the Public Sector Internal Audit Standards.
- 3.2 In accordance with the Public Sector Internal Audit Standards, the Head of Internal Audit is responsible for developing a risk-based annual audit plan which takes into account the Council's risk management framework. Within the Standards there is also a requirement for the Head of Internal Audit to review and adjust the plan, as necessary, in response to changes in the Council's business, risks, operations, programmes, systems, controls and resources. The Head of Internal Audit must also ensure that Internal Audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan.
- 3.3 The 2019-20 Internal Audit Plan was submitted to the Audit Committee for consideration and approval on the 18th April 2019. The Plan outlined the

assignments to be carried out and their respective priorities. As this was the first year of the newly created Regional Service, 2019-20 was highlighted as a transitional year where flexibility would be required to deal with the demands of setting up a new service.

- 3.4 In addition, the plan was produced based on a full staffing compliment, however vacancies remained during 2019-20 whilst the staffing structure for the Regional Service was being agreed and therefore SWAP Internal Audit Services have assisted with some work.

4. Current situation/proposal

- 4.1 The Internal Audit Annual Report is at **Appendix A** which summaries the reviews undertaken during 2019-20 including any counter fraud work, the recommendations made and any control issues identified. A total of 35 reviews were completed with an audit opinion and a total of 103 medium and high recommendations made. A detailed breakdown is included at **Annex 1** of the appendix. The annual report also discusses the performance of the internal audit service during the year including benchmarking its performance against other local authorities and highlighting individual staff development and training that has taken place.
- 4.2 Progress against the 2019-20 Risk Based Plan is attached at **Annex 2**. This details the status of each planned review. It should be noted that some reviews listed have no audit opinion, for example advice and guidance, Audit Committee, External Audit liaison, Fraud, and Irregularity work. This is because the audit work carried out in respect of these items was planned but the nature of the work does not lead to testing and the formation of an audit opinion.
- 4.3 Annex 2 illustrates that the majority of planned audit reviews have been undertaken during 2019-20 despite the reduced staffing resources. Where planned work has not been undertaken, assurance has been gained where possible from other sources such as the Wales Audit Office reports on budgets and safeguarding. Some planned reviews were reassessed during the year and a decision made not to undertake the work whilst 4 audits will be carried forward into 2020-21.
- 4.4 Taking into account the results of the internal audit reviews completed during 2019-20, the recommendations made and considering other sources of assurance the Head of Internal Audit's annual opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control for 2019-20 is of **reasonable assurance**. No significant cross-cutting control issues have been identified that would impact on the Council's overall control environment and the weaknesses identified are service specific.
- 4.5 In providing this annual audit opinion, it should be noted that assurance can never be absolute. The most that internal audit can provide is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes. The matters raised in this report are only those which came to our attention during our internal audit work in the financial year 2019-20 and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

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 Annual Internal Audit Report for the Financial Year 2019-20 including the Head of Internal Audit's Annual Opinion on the Council's control environment in relation to governance, risk management and internal control.

Mark Thomas
Head of Internal Audit
30 June 2020

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Background Documents

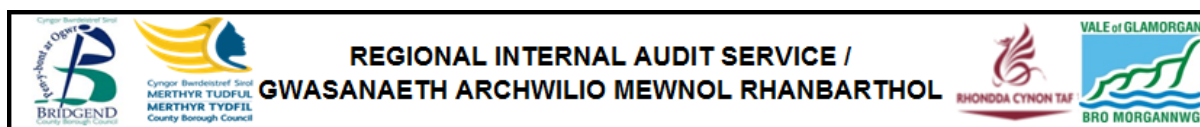
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ANNUAL INTERNAL AUDIT REPORT

2019/2020



Annual Internal Audit Report 2019/20

Section 1 – Introduction

- 1.1 The Public Sector Internal Audit Standards (PSIAS) requires the Head of Internal Audit to deliver an annual internal audit opinion and report which can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
- 1.2 The 2019/20 Internal Audit Plan outlined the assignments to be carried out to enable the Head of Internal Audit to form an annual opinion of the Council's overall control environment including, governance, risk management and internal control.
- 1.3 The Internal Audit Service is delivered through the expanded shared service that came into existence on 1st April 2019. The service is hosted by the Vale of Glamorgan Council and provides internal audit services to the Vale, Bridgend, Merthyr Tydfil & Rhondda Cynon Taf Councils. The arrangement is underpinned by a detailed legal agreement between the four Councils which sets out a range of obligations (the core service is the same for each Council but there are differences in what is provided outside of the core service).
- 1.4 The service reports to the four Audit Committees and is overseen at a strategic level by the Board which consists of the Chief Finance Officers of the four Councils.

Section 2 – Summary of Reviews Undertaken 2019/20

- 2.1 On completion of the audit reviews an audit opinion is formed providing assurance for management and those charged with governance on how well the internal controls and governance arrangements of the system, establishment or area of review are operating.
- 2.2 Based upon the findings and recommendations made, an overall conclusion as to the level of assurance that can be provided is given as follows:

Substantial Assurance

- Key controls exist and are applied consistently and effectively
- Objectives are being achieved efficiently, effectively and economically.

Reasonable Assurance

(some risk of loss, fraud, impropriety, or damage to reputation)

- Key controls exist but there may be some inconsistency in application;
- Compensating controls operating effectively;
- Objectives achieved but could be improved.

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Limited Assurance

(a high risk of loss, fraud, impropriety, or damage to reputation)

- Key controls exist but they are not applied, or they are not applied consistently and effectively;
- Objectives are not being met, or are being met without achieving efficiency or effectiveness

No Assurance

(a very high risk of loss, fraud, impropriety, or damage to reputation)

- Key controls do not exist;
- Objectives are either not met, or are met without achieving efficiency or effectiveness

Table 1 – Audit Opinion Given to Completed Audit Reviews 2019/20

Opinion	Follow Ups	Financial Systems	Other Audit Reviews	Grant Verification	Total	%
Substantial	1	3	3	0	7	20%
Reasonable	2	4	10	6	22	63%
Limited	0	1	5	0	6	17%
No Assurance	0	0	0	0	0	0%
Total	3	8	18	6	35	100%

- 2.3 Table 1 illustrates that a total of 35 reviews have been given an audit opinion. A detailed list of these is at **Annex 1**.
- 2.4 Based on the testing of the effectiveness of the internal control environment an audit opinion of substantial assurance has been given to 7 reviews (20%) and an opinion of reasonable to 22 reviews (63%). The remaining 6 have been given an audit opinion of limited, that is only limited assurance can be placed on the current systems of internal control. These are detailed in Section 3 below.
- 2.5 Progress against the 2019/20 Risk Based Plan is attached at **Annex 2**. This details the status of each planned review, the audit opinion and the number of any high or medium recommendations made to improve the control environment. It should be noted that some reviews listed have no audit opinion, for example advice and guidance, Audit Committee, External Audit liaison, Fraud, and Irregularity work. This is because the audit work carried out in respect of these items was planned but the nature of the work does not lead to testing and the formation of an audit opinion.
- 2.6 **Annex 2** illustrates that the majority of planned audit reviews have been undertaken during 2019/20 despite reduced staffing resources. Where planned work has not been undertaken, assurance has been gained where possible from other sources such as the Wales Audit Office reports on budgets and safeguarding. Some planned reviews were reassessed during the year and a decision made not to undertake the work whilst 4 audits will be carried forward into 2020-21.

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- 2.7 The Covid19 outbreak has had little impact on the delivery of the internal audit plan for 2019/20 as relevant testing in all but 4 reviews had been completed prior to the lockdown coming into force allowing final reports to be issued

Section 3 – Limited Reports - Control Issues

- 3.1 Table 1 illustrates that 6 reviews identified control issues which meant that only limited assurance could be provided. These are detailed below:
- 3.2 **Banks Automated Clearing System (BACS)**
This review was to provide assurance on the adequacy and effectiveness of the control environment surrounding both direct debits and credits. Although it was found that BACS submissions were made in a timely manner and contingency measures were in place to safeguard the overall process in the event of any unplanned absences, some key control issues were identified. One fundamental weakness identified was that appropriate restrictions were not applied to all shared files. This recommendation was accepted, and action was immediately taken to rectify this. Staff were also reminded not to use such drives for confidential data. A follow up review will be undertaken to ensure that all the other agreed improvements have been made.
- 3.3 **Disabled Facilities Grants**
The objectives of this audit were to ensure that adequate systems and controls are in place and operating satisfactorily in regard to assessing, awarding and spending funds for DFG. The review identified that although some improvements have been made which have reduced waiting times, targets are still missed, and processes still need to be improved.
- 3.4 **General Data Protection Regulations (GDPR)**
Some significant opportunities for improvement in BCBC's data protection / GDPR control framework were identified during this review. One area identified is regarding the assessment of risks posed by GDPR. It has been recommended that a corporate risk assessment of the Council's GDPR processes is undertaken involving Corporate and Senior Managers across the Council. This is to ensure that all corporate risks relating to GDPR are identified and included in an action plan. All recommendations made during this review have been agreed by Officers. A follow up review to document progress against the recommendations made was undertaken and it was found that improvements have been made and the audit opinion is now deemed reasonable. Additional recommendations have been made to ensure continued improvement.
- 3.5 **Contract Management**
The purpose of the audit was to ensure the Council is procuring its contracts in an efficient and effective manner, and in compliance with the relevant legislation. Where best value for money is not achieved by the appropriate application of Contract and Procurement Rules, this represents a high financial risk and potential reputational damage for the Council. For the review 12 contractors with the highest cumulative

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spends in 2018/19 and which did not appear to have a contract entered within the Corporate Contracts Register (CCR), were selected for testing. A limited opinion has been provided, as although elements of compliance with the Contract Procedure Rules (CPRs) and associated procurement guidance are operating effectively, opportunities for the introduction or improvement of internal controls in relation to the management of some contracts have been identified such as maximising the use of framework contracts and monitoring prices being paid to ensure they are the negotiated rate.

3.6 Home to School Transport

It is known that this service area carries a significant overspend against budget and decisions regarding discretionary elements and route planning are awaited to try and improve this. Whilst these areas are priority the audit review identified other areas which will support ongoing efficiency and service quality such as documenting contract variations and retaining supplier agreements as well as strengthening the DBS monitoring process currently in place. It was recognised that although areas for improvement have been identified a number of areas of good practice were also identified such as undertaking consistent procurement exercises and increasing income by selling surplus seats on transport.

3.7 Ogmore Vale School

This school has a relatively new Headteacher who is working towards making improvements. Recommendations were made to enhance controls particularly the processes in place for hiring out school facilities including contracts, fee setting and income collection. These recommendations were agreed by the school and a further visit will be undertaken to provide assurance that improvements have been made.

Section 4 – Recommendations – 2019/20

- 4.1 Recommendations are made at the conclusion of an audit review if it is felt that improvements should be made to mitigate risk. Recommendations are included in an implementation plan and following each audit report recipients are asked to complete an action / implementation plan showing whether they agree with the recommendations made and how they plan to implement them. The classification of each recommendation made assists management in focusing their attention on priority actions.

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Table 2 – Analysis of Recommendations Made

Recommendations	Follow Ups	Financial Systems	Other Audit Reviews	Grant Verification	Total	%
High		1	5		6	6%
Medium	12	17	66	2	97	94%
Total	12	18	71	2	103	100%

- 4.2 Table 2 illustrates that a total of 103 high or medium recommendations have been made to improve the control environment of the areas reviewed during 2019/20. Management has given written assurance that these will be implemented or have accepted the identified risk if the recommendation has not been accepted. The implementation of these recommendations is being monitored to ensure that improvements are being made.
- 4.3 6 recommendations have been deemed fundamental / high priority. 4 of these 6 relate to a review of Arbed, a grant funded scheme where the review was undertaken to provide assurance that the financial and procurement aspects of the scheme, undertaken during 2012/13, adhered to Council's policies and procedures. Concerns were identified relating to the governance, decision making processes, procurement, monitoring and control aspects of this scheme. However, due to the historic nature of the findings, no audit opinion was provided. Recommendations were made to undertake testing on more recent grant funded schemes to ensure the identified weaknesses are not inherent in other grant funded programmes. This review is included in the audit plan 2020-21.
- 4.4 The remaining 2 fundamental recommendations related to the BACS review and the GDPR review. Both these have been addressed and the perceived high risk no longer exists.
- 4.5 The implementation of the 97 significant / medium priority recommendations, which have been accepted, is monitored by Internal Audit.
- 4.6 Where it is deemed appropriate to do so, Merits Attention recommendations are made. These relate specifically to an action that is considered desirable but does not necessarily have an impact on the control environment. Therefore, these recommendations are not included on the Management Implementation Plan or logged on the Internal Audit Management Information system. Therefore, a formal written response is not required from the client.

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Section 5 – Counter Fraud Work

- 5.1 One matter was referred to Internal Audit for review during 2019/20. This was a complaint raised by a member of the public that personal information supplied to the Council had been used to create a fraudulent bank account application. The matter was investigated, and the complainant interviewed. The complainant was advised during the interview that there was no evidence that the information supplied to BCBC had been used in the way it was alleged. This was followed up and as a result the complaint was withdrawn. However, during this work an opportunity to strengthen the internal processes and controls was identified and relayed to the Department concerned.
- 5.2 As reported in last year's annual report, the potential misuse of a Council purchasing card by an employee had been identified and the matter had been referred to the police. It was identified that this misuse happened due to weak internal controls. A further audit review has been undertaken in this service area during 2019/20 and the control environment has improved. The police case has also been concluded and the former employee was found guilty of fraud, ordered to repay the Council the amount identified as stolen and given a suspended sentence and community service.
- 5.3 The National Fraud Initiative is also included in our audit plan. Internal Audit facilitates the upload of data, user account management and provides assistance and advice to officers reviewing the data matches. During 2019/20 a total of £24,721 of recoverable fraud/errors were identified through the initiative along with £262,142 of notional savings.
- 5.4 A separate report will be presented to the Audit Committee in relation to Corporate Fraud including the detailed results of the National Fraud Initiative.

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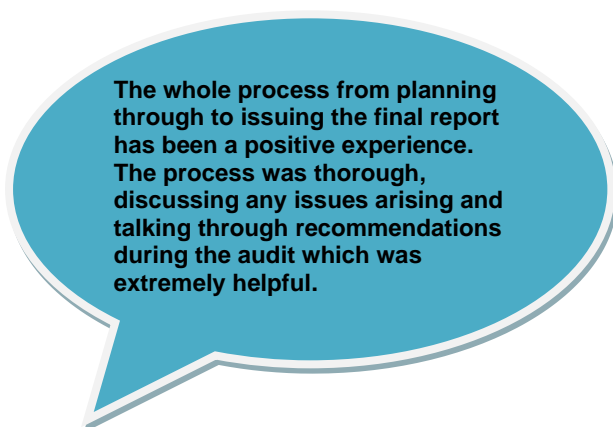
Section 6 – Key Performance Measures – Client Satisfaction Questionnaires

- 6.1 The Internal Audit Service has for several years operated a system to enable clients to feedback with comments on the work undertaken by internal auditors. The client satisfaction questionnaires provide managers with the opportunity to feedback on the performance, professionalism and conduct of the auditor as well as the audit process in general.

The questions covered are below:

No.	Question
1	Where appropriate, briefing of client and usefulness of initial discussion.
2	Appropriateness of scope and objectives of the audit.
3	Timelines of audit.
4	Response of Officer to any requests for advice and assistance.
5	General helpfulness and conduct of Auditor (s)
6	Discussion of findings / recommendations during or at the conclusion of the audit.
7	Fairness and accuracy of report.
8	Practicality and usefulness of recommendations
9	Standard of report.
10	Client agreement with overall audit opinion.

- 6.2 The returned surveys have confirmed satisfaction with the audit approach. In addition to the above, the client also has an opportunity to make their own comments on the Client Satisfaction Survey. Set out below are two examples that have been received during the period.



- 6.3 The number of returned questionnaires has reduced in recent years and a mechanism to automate the chase up of responses will be explored through the new Internal Audit Software that is being introduced.

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Section 7 – Key Performance Measures – Staff Training

- 7.1 Investment in the development of staff continues as it is recognised that with the increasing challenges and complexity facing local government and other public sector services, the need for well trained, motivated and versatile audit staff has never been higher.
- 7.2 In terms of professional training, one member of staff is currently studying for the Chartered Institute of Public Finance and Accountancy qualification and has successfully completed the Professional and Diploma stage of the qualification and is undertaking the final Strategic stage. Another member of staff has commenced the Chartered Institute of Internal Auditors Certified Internal Auditor qualification which consists of 3 modules. To date one module has been successfully completed.
- 7.3 Staff are also encouraged to attend courses or seminars or complete on-line courses to develop their skills and networking opportunities. Listed below are a number of training courses that staff have completed during 2019-20: -
- WAO Finance for the Future Conference attended
 - CIPFA Wales Annual Conference attended
 - General Data Protection Regulations & Data Protection
 - Safeguarding Children & Adults – Raising Awareness
 - Cyber Crime online training
 - Microsoft Excel Training
 - Fraud Awareness- Finance Team Development training
 - Violence against Women, Domestic Abuse and Domestic Violence
 - CIPFA Strategic Public Finance Web Classes – various subjects
 - ISACA Webinar – various subjects

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Section 8 – Key Performance Measures – Benchmarking

8.1 The Internal Audit Service participates annually in the Welsh Chief Auditors Group benchmarking exercise. The results for 2018/19 have been received and are as shown in Table 3 below:

Table 3 – Performance Data

Performance Indicator 2018/2019	IASS Performance BCBC 2018/19	WCAG Average Performance 2018/19	IASS Performance BCBC 2017/18	WCAG Average Performance 2017/18
Percentage of Planned Audits Completed	94%	85%	79%	85%
Percentage of Audits Completed in Planned Time	71%	74%	59%	73%
Percentage of directly chargeable time versus total available	77%	70%	60%	67%
Percentage of directly chargeable time actual versus planned	64%	87%	58%	86%

8.2 It should be noted that 18 of the 22 Councils returned their performance figures for 2018/19 representing a return rate of 82%. It is clear from the figures provided that the Section's performance improved when compared with that of 2017/18 which is partly due to the successful recruitment of 2 Auditors during 2018/19.

Section 9 – Public Sector Internal Audit Standards

9.1 The Public Sector Internal Audit Standards encompass the following mandatory elements:

- Definition of Internal Auditing;
- Code of Ethics
- International Standards for the Professional Practice of Internal Auditing.

9.2 The Standards aim to promote further improvement in the professionalism, quality and effectiveness of Internal Audit Services across the public sector. The Standards require that each public sector Internal Audit Service has in place robust arrangements for quality assurance and requires that Internal Audit be the subject of an external assessment at least once every 5 years.

9.3 The Internal Audit Service received an external assessment in accordance with the Standards in 2017 and another will be due in 2022. No areas of non-compliance that would affect the overall scope or operation of the Internal Audit activity were

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identified and the assessment noted that there were no significant deviations from the Standards.

- 9.4 No significant changes have occurred in respect of the working practices since the Regional Internal Audit Service was set up in April 2019. As a result, the Service continues to conform to the Standards during 2019/20.

Section 10 – Regional Internal Audit Service Progress

- 10.1 As stated above in Section 1 the expanded shared service came into existence on 1st April 2019. The service is hosted by the Vale of Glamorgan Council and provides internal audit services to the Vale, Bridgend, Merthyr Tydfil & Rhondda Cynon Taf Councils.

- 10.2 A vision for the service has been produced alongside a number of objectives.

Vision

To be the provider of Internal Audit Services of choice to the public sector in South Wales and be a centre of excellence for public sector internal auditing.

To be a service that is regarded as:

- ✓ Professional
- ✓ Approachable
- ✓ Flexible
- ✓ Independent but internal to the organisation – a critical friend

- 10.3 The immediate priorities for the service were identified as follows:

- Ensure a seamless transition from previous arrangements
- Ensure Internal Audit plans for each Council have been developed, consulted on and are deliverable within the likely resources available
- Production of Annual Internal Audit Reports for each Council
- Continue to support all four Audit Committees
- Continue to deliver the planned Audits for each Council

These were all delivered.

- 10.4 The priorities identified for the first 12 months for the Service were:

- Develop a structure taking into account TUPE requirements and SWOT analysis
- Confirm ICT solution & arrangements
- Identify & evaluate different approaches/ methodologies of each Internal Audit team and identify most appropriate to adopt

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- 10.5 A new staffing structure has been developed and agreed and it is planned to commence recruitment when the restrictions around the Pandemic allow. New ICT equipment was purchased for staff to ensure consistency and compatibility. A new software solution for the service has been agreed and procured. This will be rolled out to staff during 2020/21.
- 10.6 Work has commenced on evaluating different approaches/ methodologies of each internal audit team to identify and develop the most appropriate to adopt. This will continue linked with the roll out of the new software however Covid will impact on how the service is delivered for the foreseeable future and remote auditing will have to be developed.
- 10.7 The longer-term success of the service includes plans to develop a commercial approach and analysing the potential public sector market. Limited progress has been made on this aspect as the foundations referred to above need to be embedded before progressing this.

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Section 11 - Opinion Statement 2019/20

This statement of opinion is underpinned by:

Internal Control Framework

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 the year, core financial and administrative systems were reviewed by Internal Audit either through specific reviews (e.g. Creditors, Debtors, Business Rates, Treasury Management etc.) or generally in the reviews undertaken in respect of directorate systems. Due to the resourcing issues during the year within the Internal Audit Shared Service, audit work was also commissioned from SWAP Internal Audit Services.

In providing my annual audit opinion, it should be noted that assurance can never be absolute. The most that internal audit can provide is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes. The matters raised in this report are only those which came to our attention during our internal audit work in the financial year 2019/20 and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

In arriving at my opinion, the following matters have been taken into account:

- The results of all internal audits undertaken during the year ended 31st March 2020
- The results of follow-up reviews of action taken to address audit recommendations;
- Whether or not any significant recommendations have not been accepted by management and the consequent risks;
- The effects of any material changes in the Council's objectives and activities.
- Other sources of assurance

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Risk Management

Effective Risk Management forms a key aspect of assurance and governance. The Corporate Risk Management Policy is aligned with Directorate Plans and the Council's performance management framework.

Key risks are distilled in the Corporate Risk Assessment. This sets out how the Council is addressing these risks and the mitigating actions it will put in place to reduce them. It is regularly reviewed and challenged by both senior management and the Audit Committee.

It is not possible to eliminate all risk of failure to meet the targets in the Council's policies, aims and objectives and cannot therefore provide absolute assurance of effectiveness, but one of **reasonable assurance** is given.

Governance Arrangements

Good Governance will facilitate effective management that can deliver long term success and performance of an organisation.

Interim arrangements have been in place during the year in relation to key Statutory Officers of the Council and members of the Corporate Management Board.

Whilst no single audit was conducted specifically on governance, governance arrangements are considered as part of every audit. Assurance has also been drawn from the responses received in relation to the Annual Assurance Statements from Head Teachers and Chairs of Governors.

No significant issues were identified from a governance perspective therefore an opinion of **reasonable assurance** is given.

Internal Control

I have based my opinion on internal control using the work undertaken by internal audit during the year.

A total of 35 reviews culminating in an overall opinion have been completed, 29 (83%) of which have been closed with either a substantial or reasonable assurance opinion level. 6 reviews (17%) have identified weaknesses in the overall control environment, and these have been summarised in Section 3 above.

Therefore an opinion of **reasonable assurance** can be given on internal control.

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Head of Internal Audit Opinion Statement 2019/20

From the work undertaken during the financial year 2019/20 and taking into account other sources of assurance, the Head of Internal Audit's annual opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control for 2019-20 is:

“Reasonable Assurance”

The opinion states that, based on the work completed by the Regional Internal Audit Shared Service for the financial year and the contribution to the Audit Plan made by the SWAP Internal Audit Services, no significant cross-cutting control issues have been identified that would impact on the Council's overall control environment. The weaknesses that have been identified are service specific.

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Annex 1 – Audits Completed with an Opinion & Recommendations 2019/20

Audit	Opinion			Recommendations	
	Substantial	Reasonable	Limited	High	Medium
C/F Debtors System		√			2
C/F Security & Information Transfer		√			1
C/F Arbed				4	0
Coychurch Crematorium Annual Financial Return		√			0
Porthcawl Harbour Annual Financial Return		√			0
Supporting People Outcomes		√			0
Bus Services Support Grant (BSSG)		√			0
Education Improvement Grant 2018-19		√			0
Supporting People Grant		√			2
Creditor NFI Matches		√			0
Business Rates	√				1
Treasury Management	√				0
IR35	√				0
Retrospective Orders		√			4
Standing Data inc. PO Box Addresses		√			0
Banks Automated Clearing System (BACS)			√	1	9
Insurance		√			1
ICT Network Management	√				0
ICT Business Continuity Review	√				0
ICT Dynamics CRM	√				2
Asset Management		√			3
Disabled Facilities Grants			√		6
Licensing Complaint		√			0
Taxi Licensing		√			4
Healthy Organisation Review – follow up	√				4

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Audit	Opinion			Recommendations	
	Substantial	Reasonable	Limited	High	Medium
General Data Protection Regulations (GDPR)			√	1	10
GDPR - Follow Up		√			6
Contract Management			√		6
Home to School Transport			√		2
School CRSA		√			2
Cefn Glas School		√			8
Ogmore Vale School			√		8
Brynteg School		√			7
Pcard Review- Early Intervention & Prevention Programmes		√			7
Direct Payments Follow Up		√			2
DOLS		√			0
Total Audits providing an overall assurance opinion (35)	7	22	6	6	97

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Bridgend County Borough Council - Activity Against Audit Plan 1st April 2019 to 31st March 2020

Area	Audit
Priority One	Scope / Risk
Good 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. Assist in the AGS
Safeguarding	safeguarding incidents are dealt with in accordance with the Council's safeguarding policies and procedures. Annual assessment of the Council's overall operating model for safeguarding vulnerable adults and children.
CRSA	To undertake the annual controlled risk self – assessment for schools 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.
Grant Certification Work	Under the conditions of the specific grant determination, the Head of Audit must certify that the conditions of the grant have been complied with.
	Coychurch Crematorium
	Porthcawl Harbour
	Supporting People Outcomes
	Bus Services Support Grant (BSSG)
	Education Improvement Grant 2018-19
	Supporting People Grant
Material Systems – Key Financial Systems	A rolling programme of audits is adopted for material systems whereby the work programme for each year may differ, with each audit having varying amounts of system review, testing or a combination of the two.
	Creditor NFI Matches
	Business Rates
	Treasury Management
	Council Tax Reduction Scheme
Direct Payments Follow Up	To follow up on the recommendations made during 2018/19 to ensure action has been taken to implement these.
Data Analytics	To align with this objective, Internal Audit is currently developing a data analytics strategy to be implemented during 2019/20. Data Analytics is proving to be a useful internal audit tool as councils become more reliant on electronic data, as data analytics enables a vast amount of data to be analysed when selecting testing samples
Property Compliance	Further work following on from 2018/19. To provide assurance that satisfactory progress is being made in respect of Property Compliance.
Home to School Transport	This review will focus on the application of eligibility criteria to determine whether children receive the right level of assistance. It will also include the processes in place, the risks associated with non-transparent procurement processes, inadequate service provider checks, budget overspends and inappropriate / invalid payments.
Healthy Organisation Review – follow up	To follow up on the areas for attention as outlined in the Healthy Organisation Review 2017/18 including Governance, Procurement and Commissioning, Risk Management, Programme & Project Management and Information Management.

Status	Opinion			Recommendations	
	Substantial	Reasonable	Limited	High	Medium
Completed					
assurance from WAO report reported to Audit Committee Nov19					
completed		√			2
Completed		√			0
Completed		√			0
Completed		√			0
Completed		√			0
Completed		√			0
Completed		√			2
Completed		√			0
Completed	√				1
Completed	√				0
carried forward					
Completed		√			2
analysis of supplier data used to inform the contract audit work.					
not undertaken - previous review completed and issued in qtr 4 2018/19					
completed by SWAP			√		2
completed by SWAP	√				4

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Area	Audit
Priority One	Scope / Risk
DOLS	To review the systems in place to ensure compliance with legislation
Carry Forward from 2018/19	Provision for those assignments which are still ongoing at the end of 2018/19.
	C/F Debtors
	C/F Security & Information Transfer
	C/F Arbed
2018/19 Closure of Reports	To finalise all draft reports outstanding at the end of 2018/19.
Follow up of recs. For Limited Reports	To ensure that all outstanding recommendations made during 2018/19 have been actioned.
	Pcard Review- Early Intervention & Prevention Programmes
	GDPR - Follow Up
Recommendation Monitoring	Monitoring the implementation of Internal Audit recommendations in consultation with service areas which have received these recommendations.
Annual Opinion Report 2018/19	To prepare and issue the Head of Audit's Annual Opinion Report for 2018/19.
Audit Planning – 2019/20	To prepare and present the annual risk based audit plan for 2019/20.
Audit Committee /Members and CMB Reporting	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.
Advice & Guidance	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.
Quality Assurance & Improvement / Effectiveness of Internal Audit	To review / ensure compliance with the Accounts and Audit (Wales) Regulations 2014 / Public Sector Internal Audit Standards (PSIAS).
Emerging Risks / unplanned	To enable Audit Services to respond to provide assurance activity as required.
	Taxi Licensing
	Disabled Facilities Grants
External Audit Liaison	To ensure that a “managed audit” approach is followed in relation to the provision of internal and external audit services.
Fraud / Error / Irregularity	Irregularity Investigations - Reactive work where suspected irregularity has been detected.
	Licensing Complaint
Fraud / Error / Irregularity	Anti-Fraud & Corruption – Proactive - Proactive counter-fraud work that includes targeted testing of processes with inherent risk of fraud.
Fraud / Error / Irregularity	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.
	Sub Totals Priority One

Status	Opinion			Recommendations	
	Substantial	Reasonable	Limited	High	Medium
completed by SWAP		√			0
Completed		√			2
Completed		√			1
Completed				4	
Completed					
completed		√			7
completed		√			6
completed					
completed					
completed					
completed		√			4
completed			√		6
completed		√			0
ongoing and subject to separate reporting					
	3	16	2	4	39

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Area	Audit
Priority One	Scope / Risk
Priority Two	
Procurement	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.
Capital Programme	A review of this area will be undertaken to provide assurance that the Capital Programme remains on track and that slippage is accounted for, reported and regularly monitored.
Homelessness	This audit will review the effectiveness of the systems in operation for processing applications and monitoring homelessness cases.
Additional Learning Needs Bill	To follow up on the recommendations made during 2018/19 to ensure action has been taken to address the weaknesses identified.
Schools	To undertake a number of school based reviews in accordance with the Internal Audit risk based assessment.
	Cefn Glas School
	Ogmore Vale School
	Brynteg School
Schools	To undertake cross cutting projects to ensure compliance across all schools.
Banks Automated Clearing System (BACS)	This review will provide assurance on the adequacy and effectiveness of the control environment surrounding both Direct Debits and Credits.
Insurance	This review will seek to determine whether the Council has an effective control framework in place for the management/monitoring of incidents that have led to claims being upheld; and that any further mitigating actions/controls are considered/implemented as part of the Council's wider risk management programme.
General Data Protection Regulations	This audit will review whether the Council has an effective control framework in place for ensuring that personal information that is gathered is only used for the purpose for which it was originally intended.
IR35	This review will seek to determine whether the Council has effective arrangements in place to ensure that it conforms to these regulatory requirements.
Supply Chain Management	To undertake a review of key areas of risk, including levels of supply and demand, sustainability and pricing across supply chains, where we are reliant on other organisations for the provision of services. We shall also look at ethical procurement.
Contract and Project Management	To undertake a review of the procedures and processes associated with a number of Contracts / Projects / Programme. Particular emphasis will be placed on compliance to the Council's Rules and Regulations and Project Management Methodology associated with high risk contracts.
Social Services Follow up work.	Provision has been made to follow up on recommendations made to ensure action has been taken to address any weaknesses identified
Budget Savings	This review will seek to establish whether there are effective budget monitoring and reporting arrangements in place to track the progress of the identified savings targets.

Status	Opinion			Recommendations	
	Substantial	Reasonable	Limited	High	Medium
purchasing card follow up review undertaken (see above)					
SWAP - carried forward					
to be undertaken 2020/21					
Position Statement SWAP 18/19 no recs made					
completed		√			8
completed			√		8
completed		√			7
not undertaken					
completed			√	1	9
completed		√			1
completed - SWAP			√	1	10
completed	√				0
not undertaken					
completed - SWAP			√		6
not required					
Assurance from WAO report went to Audit Committee Nov 2019					

Area	Audit
Priority One	Scope / Risk
Page 272 ICT Audit	In consultation with ICT, systems reviews will be undertaken across Directorates to ensure robust controls are evident and operating effectively.
	ICT Network Management
	ICT Business Continuity Review
	ICT Dynamics CRM
	ICT MasterGov
Asset Management	To ensure that the disposal of assets is in accordance with Council policy, rules and regulations.
Retrospective Orders	This review will identify the extent to which retrospective orders are occurring and establishing the approximate value and thereby determining the impact this has on the overall control environment.
Standing Data inc. PO Box Addresses	This is a bespoke piece of work which will look at:-reviwing validty of PO Boxes, identify irregularities and rec checks to be carried out.
	Sub Total Priority Two
OVERALL TOTALS	

Status
completed
completed
completed
carried forward
completed
completed

Opinion		
Substantial	Reasonable	Limited
√		
√		
√		
	√	
	√	
	√	
4	6	4
7	22	6

Recommendations	
High	Medium
	0
	0
	2
	3
	4
	0
2	58
6	97

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO THE AUDIT COMMITTEE

16 JULY 2020

REPORT OF THE HEAD OF THE REGIONAL INTERNAL AUDIT SERVICE

REGIONAL INTERNAL AUDIT SHARED SERVICE CHARTER 2020/21

1. Purpose of Report.

- 1.1. To present to Members the Regional Internal Audit Shared Service Charter for 2020/21.

2. Connection to corporate well-being objectives / other corporate priorities

- 2.1 This report assists in the achievement of the following corporate well-being objective under the **Well-being of Future Generations (Wales) Act 2015**:

- **Smarter use of resources** – ensure that all its resources (financial, physical, ecological, 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 well-being objectives.

3. Background

- 3.1 The Internal Audit Charter is a formal document that defines the purpose, authority and responsibility of Internal Audit activities. The Internal Audit Charter establishes Internal Audit's position within the organisation; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of Internal Audit activities.
- 3.2 The purpose of this Regional Internal Audit Shared Service (RIASS) Charter is to define the purpose, authority and responsibilities of the Regional Internal Audit Shared Service across Bridgend, Merthyr Tydfil, Rhondda Cynon Taf and the Vale of Glamorgan Councils. This is the first time a consistent Charter for the four Councils has been proposed and is consistent with the objectives of the Regional Shared Service, that is, to eliminate duplication and apply best practice.
- 3.3 The Charter establishes the position of internal audit activity within each Council along with reporting lines, authorising access to records, personnel and physical property relevant to the performance of audit work and defines the scope of internal audit activities.
- 3.4 The Head of Internal Audit is responsible for reviewing the charter and presenting it to each Council's Audit Committee annually for review and approval in line with the Public Sector Internal Audit Standards (PSIAS).
- 3.5 The PSIAS are applicable to all areas of the United Kingdom public sector and are based on the Chartered Institute of Internal Auditor's (CIIA's) International Professional Practices Framework.

3.6 The Regional Internal Audit Shared Service is committed to meeting the standards laid down in the Public Sector Internal Audit Standards Framework and any significant deviations from the Standards will be reported to the Audit Committee.

3.7 The Charter is split into the following sections:

1. Purpose, Authority and Responsibility;
2. Independence and objectivity;
3. Proficiency and due professional care;
4. Quality assurance and improvement program;

The Charter also has two annexes containing a Glossary of Terms and the Code of Ethics.

3.8 The roles of the Audit Committee in relation to internal audit are to:

- Oversee its independence, objectivity, performance and professionalism;
- Support the effectiveness of the internal audit process and;
- Promote the effective use of internal audit within the assurance framework

3.9 One of the key roles which demonstrate the Audit Committee's oversight is the approval of the Internal Audit Charter.

4. Current situation / proposal

4.1. The PSIAS requires the Head of Internal Audit to review the charter periodically but final approval resides with the Audit Committee.

4.2. The Regional Internal Audit Shared Service Charter for 2020/21 is attached at **Appendix A**. It has been reviewed and updated to ensure it continues to reflect the requirements of the PSIAS and is applicable to all four Councils involved in the Shared Service.

5. Effect upon policy framework & 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 An effective Internal Audit Service is a key contributor in ensuring that the Council's assets and interests are properly accounted for and safeguarded. There are no direct financial implications as a result of this report.

9. Recommendation.

- 9.1 That Members consider and approve the Regional Internal Audit Shared Service Charter for 2020/21 as attached as Appendix A to this report.

Mark Thomas
Head of Internal Audit
30 June 2020

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Background Documents

Public Sector Internal Audit Standards 2017

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Internal Audit Charter 2020/21

Bridgend County Borough Council



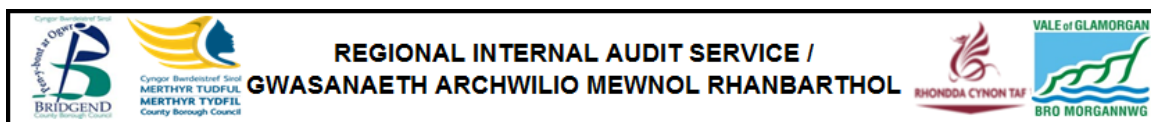
Merthyr Tydfil County Borough Council



Rhondda Cynon Taf County Borough Council



Vale of Glamorgan Council



June 2020

Review and Approval of the Internal Audit Charter

This Internal Audit Charter defines the purpose, authority and responsibility of the Internal Audit Service.

The Internal Audit Charter is defined within the Public Sector Internal Audit Standards as follows:

The Internal Audit Charter is a formal document that defines the purpose, authority and responsibility of Internal Audit activities. The Internal Audit Charter establishes Internal Audit's position within the organisation; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of Internal Audit activities.

A professional, independent and objective Internal Audit Service is one of the key elements of good governance, as recognised throughout the UK Public Sector.

The purpose of this Regional Internal Audit Shared Service Charter is to define the purpose, authority and responsibilities of the Regional Internal Audit Shared Service (RIASS) across Bridgend, Merthyr Tydfil, Rhondda Cynon Taf and the Vale of Glamorgan Councils.

The Charter establishes the position of internal audit activity within each Council along with reporting lines, authorising access to records, personnel and physical property relevant to the performance of audit work and defines the scope of internal audit activities.

The Head of Internal Audit is responsible for reviewing the charter and presenting it to each Council's Audit Committee annually for review and approval.

The Public Sector Internal Audit Standards sets out the Mission of Internal Audit (what internal audit aspires to accomplish within an organisation) and the definition of Internal Auditing.

Mission of Internal Audit

To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

Definition of Internal Auditing

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

- A. In each of the four Councils, the role of the Board, as defined within the Public Sector Internal Audit Standards, will be the responsibility of each Council's Audit Committee and any reference made throughout this document relating to Audit Committee assumes the responsibilities of the Board as defined and referred to within the Standards.
- B. The Public Sector Internal Audit Standards require that the internal audit charter defines the terms Board, Chief Audit Executive and Senior Management in relation to the work of internal audit. For the purposes of internal audit work the roles are defined as follows:
- Board – The internal audit activity is established and defined by the Board, (hereafter referred to as the Audit Committee) which has responsibility for overseeing the work of Internal Audit.
 - Chief Audit Executive – The role of the Chief Audit Executive is undertaken by the Head of the Audit Service.
 - Senior Management – Senior Management is defined as those officers designated as Chief Officers as set out in each Council's Constitution.

- C. The Public Sector Internal Audit Standards became effective from the 1st of April 2013 and were updated in March 2017. The Public Sector Internal Audit Standards replaced the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. Conformance with the Standards, the Definition of Internal Auditing and Code of Ethics is mandatory.

The RIASS is committed to meeting the standards laid down in the Public Sector Internal Audit Standards Framework and any significant deviations from the Standards will be reported to the Audit Committee.

D. The Charter is split into the following sections;

1. Purpose, Authority and Responsibility;
2. Independence and objectivity;
3. Proficiency and due professional care;
4. Quality assurance and improvement programme.

1. Purpose, Authority and Responsibility (Standard 1000)

- 1.1 Internal Audit is an assurance function that primarily provides an independent and objective opinion to management and Members on the control environment comprising risk management, internal control and governance by evaluating its effectiveness in achieving the Council's objectives.
- 1.2 It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
- 1.3 It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance issues.
- 1.4 In addition, the other objectives of the function are to:
- Support the Chief Finance Officer in each Council to discharge their Section 151 duties;
 - Contribute to and support the organisation with the objective of ensuring the provision of, and promoting the need for, sound financial systems;
 - Investigate allegations of fraud or irregularity to help safeguard public funds in consultation with relevant Council Services;
 - Support the work of the relevant Audit Committees; and
 - Provide an annual audit opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
- 1.5 These objectives will be delivered through maintaining a high quality RIASS function that meets the needs of each Council, supporting the relevant Section 151

Officers and the Audit Committees in discharging their responsibilities and meeting the requirements of the Public Sector Internal Audit Standards.

- 1.6 Internal Audit is a statutory service. Part 3 of The Accounts and Audit (Wales) Regulations 2018 concerns financial management and internal control. Regulation 5 (responsibility for internal control and financial management) of Part 3 directs that:

‘The relevant body must ensure that there is a sound system of internal control which facilitates the effective exercise of that body’s functions and which includes:

- (a) Arrangements for the management of risk, and*
- (b) Adequate and effective financial management.’*

- 1.7 Regulation 7 (Internal Audit) of Part 3 directs that:

‘A relevant body must maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control.’

- 1.8 The work of Internal Audit forms part of the assurance framework, however, the existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.
- 1.9 Section 151 of the Local Government Finance Act 1972 requires every local authority to designate an officer to be responsible for the proper administration of its financial affairs. In each Council it is the Chief Finance Officer/Head of Finance/Director of Finance or equivalent.

Scope

- 1.10 The scope for Internal Audit work includes the control environment comprising risk management, control and governance.
- 1.11 This effectively means that Internal Audit has the remit to independently review all the Council’s operations, resources, services and processes in place to:
- Establish and monitor the achievement of Council objectives;
 - Identify, assess and manage the risks to achieving 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 assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption; and
 - Ensure the integrity and reliability of information, accounts and data, including internal and external reporting.

- 1.12 All the Council's activities, funded from whatever source, and indeed the entire control environment fall within the remit of Internal Audit.
- 1.13 Internal Audit will consider the adequacy of controls necessary to secure propriety, economy, efficiency and effectiveness in all areas. It will seek to confirm that management have taken all necessary steps to achieve these objectives.
- 1.14 The scope of Internal Audit work should cover all operational and management controls and should not be restricted to the audit of systems and controls necessary to form an opinion on the financial statements. This does not imply that all systems will necessarily be reviewed, but that all will be included in the audit needs assessment and hence considered for review following the assessment of risk. The Internal Audit activity is free from interference in determining the scope of internal auditing, performing work and communicating results.
- 1.15 It is not in the remit of Internal Audit to challenge the appropriateness of Policy decisions. However, Internal Audit is required to examine the management arrangements of the Council by which such decisions are made, monitored and reviewed.
- 1.16 The Public Sector Internal Audit Standards provide the following definitions for assurance and consultancy work:
- Assurance Services
An objective examination of evidence for the purpose of providing an independent assessment on **governance, risk management and internal control** for the organisation. Examples may include financial, performance, compliance, system security and due diligence engagements. **This work will usually result in an opinion** being provided. (These Services may also be provided to other parties and organisations).
 - Consulting Services
Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's **governance, risk management and internal control** without the Internal Auditor assuming management responsibility. Examples include counsel, advice, facilitation and training. The nature of Consulting Services provided includes acting as a 'critical friend' on Project Boards. This work **will not normally result in an opinion** being provided. (These Services may also be provided to other parties and organisations).
- 1.17 The core aim of the work undertaken is to establish a risk based annual Internal Audit Plan that is balanced and covers the control environment of the Council as far as is practicable. In order to undertake a balanced workload, Internal Audit plans to complete a mix of assurance and consultancy work, the outcomes of

which contribute to the Internal Audit Annual Report where it concludes with an opinion on the Council's overall risk, governance and control environment. The Head of Internal Audit should share information, coordinate activities and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimise duplication of efforts.

- 1.18 Internal Audit has right of access to all of the Council's records, information and assets that it considers necessary to fulfil its responsibilities, including those of partner organisations. Internal Audit staff shall have unrestricted access to all Council activities and records (whether manual or computerised systems), personnel, cash, stores, other assets and premises, including those of partner organisations and have authority to obtain such information and explanations as considered necessary to fulfil Internal Audit's responsibilities.

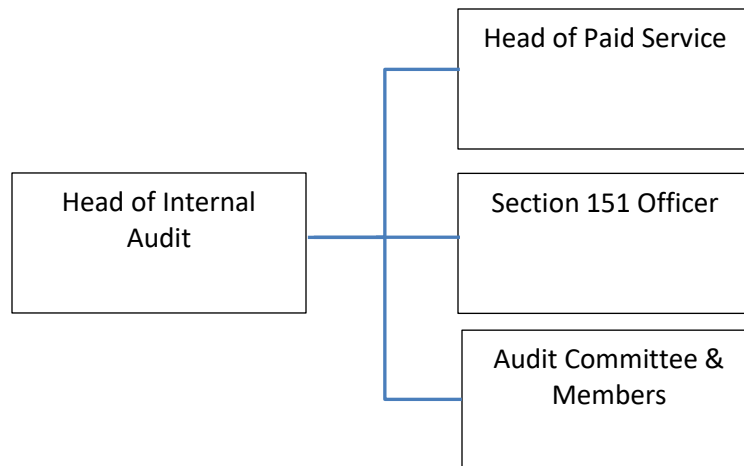
Rights of Access

- 1.19 All staff are required to give complete co-operation to Internal Audit staff to enable the undertaking of an audit.
- 1.20 All partners/agents contracted to provide services on the Council's behalf are also required to co-operate with Internal Audit staff and make available all necessary information. Rights of access to other bodies funded by the Council should be set out in conditions of funding or contract documents.

2. Independence and Objectivity (Standard 1100)

- 2.1 The main determinant of the effectiveness of Internal Audit is that it is seen to be independent and that Internal Auditors must be objective in performing their work. To ensure this, Internal Audit operates within a framework that allows:
- The Head of Internal Audit has direct access to the Chief Executive/ Managing Director, the Section 151 Officer and Monitoring Officer;
 - Unrestricted access to Directors, Heads of Service, Managers and Staff;
 - Unrestricted access to Members (including the Leader, Cabinet Members and Audit Committee);
 - Unrestricted access to Audit Wales (i.e. the Council's External Auditor);
 - Reporting in its own name; and
 - Internal Audit is free from interference when determining the scope of audit reviews, performing the work and communicating the results.
- 2.2 This is achieved through a reporting relationship in each Council as shown in Figure 1 below:

Figure 1 – Internal Audit reporting arrangements



Section 151 Officer

- 2.3 The Section 151 Officer has overall responsibility for the proper administration of the Council's financial affairs. Internal Audit assists the Officer by providing an opinion on the overall control environment and by regular assurance testing of the key financial systems.

Audit Committee

- 2.4 The Council operates an Audit Committee that meets on a cyclical basis. It monitors the performance of Internal Audit in relation to productivity, efficiency and quality. It receives regular reports from Internal Audit including progress in delivering the Annual Audit Plan and is attended by the Head of Internal Audit¹ as well as Officers from the Council.
- 2.5 In addition, the Audit Committee receives the Internal Audit Annual Report that provides a summary of all assurance and consultancy work undertaken and concludes by giving an opinion on the overall control environment within the Council. If a qualified or unfavourable annual internal audit opinion is issued, the reasons to support this will be stated within the Internal Audit Annual Report.
- 2.6 The Head of Internal Audit has unrestricted access to the Chair of Audit Committee.

¹ Head of Internal Audit – denotes the Head of the Regional Internal Audit Shared Service

Senior Management

- 2.7 Each Council is divided into various Services and it is the role of the Chief Executive/Managing Director and each Director, Head of Service or equivalent to ensure delivery and operation of the service areas falling within their remit.

Relationships with key stakeholders and Service Managers

- 2.8 The Internal Audit Service develops constructive working relationships with Managers at all levels within the Council in terms of:
- Planning work;
 - Carrying out audit assignments; and
 - Agreeing action plans arising from the work undertaken.
- 2.9 Whilst maintaining its independence, the Internal Audit Service recognises that it must work with Managers to agree improvements that are deemed necessary.

External Auditors

- 2.10 The aim of the relationship between internal and external auditors is to achieve mutual recognition and respect, leading to a joint improvement in performance and to avoid, wherever possible, duplication of work.
- 2.11 The Head of Internal Audit liaises regularly with Audit Wales to consult on audit plans, discuss matters of mutual interest and to seek opportunities for co-operation in the conduct of audit work.

Elected Members

- 2.12 The Head of Internal Audit will aim to have sound working relationships and channels of communication with Elected Members and in particular, Audit Committee, Cabinet and Scrutiny Committees.

Internal Audit Standards

- 2.13 There is a statutory requirement for Internal Audit to work in accordance with the “proper audit practices”. These are set out in the Public Sector Internal Audit Standards (PSIAS) which the Chartered Institute of Public Finance and Accountancy (CIPFA) developed in collaboration with the Chartered Institute of Internal Auditors (CIIA) and which came into force on the 1st April 2013 and updated in March 2017.
- 2.14 Internal Audit Staff will;
- Comply with relevant auditing standards;
 - Comply and promote compliance throughout the Council with all Council rules and policies;

- Be expected at all times to adopt a professional, reliable, independent and innovative approach to their work; and
 - It is essential that Internal Audit staff are seen to be impartial. All Internal Audit staff are required to complete an annual declaration of their interests and must be kept up to date. This is reviewed as part of the annual appraisal and is in line with professional ethics. The Head of Internal Audit is responsible for ensuring that audit staff are not assigned to operational areas or investigations that could compromise their independence (including previous and / or secondary employment elsewhere in the relevant Council or organisation being audited).
- 2.15 The RIASS has adopted the CIIA's Code of Ethics. Where members of the RIASS have attained membership with other professional bodies such as: CIPFA or the Institute of Chartered Accountants in England and Wales (ICAEW), those officers must also comply with their relevant bodies' ethical requirements.
- 2.16 Each member of the Team will receive a copy of the Code of Ethics (included at Annex 2) and sign up to an annual declaration to confirm that they will work in compliance with the Code of Ethics as well as Councils standards and policies such as the Codes of Conduct. Where potential areas of conflict may arise during the year, the auditor will also be required to disclose this. It is critical that all Auditors maintain high standards of integrity, independence, objectivity, confidentiality and competence.

Shared Service

- 2.17 Internal Audit is delivered through a shared regional service between Bridgend, Merthyr Tydfil, Rhondda Cynon Taf and the Vale of Glamorgan Councils. The host authority for the delivery of the RIASS is the Vale of Glamorgan Council. The governance of the provision of the shared regional service is carried out by the Regional Board. This is made up of the Chief Financial Officers of each Authority or their nominated substitutes who shall be responsible for the strategic direction of the Service.
- 2.18 The activities of the Regional Board shall include but not be limited to:
- determining the strategic direction of the RIASS;
 - monitoring and reviewing standards;
 - determining the Authority Charging Rate on the basis of reasonable information provided by the Head of Internal Audit;
 - providing general supervision of the provision of the Service; and,
 - Resolving conflicts between competing interests amongst the authorities collectively and individually relating to RIASS, the Regional Board and / or the Service.
- 2.19 The Audit Committee for each Council reviews the performance and effectiveness of audit activity, including that of the RIASS.

3. Proficiency and Due Professional Care (standard 1200)

- 3.1 Directors, Heads of Service and Service Managers are responsible for ensuring that internal control arrangements are sufficient to address the risks facing their Service including the risk of fraud and corruption.
- 3.2 The Head of Internal Audit is required to manage the provision of a RIASS to each Council which will include reviewing the systems of internal control operating throughout each Council, and will adopt a combination of system based, risk based, regularity, computer and contract audit approaches in addition to the investigation of fraud.
- 3.3 In discharge of this duty, the Head of Internal Audit will:
- Prepare an annual strategic risk based audit plan for approval and ratification by the relevant Audit Committee; and
 - The Annual Audit Plan will be regarded as flexible and may be revised to reflect changing services and risk assessments; elements of the annual plan are also based on items within Corporate or Strategic Risk Registers.

Resources and Proficiency

- 3.4 For the RIASS to fulfil its responsibilities, the service must be appropriately staffed in terms of numbers, professional qualifications, skills and experience. Resources must be effectively developed and deployed to achieve the approved risk-based plan. The Head of Internal Audit is responsible for ensuring that there is access to the full range of knowledge, skills, qualifications and experience to deliver the audit plan and meet the requirements of the PSIAS.
- 3.5 The Head of Internal Audit must hold a full professional qualification, defined as CCAB, CMIIA or equivalent professional membership and adhere to professional values and the Code of Ethics. They must have sufficient skill, experience and competencies to work with Directors, Heads of Service, and other Managers and the Audit Committee to influence the risk management, governance and internal control of the Councils.
- 3.6 Each job role within the RIASS structure details the prerequisite skills and competencies required for that role and these will be assessed annually in line with Council policy and the PSIAS. Any development and training plans will be regularly reviewed, monitored and agreed with officers.
- 3.7 All Auditors are also required to maintain a record of their continual professional development in line with their professional body.

Due Professional Care

3.8 Internal Auditors must exercise due professional care by considering the:

- Extent of work needed to achieve the assignment objectives;
- Relative complexity, materiality or significance of matters to which assurance procedures are applied;
- Adequacy and effectiveness of governance, risk management and control processes;
- Probability of significant error, fraud, or non-compliance;
- Cost of assurance in relation to potential benefits; and
- Considering various data analysis techniques and being alert to significant risks that may affect the objectives.

Relationships

3.9 All stakeholders will be treated with respect, courtesy, politeness and professionalism. Any confidential or sensitive issues raised with or reported to Internal Audit staff will be dealt with in an appropriate manner.

Internal – Our main contacts are with:

- Elected Members;
- Chief Officers (as defined in the Council's Constitution)
- Corporate Directors and Section 151 Officers
- Heads of Service and Headteachers;
- Group Managers / Operational Managers and line supervisors;
- Front line employees delivering services to the public; and
- Back office support staff, in particular Financial Services, Legal Services, ICT and HR.

External – Our main contacts are with:

- The Council's External Auditors.
Internal and External Audit work together to ensure audit resources are used to best advantage for the benefit of the Council. The External Auditors have regard to the work performed by Internal Audit when undertaking their final accounts audit.
- Various Government Agencies and Inspectorates.

4. Quality Assurance and Improvement Programme (Standard 1300)

4.1 To enable the Head of Internal Audit to assess the RIASS's activities with conformance to the PSIAS and to aid in the annual assessment of the RIASS's efficiency and effectiveness and identify opportunities for improvement, a Quality Improvement and Management Programme (QIMP) has been developed.

4.2 The QIMP includes both internal and external assessments in accordance with the Standards.

- 4.3 Assessment against QIMP forms part of the annual assessment of the effectiveness of internal audit (as contained within the Head of Internal Audit's Annual Opinion Report) which is presented to the relevant Audit Committee.
- 4.4 Where there are instances of non-conformance to the PSIAS this will be reported to the Audit Committee and the Regional Board with any significant deviations being detailed within the Annual Governance Statement.

Internal Assessment

- 4.5 All Auditors have access to up to date business processes, working instructions, the Internal Audit Charter, Council policies, the PSIAS, journals, publications and other relevant articles and electronic training material and websites. Where staff are members of bodies such as CIPFA and/or CIIA further guidance is available.
- 4.6 To maintain quality, work is allocated to staff with appropriate skills, competence and experience. All levels of staff are supervised. Work is monitored for progress, assessed for quality and to allow for coaching and mentoring.
- 4.7 Targets are set for individual auditors (such as completion of an audit within a set number of days) as well as for the team. Audit targets and performance indicators will be agreed with the Regional Board and reported to the relevant Audit Committee.
- 4.8 In addition to the QIMP, progress made against the annual audit plan and any emerging issues (i.e. fraud risks or governance issues) are reported regularly to the relevant Audit Committee.
- 4.9 Ongoing assessment of individuals is carried out through regular on-going reviews, one to one meetings, feedback from clients via the Client Satisfaction Surveys and formally in the annual personal development review process.

External Assessment

- 4.10 In compliance with the PSIAS, external assessment will be carried out once every five years by a qualified, independent assessor or assessment team from outside of the RIASS Councils. The External Assessment of the previous Shared Service between Bridgend CBC and the Vale of Glamorgan Council took place during in 2017 and in the other respective Councils in 2018/19. The next external assessment will take place in 2022.

Annex 1 - Glossary of Terms

Charter

The internal audit charter is a formal document that defines the internal audit activity's purpose, authority and responsibility. The internal audit charter establishes the internal audit activity's position within the organisation; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

Chief Audit Executive

Chief audit executive describes the role of a person in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the mandatory elements of the International Professional Practices Framework. The chief audit executive or others reporting to the chief audit executive will have appropriate professional certifications and qualifications. The specific job title and/or responsibilities of the chief audit executive may vary across organisations. In the context of the RIASS this is the Head of Internal Audit.

Code of Ethics

The Code of Ethics of the Chartered Institute of Internal Auditors (CIIA) are Principles relevant to the profession and practice of internal auditing and Rules of Conduct that describe behaviour expected of internal auditors. The Code of Ethics applies to both parties and entities that provide internal audit services.

The purpose of the Code of Ethics is to promote an ethical culture in the global profession of internal auditing.

Compliance

Adherence to policies, plans, procedures, laws, regulations, contracts, or other requirements.

Conflict of Interest

Any relationship that is, or appears to be, not in the best interest of the organisation. A conflict of interest would prejudice an individual's ability to perform his or her duties and responsibilities objectively.

Control

Any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

Control Environment

The control environment provides the discipline and structure for the achievement of the primary objectives of the system of internal control. The control environment includes the following elements:

- Integrity and ethical values;
- Management's philosophy and operating style;
- Organisational structure;
- Assignment of authority and responsibility;
- Human resource policies and practices; and

- Competence of personnel.

Fraud

Any illegal act characterised by deceit, concealment or violation of trust. These acts are not dependent upon the threat of violence or physical force. Frauds are perpetrated by parties and organisations to obtain money, property or services; to avoid payment or loss of services; or to secure personal or business advantage.

Governance

The combination of processes and structures implemented by the board to inform, direct, manage and monitor the activities of the organisation toward the achievement of its objectives.

Public sector definition: Governance Statement

The mechanism by which an organisation publicly reports on its governance arrangements each year.

Independence

The freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner.

Internal Auditing

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Overall Opinion

The rating, conclusion and/or other description of results provided by the chief audit executive addressing, at a broad level, governance, risk management and/or control processes of the organisation. An overall opinion is the professional judgement of the chief audit executive based on the results of a number of individual engagements and other activities for a specific time interval.

Risk

The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

Risk Appetite

The level of risk that an organisation is willing to accept.

Risk Management

A process to identify, assess, manage and control potential events or situations to provide reasonable assurance regarding the achievement of the organisation's objectives.

Annex 2 - Code of Ethics

Public sector requirement

Internal Auditors in UK public sector organisations (as set out in the Applicability Section) must conform to the Code of Ethics as set out below. If individual Internal Auditors have membership of another professional body then he or she must also comply with the relevant requirements of that body. The Code of Ethics promote an ethical and professional culture. It does not supersede or replace Internal Auditors' own professional bodies Code of Ethics or those of employing organisations.

The purpose of The Institute of Internal Auditor's Code of Ethics is to promote an ethical culture in the profession of Internal Auditing. A Code of Ethics is necessary and appropriate for the profession of Internal Auditing, founded as it is on the trust placed in its objective assurance about risk management, control and governance.

The Institute's Code of Ethics extends beyond the definition of Internal Auditing to include two essential components:

Components

1. Principles that are relevant to the profession and practice of Internal Auditing; and
2. Rules of Conduct that describe behaviour norms expected of Internal Auditors.

These rules are an aid to interpreting the Principles into practical applications and are intended to guide the ethical conduct of Internal Auditors.

The Code of Ethics provides guidance to Internal Auditors serving others. 'Internal Auditors' refers to Institute members and those who provide Internal Auditing services within the definition of Internal Auditing.

Applicability and Enforcement

This Code of Ethics applies to both individuals and entities that provide Internal Auditing services. For Institute members, breaches of the Code of Ethics will be evaluated and administered according to The Institute's Disciplinary Procedures. The fact that a particular conduct is not mentioned in the Rules of Conduct does not prevent it from being unacceptable or discreditable and therefore, the member liable to disciplinary action.

Public sector interpretation

The 'Institute' here refers to the Institute of Internal Auditors. Disciplinary procedures of other professional bodies and employing organisations may apply to breaches of this Code of Ethics.

1. Integrity

Principle

The integrity of Internal Auditors establishes trust and thus provides the basis for reliance on their judgement.

Rules of Conduct

Internal Auditors:

- 1.1 Shall perform their work with honesty, diligence and responsibility.
- 1.2 Shall observe the law and make disclosures expected by the law and the profession.
- 1.3 Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of Internal Auditing or to the organisation.
- 1.4 Shall respect and contribute to the legitimate and ethical objectives of the organisation.

2. Objectivity

Principle

Internal Auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined.

Internal Auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.

Rules of Conduct

Internal Auditors:

- 2.1 Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation.
- 2.2 Shall not accept anything that may impair or be presumed to impair their professional judgement.
- 2.3 Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

3. Confidentiality

Principle

Internal Auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

Rules of Conduct

Internal Auditors:

- 3.1 Shall be prudent in the use and protection of information acquired in the course of their duties.
- 3.2 Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation.

4. Competency

Principle

Internal Auditors apply the knowledge, skills and experience needed in the performance of Internal Auditing services.

Rules of Conduct

Internal Auditors:

- 4.1 Shall engage only in those services for which they have the necessary knowledge, skills and experience.
- 4.2 Shall perform Internal Auditing services in accordance with the International Standards for the Professional Practice of Internal Auditing.
- 4.3 Shall continually improve their proficiency, effectiveness and quality of their services.

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO THE AUDIT COMMITTEE

16 JULY 2020

REPORT OF THE INTERIM CHIEF OFFICER - FINANCE, PERFORMANCE AND CHANGE

FORWARD WORK PROGRAMME 2020-21

1 Purpose of Report

- 1.1 The purpose of this report is to seek approval for the proposed Forward Work Programme for 2020-21.

2 Connections to corporate well-being objectives / other corporate priorities

- 2.1 This report assists in the achievement of the following corporate well-being objective under the **Well-being of Future Generations (Wales) Act 2015**:
- Smarter use of resources – ensuring that all resources (financial, physical, ecological, human and technological) are used as effectively and efficiently as possible and support the creation of resources throughout the community that can help deliver the Council's well-being objectives.

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 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 to all aspects of their core functions the proposed Forward Work Programme for 2020-21 is attached at Appendix A. This report would normally have been presented in April 2020 at the start of the financial year but, due to the Covid-19 pandemic, this has been delayed until this committee.
- 4.2 Shown below are the items scheduled to be presented at the Committee's next meeting on 10th September 2020. Committee Members are asked to endorse this schedule, confirm the list of people they would like to invite for each item (if appropriate), and indicate whether any additional information or research is required.

Proposed Agenda Items – 10th September 2020	
1	Audit Committee Action Record
2	Audit Wales Audit Committee Update
3	Corporate Risk Assessment 2020-21
4	Annual Treasury Management Outturn Report 2019-20
5	Final Statement of Accounts 2019-20
6	Disabled Facilities Grants
7	Internal Audit Plan 2020-21
8	Corporate Fraud Report 2019-20
9	Updated Forward Work Programme 2020-21

5 Effect upon policy framework & procedure rules

- 5.1 There is no impact on 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 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 arising from this report.

9 Recommendation.

- 9.1 That Members consider and approve the proposed Forward Work Programme for 2020-21.

Gill Lewis
Interim Chief Officer – Finance, Performance and Change
July 2020

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Background Documents: None

APPENDIX A

AUDIT COMMITTEE

PROPOSED SCHEDULE OF MEETINGS AND FORWARD WORK PROGRAMME

PROVISIONAL DATE OF MEETING	FORWARD WORK PROGRAMME	OFFICER RESPONSIBLE
2020		
10th September	Audit Committee Action Record	Democratic Services Manager
	Audit Wales Audit Committee Update	Chief Officer – Finance, Performance and Change / Audit Wales
	Corporate Risk Assessment 2020-21	Chief Officer – Finance, Performance and Change
	Annual Treasury Management Outturn Report 2019-20	Chief Officer – Finance, Performance and Change
	Final Statement of Accounts 2019-20	Chief Officer – Finance, Performance and Change
	Disabled Facilities Grants	Head of Partnership Services
	Corporate Fraud Report 2019-20	Head of Internal Audit
	Internal Audit Plan 2020-21	Head of Internal Audit
	Updated Forward Work Programme 2020-21	Chief Officer – Finance, Performance and Change
12th November	Audit Committee Action Record	Democratic Services Manager
	Audit Wales Audit Committee Update	Chief Officer – Finance, Performance and Change / Audit Wales
	Review of the Annual Governance Statement 2019-20	Chief Officer – Finance, Performance and Change
	Treasury Management - Half Year Report 2020- 21	Chief Officer – Finance, Performance and Change
	Internal Audit Half-Year Progress Report – April 2020 to September 2020.	Head of Internal Audit
	Updated Forward Work Programme 2020-21	Chief Officer – Finance, Performance and Change
2021		
28th January	Audit Committee Action Record	Democratic Services Manager
	Audit Wales Audit Committee Update	Chief Officer – Finance, Performance and Change / Audit Wales
	Corporate Risk Assessment 2021-22	Chief Officer – Finance, Performance and Change

	Treasury Management Strategy 2021-22	Chief Officer – Finance, Performance and Change
	Internal Audit Progress Report April 2020 to December 2020	Head of Internal Audit
	Audit Committee Self-Assessment	Head of Internal Audit
	Audit Committee Terms of Reference – depending on Local Govt Bill being published by Welsh Government	Chief Officer – Finance, Performance and Change
	Updated Forward Work Programme 2020-21	Chief Officer – Finance, Performance and Change

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