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Cyngor Bwrdeistref Sirol Pen-y-bont ar Ogwr

Bridgend County Borough Council



Swyddfeydd Dinesig, Stryd yr Angel, Pen-y-bont, CF31 4WB / Civic Offices, Angel Street, Bridgend, CF31 4WB

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Rhowch wybod i ni os mai Cymraeg yw eich
dewis iaith.*

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Annwyl Cyngorydd,

PWYLLGOR ARCHWILIO

Cynhelir Cyfarfod Pwyllgor Archwilio yn Ystafelloedd Pwyllgor 2/3 - Swyddfeydd Dinesig, Stryd yr Angel, Pen-y-bont ar Ogwr CF31 4WB ar **Dydd Iau, 18 Ionawr 2018** am **2.00 pm**.

AGENDA

1. Ymddiheuriadau am absenoldeb
Derbyn ymddiheuriadau am absenoldeb gan Aelodau
2. Datganiadau o fuddiant
Derbyn datganiadau o ddiddordeb personol a rhagfarnol (os o gwbl) gan Aelodau / Swyddogion yn unol â darpariaethau'r Cod Ymddygiad Aelodau a fabwysiadwyd gan y Cyngor o 1 Medi 2008.
3. Cymeradwyaeth Cofnodion 3 - 12
I dderbyn am gymeradwyaeth y Cofnodion cyfarfod y 16/11/17
4. Swyddfa Archwilio Cymru - Adroddiad Gwella Blynyddol 2016-17 Cyngor Bwrdeistref Sirol Pen-y-bont ar Ogwr 13 - 46
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6. Strategaeth Rheoli'r Trysorlys 2018-19 51 - 78
7. Asesu Risgiau Corfforaethol 2018-19 79 - 114
8. Adroddiad Alldro yr Adran Archwilio Mewnol rhwng Ebrill a Rhagfyr 2017 115 - 138
9. Y Wybodaeth Ddiweddaraf am Gynllun Blynyddol Seiliedig ar Risg 2017/18 139 - 152
10. Blaenraglen Waith Ddiwygiedig 2017-18 153 - 156
11. Materion Brys

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I ystyried unrhyw eitemau o fusnes y, oherwydd amgylchiadau arbennig y cadeirydd o'r farn y dylid eu hystyried yn y cyfarfod fel mater o frys yn unol â Rhan 4 (pharagraff 4) o'r Rheolau Trefn y Cyngor yn y Cyfansoddiad.

Yn ddiffuant

P A Jolley

Cyfarwyddwr Gwasanaethau Gweithredol a Phartneriaethol

Dosbarthiad:

Cynghowrwy

CA Green

JE Lewis

JR McCarthy

MJ Kearns

Cynghorwyr

B Sedgebeer

RMI Shaw

RM Granville

LM Walters

Cynghorwyr

A Williams

AJ Williams

MC Clarke

A Hussain

Aelod Lleyg

Mrs J Williams

PWYLLGOR ARCHWILIO - DYDD IAU, 16 TACHWEDD 2017

COFNODION CYFARFOD Y PWYLLGOR ARCHWILIO A GYNHALIUYD YN
YSTAFELLOEDD PWYLLGOR 2/3 - SWYDDFEYDD DINESIG, STRYD YR ANGEL, PEN-Y-
BONT AR OGWR CF31 4WB DYDD IAU, 16 TACHWEDD 2017, AM 2.00 PM

Presennol

Y Cynghorydd LM Walters – Cadeirydd

CA Green	JE Lewis	JR McCarthy	MJ Kearns
B Sedgebeer	RMI Shaw	A Williams	AJ Williams
MC Clarke	A Hussain		

Mrs J Williams – Aelod Lleyg

Ymddiheuriadau am Absenoldeb

RM Granville

Swyddogion:

Randal Hemingway	Pennaeth Cyllid
Mark Jones	Rheolwr Archwilio Ariannol, Swyddfa Archwilio Cymru
Helen Smith	Prif Archwilydd Mewnol
Andrew Rees	Uwch Swyddog Gwasanaethau Democrataidd - Pwyllgorau
Satwant Pryce	Pennaeth Adfywio Datblygu a Eiddo
Zak Shell	Pennaeth Gwasanaethau Cymdogaeth
John Llewellyn	Arweinydd Tim Archwilio Cyllid, Swyddfa Archwilio Cymru

24. DATGAN BUDDIANNAU

Nododd y Cynghorydd M Clarke fod ganddo fuddiant personol yn eitem rhif 6 ar yr agenda – Asesu Risg Corfforaethol 2017-18 – Risgiau yn y Gyfarwyddiaeth Cymunedau fel Cyfarwyddwr Cymdeithas Twristiaeth Pen-y-bont ar Ogwr ac fel Ymddiriedolwr / Cyfarwyddwr Harbwr Porthcawl.

25. CYMERADWYO'R COFNODION

PENDERFYNWYD: Cymeradwyo cofnodion cyfarfod y Pwyllgor Archwilio a gynhaliwyd ar 28 Medi 2017 fel cofnod cywir cyhyd ag y bod enw Mrs J Williams yn cael ei gynnwys yn y rhestr o'r rhai a oedd wedi ymddiheuro am eu habsenoldeb.

26. ADRODDIAD CANOL BLWYDDYN RHEOLI'R TRYSORLYS 2017-18

Rhoddodd y Pennaeth Cyllid a'r Swyddog Adran 151 y wybodaeth ddiweddaraf am yr adolygiad canol blwyddyn a'r alldro canol blwyddyn cysylltiedig â gweithgareddau Rheoli'r Trysorlys, Dangosyddion sut roeddent yn cydymffurfio â pholisïau ac arferion y Cyngor.

Er mwyn sicrhau bod gweithgareddau Rheoli'r Trysorlys yn cael eu harchwilio'n effeithiol yn unol â Strategaeth Rheoli'r Trysorlys, dywedodd fod y Pwyllgor hwn wedi'i enwebu i fod yn gyfrifol am sicrhau bod strategaethau a pholisïau rheoli'r trysorlys yn cael eu harchwilio'n effeithiol. Dywedodd fod y Cyngor wedi cydymffurfio â'i ofynion deddfwriaethol a rheoleiddiol yn ystod hanner cyntaf 2017-18. Dywedodd hefyd fod Strategaeth Rheoli'r Trysorlys 2017-18 a'r Alldro Canol Blwyddyn wedi'u cyflwyno i'r

Cyngor ar 1 Mawrth 2017 ac 1 Tachwedd 2017 a hefyd fod yr adroddiad monitro chwarterol wedi'i gyflwyno i'r Cabinet ym mis Gorffennaf 2017.

Cyflwynodd y Pennaeth Cyllid a'r Swyddog Adran 151 grynodedb o weithgareddau Rheoli'r Trysorlys yn ystod hanner cyntaf 2017-18 gan ddweud wrth y Pwyllgor nad oedd y Cyngor wedi cael benthyciad hirdymor ers mis Mawrth 2012 ac nid oedd disgwyl y byddai'n rhaid iddo wneud hynny yn 2017-18. Dywedodd ei fod wedi cael benthyciad tymor byr gwerth £2 miliwn ar 24 Mai 2017 at ddibenion llif arian, a bod y benthyciad wedi'i ad-dalu ar 5 Mehefin 2017. Roedd llifau arian ffafriol wedi creu cyllid dros ben i'w fuddsoddi, meddai, a £44 miliwn oedd balans y buddsoddiadau ar 30 Medi 2017, a'r gyfradd llog ar gyfartaledd oedd 0.48%.

Dywedodd y Pennaeth Cyllid a'r Swyddog Adran 151 hefyd fod y Cyngor yn buddsoddi mewn dosbarthiadau asedau mwy diogel a/neu fwy cynhyrchiol yn ystod 2017-18 ac, er mwyn medru defnyddio'r rhan fwyaf o'r gwahanol fathau o offerynnau, mae'n ofynnol i'r Cyngor ddefnyddio cyfrif(on) enwebedig gyda thrydydd parti i sicrhau bod yr offerynnau'n cael eu cadw'n ddiogel mewn cyfrif gwarchodol. Ar ôl cael cymeradwyaeth y Cabinet ar 5 Medi 2015, agorodd y Cyngor gyfrif gwarchodol gyda King & Shaxson. Agorodd y Cyngor gyfrif hefyd gyda CCLA Public Sector Deposit Fund ym mis Awst 2017. Cronfa yw hon sy'n cronni arian y sector cyhoeddus mewn ffordd sy'n cyd-fynd yn llwyr ag egwyddorion a gwerthoedd y sector cyhoeddus.

Dywedodd y Pennaeth Cyllid a'r Swyddog Adran 151 ei bod yn ofynnol i'r Cyngor, o dan God Rheoli'r Trysorlys a Chod Darbodus 2011, bennu nifer o Ddangosyddion Rheoli'r Trysorlys a Dangosyddion Darbodus a chyflwyno adroddiad arnynt. Dywedodd fod y dangosyddion naill ai'n crynhoi'r gweithgarwch disgwylidig neu'n cyflwyno cyfyngiadau ar y gweithgarwch, ac yn adlewyrchu'r rhaglen gyfalaf sylfaenol.

Cyfeiriodd y Pwyllgor at y ffaith bod Banc Lloegr wedi codi Cyfradd y Banc yn ddiweddar ac roedd hyn yn groes i ragolygon Arlingclose, cynghorwyr yr adran Rheoli'r Trysorlys, a oedd wedi rhagweld na fyddai'r gyfradd, sef 0.25%, yn newid. Dywedodd y Pennaeth Cyllid a'r Swyddog Adran 151 nad oedd Arlingclose, pan ysgrifennwyd yr adroddiad hwn, yn disgwyl i Gyfradd y Banc godi, ond nid felly y bu.

PENDERFYNWYD: Nodi Gweithgareddau Blynyddol Rheoli'r Trysorlys 2017-18 yn ystod y cyfnod rhwng 1 Ebrill 2017 a 30 Medi 2017 a Dangosyddion Rheoli'r Trysorlys a Dangosyddion Darbodus Rhagamcanol 2017-18 a gyflwynwyd i'r Cyngor ar 1 Tachwedd 2017.

27. **BUDD-DALIADAU TAI – ARCHWILIO SAMPL**

Cyflwynodd y Pennaeth Cyllid a'r Swyddog Adran 151 adroddiad ar ganlyniad y gwaith ychwanegol a wnaed i ddod o hyd i gamgymeriadau ym maes budd-daliadau tai, yn dilyn gwaith gan Swyddfa Archwilio Cymru. I wneud hynny, defnyddiwyd sampl o 45 o achosion budd-dal tai. Cafwyd hyd i gamgymeriadau mewn 11 achos a, drwy ddefnyddio dulliau archwilio arferol i gyfrifyddu, daethpwyd i'r casgliad y byddai'r camgymeriadau damcaniaethol yn cyfateb i oddeutu £1.9 miliwn. Dywedodd fod y Pwyllgor wedi clywed yn y cyfarfod blaenorol mai unig ddiben y gwaith hwn oedd gweld i ba raddau y byddai mater penodol yn effeithio ar gyfrifon y Cyngor. Dywedodd fod Swyddfa Archwilio Cymru wedi penderfynu y byddai'n cael cryn effaith, ond nid oedd yn fater o bwys yn natganiadau ariannol y Cyngor ar gyfer 2016-17.

Dywedodd y Pennaeth Cyllid a'r Swyddog Adran 151 fod swyddogion wedi ymgymryd â rhagor o waith i benderfynu a oedd hon yn broblem sylfaenol ehangach. Am bob un o'r tri math o gamgymeriad a arweiniodd at addasiadau ariannol, roedd 40 achos arall

wedi'u harchwilio, gan roi cyfanswm o 120 o achosion. Cyflwynodd grynodedb o ganlyniadau'r archwiliadau ychwanegol; cafwyd hyd i 3 chamgymeriad ac roedd angen gwneud addasiadau ariannol yn achos 2 o'r rhain. Yn y naill achos, gwnaed tandaliad o £7.51 gan fod pensiwn gwaith/galwedigaethol wedi'i gyfrifo'n anghywir. Yn yr achos arall, gwnaed gordaliad o £29.06 gan fod enillion wedi'u cymhwysu'n anghywir. Roedd yn ofynnol, meddai, i Swyddfa Archwilio Cymru archwilio'r sampl o 120 o achosion ymhellach. Byddai hynny'n golygu archwilio sampl o 10% o bob math o achos, yn ogystal â'r 3 chamgymeriad a nodwyd.

Dywedodd y Pennaeth Cyllid a'r Swyddog Adran 151 fod Swyddfa Archwilio Cymru wedi archwilio gwariant ar ad-dalu rhent o'r Cyfrif Refeniw nad yw'n ymwneud â Thai. Roedd y gwaith archwilio hwn, meddai, yn angenrheidiol fel rhan o archwiliadau arferol Swyddfa Archwilio Cymru yn ymwneud â gwariant blynyddol y Cyngor ar fudd-dal tai. Dywedodd fod nifer o gamgymeriadau wedi dod i'r amlwg a bod pob asesiad gwely a brechwast, sef 68 i gyd, wedi'u harchwilio. Roedd yr un camgymeriad wedi codi ym mhob achos, ac roedd costau tanwydd anghymwys wedi'u goroddatgan, gwerth £1.93 yr wythnos, gan arwain at dandaliad. Roedd pob achos wedi'i gywiro, meddai, ac roedd y tandaliadau'n amrywio o rhwng £0.28 a £25.09, ond roedd un cymaint â £61.20. Dywedodd hefyd mai £347.28, at ei gilydd, oedd gwerth y camgymeriad, a chyfanswm y gwariant oedd oddeutu £37,000. Nododd fod yr holl achosion wedi'u cywiro a bod y taliadau cywir wedi'u gwneud. Roedd y camgymeriad i'w briodoli i wahaniaeth hanesyddol rhwng cyfraddau gwely a brechwast a didyniadau statudol a oedd wedi newid dros amser. Byddai hyn yn cael ei wirio fel rhan o'r archwiliad blynyddol rhag i'r camgymeriad godi eto. Dywedodd wrth y Pwyllgor hefyd fod Swyddfa Archwilio Cymru wedi dod o hyd i un camgymeriad arall yn y sampl ac roedd hyn wedi effeithio ar y cais am gymhorthdal gan yr Adran Gwaith a Phensiynau (£0.72). Dywedodd y Pennaeth Cyllid a'r Swyddog Adran 151 wrth y Pwyllgor ei bod yn bwysig nodi bod yr elfen hon o'r Budd-dal Tai yn cael ei dalu i Adran Dai'r Cyngor ac nad oedd y symiau a adlewyrchir uchod wedi effeithio ar unigolion mewn llety dros dro ac mai'r effaith ar y cymhorthdal roedd y Cyngor yn ei hawlio gan yr Adran Gwaith a Phensiynau oedd £61.20.

Dywedodd y Pennaeth Cyllid a'r Swyddog Adran 151 hefyd fod 20 o achosion nad oeddent yn gysylltiedig â llety gwely a brechwast wedi'u harchwilio, a chafwyd hyn i un camgymeriad yn ymwneud â chyfrifo cyfartaledd misol ar gyfer incwm pensiwn galwedigaethol; o ganlyniad, gwnaed tandaliad o £0.10. Dywedodd fod Swyddfa Archwilio Cymru wedi gofyn am archwiliadau ychwanegol o achosion yn ymwneud ag incwm pensiwn galwedigaethol a bod y rhan fwyaf yn y categori hwn yn cael budd-daliadau a 'basbortiwed'. Roedd Rheolwr y Tîm Budd-daliadau wedi archwilio pob un achos yng Nghell 11 ac ni ddaeth unrhyw gamgymeriadau eraill i'r amlwg o ran oedran pensiwn neu incwm pensiwn galwedigaethol. Byddai Swyddfa Archwilio Cymru hefyd yn adolygu'r achosion hyn, ac roedd hefyd wedi dechrau archwilio 'cynlluniau a addaswyd' (cynlluniau rhyfel fel arfer) ac roedd y gwaith hwn yn parhau.

Dywedodd y Pennaeth Cyllid a'r Swyddog Adran 151 wrth y Pwyllgor fod gwerth y camgymeriadau a ddaeth i'r amlwg yn llawer llai na'r hyn y cafodd y Pwyllgor wybod amdanynt yn flaenorol ac a gyhoeddwyd ar y cyfryngau.

Cadarnhaodd Rheolwr Archwilio Ariannol Swyddfa Archwilio Cymru fod y gwaith o archwilio achosion yn mynd rhagod ac y byddai'r Pwyllgor yn cael gwybod am y canlyniadau mewn cyfarfod yn y dyfodol fel rhan o'r adroddiad ar Ardystio Grantiau ac Enillion. Cadarnhaodd hefyd fod 120 o achosion wedi'u harchwilio a bod sampl o 10% o achosion wedi'u dewis, a bod 3 chamgymeriad wedi dod i'r amlwg, ac y bu'n rhaid gwneud addasiadau ariannol yn achos dau o'r rhain. Cynhaliwyd archwiliad ychwanegol o'r sampl o 120 o achosion gan ddewis 12 ohonynt. O'r rhain, nid oedd camgymeriad mewn 7 achos, ac roedd ymholiadau'n parhau yn achos y gweddill a byddai'r rhain yn cael eu cwblhau'r wythnos nesaf. Roedd angen archwilio tri achos arall yn ymwneud â'r

Cyfrif Refeniw nad oedd yn ymwneud â Thai. Dywedodd fod Swyddfa Archwilio Cymru hefyd yn archwilio ceisiadau nad oeddent yn ymwneud â grantiau ac, yn ystod y flwyddyn diwethaf, roedd amodau ynghlwm wrth nifer o'r achosion hynny. Hyd yma, ni nodwyd unrhyw amodau eleni. Roedd y sefyllfa o ran achosion Budd-daliadau nad oeddent yn ymwneud â Thai yn amlwg wedi gwella.

Gofynnodd y Pwyllgor pryd y byddai swyddogion yn gallu cadarnhau a oedd problem sylfaenol ehangach yn bod ai peidio. Dywedodd y Pennaeth Cyllid a'r Swyddog Adran 151 wrth y Pwyllgor fod Swyddfa Archwilio Cymru yn defnyddio dull archwilio ac roedd yn hyderus nad oedd y camgymeriadau cyn waethed â'r hyn a gyhoeddwyd ar y cyfryngau. Roedd swyddogion wedi archwilio rhagor o achosion ac roedd yn bosibl rhoi rhagor o sicrwydd nad oedd camgymeriadau ynghlwm wrthynt. Dywedodd hefyd fod angen i Swyddfa Archwilio Cymru adolygu gwaith y swyddogion yn y cyswllt hwn. Dywedodd nad oedd unrhyw wendidau sylfaenol o ran rheoli ac roedd angen sicrhau cydbwysedd rhwng prosesu ceisiadau am fudd-dal tai'n gyflym a sicrhau cywirdeb, ond tanlinellodd fod pob achos yn wahanol. Nododd hefyd ei bod yn bwysig prosesu ceisiadau'n gyflym ond nid ar draul cywirdeb. Dywedodd wrth y Pwyllgor fod yr holl gamgymeriadau a ddaeth i'r amlwg i'w priodoli i gamgymeriad gan staff. Roedd y rheolwyr yn gwirio'r gwaith yn amlach yn awr a'r nod oedd sicrhau nad oedd unrhyw gamgymeriadau'n codi.

PENDERFYNWYD: Nodi'r adroddiad.

28. ASESIAD RISG CORFFORAETHOL 2017-18 – RISGIAU YN Y GYFARWYDDIAETH CYMUNEDAU

Rhoddodd Pennaeth y Gwasanaethau Cymdogaethau gyflwyniad i'r Pwyllgor ar y disgwyliadau ar y rhwydwaith priffyrdd yn y tymor hir a'r tymor byr. Amlinellodd faint yr her; roedd ased cerbyttfordd 780km o hyd, gwerth £888 miliwn gan yr awdurdod. Dywedodd fod yr awdurdod yn gwario cyfanswm o £500,000 ar y gwaith o roi wyneb newydd ar y gerbyttfordd, sy'n cyfateb i lai na 0.1% o werth y rhwydwaith. Gwariant cyfatebol awdurdodau cyfagos yw £2.5 miliwn yn Rhondda Cynon Taf, £886 yng Nghastell-nedd Port Talbot ac £800,000 ym Mro Morgannwg.

Dywedodd Pennaeth y Gwasanaethau Cymdogaeth wrth y Pwyllgor fod dyletswydd ar yr awdurdod priffyrdd i gynnal a chadw priffyrdd y gellir eu cynnal a'u cadw ar bwrs y wlad ac mae dyletswydd arno hefyd i ddiogelu hawl y cyhoedd i ddefnyddio'r priffyrdd. Tynnodd sylw at y meini prawf ymyrryd lle mae'r awdurdod yn cynnal archwiliadau ac yn ymgymryd â gwaith trwsio os yw'r diffygion yn waeth na'r Meini Prawf Diffygion Diogelwch. Mae'r meini prawf wedi'u seilio ar arfer da ac, yn gyffredinol, mae'r llysoedd yn eu derbyn fel lefelau rhesymol ac maent yn debyg ym mhob awdurdod lleol yng Nghymru ac, yn gyffredinol, yn y DU. Ystyrir hefyd ffactorau fel atal sgidio a systemau draenio / ffosydd i atal dŵr rhag cronni ar y gerbyttfordd, mesurau i ymdrin â phantiau i atal pyllau o ddŵr, monitro gwaith cyfleustodau a chynnal a chadw adeileddau.

Dywedodd Pennaeth y Gwasanaethau Cymdogaeth wrth y Pwyllgor mai £100/m2 oedd y gost o lenwi tyllau yn y ffordd a £10/m2 oedd y gost o roi wyneb newydd arni. Ar ôl llenwi tyllau am 25 o flynyddoedd (neu cyn hynny hyd yn oed), byddai angen ailadeiladu'r ffordd yn ei chyfanrwydd a 25 o flynyddoedd ar ôl cael wyneb newydd, byddai'r briffordd mewn cyflwr cyffredinol dda a dim ond mân waith trwsio fyddai ei angen. Nododd fod hawliadau'n gyffredinol yn amrywio o £200 i drwsio teiars i hyd at £30,000 am Anaf Personol. Dywedodd fod y rhain yn ymwneud yn bennaf â thyllau yn y ffordd, ond bod atal sgidio hefyd yn agwedd dyngedfennol o gynnal a chadw'r gerbyttfordd. Yn y cyswllt hwn, gallai diffygion arwain at anafiadau a allai newid bywydau a/neu farwolaeth ac y gellid dwyn achos o Ddynladdiad Corfforaethol yn erbyn yr awdurdod.

Dangosodd Pennaeth y Gwasanaethau Cymdogaeth graff yn dadansoddi cyflwr y ffyrdd. Oherwydd pwysau cynyddol ar y gyllideb refeniw, bydd nifer y ffyrdd sydd mewn cyflwr da yn gostwng ac amcangyfrifwyd y byddai angen cynnydd o £1 miliwn yn y gyllideb refeniw. Dangosodd graff arall yn dangos y bydd problemau ar dros 60% o'r rhwydwaith. Os buddsoddir £2 miliwn bob blwyddyn, bydd problemau ar 30% o'r rhwydwaith ac, ar ôl ugain mlynedd, bydd angen gwariant cyfalaf ychwanegol o £40 miliwn. Yn ogystal â'r pwysau cynyddol ar y gyllideb refeniw, ar ôl ugain mlynedd, meddai, byddai'n costio rhyw £48 miliwn i sicrhau bod cyflwr y rhwydwaith cystal ag ydyw heddiw. Dywedodd wrth y Pwyllgor fod rhai ffyrdd wedi cyrraedd diwedd eu hoes ymarferol a'r unig ddewis oedd rhoi wyneb newydd arnynt.

Dywedodd Pennaeth y Gwasanaethau Cymdogaeth wrth y Pwyllgor fod £2 miliwn wedi'i fuddsoddi bob blwyddyn, dros gyfnod o dair blynedd, drwy Fenter Bentyca Llywodraeth Cymru, ac roedddparhau i lenwi tyllau ar y rhwydwaith o hyd ac y byddai angen trwsio'r rhain eto ymhén rhai blynyddoedd. Bydd cost hawliadau trydydd person yn codi, ac nid yw prinder adnoddau'n amddiffyniad. Ni fydd buddf canfyddiad ymhlith y cyhoedd nad yw'r Cyngor yn gwario digon ar drwsio ffyrdd a bydd hynny'n gwaethygu. Dywedodd wrth y Pwyllgor y gellir osgoi costau drwy atal problemau/ymyrryd yn gynnar ac, yn y pen draw, daw amser pan na fydd modd parhau i lenwi tyllau. Mae dogfennau cenedlaethol yn awgrymu y gellir sicrhau bod y rhwydwaith yn cael ei ddiogelu drwy gynyddu gwaith cynnal a chadw ataliol, a bod angen gwneud penderfyniadau anodd yn fuan ynghylch cau ffyrdd.

Roedd y Pwyllgor yn pryderu am y ffaith nad oedd y risgiau a oedd ynghlwm wrth ostwng cyllideb y Gyfarwyddiaeth Cymunedau wedi'u disgrifio'n ddigonol ac roedd yn teimlo bod angen eu cryfhau. Cyfeiriodd y Pwyllgor at y posibilrwydd y gallai'r awdurdod wynebu achos o ddynladdiad corfforaethol gan ofyn a fyddai modd cofnodi hynny fel risg. Dywedodd Pennaeth y Gwasanaethau Cymdogaeth y gellid cynnwys dynladdiad corfforaethol yn y gofrestr risgiau yn y dyfodol. Dywedodd wrth y Pwyllgor fod gan yr Adran gynllun archwilio cadarn ac, os bydd yn parhau i gynnal archwiliadau'r gyson, ac yn parhau i gynnal a chadw'r rhwydwaith i drwsio diffygion, bydd yr Adran wedi gwneud popeth rhesymol i leihau'r risg. Ystyriod bod y risg o wynebu achos o ddynladdiad corfforaethol yn isel, ond wrth i adnoddau'r Cyngor brinhau o hyd, byddai'r posibilrwydd i hynny fod yn risg yn cynyddu. Dywedodd fod y Cyngor yn amddiffyn 70% o'r hawliadau a gyflwynwyd yn ei erbyn.

Roedd y Pwyllgor o'r farn ei bod yn ddefnyddiol i'r Gyfarwyddiaeth fod â Chofrestr Risg ond roedd yn teimlo nad oedd y risgiau a gofnodwyd wedi'u cwblhau'n ddigonol ac roedd angen iddynt adlewyrchu'r mesurau risg yn well a chynnwys amserlenni. Dywedodd Pennaeth y Gwasanaethau Cymdogaeth wrth y Pwyllgor eu bod yn modelu'r modd y defnyddiwyd y priffyrdd ac y byddai rhagor o fanylion yn cael eu cynnwys yn y gofrestr risg nesaf. Nododd nad oedd y Cyngor yn buddsoddi cymaint ag awdurdodau cyfagos yn y rhwydwaith priffyrdd a bod angen gwario £2.5 miliwn bob blwyddyn ar wyneb newydd. Cytunodd y Pennaeth Cyllid a'r Swyddog Adran 151 fod awdurdodau cyfagos yn buddsoddi mwy ac nad oedd ffynonellau ariannol allanol blaenorol ar gael yn awr ar gyfer y rhwydwaith.

Dywedodd y Pwyllgor fod safon y gwaith trwsio'n dda ond bod angen dangos yn y gofrestr risg bod y rhwydwaith priffyrdd yn wynebu risgiau a bod yr adnoddau'n lleihau o'r naill flwyddyn i'r llall, gan fod y cyhoedd yn sylwi pan fydd gwaith cynnal a chadw yn lleihau. Gofynnodd y Pwyllgor a fyddai modd cael arian o ffynonellau eraill. Dywedodd Pennaeth y Gwasanaethau Cymdogaeth nad oedd ffynonellau allanol ar gael ar hyn o bryd a bod cynllun buddsoddi 5 mlynedd wedi'i gyflwyno i fuddsoddi £10 miliwn yn y rhaglen gyfalaf i wella'r rhwydwaith priffyrdd.

Dywedodd y Pwyllgor y gellid crynhoi'r risgiau'n well i danlinellu'r effaith ac i sicrhau bod yr ystyr yn glir.

Dywedodd aelod o'r Pwyllgor nad oedd y Gofrestr Risg yn cynnwys ffyrdd heb eu mabwysiadu, yn enwedig gan fod un o'r ffyrdd hyn ym Mhencoed yn hanfodol i'r rhai sy'n teithio i'r dref ac yn bwysig at ddibenion cyflogaeth. Dywedodd Pennaeth y Gwasanaethau Cymdogaeth ei bod yn ofynnol i ddatblygwyr adeiladu ffyrdd a oedd yn cyrraedd safon ffyrdd y gellir eu mabwysiadu. Dywedodd fod achosion pan oedd y datblygwr wedi mynd i'r wal ac roedd bondiau ar waith i alluogi'r Cyngor i godi safon y ffordd er mwyn ei mabwysiadu. Ychydig o adnoddau oedd ar gael, meddai, i fabwysiadu ffyrdd. Byddai'n cysylltu â Rheolwr y Rhwydwaith Priffyrdd i drafod y ffordd heb ei mabwysiadu ym Mhencoed.

Wrth ymateb i gwestiwn gan y Pwyllgor ynghylch cost hawliadau, dywedodd Pennaeth y Gwasanaethau Cymdogaeth y byddai'n rhoi gwybodaeth i'r Pwyllgor am y gost flynyddol ar gyfartaledd, ond roedd y Cyngor yn gwrthod 70% o'r hawliadau a gyflwynir.

Holodd y Pwyllgor ynghylch yr achosion hynny pan nad oedd yr awdurdod yn cyflawni ei ddyletswydd i drwsio'r rhwydwaith priffyrdd. Bryd hynny, gallai'r awdurdod wynebu hawliadau, ac roedd hynny'n bryder os oedd y rhwydwaith priffyrdd yn dirywio.

Holodd y Pwyllgor ynghylch effaith llifogydd, a'r costau ychwanegol a oedd ynghlwm wrth ddigwyddiadau o'r fath. Dywedodd Pennaeth y Gwasanaethau Cymdogaeth y gallai tywydd oer effeithio ar y gyllideb oherwydd yr angen i raeanu, ond gallai tywydd mwyn arwain at lifogydd yr adeg yma o'r flwyddyn.

Gofynnodd y Pwyllgor am fanylion unrhyw gynlluniau ar gyfer y dyfodol. Yn ôl Pennaeth y Gwasanaethau Cymdogaeth roedd yr awdurdod yn chwilio am gyfleoedd i gydweithio ag awdurdodau cyfagos i gynnal a chadw'r rhwydwaith priffyrdd. Dywedodd fod yr awdurdod wedi lleihau costau cynnal a chadw dros y gaeaf drwy leihau nifer y cerbydau graeanu yn y Cyngor Bwrdeistref. Dywedodd hefyd fod angen cynyddu gwariant fesul cilometr ar y rhwydwaith.

Soniodd Pennaeth y Gwasanaethau Adfywio, Datblygu ac Eiddo wrth y Pwyllgor am y risgiau sy'n dod i'r amlwg oherwydd yr hinsawdd ariannol a bod economi De Cymru a'r Fwrdeistref Sirol yn dibynnu'n drwm ar y sector cyhoeddus. Dywedodd fod y penderfyniad i adael yr Undeb Ewropeaidd yn creu ansicrwydd a bod yr Undeb yn buddsoddi'n helaeth mewn prosiectau seilwaith. Er ei bod yn anodd lleihau'r risgiau, meddai, roedd angen lleihau eu heffaith. Dywedodd hefyd fod ei Hadran yn rhoi cymorth i fusnesau bach drwy'r Fforwm Busnes; mae'n helpu pobl i gael gwaith ac yn hybu twristiaeth a phrosiectau datblygu gwledig.

Dywedodd Pennaeth y Gwasanaethau Adfywio, Datblygu ac Eiddo fod ei Hadran yn buddsoddi'n sylweddol mewn prosiectau adfywio trefi drwy gynnig safleoedd i'r hailddatblygu, fel y ganolfan chwaraeon dŵr yn Rest Bay a'r prosiect i ailddatblygu Marchnad Maesteg. Roedd y gallu i fuddsoddi mewn gwaith datblygu'n dibynnu'n drwm ar yr awdurdod lleol ac am bob £1 a wariwyd, byddai £500,000 yn cael ei fuddsoddi ac am bob £1 na fuddsoddwyd, byddai £10 yn cael ei golli. Dywedodd wrth y Pwyllgor hefyd y byddai awdurdodau lleol yn helpu economïau llai ffyniannus drwy ddefnyddio arian cyhoeddus.

Dywedodd Pennaeth y Gwasanaethau Adfywio, Datblygu ac Eiddo fod y diwydiant adeiladu lleol yn ffyniannus iawn; mae'r awdurdod, fodd bynnag, yn cael trafferth recriwtio staff proffesiynol penodol fel peirianwyr a syrfewyr, a hynny oherwydd cyfyngiadau'r broses gwerthuso swyddi. Anawsterau recriwtio staff oedd y risg fwyaf i allu'r awdurdod i roi prosiectau ar waith.

Gofynnodd y Pwyllgor pam nad oedd strategaeth adfywio ar gyfer Pencoed a pham nad oedd wedi'i gynnwys yn Gofrestr Risg fel rhai o drefi eraill y Fwrdeistref Sirol, yn enwedig gan fod y cynllun i drydaneiddio'r rheilffordd wedi'i ddileu a bod y gwaith o greu ffordd ddeuol ar bont Penprysg wedi'i ganslo. Hefyd, roedd moratoriwm yn y Cynllun Datblygu Lleol ar waith datblygu ym Mhencoed. Dywedodd Pennaeth y Gwasanaethau Adfywio, Datblygu ac Eiddo fod hyn i'w briodoli i'r ffaith nad oedd gan y dref ganolfan siopa debyg i'r hyn a oedd ar gael mewn trefi eraill yn y Fwrdeistref Sirol.

Cyfeiriodd y Pwyllgor at y posibilrwydd y byddai prosiect y Saith Bae ym Mhorthcawl yn esgor ar dderbyniad cyfalaf sylweddol a holodd a oedd swyddogion yn fodlon ar lefel y risg. Dywedodd Pennaeth y Gwasanaethau Adfywio, Datblygu ac Eiddo y byddai'n cynyddu lefel y risg ar gyfer Prosiect y Saith Bae.

Ystyriodd y Pwyllgor a oedd angen newid y risgiau a chanolbwyntio llai ar ganol trefi a mwy ar ganolfannau siopa. Dywedodd Pennaeth y Gwasanaethau Adfywio, Datblygu ac Eiddo fod gan ganol trefi fel Porthcawl a Maesteg gyfleusterau rhesymol a mas critigol.

Holodd y Pwyllgor am hynt y cynlluniau i drosglwyddo Asedau Cymunedol gan ofyn a oedd prinder adnoddau yn llesteirio'r broses o roi blaenoriaethau corfforaethol ar waith; ac a yw'n risg sylweddol. Dywedodd Pennaeth y Gwasanaethau Adfywio, Datblygu ac Eiddo fod hyn yn risg sylweddol gan fod gan yr awdurdod 3 syrfëwr yn rheoli'r ystâd. Mae'r awdurdod hefyd, meddai, wedi cael trafferth recriwtio peirianwyr adeileddol ac roedd y gweithlu'n heneiddio.

Diolchodd y Pwyllgor i Bennaeth y Gwasanaethau Adfywio, Datblygu ac Eiddo a Phennaeth y Gwasanaethau Cymdogaeth am eu sylwadau ac am egluro'r risgiau.

PENDERFYNWYD: Bod y Pwyllgor wedi trafod y risgiau a nodwyd yn y Gofrestr Risg Corfforaethol ac y byddai'r Pwyllgor yn eu hadolygu eto yn y cyfarfod fis Ionawr. Gofynnodd i'r risgiau gael eu crynhoi ac i'r mesurau lleihau risg gael eu hystyried er mwyn deall sgôr y risgiau'n well a'u rheoli'n fwy effeithiol.

29. ASESIAID ALLANOL DIWYGIEDIG O'R CYDWASANAETH ARCHWILIO MEWNOL

Cyflwynodd Pennaeth yr Adran Archwilio Mewnol adroddiad ar y camau a gymerwyd yn dilyn yr Asesiad Allanol o'r Cydwasaeth Archwilio Mewnol ym mis Ionawr 2017.

Dywedodd Pennaeth yr Adran Archwilio Mewnol fod yr adolygiad wedi dechrau ar 30 Ionawr 2017 a bod yr asesiad ar y safle wedi dod i ben ar 3 Chwefror 2017. Dywedodd fod adroddiad yr Asesiad Allanol ynghyd â'r Cynllun Gweithredu wedi'u cyflwyno i'r Pwyllgor ar 29 Mehefin 2017. Cytunwyd y byddai adroddiadau'n cael eu cyflwyno i'r Pwyllgor hwn yn rheolaidd i gofnodi'r cynnydd a wnaed o ran rhoi'r argymhellion a'r awgrymiadau ar gyfer gwella ar waith.

Cyflwynodd Pennaeth yr Adran Archwilio Mewnol adroddiad ar y cynnydd a wnaed ar ôl yr asesiad o ran rhoi'r 18 o argymhellion a'r 10 o awgrymiadau ar waith. Roedd 14 o'r argymhellion wedi'u cwblhau ac roedd gwaith yn parhau yn achos y 4 arall. O'r 10 o awgrymiadau ar gyfer gwella, roedd 5 wedi'u cwblhau ac roedd gwaith yn parhau yn achos 4. Roedd Pennaeth yr Adran Archwilio Mewnol yn anghytuno ag un o'r awgrymiadau ar gyfer gwella, sef y dylid ffurfioli'r trefniadau anffurfiol presennol ynghylch codi materion i'w cynnwys yn gofrestr risg. Roedd yn credu bod system ffurfiol ar waith eisoes. Byddai'n codi'r mater gyda'r Bwrdd Rheoli Corfforaethol ac yn rhoi gwybod i'r Pwyllgor am ganlyniad y drafodaeth.

PENDERFYNWYD: Bod y Pwyllgor wedi trafod y Cynllun Gweithredu gan nodi'r cynnydd a wnaed hyd yma.

30. **Y WYBODAETH DDIWEDDARAF AM SWYDDI GWAG YN Y CYDWASANAETH ARCHWILIO MEWNOL**

Cafwyd gwybodaeth gan y Prif Archwilydd Mewnol am y sefyllfa o ran swyddi gwag yn y Gwasanaeth. Dywedodd fod y Pwyllgor wedi mynegi pryder ynghylch nifer y swyddi gwag yn y gwasanaeth ac wedi gofyn am wybodaeth am y sefyllfa bresennol.

Dywedodd fod nifer y swyddi gwag wedi cynyddu'n raddol dros y blynyddoedd ac, ar hyn o bryd, roedd 9.5 o swyddi FTE gwag, ar sail yr hen strwythur. Gan hynny, bu'n rhaid ailstrwythuro, a daeth y system newydd i rym ar 1 Hydref 2017, pan leihawyd nifer y swyddi o 18 i 14. O ganlyniad, mae nifer y swyddi gwag wedi gostwng o 18 i 14. Rhoddodd y Prif Archwilydd Mewnol fanylion am raddfa a chyflog pob swydd wag. Dywedodd nad oedd yn glir ar hyn o bryd sut effaith fyddai'r strwythur newydd yn ei chael ar allu'r Adran i ddenu'r staff iawn i'r swyddi gwag – byddai'n rhaid aros nes byddai'r swyddi'n cael eu hysbysebu. Dywedodd y byddai'r Adran yn parhau i chwilio am gyfleoedd i gydweithio ag awdurdodau eraill Cymru.

Dywedodd y Prif Archwilydd Mewnol fod y sefyllfa o ran y swyddi gwag wedi effeithio ar allu'r Adran i ymgymryd â'r iwrnodau archwilio arfaethedig. Gan fod nifer y diwrnodau cynhyrchiol wedi lleihau, roedd Partneriaeth Archwilio'r De-orllewin wedi'i chomisiynu i gynnal adolygiadau ar ran y Cydwasanaeth Archwilio. Roedd digon o arian yn y gyllideb bresennol i dalu am yr adolygiadau hyn. Dywedodd fod angen dechrau profi'r farchnad ond roedd y strwythur yn awr yn cyd-fynd â strwythur awdurdodau lleol eraill.

PENDERFYNWYD: Nodi cynnwys yr adroddiad.

31. **ARCHWILIO MEWNOL – ADRODDIAD ALLDRO EBRILL – HYDREF 2017**

Cyflwynodd y Prif Archwilydd Mewnol adroddiad ar wir berfformiad yr adran Archwilio Mewnol yn ystod y cyfnod rhwng mis Ebrill a mis Hydref 2017 yn ystod blwyddyn y cynllun archwilio. Dywedodd fod y Cynllun yn cynnwys cyfanswm o 1,085 o ddiwrnodau cynhyrchiol yn ystod y cyfnod rhwng mis Ebrill 2017 a mis Mawrth 2018, a chwblhawyd 313 diwrnod hyd yma, sydd gryn dipyn llai na'r disgwyl.

Dywedodd y Prif Archwilydd Mewnol fod strwythur cyffredinol yr Adran wedi'i seilio ar 18 o gyflogeion cyfateb i lawn amser. Fodd bynnag, erbyn diwedd blwyddyn ariannol 2016-17, roedd 7.5 swydd wag FTE a chododd hyn i 9.5 swydd wag FTE wedyn. Dywedodd wrth y Pwyllgor fod y broses o ailstrwythuro yn awr wedi'i chwblhau ac, o ganlyniad, roedd nifer y swyddi FTE wedi gostwng o 18 i 14, ac roedd nifer y swyddi gwag wedi gostwng o 9.5 i 6.5.

Dywedodd y Prif Archwilydd Mewnol hefyd fod 14 o swyddi wedi'u hadolygu a'u cau. Roedd y rheolwyr wedi cael barn archwilio sylweddol /rhesymol yn gyffredinol am yr amgylchedd rheoli mewnol ar gyfer y systemau dan sylw. O'r tri adolygiad arall, nodwyd gwendid sylweddol mewn dau, a hynny i'r graddau mai dim ond sicrwydd cyfyngedig a roddwyd i'r amgylchedd rheoli'n gyffredinol ac nid oedd modd rhoi barn ar un oherwydd natur y gwaith dan sylw.

Gofynnodd y Pwyllgor a oedd angen pennu blaenoriaethau newydd yn y cynllun archwilio oherwydd natur y swyddi gwag yn y strwythur, ac oherwydd nad oedd effaith y penderfyniad i gomisiynu Partneriaeth Archwilio'r De-orllewin i gynnal nifer o adolygiadau archwilio i'w gweld eto. Dywedodd y Prif Archwilydd Mewnol y caiff y Cynllun Archwilio ei adolygu er mwyn gweld a ellid cwblhau'r gwaith archwilio

PWYLLGOR ARCHWILIO - DYDD IAU, 16 TACHWEDD 2017

arfaethedig ac er mwyn adolygu'r cynlluniau wrth gefn. Dywedodd ei bod yn annhebygol y gellid recriwtio'r holl staff mewn pryd iddynt ddechrau ar eu gwaith erbyn diwedd y flwyddyn ariannol hon. Byddai adroddiad ar Gynllun Archwilio diwygiedig yn cael ei gyflwyno'r Pwyllgor ym mis Ionawr 2018 a byddai'r Pwyllgor yn cael gwybod beth roedd modd ei gyflawni.

PENDERFYNWYD: Bod y Pwyllgor wedi trafod yr Adroddiad Archwilio Mewnol yn ymwneud â'r cyfnod rhwng mis Ebrill a mis Hydref 2017 i sicrhau bod pob agwedd ar eu swyddogaethau craidd wedi'u cynnwys.

32. BLAENRAGLEN WAITH DDIWYGIEDIG 2017-18

Rhoddodd y Prif Archwilydd Mewnol y wybodaeth ddiweddaraf am Flaenraglen Waith 2016/17. I helpu i sicrhau bod y Pwyllgor yn ystyried pob agwedd ar ei swyddogaethau craidd, roedd Blaenraglen Waith Ddiwygiedig wedi'i chyflwyno.

Cyfeiriodd y Prif Archwilydd Mewnol at newidiadau roedd angen eu gwneud i'r Flaenraglen Waith, gan fod Adroddiad Canol Blwyddyn Rheoli'r Trysorlys 2017-18 a Strategaeth Rheoli'r Trysorlys 2018-19, y bwriadwyd eu trafod yn y cyfarfod ar 18 Ionawr 2018, wedi'u trafod yn y cyfarfod heddiw. Byddai'r eitem yn ymwneud â'r Strategaeth Archwilio yn awr yn cael ei thrafod yng nghyfarfod y Pwyllgor Archwilio ar 18 Ionawr 2018.

PENDERFYNWYD: Bod y Pwyllgor yn nodi'r blaenraglen waith ddiwygiedig i sicrhau y caiff adroddiad digonol ei gyflwyno ar bob agwedd ar ei swyddogaethau craidd.

33. EITEMAU BRYD

Nid oedd unrhyw eitemau bryd.

34. MR RANDAL HEMINGWAY

Cyhoeddodd y Cadeirydd mai hwn oedd cyfarfod olaf Mr Randal Hemingway, y Pennaeth Cyllid a'r Swyddog Adran 151, cyn iddo adael yr awdurdod i ymgymryd â swydd newydd. Diolchodd i Mr Hemingway, ar ran yr Aelodau, am ei gyngor a'i wasanaeth i'r Pwyllgor a dymunodd bob llwyddiant iddo yn ei swydd newydd.

Daeth y cyfarfod i ben am 4.07 pm

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BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

18 JANUARY 2018

REPORT OF CORPORATE DIRECTOR, OPERATIONAL AND PARTNERSHIP SERVICES

WALES AUDIT OFFICE ANNUAL IMPROVEMENT REPORT (AIR) 2016-17 - BRIDGEND COUNTY BOROUGH COUNCIL

1. Purpose of Report

- 1.1 To introduce the report of the Auditor General to Audit Committee (attached as **Appendix A**).

2. Connection to Corporate Improvement Objectives / Other Corporate Priority

- 2.1 The Wales Audit Office (WAO) report assesses whether or not the Council meets its continuous improvement duties under the Local Government (Wales) Measure 2009, taking account of a range of audit, regulatory and inspection work reported during 2016-17.

3. Background

- 3.1 The Local Government (Wales) Measure 2009 requires the Auditor General to undertake a forward-looking annual improvement assessment and to publish an annual improvement report for each improvement authority in Wales.
- 3.2 For 2016-17, the Auditor General undertook improvement assessment work at all councils under three themes: governance, use of resources, and improvement planning and reporting. For some councils, local risk-based audits were also carried out.
- 3.3 The Wales Audit Office undertook the following individual projects under the above mentioned themes for Bridgend County Borough Council during 2016-17:
- Good governance when determining service changes (the full report is attached as **Appendix B**)
 - Annual audit letter 2015-16, under the Public Audit (Wales) Act 2014
 - Savings planning
 - Corporate assessment follow up
 - Annual improvement plan audit
 - Annual assessment of performance audit

A summary of the findings for each project is set out in Exhibit 1 (pp. 6-90 of the attached report).

- 3.4 The report also includes a summary of the national studies the WAO undertook during the year (Exhibit 2, pp. 14-16), with recommendations that require all local authorities to address.

4. Current situation / proposal

4.1 The overall conclusion of the AIR is positive, as follows:

The Council is meeting its statutory requirements in relation to continuous improvement, and that based on the work carried out by the WAO and relevant regulators the Council is likely to comply with the requirements of the Local Government Measure (2009) during 2017-18.

4.2 Headline findings under each project are summarised below:

Good governance when determining service changes

Findings – “the Council has clear priorities that shape its decisions on significant service change and it seeks to learn and improve its arrangements, but there is scope to improve the accessibility of some information”.

The Auditor General did not make any formal recommendations but made three proposals for improvement:

P.1. the Council should improve the availability and accessibility of information relating to decision-making on significant service change, including, for example, publishing Forward Work Programme(s) that cover Cabinet and Council business.

P.2 the Council should resolve how it will embed the sustainable development principle into decision-making.

P.3 the Council should clearly set out how the impact of service change will be monitored at the point of decision.

Annual audit letter 2015-16

Finding – “the Council complied with its responsibilities relating to financial reporting and use of resources”.

The Auditor General did not make any formal recommendations nor proposals for improvement.

Savings planning

Finding – “whilst the Council has a sound financial planning framework underdeveloped savings plans may not fully support future financial resilience”.

The Auditor General did not make any formal recommendations but made one proposal for improvement:

P.1 - Strengthen financial planning arrangements by ensuring that savings proposals are:

- fully developed;
- clearly identified over the period of the MTFP; and

- include realistic delivery timescales prior to inclusion in the annual budget.

Corporate assessment follow up

Finding – “the Council has responded effectively to the issues we raised in the Corporate Assessment and has either fully implemented our proposals for improvement or has made progress against them”.

The Auditor General did not make any formal recommendations nor proposals for improvement.

Annual improvement plan audit

Finding – “the Council has complied with its statutory improvement planning duties”.

The Auditor General did not make any formal recommendations nor proposals for improvement.

Annual assessment of performance audit

Finding – “the Council has complied with its statutory improvement reporting duties”.

The Auditor General did not make any formal recommendations nor proposals for improvement.

4.3 The Council has been addressing the proposals for improvement.

5. Effect upon Policy Framework & Procedure Rules

5.1 There is no effect upon the Policy Framework and the Procedure Rules.

6. Equality Impact Assessment

6.1 No equality impact assessment has been undertaken as the Auditor General’s Annual Improvement Report is essentially a retrospective assessment of the Council’s performance.

7. Financial Implications

7.1 There are no financial implications in this report.

8. Recommendation

8.1 That Audit Committee notes the Annual Improvement Report produced by the WAO.

Andrew Jolley
Corporate Director, Operational and Partnership Services
3 January 2018

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Background documents

None



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Annual Improvement Report 2016-17 – Bridgend County Borough Council

Issued: September 2017
Document reference: 156A2017-18



This Annual Improvement Report has been prepared on behalf of the Auditor General for Wales by Samantha Clements, Tim Buckle and Steve Barry under the direction of Huw Rees.

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The Auditor General is independent of government, and is appointed by Her Majesty the Queen. The Auditor General undertakes his work using staff and other resources provided by the Wales Audit Office, which is a statutory board established for that purpose and to monitor and advise the Auditor General. The Wales Audit Office is held to account by the National Assembly.

Together with appointed auditors, the Auditor General audits local government bodies in Wales, including unitary authorities, police, probation, fire and rescue authorities, national parks and community councils. He also conducts local government value for money studies and assesses compliance with the requirements of the Local Government (Wales) Measure 2009.

Beyond local government, the Auditor General is the external auditor of the Welsh Government and its sponsored and related public bodies, the Assembly Commission and National Health Service bodies in Wales.

The Auditor General and staff of the Wales Audit Office aim to provide public-focused and proportionate reporting on the stewardship of public resources and in the process provide insight and promote improvement.

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

Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

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Summary report

2016-17 performance audit work

- 1 In determining the breadth of work undertaken during the year, we considered the extent of accumulated audit and inspection knowledge as well as other available sources of information including Bridgend County Borough Council's (the Council) own mechanisms for review and evaluation. For 2016-17, we undertook improvement assessment work at all councils under three themes: governance, use of resources, and improvement planning and reporting. At some councils, we supplemented this work with local risk-based audits, identified in the Audit Plan for 2016-17.
- 2 The work carried out since the last Annual Improvement Report (AIR), including that of the relevant regulators, is set out in [Exhibit 1](#).

The Council is meeting its statutory requirements in relation to continuous improvement

- 3 Based on, and limited to, the work carried out by the Wales Audit Office and relevant regulators, the Auditor General believes that the Council is likely to comply with the requirements of the Local Government Measure (2009) during 2017-18.

Recommendations and proposals for improvement

- 4 Given the wide range of services provided by the Council and the challenges it is facing, it would be unusual if we did not find things that can be improved. The Auditor General is able to:
 - make proposals for improvement – if proposals are made to the Council, we would expect it to do something about them and we will follow up what happens;
 - make formal recommendations for improvement – if a formal recommendation is made, the Council must prepare a response to that recommendation within 30 working days;
 - conduct a special inspection, and publish a report and make recommendations; and
 - recommend to ministers of the Welsh Government that they intervene in some way.
- 5 During the course of the year, the Auditor General did not make any formal recommendations. However, a number of proposals for improvement have been made and these are repeated in this report. We will monitor progress against them and relevant recommendations made in our national reports ([Appendix 3](#)) as part of our improvement assessment work.

Audit, regulatory and inspection work reported during 2016-17

Exhibit 1: audit, regulatory and inspection work reported during 2016-17

Issue date	Brief description	Conclusions	Proposals for improvement
Governance			
March 2017	Good governance when determining service changes	<p>The Council has clear priorities that shape its decisions on significant service change and it seeks to learn and improve its arrangements, but there is scope to improve the accessibility of some information:</p> <ul style="list-style-type: none"> • the Council has identified three corporate priorities that clearly inform its decisions on significant service changes; • the Council benefits from generally clear governance and accountability arrangements and positive working relationships between officers and members; • the Council typically considers a range of options for significant service changes that are supported by clear information, but they are not generally accompanied by a formal options appraisal; • the Council has generally effective consultation arrangements when considering significant service changes and it continues to develop them, though the accessibility of information could be improved; • the Council monitors financial savings and the impact of some significant service changes, though this could be strengthened by clearly setting out how impact will be monitored at the point of decision; and • the Council is learning from its experience to improve its arrangements for determining and delivering service changes. 	<p>P1 The Council should improve the availability and accessibility of information relating to decision-making on significant service change, including, for example, publishing Forward Work Programme(s) that cover Cabinet and Council business.</p> <p>P2 The Council should resolve how it will embed the sustainable development principle into decision-making.</p> <p>P3 The Council should clearly set out how the impact of service change will be monitored at the point of decision.</p>

Issue date	Brief description	Conclusions	Proposals for improvement
Use of resources			
November 2016	<p>Annual audit letter 2015-16</p> <p>Letter summarising the key messages arising from the Auditor General's statutory responsibilities under the Public Audit (Wales) Act 2004 and his reporting responsibilities under the Code of Audit Practice. The Annual Audit Letter is in Appendix 2 of this report.</p>	<ul style="list-style-type: none"> The Council complied with its responsibilities relating to financial reporting and use of resources; I am satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources; and I issued a certificate confirming that the audit of the accounts has been completed on 30 September 2016. 	None
March 2017	<p>Savings planning</p> <p>Review of the Council's financial savings arrangements, including how well it is delivering the required savings and whether it has robust approaches to plan, manage and deliver budget savings, at a pace that supports financial resilience.</p>	<p>Whilst the Council has a sound financial planning framework underdeveloped savings plans may not fully support future financial resilience:</p> <ul style="list-style-type: none"> the Council has reported achievement of 83% of its planned 2015-16 savings in year and can demonstrate that individual savings have been delivered; the Council has an effective corporate framework for financial planning but its indicative savings plans lack detail; and some of the Council's approved savings plans for 2016-17 are not well developed and lack sufficient detail, increasing the risk that they will not be delivered in the planned timescale. 	<p>P1 Strengthen financial planning arrangements by: ensuring that: savings proposals are:</p> <ul style="list-style-type: none"> fully developed clearly identified over the period of the MTFP and include realistic delivery timescales prior to inclusion in the annual budget.

Issue date	Brief description	Conclusions	Proposals for improvement
Local risk-based performance audit			
	<p>Corporate Assessment Follow up</p> <p>This report examines whether the Council is making effective progress against the proposals for improvement issued in the Corporate Assessment report.</p>	<p>We found that the Council has responded effectively to the issues we raised in the Corporate Assessment and has either fully implemented our proposals for improvement or has made progress against them. We came to this conclusion because:</p> <ul style="list-style-type: none"> • the Council has established a vision for 2020 that will support a strategic approach to service delivery and guide service planning. • the Council is refining its performance reporting. • the Council includes the rationale for targets in performance reports where appropriate, and these set out the scale of improvement expected. • the Council is working towards ensuring 'measures of success' enable an evaluation of intended performance and that the explanation of performance is based upon that measure. • the Council has more clearly defined how it applies RAG ratings within Scrutiny and Corporate Performance Assessment (CPA) reports and is refining its public performance reporting to ensure it clearly states whether the Council has achieved what it intended. • there have been developments in the ICT service to ensure it supports the Council's transformation agenda; some actions have been completed whilst others are progressing, but are at a formative stage. • workforce considerations are now embedded in service business planning. There are other developments in progress within the HR service, that, whilst not explicitly supporting the Council's transformation agenda, are intended to develop the HR service. • Service Business Plans now incorporate consideration of future property requirements. • Public Services Boards have replaced Local Service Boards and there remains scope to strengthen arrangements with regard to the adoption of measures to evaluate the success of the key collaborative activities. 	None

Issue date	Brief description	Conclusions	Proposals for improvement
Improvement planning and reporting			
May 2016	Wales Audit Office annual improvement plan audit Review of the Council's published plans for delivering on improvement objectives.	The Council has complied with its statutory improvement planning duties.	None
November 2016	Wales Audit Office annual assessment of performance audit Review of the Council's published performance assessment.	The Council has complied with its statutory improvement reporting duties.	None
Reviews by inspection and regulation bodies – no local work			

Appendix 1

Status of this report

The Local Government (Wales) Measure 2009 (the Measure) requires the Auditor General to undertake a forward-looking annual improvement assessment, and to publish an annual improvement report, for each improvement authority in Wales. Improvement authorities (defined as local councils, national parks, and fire and rescue authorities) have a general duty to 'make arrangements to secure continuous improvement in the exercise of [their] functions'.

The annual improvement assessment considers the likelihood that an authority will comply with its duty to make arrangements to secure continuous improvement. The assessment is also the main piece of work that enables the Auditor General to fulfil his duties. Staff of the Wales Audit Office, on behalf of the Auditor General, produce the annual improvement report. The report discharges the Auditor General's duties under section 24 of the Measure, by summarising his audit and assessment work in a published annual improvement report for each authority. The report also discharges his duties under section 19 to issue a report certifying that he has carried out an improvement assessment under section 18 and stating whether (as a result of his improvement plan audit under section 17) he believes that the authority has discharged its improvement planning duties under section 15.

The Auditor General may also, in some circumstances, carry out special inspections (under section 21), which will be reported to the authority and Ministers, and which he may publish (under section 22). An important ancillary activity for the Auditor General is the co-ordination of assessment and regulatory work (required by section 23), which takes into consideration the overall programme of work of all relevant regulators at an improvement authority. The Auditor General may also take account of information shared by relevant regulators (under section 33) in his assessments.

Appendix 2

Annual Audit Letter

Councillor Huw David
The Leader
Bridgend County Borough Council
Civic Offices
Angel Street
Bridgend
CF31 4WB

Reference: PA211/DO/hcj
Date issued: 28 November 2016

Dear Councillor David

Annual Audit Letter – Bridgend County Borough Council 2015-16

This letter summarises the key messages arising from my statutory responsibilities under the Public Audit (Wales) Act 2004 and my reporting responsibilities under the Code of Audit Practice.

The Council complied with its responsibilities relating to financial reporting and use of resources

It is the Council's responsibility to:

- put systems of internal control in place to ensure the regularity and lawfulness of transactions and to ensure that its assets are secure;
- maintain proper accounting records;
- prepare a Statement of Accounts in accordance with relevant requirements; and
- establish and keep under review appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Public Audit (Wales) Act 2004 requires me to:

- provide an audit opinion on the accounting statements;
- review the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources; and

- issue a certificate confirming that I have completed the audit of the accounts.

Local authorities in Wales prepare their accounting statements in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. This Code is based on International Financial Reporting Standards. On 30 September 2016 I issued an unqualified audit opinion on the accounting statements confirming that they present a true and fair view of the Council's financial position and transactions. My report is contained within the Statement of Accounts. The key matters arising from the accounts audit were reported to members of the Audit Committee in my Audit of Financial Statements report on the 29 September 2016, and a more detailed report has also been issued.

Overall the statement of accounts and associated working papers provided for audit were of a reasonable standard although there was some initial confusion over what our expectations were for supporting working papers etc. Officers were very helpful and supplied us with all the information we requested, although there were occasional delays, which is to be expected when information is being collated for the first time. One of the more significant issues noted in my Audit of Financial Statements Report related to a number of debtors and creditors balances that had been incorrectly classified or incorrectly netted up or down. These were mainly historic balances and were corrected in the certified statements, officers have undertaken to ensure these issues do not reoccur in future years.

I am satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources

My consideration of the Council's arrangements to secure economy, efficiency and effectiveness has been based on the audit work undertaken on the accounts as well as placing reliance on the work completed under the Local Government (Wales) Measure 2009. The Auditor General will highlight areas where the effectiveness of these arrangements has yet to be demonstrated or where improvements could be made when he publishes his Annual Improvement Report.

I issued a certificate confirming that the audit of the accounts has been completed on 30 September 2016

My work to date on certification of grant claims and returns has not identified significant issues that would impact on the 2016-17 accounts or key financial systems.

A more detailed report on my grant certification work will follow in 2017 once this year's programme of certification work is complete.

The financial audit fee for 2015-16 is currently expected to be higher than the agreed fee set out in the 2016 Audit Plan due to the additional work that had to be undertaken to verify balances in the Statement of Accounts. The additional fee will be discussed and agreed with the Head of Finance.

Yours sincerely

Derwyn Owen
Engagement Director

For and on behalf of the Auditor General for Wales

Appendix 3

National report recommendations 2016-17

Exhibit 2: national report recommendations 2016-17

Date of report	Title of review	Recommendation
August 2016	Financial Resilience of Local Authorities in Wales 2015-16	<p>In our report of 2014-15 (The Financial Resilience of Councils in Wales, April 2015) we made a number of recommendations for local authorities. Many of these recommendations remained relevant and required further work from authorities to address them during 2016-17. In addition, we also made the following recommendations based on our more recent review:</p> <p>R1 Local authorities should strengthen their financial-planning arrangements by:</p> <ul style="list-style-type: none"> • developing more explicit links between the Medium Term Financial Plan (MTFP) and its corporate priorities and service plans; • aligning other key strategies such as workforce and asset management plans with the MTFP; • developing comprehensive multi-year fully costed savings plans which underpin and cover the period of the MTFP, not just the forthcoming annual budget; • categorising savings proposals so that the shift from traditional-type savings to transformational savings can be monitored over the period of the MTFP; and • ensuring timescales for the delivery of specific savings proposals are realistic and accountability for delivery is properly assigned. <p>R2 Local authorities should develop corporate income generation and charging policies.</p> <p>R3 Local authorities should ensure that they have a comprehensive reserves strategy, which outlines the specific purpose of accumulated useable reserves and the impact and use of these in the MTFP.</p> <p>R4 Local authorities should develop key performance indicators to monitor the MTFP.</p> <p>R5 Local authorities should ensure that savings plans are sufficiently detailed to ensure that members are clear as to what the plans are intended to deliver and that the delivery of those plans can be scrutinised appropriately throughout the year.</p> <p>R6 Local authorities should ensure that corporate capacity and capability are at a level that can effectively support the delivery of savings plans in the MTFP at the pace required.</p>

Date of report	Title of review	Recommendation
October 2016	Community Safety in Wales	<p>The seven recommendations within this report required individual and collective action from a range of stakeholders – the Welsh Government, Home Office Wales Team, police and crime commissioners, public service board members and local authorities:</p> <p>R1 Improve strategic planning to better co-ordinate activity for community safety by replacing the existing planning framework with a national strategy supported by regional and local plans that are focused on delivering the agreed national community-safety priorities.</p> <p>R2 Improve strategic partnership working by formally creating effective community-safety boards that replace existing community-safety structures that formalise and draw together the work of the Welsh Government, police forces, local authorities, health boards, fire and rescue authorities, WACSO and other key stakeholders.</p> <p>R3 Improve planning through the creation of comprehensive action plans that cover the work of all partners and clearly identify the regional and local contribution in meeting the national priorities for community safety.</p> <p>R4 Review current grant-funding arrangements and move to pooled budgets with longer-term funding commitments to support delivery bodies to improve project and workforce planning that focuses on delivering the priorities of the national community-safety strategy.</p> <p>R5 Ensure effective management of performance of community safety by:</p> <ul style="list-style-type: none"> • setting appropriate measures at each level to enable members, officers and the public to judge progress in delivering actions for community-safety services; • ensuring performance information covers the work of all relevant agencies; and • establishing measures to judge inputs, outputs and impact to be able to understand the effect of investment decisions and support oversight and scrutiny. <p>R6 Revise the systems for managing community-safety risks and introduce monitoring and review arrangements that focus on assuring the public that money spent on community safety is resulting in better outcomes for people in Wales.</p> <p>R7 Improve engagement and communication with citizens through public service boards in:</p> <ul style="list-style-type: none"> • developing plans and priorities for community safety; • agreeing priorities for action; and • reporting performance and evaluating impact.

Date of report	Title of review	Recommendation
November 2016	<u>Charging for Services and Generating Income by Local Authorities</u>	<p>This report made eight recommendations, of which six required action from local authorities. Recommendations R4 and R6 required action from the Welsh Government and Welsh Local Government Association:</p> <p>R1 Develop strategic frameworks for introducing and reviewing charges, linking them firmly with the MTFP and the Corporate Plan.</p> <p>R2 Review the unit and total costs of providing discretionary services to clearly identify any deficits and, where needed, set targets to improve the current operating position.</p> <p>R3 Use the impact assessment checklist whenever changes to charges are considered.</p> <p>R5 Identify opportunities to procure private sector companies to collect charges to improve efficiency and economy in collecting income.</p> <p>R7 Improve management of performance, governance and accountability by:</p> <ul style="list-style-type: none"> • regularly reporting any changes to charges to scrutiny committee(s); • improving monitoring to better understand the impact of changes to fees and charges on demand, and the achievement of objectives; • benchmarking and comparing performance with others more rigorously; and • providing elected members with more comprehensive information to facilitate robust decision making. <p>R8 Improve the forecasting of income from charges through the use of scenario planning and sensitivity analysis.</p>
January 2017	<u>Local Authority Funding of Third Sector Services</u>	<p>This report made three recommendations, of which two required action from local authorities. Recommendation R3 required action from the Welsh Government:</p> <p>R1 To get the best from funding decisions, local authorities and third-sector bodies need to ensure they have the right arrangements and systems in place to support their work with the third sector. To assist local authorities and third-sector bodies in developing their working practices, we recommend that local-authority and third-sector officers use the <u>Checklist for local authorities effectively engaging and working with the third sector</u> to:</p> <ul style="list-style-type: none"> • self-evaluate current third-sector engagement, management, performance and practice; • identify where improvements in joint working are required; and • jointly draft and implement an action plan to address the gaps and weaknesses identified through the self-evaluation. <p>R2 Poor performance management arrangements are weakening accountability and limiting effective scrutiny of third-sector activity and performance. To strengthen oversight of the third sector, we recommend that elected members scrutinise the review checklist completed by officers, and regularly challenge performance by officers and the local authority in addressing gaps and weaknesses.</p>

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Auditor General for Wales

Good Governance when Determining Significant Service Changes – **Bridgend County Borough Council**

Audit year: 2016-17

Date issued: May 2017

Document reference: 292A2017

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

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

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

info.officer@audit.wales.

The team who delivered the work comprised Catryn Holzinger, Alison Lewis, Ron Price, Steve Barry and Non Jenkins under the direction of Jane Holownia

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Summary report

Summary

- 1 'Governance is about how public bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values, by which public bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities'¹.
- 2 Good governance is essential for the effective stewardship of public money and the continued delivery of efficient and trusted public services. The current financial climate and reduced settlements for local government as well as rising demand for some services mean that all councils are likely to continue to need to make decisions regarding the future configuration and level of service delivery. It is appropriate that public bodies continuously seek to improve. Small, incremental changes to service delivery are made at a managerial and operational level as part of normal, operational decision-making. However, good governance supported by effective planning and rigorous processes is critical when determining significant service changes. Such decisions are often controversial, generate considerable local interest and can have significant impacts on the individuals and groups affected.
- 3 From April 2016, councils are required to comply with the Well-being of Future Generations (Wales) Act and associated Statutory Guidance. The Statutory Guidance states that: 'Together, the seven well-being goals and five ways of working provided by the Act are designed to support and deliver a public service that meets the needs of the present without compromising the ability of future generations to meet their own needs'². This legislation emphasises the importance of effective governance in achieving well-being goals.
- 4 The focus of this review is on the effectiveness of Bridgend County Borough Council's (the Council) governance arrangements for determining significant service changes. We define this as any significant change in delivering services and/or any significant change in how services are experienced by external service users. This could include, for example, significant changes to the way the service is delivered, the level of service provided, the availability of the service or the cost of the service.
- 5 Taking the Chartered Institute of Public Finance and Accountancy's (CIPFA) revised framework for 'Delivering good governance in local government' as an appropriate standard, this review provides the Council with a baseline, from which to plan further improvement. In this assessment, undertaken during the period

¹ **CIPFA/SOLACE Delivering Good Governance in Local Government: Framework 2007**

² **Shared Purpose: Shared Future, Statutory guidance on the Well-being of Future Generations (Wales) Act 2015, Welsh Government**

September to November 2016, to inform our assessment of the Council's overall arrangement for developing and determining service changes we looked at aspects of decision-making arrangements in relation to a range of significant service change proposals. The examples of service changes we looked at included:

- Learner travel
- 'Extracare' housing
- Meals at home
- Waste services provision
- Nursery provision
- Public conveniences
- Supported bus services
- Grounds maintenance
- Bereavement services

6 We did not look in detail at each of the individual service change decisions, but rather used them as examples to draw from and inform how the Council goes about making decisions in relation to service changes.

7 In this review, we concluded that **the Council has clear priorities that shape its decisions on significant service change and it seeks to learn and improve its arrangements but there is scope to improve the accessibility of some information.**

Proposals for improvement

Exhibit 1: proposals for improvement

The table below sets out our proposals for improvement:

Proposals for improvement	
P1	The Council should improve the availability and accessibility of information relating to decision-making on significant service change, including, for example, publishing a Forward Work Programme(s) that covers Cabinet and Council business.
P2	The Council should resolve how it will how it will embed the sustainable development principle into decision-making
P3	The Council should clearly set out how the impact of service changes will be monitored at the point of decision.

Detailed report

The Council has clear priorities that shape its decisions on significant service change and it seeks to learn and improve its arrangements, but there is scope to improve the accessibility of some information

The Council has identified three corporate priorities that clearly inform its decisions on significant service changes

- 8 The Council has set out three priorities within its Corporate Plan 2016-2020:
- Supporting a successful economy;
 - Helping people to become more self-reliant; and
 - Smarter use of resources.
- 9 These priorities provide the Council with a defined focus for activity and Cabinet members and senior officers are able to articulate how they are shaping decisions on service change. There is alignment between the Corporate Plan and Medium Term Financial Plan and, as part of the budget-setting process, savings proposals are mapped against the three priorities to help ensure they are guiding decision-making.
- 10 The Council has begun to consider the implications of the Well-being of Future Generations (Wales) Act 2015 and on 1 March 2017 reviewed its corporate priorities in the context of the Act.. However, it is not yet clear how it will embed the sustainable development principle into decision-making.

The Council benefits from generally clear governance and accountability arrangements and positive working relationships between officers and members

- 11 Our Corporate Assessment, reported in January 2016, concluded that 'appropriate governance arrangements are in place to drive change', and that 'roles and responsibilities are clear and effective arrangements are in place for holding people to account'. The Council's Constitution sets out responsibilities for its functions and its separate Scheme of Delegation of Functions sets out responsibilities in detail. However, the Scheme of Delegation is not accessible on the Council's website (see paragraph 22) and the Council recognises its website has scope for improvement. Members and officers describe good working relationships. This is particularly the case with Cabinet members and senior managers who meet regularly and state that they work together closely.

- 12 The Council's Cabinet also values the role of scrutiny. Scrutiny members undertake pre-decision scrutiny, including through the scrutiny Budget Research and Evaluation Panel (BREP). The BREP has developed over recent years into a 'standing working group to enable members to engage in more meaningful discussion on budget proposals' and the wider change programme³. It now meets at several points throughout the budget-setting process. Minutes of this meeting are not publicly available but recommendations are reported formally to Corporate Resources and Improvement Overview and Scrutiny committee and then to Cabinet.
- 13 BREP membership is drawn from each of the Council's scrutiny committees. The Council reviewed the effectiveness of BREP in 2015-16 and identified the need for a closer relationship with Cabinet. The Cabinet Member for Resources now attends all BREP meetings. While the intention of this arrangement may be to increase the likelihood of recommendations being accepted, the presence of a Cabinet member has the potential to blur accountability for decision-making between Cabinet and scrutiny members. The Council will need to assure itself that there is sufficient transparency in this arrangement and that accountability for decisions remains clear, particularly as the minutes of BREP meetings are not published.
- 14 Reports to Cabinet, Council and scrutiny committees are checked by the relevant officers before being considered by members. This ensures that legal, financial, equalities and other considerations are taken into account in decision-making. Cabinet reports also include a section on 'effect upon policy framework and procedure rules'. The Council is trialling an electronic report sign-off process that will also show a record of officer comments.

The Council typically considers a range of options for significant service changes that are supported by clear information, but they are not generally accompanied by a formal options appraisal

- 15 The Council generally considers a range of options when making service changes. A project management approach has been used for some larger projects, and in these cases service change objectives and options are set out explicitly. While the Council's project management approach was not widely used for the examples of service changes that we looked at, the Council's decision reports tend to set out a range of options and it is possible to identify the key drivers of, and objectives for, service change within them. However, this means it is not always possible to see a clear set of criteria and a detailed options appraisal process.

³ **Standing Budget Research and Evaluation Panel Proposed Terms of Reference 2015-16, Bridgend County Borough Council**

- 16 Options for service change are accompanied by financial information. For some service change proposals information on consultation and Equality Impact Assessments (EIAs) are included with Cabinet reports.
- 17 However, one of the examples we looked at related to an increase in fees and charges and it did not appear to be accompanied by multiple options or sufficient information to aid decision-making. Specifically, we noted that some increases in fees and charges were included in the Council's budget even though the precise amount they would rise by had not been determined.
- 18 Scrutiny members play an active role in the development of service change proposals. During our fieldwork officers and members referred to regular meetings between senior officers and scrutiny chairs. This supports forward work planning and pre-decision scrutiny of service changes. The BREP also provides scrutiny members with an opportunity to comment on the viability of service change proposals and to challenge directors and Cabinet members on the deliverability of savings, notwithstanding the potential blurring of accountability referred to in paragraph 13. Scrutiny members also challenge the information accompanying service change proposals. For example, scrutiny members felt that there had not been enough consultation with service users on proposed changes to learner travel, and Cabinet responded to this concern by requesting that officers carry out further work.

The Council has generally effective consultation arrangements when considering significant service changes and it continues to develop them, though the accessibility of information could be improved

- 19 The Council has generally effective arrangements in place to consult stakeholders on service changes. Larger and more complex consultations must be approved by the Council's consultation team. The consultation team provide advice on consultation, but also seek to ensure that equalities and Welsh language considerations have been taken into account. The Council has also placed emphasis on building capacity and knowledge of consultation practice across the organisation. The consultation team has therefore developed a consultation toolkit and runs roadshows for managers to advise them on the level and nature of consultation they should undertake.
- 20 The Council undertook an extensive consultation on changes to waste service provision. It ran the consultation over eight weeks and received a total of 2,795 responses, the highest response rate they have ever received for any consultation exercise. The Council sought to ensure widespread engagement by working with stakeholders, such as the Local Service Board, Bridgend Equality Forum, Bridgend Business Forum and Bridgend First. It also utilised a variety of engagement methods, including an online survey, social media, paper surveys, emails and

telephone responses. The Council's Waste Services Equality Impact Assessment made reference to the Council's intention to use as 'wide a range of consultation, engagement activities and tools as possible' to ensure broad representation⁴. With this in mind, the Council produced a plain language consultation document in English and Welsh and worked with the Bridgend Equality Forum to run a session to support people with additional needs to complete the survey. They also encouraged Bridgend Equality Forum member organisations to take part. Therefore, the Council has undertaken substantial work to seek the views of the public on this issue and adapted its proposals and introduced mitigations in response to data and feedback.

- 21 The Council is able to demonstrate that consultation findings have influenced other decisions on service change. For example, its proposed changes to nursery provision were dropped and its proposed reduction to subsidised bus routes was reduced from £229,000 to £15,000 as a result of consultation.
- 22 The Council's consultation webpages provide details of open and closed consultations. Other information on service change, such as recent committee minutes and reports is accessible on the website. The Council is also seeking to use social media to increase participation in consultations, such as the budget and waste consultations.
- 23 However, the Cabinet Forward Work Programme is not available on the website. This is a departure from the requirements set out in the Council's own constitution, which states that a Cabinet Forward Work Programme will be published at least 14 days before the start of the period covered (a period being four months, except when elections occur). Some key documents such as the Council's Scheme of Delegation and Scrutiny Forward Work Programmes are also not easily accessible on the website as standalone documents. The Scrutiny Forward Work Programmes also contain minimal information and do not cover the content or purpose of items. The Council's website includes a search function for officer and member decisions but at the time of our review this did not appear to operate properly. There are no links to archived scrutiny committee reports, agendas and minutes pre-2014. Taken together, these issues limit the transparency of arrangements and the ability of stakeholders to access information about past and forthcoming decisions.
- 24 The Council is working to improve the accessibility of some of this information. It has informed us that it is developing new scrutiny committee webpages that will include details of how the scrutiny process operates, a scrutiny topic request form and more easily accessible scrutiny forward work programmes. The Council has also begun to webcast some scrutiny meetings covering topics of public interest. This should mean scrutiny of major service changes are more likely to be webcast in future.

⁴ Full Equality Impact Assessment, Changes to Residual Waste Service Provision March 2016, Bridgend County Borough Council

The Council monitors financial savings and the impact of some significant services changes, though this could be strengthened by clearly setting out how impact will be monitored at the point of decision

- 25 The Council regularly monitors progress in delivering financial savings arising from service changes. This happens in a number of fora including Cabinet, Corporate Management Board, Scrutiny Committees and Corporate Performance Assessment (CPA). For service change projects that are managed through the Council's structured project management process, risks, issues and progress against milestones are reported in highlight reports to the Council's Programme Management Board (PMB)⁵. There are examples of scrutiny committees monitoring the impact of service changes, such as the Awen Cultural Trust.
- 26 While the Council monitors financial savings and service performance, its arrangements for reviewing the impact of specific service changes could be more systematic. Some of the Council's Equality Impact Assessments do include reference to how mitigations will be monitored. However, decision reports do not routinely set out how, when and by whom the impact of service change will be monitored. The Council's revised business case template includes a section on benefits/dis-benefits of proposals, although does not explicitly ask for monitoring arrangements to be described. There is therefore an opportunity for the Council to build on the specific examples given above by setting out arrangements at the point of decision. This would ensure there is clarity on how and when service changes will be monitored, and that it happens consistently.
- 27 We identified some examples where the Council has put transition arrangements in place as part of the process of managing service change. For example, an Extracare open day was held for service users, their families and staff. Additional information was provided and a 'grace period' introduced as part of changes to waste services provision.
- 28 The Council is taking steps to improve its approach to Equality Impact Assessments and reports having trained over 100 of its managers on the process during 2016. Cabinet and Committee report templates include a section on Equality Impact Assessments but there are further opportunities to ensure key issues and any mitigating actions are included in that section of the main report, in addition to the separate Equality Impact Assessment document.

⁵ The Programme Management Board aims to provide corporate leadership that supports change throughout the Council. It is attended by all members of Corporate Management Team, representatives from the Corporate Transformation Team and relevant senior responsible officers and managers as required.

The Council is learning from its experience to improve its arrangements for determining and delivering service changes

- 29 The Council reviews and seeks to improve its governance arrangements for determining and delivering service changes. As previously described, the Council has reviewed the BREP and made changes to how often it meets and who attends with a view to increasing its effectiveness. The Council has also revised its project management toolkit for 2016 and we have been informed that there is an intention to use the approach more consistently for service change projects.
- 30 The Council's consultation team informed us that they undertake an evaluation of all of the consultations they deliver or are directly involved with. Notably, they reviewed and adapted the approach to the budget consultation and increased the number of responses from 400 in 2013 to 1,800 in 2015. The Council recently received a legal challenge over proposed changes to learner transport and has responded by reviewing the process it went through. It has since recommended the process to ensure it is fulfilling statutory requirements.

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BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

18 JANUARY 2018

REPORT OF THE INTERIM SECTION 151 OFFICER

ANNUAL AUDIT LETTER 2016-17

1. Purpose of this report

- 1.1 The purpose of this report is to submit the Appointed Auditor's Annual Audit Letter 2016-17 for noting attached as **Appendix A**.

2. Connections to Corporate Improvement Objectives / Other Corporate Priorities

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

3. Background

- 3.1 The Appointed Auditor has a statutory responsibility under the Public Audit (Wales) Act 2004 to:

- Provide an audit opinion on the accounting statements;
- Review the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources; and
- Issue a certificate confirming that the Appointed Auditor has completed the audit of the accounts.

4. Current Situation / Proposal

- 4.1 Attached to this report is the Annual Audit Letter 2016-17 which confirms that the Appointed Auditor issued an unqualified audit opinion on the accounting statements; confirming that they present a true and fair view of the Council's financial position and transactions.

- 4.2 The letter also confirms that the Appointed Auditor is satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

- 4.3 The Appointed Auditor, in accordance with the Public Audit (Wales) 2004, issued a certificate confirming that the audit of the accounts has been completed.

5. Effect upon policy framework and procedural rules

- 5.1 None.

6. Equality Impact Assessment

6.1 There are no equality implications.

7. Financial implications

7.1 There are no financial implications regarding this report.

8. Recommendations

8.1 It is recommended that the Audit Committee:

- Note the Annual Audit Letter 2016-17 (Appendix A)

Gill Lewis CPFA
Interim Section 151 Officer
3 January 2018

Contact Officer : Mary Williams

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Background Documents:

None



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Please contact us in Welsh or English.
Cysylltwch â ni'n Gymraeg neu'n Saesneg.

Councillor Huw David
The Leader
Bridgend County Borough Council
Civic Offices
Angel Street
Bridgend
CF31 4WB

Reference: 286A2017-18

Date issued: 30 November 2017

Dear Councillor Davies

Annual Audit Letter – Bridgend County Borough Council 2016-17

This letter summarises the key messages arising from my statutory responsibilities under the Public Audit (Wales) Act 2004 and my reporting responsibilities under the Code of Audit Practice.

The Council complied with its responsibilities relating to financial reporting and use of resources

It is the Council's responsibility to:

- put systems of internal control in place to ensure the regularity and lawfulness of transactions and to ensure that its assets are secure;
- maintain proper accounting records;
- prepare a Statement of Accounts in accordance with relevant requirements; and
- establish and keep under review appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Public Audit (Wales) Act 2004 requires me to:

- provide an audit opinion on the accounting statements;
- review the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources; and
- issue a certificate confirming that I have completed the audit of the accounts.

Local authorities in Wales prepare their accounting statements in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. This Code is based on International Financial Reporting Standards.

On 29 September 2017 I issued an unqualified audit opinion on the 2016-17 accounting statements confirming they present a true and fair view of the Council's financial position and transactions. My report is contained within the Statement of Accounts. The key matters arising from the accounts audit were reported to the members of the Council's Audit Committee on 28 September 2017 through my 'Audit of Financial Statements Report'.

In this report I confirmed that the quality of the draft accounts and associated records presented for audit were generally good, and an improvement on the previous year.

I am satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources

My consideration of the Council's arrangements to secure economy, efficiency and effectiveness has been based on the audit work undertaken on the accounts, as well as placing reliance on the work completed under the Local Government (Wales) Measure 2009.

I am satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, although in September 2017 I set out in my 'Annual Improvement Report'¹ the areas where improvements could be made.

On 29 September 2017 I issued a certificate confirming that the audit was completed.

I expect the financial audit fee to be as estimated in the Audit Plan.

Yours sincerely



Derwyn Owen

For and on behalf of the Auditor General for Wales

cc. Darren Mepham, Chief Executive Officer
Randal Hemingway, Head of Finance and Section 151 Officer

¹ Wales Audit Office, **[Bridgend County Borough Council Annual Improvement Report 2016-17](#)**, September 2017

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

18 JANUARY 2018

REPORT OF THE INTERIM HEAD OF FINANCE & SECTION 151 OFFICER

TREASURY MANAGEMENT STRATEGY 2018-19

1. Purpose of the Report

1.1 The purpose of the report is to present the:-

- proposed Treasury Management Strategy for 2018-19, which includes the:-
 - Borrowing Strategy 2018-19
 - Investment Strategy 2018-19
 - Treasury Management and Prudential Indicators for the period 2018-19 to 2021-22
 - Annual Minimum Revenue Provision Statement 2018-19

2. Connection to Corporate Improvement Objectives/Other Corporate Priorities

2.1 The work of the Audit Committee supports corporate governance and assists in the achievement of all corporate and service objectives. Prudent treasury management arrangements will ensure that investment and borrowing decisions made by officers on behalf of the Council make best use of financial resources and hence assist achievement of corporate priorities.

3. Background

3.1 The Audit Committee has delegated responsibility for ensuring effective scrutiny of the Treasury Management Strategy and policies.

3.2 The Council manages its Treasury Management activities in accordance with the Local Government Act 2003, and associated guidance:-

- The Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management in the Public Services: Code of Practice 2011 Edition (the CIPFA Code), requires the Council to approve a Treasury Management Strategy (TMS) before the start of each financial year (TMS 2018-19 in **Appendix A**)
- The Welsh Government (WG) issued revised Guidance on Local Authority Investments in April 2010, which requires the Council to approve an Investment Strategy prior to the start of each financial year (**Appendix A-Section 5**)

- In addition to the CIPFA Code which requires treasury management indicators to be set, CIPFA's Prudential Code for Capital Finance in Local Authorities 2011 Edition requires the Council to set a number of Prudential Indicators (**Appendix A-Schedule A**)
- The Local Authority (Capital Finance and Accounting) (Amendment) (Wales) Regulations 2008, requires the Council to produce an Annual Minimum Revenue Provision (MRP) Statement that details the methodology for the MRP charge (**Appendix A-Schedule B**)

4. Current Situation / Proposal

- 4.1 The TMS 2018-19 (**Appendix A**) confirms the Council's compliance with the CIPFA Code, which requires 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 the effective management and control of risk are the prime objectives of these activities.
- 4.2 The TMS 2018-19 is to be presented to Council for approval in February 2018 and whilst the main body will remain unchanged there may be variations to some of the figures if there are any changes (such as the capital programme) to reflect the most up to date information. Also CIPFA published new editions of Treasury Management in the Public Services: Code of Practice and the Prudential Code for Capital Finance in Local Authorities in late December 2017 and there is currently a consultation on proposed amendments to the Local Authorities (Capital Finance & Accounting) (Wales) Regulations 2003. The TMS 2018-19 has been produced using the 2011 Codes following advice from the Council's treasury adviser Arlingclose as there is still some information which has yet to be published but once the regulatory framework is clearer any revision required to the TMS for 2018-19 will be reported to Council for approval later during 2018-19.

5. Effect upon Policy Framework & Procedure rules

- 5.1 Paragraph 20.3 of the Financial Procedure Rules (FPR) within the Council's Constitution requires that all investments and borrowing transactions shall be undertaken in accordance with the Council's Treasury Management Strategy as approved by Council. Paragraph 20.8 of the FPR sets the Audit Committee's responsibility to ensure effective scrutiny of the Treasury Management policies and practices.
- 5.2 This report is designed to ensure compliance with the above requirements.

6. Equality Impact Assessment

- 6.1 There are no equality implications.

7. Financial Implications

- 7.1 These are reflected within the report.

8. Recommendation

- 8.1 Members give due consideration to the Treasury Management Strategy 2018-19 before it is presented to Council for approval in February 2018 as part of the Medium Term Financial Strategy (**Appendix A**).

Gill Lewis

Interim Head of Finance and Section 151 Officer

5 January 2018

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Background documents

CIPFA Code of Practice on Treasury Management in Local Authorities (2011)

CIPFA The Prudential Code for Capital Finance in Local Authorities (2011)

Treasury Management Strategy 2017-18

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TREASURY MANAGEMENT STRATEGY 2018-19



1.0 Introduction

The Council adopted the Chartered Institute of Public Finance and Accountancy's (CIPFA's) *Treasury Management in the Public Services: Code of Practice 2011 Edition* (the CIPFA Code) in February 2012 which requires the Council to approve a Treasury Management Strategy (TMS) before the start of each financial year. In addition to the CIPFA Code, the Welsh Government (WG) issued revised *Guidance on Local Authority Investments* in March 2010 that requires the Council to approve an Investment Strategy before the start of each financial year. This Strategy fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to both the CIPFA Code and the WG Guidance.

The CIPFA Code and CIPFA's 2011 *Prudential Code for Capital Finance in Local Authorities* (amended 2012) requires the Council to set a number of **Treasury Management and Prudential Indicators** and this TMS 2018-19 revises some of the indicators for 2017-18, 2018-19, 2019-20 and 2020-21 and introduces new indicators for 2021-22 which are detailed in **Schedule A**. The indicators either summarise the expected activity or introduce limits upon the activity, and reflect the underlying capital programme.

Where a Council finances capital expenditure by debt, it must put aside revenue resources to repay that debt in later years and this amount charged to revenue is called the Minimum Revenue Provision (MRP). The *Local Authority (Capital Finance and Accounting) (Amendment) (Wales) Regulations 2008* requires the Council to produce and approve an **Annual Minimum Revenue Provision (MRP) Statement** before the start of the financial year that details the methodology for the MRP charge and this is detailed in **Schedule B**. There is not a statutory minimum for the amount set aside. It needs to be considered a prudent provision to ensure that the debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits or in the case of borrowing supported by Welsh Government's Revenue Support Grant reasonably commensurate with the period implicit in the determination of that grant.

The Council has an integrated Treasury Management Strategy (TMS) where borrowing and investments are managed in accordance with best professional practice. The Council borrows money either to meet short term cash flow needs or to fund capital schemes approved within the capital programme. Therefore any actual loans taken are not associated with particular items of expenditure or assets. The Council is exposed to financial risks including the potential loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's TMS.

The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury management decisions to the Section 151 Officer, who will act in accordance with the organisation's strategy, Treasury Management Practices (TMP) and CIPFA's *Standard of Professional Practice on Treasury Management*. Council will receive reports on its treasury management activities, including as a minimum, an annual strategy in advance of the year, a mid-year review and an annual report after its financial year end. Quarterly reports will also be received by Cabinet. The Council nominates the Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

CIPFA published new editions of *Treasury Management in the Public Services: Code of Practice* and the *Prudential Code for Capital Finance in Local Authorities* in late December 2017. This TMS 2018-19 has been produced using the 2011 Codes (as advised above) following advice from the Council's treasury adviser Arlingclose as there is still some information which has yet to be published but once the regulatory framework is clearer any revision required to the TMS for 2018-19 will be reported to Council for approval. Also, in accordance with the WG Guidance, the Council will be asked to approve a revised TMS should the assumptions on which this is based change significantly. Such circumstances would include, for example, a large unexpected change in interest rates, in the Council's capital programme or in the level of its investment balance.

Future Generations Well-being Act: In complying with the Well-being of Future Generations (Wales) Act 2015, the Council must ensure that decisions are sustainable, whereby "the needs of the present are met without compromising the ability of future generations to meet their own needs" and recognise "the importance of balancing short term needs with the need to safeguard the ability to meet long term needs". The implications of the Act have been taken into account when compiling this TMS. Within the Borrowing Strategy, the cautious approach ensures that no unnecessary long term borrowing is taken where the interest costs would need to be met from future revenue budgets. Instead, the recommendation is to use internal resources or borrowing for short periods. The Council actively examines its existing borrowing to review any potential opportunities to reschedule debt and generate future revenue savings. Also within the Investment Strategy, the importance of maintaining capital security is stressed with a strategy that does not solely rely on credit ratings before investments are placed. This will hopefully minimise any situation where future generations have to pay the costs associated of any impairment or loss of investments due to a financial crisis.

2.0 Economic Context and Forecasts for Interest Rates

Economic background: The major external influence on the Council's TMS for 2018-19 will be the UK's progress in negotiating its exit from the European Union and agreeing future trading arrangements. The domestic economy has remains relatively robust since the surprise outcome of the 2016 referendum, but there are indications that uncertainty over the future is now weighing on growth. Transitional arrangements may prevent a cliff-edge, but will also extend the period of uncertainty for several years. Economic growth is therefore forecast to remain sluggish throughout 2018-19. Consumer price inflation reached 3.0% in September 2017 as the post-referendum devaluation of sterling continued to feed through to imports. However, this effect is expected to fall out of year-on-year inflation measures during 2018, removing pressure on the Bank of England to raise interest rates.

Credit outlook: High profile bank failures in Italy and Portugal have reinforced concerns over the health of the European banking sector. Sluggish economies and fines for pre-crisis behaviour continue to weigh on bank profits, and any future economic slowdown will exacerbate concerns in this regard. Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the European Union, Switzerland and USA, while Australia and Canada are progressing with their

own plans. In addition, the largest UK banks will ringfence their retail banking functions into separate legal entities during 2018. There remains some uncertainty over how these changes will impact upon the credit strength of the residual legal entities. The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Council; returns from cash deposits however remain very low.

Interest rate forecast: Arlingclose's central case is for UK Bank Rate to remain at 0.50% during 2018-19. Two of the nine-member Monetary Policy Committee voted for an increase to 0.50% in September, and the decision was said to be finely balanced for others, although all agreed that any increases would be limited and gradual. But stilted progress in the EU exit negotiations, softening consumer spending and a tightening of consumer credit are expected to stay the Committee's hands. Longer-term interest rates have risen in the past year, reflecting the possibility of increasing short-term rates. Arlingclose forecasts these to remain broadly constant during 2018-19, but with some volatility as interest rate expectations change with press reports on the progress of EU exit negotiations.

Arlingclose (Council's TM Advisers) central interest rate forecast December 2017

	Bank Rate	3 month LIBID rate	1 Year LIBID rate	5-year gilt yield	10 year gilt yield	20 year gilt yield	50 year gilt yield
Mar 2018	0.50	0.50	0.70	0.75	1.25	1.85	1.70
June 2018	0.50	0.50	0.70	0.80	1.25	1.85	1.70
Sept 2018	0.50	0.50	0.70	0.80	1.25	1.85	1.70
Dec 2018	0.50	0.50	0.80	0.80	1.25	1.85	1.70
Mar 2019	0.50	0.50	0.80	0.85	1.30	1.90	1.75
June 2019	0.50	0.50	0.80	0.90	1.30	1.90	1.80
Sept 2019	0.50	0.50	0.80	0.90	1.35	1.95	1.85
Dec 2019	0.50	0.50	0.80	0.95	1.40	1.95	1.90
Mar 2020	0.50	0.50	0.80	0.95	1.45	2.00	1.95
Jun 2020	0.50	0.50	0.80	1.00	1.50	2.05	1.95
Sept 2020	0.50	0.50	0.80	1.05	1.55	2.05	1.95
Dec 2020	0.50	0.50	0.80	1.10	1.55	2.05	1.95
Average	0.50	0.50	0.77	0.89	1.36	1.93	1.82

3.0 The Council's Current Treasury Management Position

The Council's external debt and investment position as at 31 December 2017 is shown in table 1 below and more detail is provided in section 4 the Borrowing Strategy and section 5 the Investment Strategy.

Table 1: Council's debt and investment position as at 31 December 2017

	Principal as at 31-12-17 £m	Average Rate %
External long term borrowing:		
Public Works Loan Board (PWLB)	77.62	4.70
Lender's Option Borrower's Option (LOBO)	19.25	4.65
Total external long term borrowing	96.87	4.69
External short term borrowing:		
Short term Local Authority loan	2.00	0.35
Total external borrowing	98.87	4.60
Other long term liabilities (LTL)		
Private Finance Initiative (PFI)	17.79	
Llynfi Loan	2.40	
Other LTL	0.98	
Total other long term liabilities	21.17	
Total gross external debt	120.04	
Treasury investments:		
Banks	10.35	0.60
Building Societies	2.00	0.54
Government (including Local Authorities)	31.00	0.58
Total treasury investments	43.35	0.58
Net Debt	76.69	

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing. CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. Forecast changes in these sums are included in the Prudential Indicators shown in **Schedule A** which shows that the Council expects to comply with this recommendation during 2017-18, 2018-19 and the following three years.

4.0 Borrowing Strategy

The major **objectives** to be followed in 2018-19 are:-

- to minimise the revenue costs of debt
- to manage the Council's debt maturity profile i.e. to leave no one future year with a high level of repayments that could cause problems in re-borrowing
- to effect funding in any one year at the cheapest cost commensurate with future risk
- to forecast average future interest rates and borrow accordingly

- to monitor and review the level of variable interest rate loans in order to take greater advantage of interest rate movement
- to reschedule debt if appropriate, in order to take advantage of potential savings as interest rates change
- to optimise the use of all capital resources including borrowing, both supported and unsupported, usable capital receipts, revenue contributions to capital and grants and contributions

The £19.25 million shown in table 1 above, relates to Lender's Option Borrower's Option (LOBO) loans which have a maturity date of 2054, however these may be re-scheduled in advance of this maturity date. The LOBO rate and term may vary in the future depending upon the prevailing market rates, the lender exercising their option to increase rates at one of the bi-annual trigger points and therefore the Council being given the option to accept the increase or to repay the loan without incurring a penalty. The next trigger point is July 2018 and although the Council understands that the lender is unlikely to exercise this option in the current low interest rate environment, an element of refinancing risk remains and the Council would take the option to repay these loans at no cost if it has the opportunity to do so in the future. Following advice from Arlingclose, the Council approached the LOBO's lender for potential repayment options in 2017, however the premium was deemed too excessive to action.

Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. The uncertainty over future interest rates increases the risks associated with treasury activity. As a result the Council will take a cautious approach to its treasury strategy. With short-term interest rates currently much lower than long term rates, it is likely to be more cost effective in the short term to either use internal resources or borrow short term. By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. Short term and variable rate loans expose the Council to the risk of short term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates as shown in the Treasury Management Indicators in **Schedule A**.

The Section 151 Officer will take the most appropriate form of borrowing depending on the prevailing interest rates at the time however, with long term rates forecast to rise modestly in future years, any such short term savings will need to be balanced against the potential longer-term costs. The Council's Treasury Management advisers will assist the Council with this 'cost of carry' and breakeven analysis. The last time the Council took long term borrowing was £5m from the PWLB in March 2012 and it is not expected that there will be a requirement for any new long term borrowing for the remainder of 2017-18 or 2018-19. Alternatively, the Council may arrange forward starting loans during 2018-19 where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period. In addition, the Council may borrow short term loans (normally for up to one month) to cover unexpected cash flow shortages. The Council has previously raised the majority of its long-term borrowing from the PWLB, but will also investigate other sources of finance, such as Welsh Government and local authority loans and bank loans, that may be available at more favourable rates.

The **approved sources** of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) and any successor body
- UK Local Authorities
- any institution approved for investments (see Investment Strategy below)
- any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds (except the Council's Pension Fund)
- capital market bond investors
- special purpose companies created to enable local authority bond issues

In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- operating and finance leases
- hire purchase
- Private Finance Initiative
- sale and leaseback

The Council is currently maintaining an under-borrowed position. This means that the underlying need to borrow for capital purposes (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This is known as Internal Borrowing. This strategy is prudent as investment returns are low and counterparty risk is relatively high.

Debt Rescheduling: The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some higher rate loans with new loans at lower interest rates, or repay loans without replacement, where this is expected to lead to an overall saving or reduction in risk.

City Deal: The City Deal will have significant capital expenditure and treasury management implications. Under the current financial model, it is envisaged that project capital expenditure will be incurred at a faster rate than Her Majesty's Treasury (HMT) grant funding, thus requiring Local Authorities to meet the shortfall in the interim. For this Council, an earmarked reserve is being built up to meet the capital expenditure requirements of City Deal.

5.0 Investment Strategy

Both the CIPFA Code and the WG Guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, balancing the risk of incurring losses from defaults against receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

Investment Balances: The Council holds surplus funds representing income received in advance of expenditure plus balances and reserves and as shown in table 1 above in section 3, the balance at 31 December 2017 was £43.35 million. Investments are anticipated to drop to between £27 and £30 million by the 31 March 2018. As in previous years this is due partly to the reduction in income collected from Council Tax and National Non-Domestic Rates in February and March 2018 and increased expenditure expected to be incurred for the capital programme.

Based on its cash flow forecasts, the Council anticipates its investment balances in 2018-19 to range between £25 million to £55 million with an average investment rate of between 0.50% to 0.60% depending on the bank rate and investment types used but this will be reviewed at half year and reported to Council. The actual balance varies because of the cash flow during the month and year as to when income is received (such as specific grant income, housing benefits subsidy and Revenue Support Grant) and payments are made (such as salaries and wages, major capital expenditure and loan repayments).

The major **objectives** to be followed in 2018-19 are:

- to maintain capital **security**
- to maintain **liquidity** so funds are available when expenditure is needed
- to achieve the **yield** on investments commensurate with the proper levels of security and liquidity

The Council's investments have historically been placed in mainly short term bank and building society unsecured deposits and local and central government, however, investments may be made with any public or private sector organisations that meet the credit criteria detailed below. Given the increasing risk and very low returns from short-term unsecured bank investments, the Council aims to further diversify into more secure and/or higher yielding asset classes during 2018-19 with consultation with the Council's treasury management advisers.

With short term interest rates currently much lower than long-term rates, due consideration will also be given to using surplus funds to make early repayments of long term borrowing if appropriate options become available as referred to in section 4 the Borrowing Strategy.

Credit Rating: Investment limits are set by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's and **Schedule C** shows the equivalence table for credit ratings for Fitch, Moody's and Standard & Poor's and explains the different investment grades. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

Approved Counterparties: The Council may invest with any of the counterparty types shown in table 2 below, subject to the cash limits and the time limits shown. **These cash/time limits are per counterparty and relate to principal only and exclude any accrued interest.**

Table 2: Approved Investment Counterparties and Limits

These limits must be read in conjunction with the notes immediately below the table and the combined secured and unsecured investments in any one bank must not exceed the cash limit for secured investments:

Credit Rating	Banks (including building societies) Unsecured	Banks (including building societies) Secured	Government	Corporates	Registered Providers
UK Central Government	N/A	N/A	£ Unlimited	N/A	N/A
			50 Years		
UK Local Authorities *	N/A	N/A	£12,000,000	N/A	N/A
			10 Years		
AAA	£3,000,000	£6,000,000	£6,000,000	£3,000,000	£3,000,000
	5 Years	20 Years	50 Years	20 Years	20 Years
AA+	£3,000,000	£6,000,000	£6,000,000	£3,000,000	£3,000,000
	5 Years	10 Years	25 Years	10 Years	10 Years
AA	£3,000,000	£6,000,000	£6,000,000	£3,000,000	£3,000,000
	4 Years	5 Years	15 Years	5 Years	10 Years
AA-	£3,000,000	£6,000,000	£6,000,000	£3,000,000	£3,000,000
	3 Years	4 Years	10 Years	4 Years	10 Years
A+	£3,000,000	£6,000,000	£3,000,000	£3,000,000	£3,000,000
	2 Years	3 Years	5 Years	3 Years	5 Years
A	£3,000,000	£6,000,000	£3,000,000	£3,000,000	£3,000,000
	13 Months	2 Years	5 Years	2 Years	5 Years
A-	£3,000,000	£6,000,000	£3,000,000	£3,000,000	£3,000,000
	6 Months	13 Months	5 Years	13 Months	5 Years
None	£1,000,000	N/A	N/A	N/A	£3,000,000
	6 Months				5 Years
Pooled Funds	£6,000,000				
	Per Fund				

* excluding parish and community councils

Banks Unsecured: Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. Where additional amounts received into our accounts with our own bankers are received too late in the day to make an investment the same day, the limit in the above table will not apply as this does not count as an investment.

Banks Secured: Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the highest of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits.

Government: Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

Corporates: Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made following an external credit assessment and consultation with the Council's treasury management advisers.

Registered Providers: Loans and bonds issued by, guaranteed by, or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Welsh Government and, as providers of public services, they retain the likelihood of receiving government support if needed.

Pooled funds: Shares in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility can be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period can be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. As these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

Operational bank accounts: The Council may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept to a minimum. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.

Risk Assessment and Credit Ratings: Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes as they occur.

Long-term ratings are expressed on a scale from AAA (the highest quality) through to D (indicating default). Ratings of BBB- and above are described as investment grade, while ratings of BB+ and below are described as speculative grade. The Council's credit rating criteria are set to ensure that it is very unlikely the Council will hold speculative grade investments, despite the possibility of repeated downgrades.

Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made
- any existing investments that can be recalled or sold at no cost will be
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other Information on the Security of Investments: The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

Specified Investments: This is an investment which offers high security and high liquidity. It is a low risk investment where the possibility of loss of principal or investment income is negligible and satisfies the conditions below as defined by *WG Investment Guidance*:-

- denominated in pound sterling
- contractually committed to be paid within 12 months of arrangement (364 days)

- not defined as capital expenditure by legislation, and
- invested with one of:
 - the UK Government
 - a UK local authority
 - a UK parish or community council or
 - body or investment scheme of “high credit quality”

The Council defines “**high credit quality**” organisations and securities as those having a credit rating of A- or higher. For those domiciled outside of the UK, investments would only be made with a country having a sovereign rating of AA+ or higher.

Non-specified Investments: Any investment that does not fall into the criteria detailed above under the Specified definition. The Council does not intend to make any investments denominated in foreign currencies. Non-specified investments will therefore be limited to:

- long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement
- those that are defined as capital expenditure by legislation, such as shares in money market funds and other pooled funds
- investments with bodies and schemes not meeting the definition on high credit quality

All investments longer than 364 days will be made with a cautious approach to cash flow requirements and advice from the Council’s treasury management advisers will be sought as necessary.

The WG Guidance requires the Council’s Investment Strategy to set an overall limit for non-specified investments which is currently set at £25 million. Table 3 below shows the non-specified categories and the relevant limits – the total of the individual limits exceed £25 million, however at any one point in time a maximum of **£25 million** of investments could be in one of the following non-specified categories with the following category limits:

Table 3: Non-Specified Investment Limits

	Category Cash limit
Total long-term investments	£15m
Total invested in Money Market Fund (pooled funds)*	£20m
Total invested in other pooled funds*	£10m
Total investments without credit ratings (except the UK Government and Local Authorities) or rated below the Council’s definition of “high credit quality” (A-)	£10m
Total investments (except pooled funds)with institutions domiciled in foreign countries with a sovereign rating below AA+	£3m
Total Non-Specified Investments Outstanding **	£25m

* Consultation on proposed amendments to the Local Authorities (Capital Finance & Accounting) (Wales) Regulations 2003 which if approved will mean that some investments in pooled funds will not need to be classed as Non-specified investments so this limit will not then apply

**The total of the category cash limits for individual non-specified categories can exceed the overall total non-specified limit but non-specified investments outstanding at any one time cannot exceed the overall limit of £25m

Investment Limits:

The combined values of specified and non-specified investments with any one organisation are subject to the investment limits detailed below in table 4, the approved counterparties and limits shown in table 2 above and also the non-specified limits in table 3 above. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 4: Investments Limits

	Category Cash limit
Any single organisation, except the UK Central and Local Government	£6m
UK Central Government	unlimited
UK Local Authorities (per Authority)	£12m
Any group of organisations under the same ownership	£6m per group
Any group of pooled funds under the same management	£6m per manager
Negotiable instruments held in a broker's nominee account	£10m per broker
Foreign countries	£6m per country
Registered Providers	£5m in total
Unsecured investments with Building Societies	£6m in total

Liquidity Management: The Council forecasts on a prudent basis the maximum period for which funds may be committed therefore minimising the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. A limit of £15 million (table 3 above) has been set for 2018-19 for long term investments and this has been set with reference to the Medium Term Financial Strategy and cash flow forecast. This represents just under 30% of the maximum amount of investments that the Council anticipates to have at any one point in time during 2018-19.

Non-Treasury Investments: Although not classed as treasury management activities and therefore not covered by the CIPFA Code or the WG Guidance, the Council may also purchase property for investment purposes and may also make loans and investments for service purposes, for example in shared ownership housing, or as equity investments and loans to the Council's subsidiaries.

Such loans and investments will be subject to the Council's normal approval processes for revenue and capital expenditure and need not comply with this Treasury Management Strategy.

The Council's existing non-treasury investments relate to investment properties and the balance outstanding at 31 March 2017 was £5.06 million.

6.0 Performance Indicators

The Code of Practice on Treasury Management requires the Council to set performance indicators to assess the adequacy of the treasury function over the year. These are distinct historic indicators as opposed to the treasury management and prudential indicators which are predominantly forward looking. One debt performance indicator is where the average portfolio rate of interest is compared to an appropriate average available such as the average PWLB Debt for Welsh and UK Local Authorities. The rate of return on investments can be monitored against the benchmark of the average one month London Inter Bank Bid (LIBID) rate, the average Bank Rate and the average rate of return on investments at each quarter end as compared to the average rate of Arlingclose's Welsh Local Authority Clients.

7.0 Other Items

The Council is required by CIPFA or WG to include the following additional items:

Policy on Use of Financial Derivatives: The Localism Act 2011 includes a general power competence that removes the uncertain legal position over English local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment). These instruments are used by organisations to manage exposure to interest rate or exchange rate fluctuations. Although this change does not apply to Wales, the latest CIPFA Code requires authorities to clearly state their policy on the use of derivatives in the annual strategy. In the absence of any explicit legal power to do so, the Council will not use standalone financial derivatives transactions such as swaps, forwards, futures and options. Derivatives embedded into loans and investments including pooled funds and forward starting transactions may be used and the risks they present will be managed in line with the overall treasury risk management strategy.

Investment Advisers: The Council appointed Arlingclose Limited as treasury management advisers following a tender exercise in August 2016. They were awarded a four year contract, to provide advice and information relating to its borrowing and investment activities and the contract will be reviewed annually and either party may at any time terminate this agreement on 3 months prior written notice. The quality of this service is controlled by having regular meetings with the advisers and regularly reviewing the service provided.

Investment of Money Borrowed in Advance of Need: The Welsh Government maintains that the borrowing of monies purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity, however, the Council could potentially borrow in advance of need where this is expected to provide the best long term value for money. Since amounts borrowed will be invested until spent, the Council is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Council's overall management of its treasury risks.

The Council has an integrated Treasury Management Strategy and borrowing is not linked to the financing of specific items of expenditure. The Council's Capital Financing Requirement (CFR) as at 1 January 2018 was in excess of the actual debt

of the Council (as detailed in the Prudential Indicators in **Schedule A**) indicating there was no borrowing in advance of need.

Investment Training: The Treasury Management Team receives training from the Council's treasury management advisers. The Council also supports personal development so individuals enhance their own knowledge through reading CIPFA guidance, publications and research on the internet.

TREASURY MANAGEMENT INDICATORS

The following indicators (which are forward looking parameters) form part of the CIPFA Code of Practice on Treasury Management. They enable the Council to measure and manage its exposure to treasury management risks using the following indicators.

The Council needs to set the upper limits to its **Interest Rate Exposure** for the effects of changes in interest rates. There are two treasury management indicators that relate to both fixed interest rates and variable interest rates. These limits have been calculated with reference to the net outstanding principal sums and are set to control the Council's exposure to interest rate risk.

No.	Interest Rate Exposure	2017-18 £m	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m
	Total Projected Principal Outstanding on Borrowing 31 March	96.87	96.87	96.87	96.87	96.87
	Total Projected Principal Outstanding on Investments 31 March	30.00	24.00	17.00	13.00	8.00
	Net Principal Outstanding	66.87	72.87	79.87	83.87	88.87
1.	Upper Limit on fixed interest rates (net principal) exposure	130.00	130.00	130.00	130.00	130.00
2.	Upper Limit on variable interest rates (net principal) exposure	50.00	50.00	50.00	50.00	50.00

The Section 151 Officer will manage interest rate exposures between these limits.

A further indicator for Treasury Management measures the **Maturity Structure of Borrowing** and is the amount of projected borrowing that is fixed rate, maturing in each period as a percentage of total projected fixed rate borrowing. This indicator is set to control the Council's exposure to refinancing risk and has been set to allow for the possible restructuring of long term debt where this is expected to lead to an overall saving or reduction in risk.

No	Maturity structure of fixed rate borrowing during 2018-19	Upper limit	lower limit
3.	Under 12 months	50%	0%
	12 months and within 24 months	25%	0%
	24 months and within 5 years	25%	0%
	5 years and within 10 years	50%	0%
	10 years and within 20 years	60%	0%
	20 years and above	100%	40%

The Upper Limit for **Total Principal Sums Invested over 364 days** indicator controls the amount of longer term investments which mature beyond the period end. This is set to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments.

No.		2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m
4.	Upper Limit - Total Principal Sum Invested more than 364 day days	15	10	8	6

2.0 PRUDENTIAL INDICATORS

The Prudential Indicators are required to be set and approved by Council in accordance with CIPFA's *Prudential Code for Capital Finance in Local Authorities*.

Council is required to formally adopt CIPFA's Treasury Management Code and the revised version of the 2011 code was adopted by Council on 22 February 2012.

Prudential Indicators for Prudence

The following Prudential Indicators are based on the Council's capital programme which is subject to change.

The Council's capital expenditure plans are summarised below and this forms the first prudential indicator for Prudence. The total capital expenditure is funded from capital grants and contributions, capital receipts and revenue with the remainder being the **Net Financing Need for the Financial Year** to be met from borrowing.

No.	Prudential indicators For Prudence	2017-18	2018-19	2019-20	2020-21	2021-22
		£m Proj.	£m Est.	£m Est.	£m Est.	£m Est.
1	Total Capital Expenditure (Non HRA)	49.84	23.24	10.34	11.39	9.47
	Financed by :-					
	Capital Grants and Contributions	14.61	5.38	4.91	6.72	4.85
	Capital Receipts	14.82	7.60	0.77	0.00	0.00
	Revenue Contribution to Capital	10.14	6.33	0.73	0.74	0.69
	Net Financing Need for Year	10.27	3.93	3.93	3.93	3.93

The second Prudential Indicator is the **Capital Financing Requirement (CFR)** for the Council. This shows the total outstanding capital expenditure that has not been funded from either revenue or other capital resources. It is derived from the actual Balance Sheet of the Council. It is essentially a measure of the underlying need to finance capital expenditure and forms the basis of the charge to the Council Fund in line with the Prudential Code.

The process for charging the financing of capital expenditure to revenue is a statutory requirement and is called the Minimum Revenue Provision (MRP). The actual MRP charge needs to be prudent – as detailed in the Council's MRP policy in **Schedule B**. Directorates who receive Council approval for capital schemes via Unsupported Borrowing make annual contributions to the capital costs of their schemes known as Voluntary Revenue Provisions (VRP) or additional MRP. This type of borrowing is only approved when Directorates have the necessary revenue resources to make VRP to fund the capital costs though this will be deferred in some cases until the asset becomes operational in accordance with the Council's MRP Policy. The MRP requirement for the Maesteg School PFI Scheme and the Innovation Centre will be equivalent to the write down of the liability for the year and is met from existing budgets

No.	Prudential indicators For Prudence	2017-18 £m Proj.	2018-19 £m Est.	2019-20 £m Est.	2020-21 £m Est.	2021-22 £m Est.
2	Capital Financing Requirement (CFR)					
	Opening CFR (1 April) adjusted excluding PFI & other liabilities	149.20	153.03	150.49	147.99	145.55
	Opening PFI CFR	18.24	17.64	17.00	16.31	15.57
	Opening Innovation Centre	0.66	0.60	0.54	0.45	0.35
	Opening Coychurch Crematorium	0.08	0	0	0	0
	Total Opening CFR	168.18	171.27	168.03	164.75	161.47
	Movement in CFR excl. PFI & other liabilities	3.83	(2.54)	(2.50)	(2.44)	(2.39)
	Movement in PFI CFR	(0.60)	(0.64)	(0.69)	(0.74)	(0.80)
	Movement in Innovation Centre CFR	(0.06)	(0.06)	(0.09)	(0.10)	(0.11)
	Movement in Crem CFR	(0.08)	0	0	0	0
	Total Movement in CFR	3.09	(3.24)	(3.28)	(3.28)	(3.30)
	Closing CFR (31 March)	171.27	168.03	164.75	161.47	158.17
	Movement in CFR represented by :-					
	Net Financing Need for Year (above)	10.27	3.93	3.93	3.93	3.93
	Minimum and Voluntary Revenue Provisions*	(7.18)	(7.17)	(7.21)	(7.21)	(7.23)
	Total Movement	3.09	(3.24)	(3.28)	(3.28)	(3.30)

*Minimum Revenue Provision (MRP) and Voluntary Revenue Provision (VRP) represent the revenue charge for the repayment of debt and includes MRP for the Private Finance Initiative (PFI) and the Innovation Centre

Limits to Borrowing Activity

The Council's long term borrowing at the 31 December 2017 was £96.87 million as detailed in section 3 of the Strategy. External borrowing can arise as a result of both capital and revenue expenditure and timing of cash flows. As the Council has an integrated Treasury Management Strategy there is no association between individual loans and particular types of expenditure. Therefore, the Capital Financing Requirement and actual external borrowing can be very different especially when a Council is using Internal Borrowing as highlighted in section 4 in the Borrowing Strategy.

The **Gross Debt** position (Borrowing and Long Term Liabilities) is shown below:

No.	Prudential indicators For Prudence Gross Debt 31 March	2017-18 £m Proj.	2018-19 £m Est.	2019-20 £m Est.	2020-21 £m Est.	2021-22 £m Est.
3	External Borrowing	96.87	96.87	96.87	96.87	96.87
	Long Term Liabilities (including PFI)	20.99	20.24	19.41	16.12	15.16
	Total Gross Debt	117.86	117.11	116.28	112.99	112.03

Within the Prudential Indicators, there are a number of key indicators to ensure the Council operates its activities within well-defined limits. One key control is to ensure that over the medium term, debt will only be for a capital purpose. The Council needs to ensure that external debt does not, except in the short term, exceed the Capital Financing Requirement for 2017-18 (i.e. the preceding year) plus the estimates of any additional capital financing requirement for the current and next three financial

years, however 2021-22 has also been included to be consistent with the Medium Term Financial Strategy.

No.	Prudential indicators For Prudence	2017-18 £m Proj.	2018-19 £m Est.	2019-20 £m Est.	2020-21 £m Est.	2021-22 £m Est.
4	Gross Debt & the CFR					
	Total Gross Debt	117.86	117.11	116.28	112.99	112.03
	Closing CFR (31 March)	171.27	168.03	164.75	161.47	158.17

As can be seen from the above table, the Council does not have any difficulty meeting this requirement in 2017-18 and does not envisage any difficulties in the current and future years. This view takes into account current commitments, existing plans and the proposals for next year's budget.

A further two Prudential Indicators control the Council's overall level of debt to support Capital Expenditure. These are detailed below:-

- The **Authorised Limit** for External Debt – this represents the limit beyond which borrowing is prohibited. It reflects a level of borrowing that could not be sustained even though it would be affordable in the short term. It needs to be set and approved by Members.
- The **Operational Boundary** for External Debt – this is not an actual limit and actual borrowing could vary around this boundary during the year. It is based on the probable external debt during the course of the year.

No.	Prudential indicators For Prudence	2017-18 £m	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m
5	Authorised limit for external debt					
	Borrowing	140	140	140	140	140
	Other long term liabilities	30	30	30	30	30
	Total	170	170	170	170	170
6	Operational Boundary					
	Borrowing	105	105	105	105	105
	Other long term liabilities	25	25	20	20	20
	Total	130	130	125	125	125

Prudential Indicators for Affordability

The Prudential Code Indicators Numbered 1 to 6 above cover the overall controls on borrowing and financing of capital expenditure within the Council. The second suite of indicators detailed below assesses the affordability of capital investment plans and the impact of capital decisions on the Council's overall finances.

The **Ratio of Financing Costs to Net Revenue Stream** indicator demonstrates the trend in the cost of capital against the total revenue amount to be met from local taxpayers and the amount provided by the WG in the form of Revenue Support Grant. The estimates of capital financing costs include interest payable and receivable on Treasury Management activities and the MRP charged to the Comprehensive Income and Expenditure Statement. The revenue stream is the amount to be met from government grants and local taxpayers.

No.	Prudential Indicators for Affordability	2017-18 Proj. %	2018-19 Est. %	2019-20 Est. %	2020-21 Est. %	2021-22 Est. %
7.	Estimate - Ratio of Financing Costs to Net Revenue Stream	4.75	4.59	4.57	4.53	4.50

The indicator of the **Incremental Impact of Capital Investment Decisions on Council Tax** identifies the estimate of the incremental impact to the Council Tax from the capital expenditure proposals, particularly changes in borrowing requirements that have occurred since the Capital Programme was approved for the year. This is a purely notional calculation designed to show the effect of changes in capital investment decisions.

No.	Incremental Impact of Capital Investment Decisions on Council Tax	2018-19 Est. %	2019-20 Est. %	2020-21 Est. %	2021-22 Est. %
8.	Estimate - Increase in Band D Council Tax as per Capital Programme	0	0	0	0

ANNUAL MINIMUM REVENUE PROVISION STATEMENT 2018-19

The Annual Minimum Revenue Provision Statement needs to be approved by Council before the start of each financial year. The MRP charges for 2018-19 will be on the following bases:-

- i. Capital expenditure incurred before 1 April 2008 and any capital expenditure after 1 April 2008 that is government supported expenditure and does not result in a significant asset will be based on the Capital Financing Requirement after accounting adjustments at 4% of the opening balance. This charge was supplemented by voluntary MRP (based on the useful asset life) in respect of those assets which were financed by unsupported borrowing before 1 April 2008
- ii. Supported capital expenditure that results in a significant asset (based on an internal assessment) incurred on or after 1 April 2008 and all unsupported capital expenditure, exercised under the Prudential Code, the MRP charge will be based on the Asset Life Method. The minimum revenue provision will be at equal annual instalments over the life of the asset. The first charge can be delayed until the year after the asset is operational but this will be at the discretion of the Section 151 Officer
- iii. for assets reclassified as finance leases under International Financial Reporting Standards (IFRS) or resulting from a Private Finance Initiative, the MRP charge will be regarded as met by a charge equal to the element of the rent/charge that goes to write down the balance sheet liability for the year
- iv. Where loans are made to other bodies for their capital expenditure with an obligation for the bodies to repay, no MRP will be charged. The capital receipts generated by the annual repayments on those loans will be put aside to repay debt instead
- v. MRP may be waived on expenditure recoverable within a prudent period of time through capital receipts (e.g. land purchases) or deferred to when the benefits from investment are scheduled to begin or when confirmed external grant payments towards that expenditure are expected.

The MRP Charge 2018-19 based on the estimated capital financing requirement is detailed below:-

	Options	Estimated Capital Financing Requirement 31-03-18 £m	2018-19 Estimated MRP £m
Capital expenditure before 01-04-2008 and any after 01-04-2008 that does not result in a significant asset (Supported)	(i)	122.19	4.88
Capital Expenditure before 01-04-2008 (Unsupported)		-	-
Supported capital expenditure that results in a significant asset, incurred on or after 1 April 2008 (Supported)	(ii)	3.42	0.13
Unsupported capital expenditure, exercised under the Prudential Code (Unsupported)		27.42	1.46
PFI, Finance Leases and other arrangements PFI School Innovation Centre	(iii)	17.64 0.60	0.64 0.06
TOTAL		171.27	7.17

Schedule C

Credit Rating Equivalence Table

	Description	Fitch		Moody's		Standard & Poor's	
		Long	Short	Long	Short	Long	Short
INVESTMENT GRADE	Extremely strong	AAA		Aaa		AAA	
	Very strong	AA+	F1+	Aa1	P-1	AA+	A-1+
		AA		Aa2		AA	
		AA-		Aa3		AA-	
	Strong	A+	F1	A1		A+	A-1
		A		A2		A	
	Adequate	A-	F2	A3	P-2	A-	A-2
BBB+		Baa1		BBB+			
BBB		Baa2		BBB			
SPECULATIVE GRADE	Speculative	BBB-	F3	Baa3	P-3	BBB-	A-3
		BB+		Ba1		BB+	
		BB		Ba2		BB	
	Very speculative	BB-	B	Ba3		BB-	B
		B+		B1		B+	
	Vulnerable	B	C	B2	Not Prime (NP)	B	C
		B-		B3		B-	
CCC+		Caa1		CCC+			
CCC		Caa2		CCC			
Defaulting	CCC-	D	Caa3		CCC-	D	
	CC		Ca		CC		
	C				C		
	D		C		D		

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BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

18 JANUARY 2018

REPORT OF THE INTERIM HEAD OF FINANCE

THE CORPORATE RISK ASSESSMENT 2018-19

1. Purpose of Report.

- 1.1 The purpose of the report is to provide the Audit Committee with the outcome of the Corporate Risk Assessment in Appendix 1 and inform the committee of the proposed risk management timeline contained in Appendix 2 of the Corporate Risk Management Policy.

2. Connection to Corporate Plan / Other Corporate Priority.

- 2.1 Effective risk management is an essential part of the framework for ensuring good corporate governance and supports delivery of the Council's Corporate Improvement Priorities.

3. Background.

- 3.1 Good governance requires the Council to develop effective risk management processes, including an assessment of corporate risks.
- 3.2 The Audit Committee's Terms of Reference require the committee to review, scrutinise and issue reports and recommendations on the appropriateness of the Council's risk management, internal control and corporate governance arrangements.
- 3.3 The Corporate Risk Assessment is considered and reviewed by Senior Management Team, Audit Committee, as part of the Council's quarterly Corporate Performance Assessment framework, and is used to inform the Overview and Scrutiny Committees' Forward Work Programme and the budget process.
- 3.4 The 2018-19 Corporate Risk Assessment is aligned with the Council's Medium Term Financial Strategy and Corporate Plan.

4. Current situation / proposal.

- 4.1 The risk assessment at Appendix 1 has been reviewed in consultation with Corporate Directors, members of the Senior Management Team and other senior officers. It identifies the main risks facing the Council, their links to the priority themes, the likely impact of these on Council services and the wider County Borough, what is being done to manage the risks and which individual is responsible for the Council's response. The risk assessment is aligned with the Medium Term Financial Strategy.

4.2 The changes which have resulted in new risks, the merger of existing risks or changes to risk score are:

- **Making the cultural change necessary to deliver the Medium Term Financial Strategy**

The residual risk score has been reduced from 24 to 20 because the final settlement from Welsh Government (WG) compares favorably to the “best” assumption in the draft Medium Term Financial Strategy for 2018-19. Also, unlike in other years, WG has provided an indication of funding levels for 2019-20. This is reduction of -1%. Knowing this will aid planning.

- **Maintaining Infrastructure**

The residual risk score has been increased from 16 to 20 because over the next decade an extra £20 million is required to maintain current standards. The risk score can be revisited if the anticipated additional investment in resurfacing is agreed.

- **Ineffective collaboration**

In previous versions of the Corporate Risk Assessment, there has been an Ineffective Collaboration risk and a separate Local Government Reorganisation / Mandated Regional Collaboration risk. These have been merged into a single risk with a residual risk score of 16.

- **School Modernisation**

The focus of the risk has changed from Band A to Band B. As there is a greater degree of uncertainty concerning Band B the residual risk score has increased from 12 to 16 to reflect this.

- **An Unfunded NJC pay claim**

A proposed offer of a two year pay deal has been made to Trades Unions. However, as this is not fully funded by WG the residual risk score has been increased from 12 to 16.

- **Additional Learning Needs**

A new risk has been written to recognise the impact of Additional Learning Needs reform. If the Council does not successfully implement the forthcoming Additional Learning Needs and Educational Tribunal legislation then there is a risk that the expectations, experiences and outcomes for children and young adults will not be transformed and there will not be a fully inclusive education system in the County Borough. Also, if the Educational Inclusion Service is not resourced to meet the requirements of the Bill then it may not be able to adapt and fully support the education of children and young adults aged 0-25 with additional learning needs.

The residual risk score has been assessed as 16.

- **Educational Provision**

The residual risk score has been reduced from 16 to 12. This is because, whilst there is uncertainty around Band B of the school modernisation programme it has been agreed that the Council will participate.

- **Disposing of waste**

Whilst difficulties were experienced when the new recycling and waste collection service was launched the Council is now on target to produce very good recycling results. Consequently the residual risk score has been reduced from 16 to 12.

4.3 The current Risk Management Policy and risk assessment monitoring arrangements have been reviewed and the risk management timeline at Appendix 2 of the policy has been updated.

4.4 The Corporate Risk Assessment will be subject to quarterly review throughout 2018-19. In the spring the Senior Management Team will oversee a further assessment of whether all the identified risks remain risks to the Council and should stay in the risk assessment. There will be consideration of whether the Council should seek to focus on a smaller set of risks, how the text can be condensed further and whether the risk reduction measures mitigate all impacts. There is a desire that this be an inclusive exercise seeking the comments and feedback of the Audit Committee.

5. Effect upon Policy Framework & Procedure Rules.

5.1 None as a direct consequence of this report.

6. Equality Impact Assessment

6.1 Equality issues permeate many of the risks identified and where appropriate equality impact assessments are undertaken within the process of approving the mitigating actions.

7. Financial Implications.

7.1 There are no financial implications directly associated with the risk assessment. Actions planned to mitigate each risk are required to be progressed within approved budgets.

8. Recommendation.

8.1 It is recommended that Members consider the annual risk assessment in Appendix 1 and updated risk management timeline contained within Appendix 2 of the Risk Management policy.

Gill Lewis
Interim Head of Finance

18 January 2018

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Background documents

None

Priority Theme	Risk Description	Potential Impact	Inherent Risk Score	Risk Reduction Measures	Risk Owner	Residual Risk Score
Links to all priority themes	<p>Making the cultural change necessary to deliver the Medium Term Financial Strategy:</p> <p>If the council fails to achieve planned budget reductions through service change and new ways of working then the strain on budgets may become unsustainable compromising the council's financial resilience in the longer term.</p>	<p>A failure to deliver the MTFS could necessitate the unplanned use of reserves or cuts to services that put vulnerable people at risk.</p> <p>Demand led pressures in social services and education budgets take up an increasing proportion of total budget necessitating cuts elsewhere.</p> <p>A worsening public realm and an increase in citizen dissatisfaction as Council Tax increases but visible services decrease.</p> <p>Reductions in services important to economic growth and those which are preventative in nature.</p> <p>More difficult political choices as potential budget reductions that have previously been rejected have to be revisited.</p> <p>A reduction in the number of staff with the accompanying cost of redundancy payments and increasing pension deficit.</p> <p>Financial pressures on external service providers become unsustainable.</p> <p>An inability to respond to legislative change.</p>	<p>Likelihood - 6</p> <p>Impact - 4</p> <p>Total - 24</p>	<p>The council has a track record of delivering transformational change and budget reductions.</p> <p>The final settlement from WG of an increase of 0.1% in AEF, (a like for like reduction of 0.25% when new responsibilities are taken into account), compares favourably to the –1.0% “best” assumption in the draft MTFS for 2018-19.</p> <p>WG has provided an indication of funding levels for 2019-20. This is reduction of -1%. Knowing this will aid planning.</p> <p>Council tax will increase during 2019-22. The assumed annual increase is 4.5%</p> <p>There is an ever increasing focus on the corporate priorities and the communities and individuals with the greatest needs.</p> <p>The development of the MTFS 2018-19 to 2021-22 is led by Cabinet and CMB and takes into account Auditors views and the Budget Research and Evaluation Panel.</p> <p>The council will work as “one council working together to improve lives”. Duplication and double handling of data will be avoided where possible.</p> <p>The Council continues to manage its resources very carefully, in accordance with MTFS principles, and make difficult spending decisions.</p> <p>The Council has expanded the budget development process to more proactively consider how the Council might respond to different settlement scenarios.</p> <p>Public consultation helps shape the direction of the budget.</p> <p>The way that staff work will change. The ICT strategy prioritises the delivery of agility with more staff working remotely. There will also be a transformational shift towards digital access to services.</p> <p>The Council will support communities to create their own solutions. This includes finding the best management arrangements for property assets such as Community Asset Transfer.</p> <p>Delivery of the MTFS will be supported by the disposal of assets. £5.2m should be realised over the period 2018-20.</p> <p>The Council is bringing together its asset management and building maintenance functions, and centralising all premises repairs, maintenance and energy budgets into a single ‘corporate landlord’</p>	Head of Finance	<p>Likelihood - 5</p> <p>Impact - 4</p> <p>Total - 20</p>

Priority Theme	Risk Description	Potential Impact	Inherent Risk Score	Risk Reduction Measures	Risk Owner	Residual Risk Score
				<p>service. This will better enable the council to manage compliance, embed 'whole life costing' approaches into decision-making, manage the quality of work undertaken by contractors, and thereby deliver efficiencies in the management of our estate.</p> <p>The application of the corporate income generation policy. Generally fees and charges will increase by CPI plus 1%. Also the Council is undertaking a review of its commercial property portfolio, to identify ways of increasing income through more intensive management and investment approaches.</p>		
<p>Helping people to be more self-reliant</p> <p>Smarter use of resources</p>	<p>Supporting vulnerable children, young people and their families:</p> <p>If the Council in conjunction with partners does not transform services it will not be able to provide quality care to vulnerable children, young people and their families in the face of increasingly complex needs, stretched budgets and a changing organisational and legislative / regulatory environment.</p>	<p>The safety and physical and mental health of children and young people might be compromised as they are exposed to adverse childhood experiences.</p> <p>Children and young people may not thrive. They may not be confident and caring throughout their lives, exercising responsibility and knowing and receiving their rights.</p> <p>As adults they may not contribute to society and be economically active.</p> <p>Patterns of behaviour, such as poor parenting will be repeated in subsequent generations.</p> <p>Costs will outstrip the resources available as old patterns of care continue in the face of increasing need,</p> <p>The reputation of the council will suffer if it fails children and the community and does not implement the Social Services & Wellbeing Act (Wales) 2014.</p> <p>Resources that could be used elsewhere are used to manage the transition of Bridgend locality to Cwm Taf</p>	<p>Likelihood - 6</p> <p>Impact - 4</p> <p>Total - 24</p>	<p>The council will reduce adverse childhood experiences and demand on services by investing in early help and intervention programmes. A Remodelling Board oversees the planning of new models of service delivery.</p> <p>The Social Services and Wellbeing (Wales) Act 2014 has been implemented and training has been carried out to ensure that the Council meets its duties.</p> <p>The Child Protection Register and Looked After Children fluctuate, but are subject to robust monitoring.</p> <p>The Council strives for stability and permanence for Looked After Children, bringing more back to the County so that they are nearer their homes in lower cost safe environments. The Remodelling of Children's Residential Services will create flexible placement options in line with each persons assessed need.</p> <p>There is an earmarked reserve for Looked After Children that supports the service area</p> <p>The council will deliver both the Early Help and Intervention Strategy and the Placement and Permanency Strategy to vulnerable groups.</p> <p>Early Help locality hubs work with families in a joined-up way.</p> <p>There are strong link between children's social care and early help and intervention services. A multi-agency safeguarding hub is being developed to improve outcomes.</p> <p>The Council ensures that robust mechanisms are in place to identify and provide appropriate services to children at risk from child sexual exploitation.</p> <p>The Council is continuing to provide good information, advice and assistance.</p> <p>Services are developed which will help children transition into adulthood.</p>	<p>Corporate Director</p> <p>Social Services and Wellbeing</p> <p>Corporate Director</p> <p>Education and Family Support</p>	<p>Likelihood - 5</p> <p>Impact - 4</p> <p>Total - 20</p>

Priority Theme	Risk Description	Potential Impact	Inherent Risk Score	Risk Reduction Measures	Risk Owner	Residual Risk Score
				<p>There are ongoing discussions with Cwm Taf, other stakeholders, Councillors and members of staff around the move of the Bridgend locality of ABMU.</p> <p>The service is working hard on absence management and the retention of staff.</p>		
Supporting a successful economy	<p>Maintaining infrastructure:</p> <p>If there is not increased investment in the highway network there will be more roads in poor condition, more repairs being required in the future and the Council might fail to meet its statutory obligations.</p>	<p>The % of roads that are in a poor condition will increase. Currently 31.3% of roads are in need of maintenance. This is projected to increase to 62.2% in 20 years time.</p> <p>Over the next decade an extra £20 million is required to maintain current standards.</p> <p>Increased third party liability claims. The change in the discount rate means that future catastrophic injury claims will be much larger.</p> <p>An increased likelihood of corporate manslaughter charges.</p> <p>Increased complaints from citizens as they suffer damage/injury.</p> <p>Inefficient use of resources. Reactive repair are more expensive than planned maintenance.</p>	<p>Likelihood - 5</p> <p>Impact - 4</p> <p>Total - 20</p>	<p>The council has a good understanding of the condition of the Highway and where investment is best targeted.</p> <p>The highway will be kept safe to use by the proactive system of highway inspections that is in place and by responding positively to complaints from members of the public. This is supplemented by digital scanning of the highway and skid resistance testing.</p> <p>The Council's Highways Asset Management Plan provides information to assist the Council in considering the highway asset risk and apportion funding from the Council's budget strategy.</p>	<p>Corporate Director</p> <p>Communities</p>	<p>Likelihood - 5</p> <p>Impact - 4</p> <p>Total - 20</p>
Links to all key priority themes	<p>Welfare reform:</p> <p>If an increasing number of citizens experience hardship through welfare reform then the wellbeing of citizens will suffer and there will be greater demand on stretched council services</p>	<p>Some citizen will be in greater poverty including child and in work poverty.</p> <p>An increase in rent arrears, loss of tenancy and homelessness</p> <p>An increase in anxiety and health problems.</p>	<p>Likelihood - 6</p> <p>Impact - 4</p> <p>Total - 24</p>	<p>The Council monitors the impact of welfare reforms on citizens on citizens and Council services.</p> <p>Officers are fully apprised of UK Government and WG plans to ensure that the Council understands and can deal with the implications of moving from Housing Benefit (etc.) to UC.</p> <p>The Benefits Service has been discussing UC changes with landlords since its announcement.</p> <p>During the rollout of UC the Council is required to provide support</p>	<p>Head of Finance</p>	<p>Likelihood - 6</p> <p>Impact - 3</p> <p>Total – 18</p>

Priority Theme	Risk Description	Potential Impact	Inherent Risk Score	Risk Reduction Measures	Risk Owner	Residual Risk Score
		<p>Demands on services for vulnerable people are likely to increase at the same time as the Council's resource base reduces.</p> <p>The Council will need to manage the Council Tax Reduction (CTR) scheme within its budget.</p>		<p>services to claimants and DWP UC staff.</p> <p>The Benefits Service works closely with Housing Associations. The Social Housing Allocation Policy criteria gives those existing tenants in social housing, who fall into arrears specially due to the allocation of the bedroom cap, the option of registering on the Common Housing Register for rehousing and having a potential priority (dependent on circumstances) if they do.</p> <p>When advised by the DWP of a new benefit cap case, the Benefits Service contacts the affected claimants to discuss their options.</p> <p>As part of the MTFS, the Council has an earmarked reserve specifically for welfare reform.</p> <p>The living wage will increase to £9.00 by 2020.</p> <p>The Head of Finance has initiated and chairs a welfare reform cross functional working group to proactively identify and implement measures which will mitigate the impact on citizens.</p> <p>A tender for the provision of advice and support for Personal Independence Payments claimants will commence, but implementation has been delayed.</p>		
<p>Helping people to be more self-reliant</p> <p>Smarter use of resources</p>	<p>Supporting adults at risk:</p> <p>If the Council in collaboration with partners, does not transform how services are delivered, it will not be able to meet the challenges of a worsening budget, the National Living Wage, a population that is both older and has more complex physical and mental health needs and a changing organisational and legislative / regulative environment.</p>	<p>The financial position is very challenging and without transformation will become unsustainable. Wales wide it is estimated that pressures will increase by 4.1% a year in real terms between 2015 and 2030-31. Successfully implementing further budget reductions is becoming increasingly hard.</p> <p>The provider market is fragile as there is little scope for cost pressures to be adequately reflected.</p> <p>An inability to respond to assessed needs as set out in the Social Services and Wellbeing Act (Wales) 2014.</p> <p>Longer lengths of stay for vulnerable people in acute hospital services, driving up NHS costs</p>	<p>Likelihood - 6</p> <p>Impact - 4</p> <p>Total - 24</p>	<p>The Council has significantly remodelled services and £11m has been taken out of the budget in 4 years. Officers understand the budget, the legislative requirements and the need to reduce demand by investing in targeted early help and intervention programmes, to help adults live independently.</p> <p>The Council focuses on helping people to achieve the outcomes they want, targeting its interventions on what is missing, rather than going straight to what package of care it can give them.</p> <p>The Remodelling Adult Social Care (RASC) Board drives change and an earmarked reserve supports the remodelling.</p> <p>The Social Services and Wellbeing (Wales) Act 2014 has been implemented from April 2016, including obligations to person in the secure estate and in supporting carers. There has been an extensive programme of training with more required to implement the Regulation and Inspection of Social Care Act 2016.</p> <p>The Population Assessment will provide the information required to make better commissioning and resource allocation decisions.</p> <p>The remodelling homecare plan is in place. More care is being provided by external providers. A contingency plan is being drawn up with planned actions to take if an external provider experiences</p>	<p>Corporate Director</p> <p>Social Services & Wellbeing</p>	<p>Likelihood - 4</p> <p>Impact - 4</p> <p>Total - 16</p>

Priority Theme	Risk Description	Potential Impact	Inherent Risk Score	Risk Reduction Measures	Risk Owner	Residual Risk Score
		<p>Vulnerable people lead less fulfilled lives.</p> <p>Resources that could be used elsewhere are used to manage the transition of Bridgend locality to Cwm Taf</p> <p>Staff leave the sector because pay and conditions are less favourable than other occupations whilst training requirements are greater.</p> <p>A failure to meet its obligations in areas like Deprivation of Liberty standards and GDPR</p>		<p>difficulties.</p> <p>There are monitoring and safeguarding procedures in place to ensure that the services that are commissioned meet quality of care requirements. Independent residential care providers have a Regional Quality Framework which provides a vision for care quality.</p> <p>The council is changing its residential care model. It is developing two Extracare homes to replace three care homes. This will mean that people can be supported to live more independent lives, in better quality accommodation at reduced cost.</p> <p>Evidence is being gathered about the positive impacts of a preventative approach and longer term cost avoidance.</p> <p>There are ongoing discussions with Cwm Taf, other stakeholders, Councillors and members of staff around the move of the Bridgend locality of ABMU.</p> <p>Preparations are being made for GDPR including for subject access data requests.</p>		
Helping people to be more self-reliant	<p>Healthy life styles:</p> <p>If the council does not identify an approach to develop a more active population it will not create a healthy, safe and prosperous County where people reach their full potential.</p>	<p>Worse mental and physical health.</p> <p>Shortened life expectancy. Life expectancy in the County Borough is below the Welsh average</p> <p>Shortened healthy life expectancy. Some areas of the County Borough have a healthy life expectancy which is 20 years longer than others</p> <p>Higher rates of obesity. Over half the County Borough population is overweight or obese. This results in significant costs to the economy and health and social services</p> <p>Less fulfilled lives as people lose their independence due to ill health</p>	<p>Likelihood - 5</p> <p>Impact - 4</p> <p>Total - 20</p>	<p>The Council has a strategic approach to the development of sport and physical activity, in every generation, assisting people to achieve health gains.</p> <p>The council recognises the need to for a modernised infrastructure that reflects community needs. Through a partnership approach the Council can influence opportunity and participation.</p> <p>The contract with HALO for the provision of indoor leisure facilities has improved assets, increased participation and provided surety of access for a 15 year period, at a reduced cost.</p> <p>The continuing school modernisation programme has and is developing a high quality activity infrastructure that is accessible to the community.</p> <p>A network of activity brokers has been developed with empowerment and community ownership of activity as a central philosophy.</p> <p>Inequalities in participation have been targeted and providing greater support to those where barriers to regular participation exist. There is visible evidence of increased participation opportunities for population groups with a protected characteristic.</p> <p>There is growth in support for local people and visitors to make</p>	<p>Corporate Director</p> <p>Social Services & Wellbeing</p>	<p>Likelihood - 4</p> <p>Impact - 4</p> <p>Total - 16</p>

Priority Theme	Risk Description	Potential Impact	Inherent Risk Score	Risk Reduction Measures	Risk Owner	Residual Risk Score
		Greater demand for expensive medical and social care services provided by the National Health Service and the Council.		<p>greater use of the natural environment.</p> <p>Community Asset Transfer will be used to will be used to preserve the infrastructure supporting traditional team sport</p> <p>Obtaining greater understanding of the health needs of school pupils and working in collaborative partnerships with the schools to raise wellbeing.</p> <p>Becoming part of the Cwm Taff Health Board will improve connectivity with the RCT and Merthyr and collaborative work has commenced. This will make partnership working in the Central South Consortium easier.</p>		
Supporting a successful economy	<p>The economic climate and austerity:</p> <p>If the council chooses to reduce its commitment to regeneration to meet MTFS savings, then investment in the County Borough will be insufficient to meet the challenges of continuing austerity, Brexit and an economy which is overly dependent on the public sector.</p> <p>Bridgend is on the edge of the City Deal area, and is expecting to receive little benefit from the SEW Metro proposals; it could therefore find itself increasingly marginalised in terms of City Deal investment</p>	<p>The Council will be unable to leverage outside investment in the County Borough.</p> <p>The council has difficulty recruiting and retaining qualified property/engineering professionals. There is now fewer senior staff with the necessary skills to drive major projects forward. This means that major projects such as the regeneration of Porthcawl are undeliverable without additional resource commitment.</p> <p>The County Borough will become an increasingly unattractive place to live and do business in.</p> <p>Businesses will relocate to competitor centres.</p> <p>Citizens will not be proud of their local area and more young people will move elsewhere to seek greater opportunity. This will worsen the dependency ratio between citizens who are economically productive and those who are not. The locality becomes even more dependent on ever scarcer public sector services</p>	<p>Likelihood - 5</p> <p>Impact - 4</p> <p>Total - 20</p>	<p>Increased collaboration under the Cardiff Capital Region City Deal which is creating a £1.2 billion fund for investment in the region over the next 20 years.</p> <p>Development of the three main town centres, facilitated by the use of the Strategic Regeneration Fund. This includes the development of Cosy Corner and the Harbour Quarter in Porthcawl, the redevelopment of Maesteg Town Hall, and the redevelopment of the Rhiw in Bridgend which encourages people to live in the town centre. Much of this investment is not the Council's own money, but together, these schemes amount to around £20 million in total.</p> <p>Support for the business community eg Bridgend Business Forum and Bridgend Business Improvement District</p> <p>Encouraging innovation through the Smart System and Heat project which puts Bridgend at the forefront of emerging technology</p> <p>Providing opportunities to young people through Youth Engagement and Progression Framework, and the apprenticeship programme.</p> <p>Assisting the economically inactive and long-term unemployed over the age of 25 get into employment through The Bridges into Work 2 project.</p> <p>Project opportunities are being explored to assist those in work to upskill.</p> <p>A cross directorate working group will continue to co-ordinate the development and delivery of European funded projects. A package of employment support projects are being taken forward for</p>	<p>Corporate Director</p> <p>Communities</p>	<p>Likelihood - 4</p> <p>Impact - 4</p> <p>Total - 16</p>

Priority Theme	Risk Description	Potential Impact	Inherent Risk Score	Risk Reduction Measures	Risk Owner	Residual Risk Score
		<p>as it enters a cycle of decline as costly needs increase but revenues decline.</p> <p>The council will be unable to provide a coherent response to Brexit.</p> <p>Low growth in the economy means that it becomes harder to generate sufficient value in development projects to satisfy all stakeholders.</p>		<p>European Social Fund grant aid.</p> <p>External funding is being pursued to develop new business units, creating opportunities for both inward investment, and enabling existing businesses to grow,</p>		
Links to all priority themes	<p>Ineffective collaboration:</p> <p>If the Council does not work effectively in collaboration with partners, including where it has been mandated by WG, it will not be able to provide transformed, resilient, quality services within diminished budgets.</p>	<p>Vulnerable people may not have their needs met.</p> <p>The nature of the mandate for collaboration may lead to unproductive work and reduce the Council’s capacity to deal with planned transformations that are required to deliver its corporate plan and the MTFs.</p> <p>A loss of momentum with health and social care collaboration as the Bridgend locality health services migrate from ABMU to Cwm Taf.</p> <p>WG officials have tended to make assumptions about what can and should be delivered jointly and what this should cost or save. Mandated collaborations may be counterproductive in that they do not save money or in some cases cost more. This could lead to a reduced quality or quantum of service. Timescales for the planning and implementation may also be unrealistic.</p> <p>A loss of reputation with the public and WG and the potential for a drop in performance in KPIs.</p>	<p>Likelihood - 6</p> <p>Impact - 4</p> <p>Total - 24</p>	<p>The Council has a clear vision – One Council working together to improve lives. It is uniquely placed to bring its own services together with the work of other agencies, communities, families and individuals for the benefit of the people of the County Borough.</p> <p>Collaboration is at the core of the principles the Council has developed to help meet the challenges it faces and has a long track record of delivery with a range of partners.</p> <p>Specific measures to address anticipated changes are:</p> <ul style="list-style-type: none"> • Ongoing discussions with Cwm Taf and Western Bay partners at political, strategic and operational levels • Ongoing discussion with Welsh Government • Internal arrangements to ensure key members and officers can share and develop a consistent view of developments and requirements (including resources to support the level of change anticipated) • Ensure BCBC staff who work closely with WB are kept fully informed on potential changes • Maintain active involvement with existing and unchanging key partnerships : City Deal, Regulatory Services, Educational Improvement • Maintain effective communication and involvement with PSB partners <p>Seek to influence and inform Welsh Government thinking through WLGA, SOLACE and similar opportunities.</p> <p>Scrutiny of collaboration agreements.</p>	<p>Chief Executive</p> <p>Director of Social Services and Wellbeing</p>	<p>Likelihood - 4</p> <p>Impact - 4</p> <p>Total - 16</p>

Priority Theme	Risk Description	Potential Impact	Inherent Risk Score	Risk Reduction Measures	Risk Owner	Residual Risk Score
Links to all key priority themes	<p>School modernisation:</p> <p>If the Council is unable to commit to sufficient investment then it will not be able to deliver all the projects under Band B of the programme.</p>	<p>Insufficient school places of the right type in the right parts of the County Borough</p> <p>Inefficient use of resources due to a mismatch in supply and demand for places</p> <p>Deteriorating condition of school buildings that have to be retained, including higher running costs and increased Health and Safety issues.</p> <p>A negative impact on pupil's learning and wellbeing and a reduction in opportunity.</p> <p>A loss of reputation of the council due to parental frustration at availability of school places.</p>	<p>Likelihood - 6</p> <p>Impact - 4</p> <p>Total - 24</p>	<p>The school modernisation work stream of the strategic review looked at data in order to prioritise future investment in schools and five projects are considered the priority Band B schemes.</p> <p>An expression of interest in Band B has been made to WG and WG have confirmed that the Band B programme will be funded with intervention rates of 50% for capital projects and 75% for mutual investment model projects.</p> <p>The total capital investment required could be in the region of £60m to £70m. The Council will now decide what it is prepared to commit to funding.</p> <p>Planned capital receipts already committed and ring fenced from the sale of school sites are retained for school modernisation. Any change to this commitment would require Council approval.</p> <p>Consideration and early planning for Band C is commencing through 2019-24.</p>	<p>Corporate Director</p> <p>Education & Family Support</p>	<p>Likelihood - 4</p> <p>Impact - 4</p> <p>Total - 16</p>
Links to all key priority themes	<p>An unfunded NJC pay claim:</p> <p>If an unfunded NJC pay claim for 2018 to 2019 is accepted the Council may fail to deliver its Medium Term Financial Strategy</p>	<p>Trades Unions have submitted a pay claim for 2018-19 that deletes NJC points SCP 6-9 to give a minimum wage of £8.45 per hour, plus a 5% increase on all pay points. If successful this will lead to increased challenge to budgets (if unfunded) and structural difficulties within the workforce as the differential between lower pay grades is eroded.</p> <p>The unplanned use of reserves to bridge the funding gap or unplanned cuts to services which could put vulnerable people at risk. There will almost certainly be a further reduction in the workforce.</p> <p>The council has difficulty in recruiting and retaining staff in some professions. The pay claim would partially address</p>	<p>Likelihood – 4</p> <p>Impact -4</p> <p>Total - 16</p>	<p>A proposed two-year pay deal has been made. The offer covers the two years from 1 April 2018. It would mean a 2% wage rise next April for the majority of council and school support staff currently earning more than £19,430, and a further 2% in April 2019. It is also proposed to give lower paid staff a higher rise. The proposals also include a reworking of National Joint Council pay scales. The offer is being considered by the trades Unions.</p> <p>The Council will continue to manage its resources very carefully, in accordance with MTFS principles, and make difficult spending decisions.</p> <p>The council has improved its financial strategy development by expanding the budget development process to more proactively consider how the Council might respond to different scenarios.</p> <p>The financial resilience of the Council is improving as it seeks to increase the Council Fund reserve.</p> <p>The workforce will decrease over the life of the MTFS reducing the impact of any pay increases.</p>	<p>Corporate Director</p> <p>Operational & Partnership Services</p> <p>Head of Finance</p>	<p>Likelihood – 4</p> <p>Impact – 4</p> <p>Total - 16</p>

Priority Theme	Risk Description	Potential Impact	Inherent Risk Score	Risk Reduction Measures	Risk Owner	Residual Risk Score
		this.				
Links to all priority themes	<p>The implementation of Additional Learning Needs reform:</p> <p>If the Council does not successfully implement the forthcoming Additional Learning Needs and Educational Tribunal legislation then expectations, experiences and outcomes for children and young adults will not be transformed and there will not be a fully inclusive education system in the County Borough.</p> <p>If the educational Inclusion Service is not resourced to meet the requirements of the Bill then it may not be able to adapt and fully support the education of children and young adults aged 0-25 with additional learning needs (ALN).</p>	<p>If ALN are not identified quickly enough, timely interventions may not be in place for children and young adults aged 0 to 25 as demand increases/changes and they may not overcome barriers to learning and achieve their full potential.</p> <p>Beginning in 2020, pupils will start to transfer to Individual Development Plans (IDPs), prioritised by their need. Implementation should be completed by 2023. This will replace the existing statutory and non-statutory plans</p> <p>There is uncertainty about the cost of implementing the ALN reform with regards to the extension of the age range to 0-25 and the possible increase in number of Individual Development Plans (IDP's) and the increase in responsibility of schools and further education with regards to IDPs.</p>	<p>Likelihood - 5</p> <p>Impact - 4</p> <p>Total - 20</p>	<p>The ALN Code will ensure that the new system has a set of clear, legally enforceable parameters. This will impose mandatory requirements on the Council in prospect of information and advocacy services.</p> <p>WG has published a suit of materials to help interested parties understand the reforms</p> <p>A draft Code of Practice, which details how schools and local authorities are to implement the new system, will be published and consulted on next year. It will include a mandatory template for IDPs,</p> <p>There will be ALN transformation leads, on the education consortia footprint. They will support the delivery of the programme. They will oversee training and awareness raising and facilitate improvements in multi-agency working</p> <p>ALN Innovation Fund projects are being developed. BCBC will receive £60,000 upon completion of projects in 2017-18.</p> <p>There is a focus on workforce development including suitable training for ALN Co-ordinators (ALNCos).</p> <p>The Scrutiny and Overview Committee is making recommendations to Cabinet with a small number being forwarded to WG for consideration as part of the Bill and ALN reform.</p> <p>There will be improved collaboration and information sharing between agencies, particularly with Bridgend College,</p>	<p>Corporate Director</p> <p>Education and Family Support</p>	<p>Likelihood - 4</p> <p>Impact - 4</p> <p>Total - 16</p>
Helping people to be more self-reliant	<p>The impact of homelessness:</p> <p>If homelessness increases due to the economic climate, ongoing austerity and welfare reform then there will be greater dependence on the Council to provide accommodation for residents at a time when the service itself is coming under increasing pressure because of its reliance on grant funding which is now subject to greater uncertainty.</p>	<p>Increased stress, depression, and isolation of citizens.</p> <p>16/17 year olds, former prisoners and people with a chaotic housing history can be hit particularly hard.</p> <p>An increase in numbers of visible homeless as prevention is not always achievable for those who find it difficult to manage the responsibility of accommodation.</p> <p>The use of temporary bed and</p>	<p>Likelihood - 5</p> <p>Impact - 3</p> <p>Total - 15</p>	<p>The Housing (Wales) Act gives the Council a strategic role in the functioning of the local housing market. The Council has developed a strategy for the period 2016-18.</p> <p>The Council proactively helps citizens find solutions to their housing needs. The service increasingly has better links with Social Services and the Probation Office as it takes ownership of harder cases. The Multi Agency Safeguarding Hub will have a housing officer.</p> <p>The removal of Priority Need Status for prisoners means that there is an increased risk of street homeless. The Kerrigan Project assists this group and others as it allows for 6 to 9 overnight floor spaces. Typically those helped may have prison records, health/substance misuse issues, family issues or debt problems.</p>	<p>Corporate Director</p> <p>Operational and Partnership Services</p>	<p>Likelihood - 5</p> <p>Impact - 3</p> <p>Total - 15</p>

Priority Theme	Risk Description	Potential Impact	Inherent Risk Score	Risk Reduction Measures	Risk Owner	Residual Risk Score
		<p>breakfast accommodation results in high costs both in terms of finance for the Council and the wellbeing of individuals.</p> <p>The need for other costly service interventions.</p> <p>Universal Credit may increase rent arrears and evictions. There are concerns that payments are not made direct to landlords, there may be delays meaning arrears build up and vulnerable people may have difficulty with the digital process.</p> <p>Increased eviction as rents go up but real wages are decreasing or static. 23% of presentations are due to a loss of rented accommodation.</p> <p>The council's housing service is vulnerable because it is heavily reliant on grant funding</p> <p>Between 16-29 October 2017 the Wallich estimated that 14 people were rough sleeping.</p>		<p>A review of the current homeless hostel is ongoing to ensure that it is fit for purpose.</p> <p>Work with partners to improve private sector housing and bring empty homes back into use.</p> <p>The service works more closely with RSLs and private landlords as it seeks to signpost and assist vulnerable people into accommodation. The Council, in conjunction with Registered Social Landlords, have implemented a Common Housing Register and Social Housing Allocations Policy.</p> <p>The Early Doors project is a preventative service that provides an early intervention for landlords and tenants in the private rented sector. This will reduce evictions.</p> <p>The Supporting People Team has a programme to re-commission the provision of structured, professional floating support to vulnerable groups which will help support tenancies and prevent homelessness and repeat homelessness.</p> <p>Following the national review of the Supporting People Programme, Regional Collaborative Committees have been established to support greater collaborative working.</p> <p>Key positions within the service will now be core funded.</p> <p>The management of the domestic abuse high risk intervention service will be brought into the Council. This will provide strategic support and direct links with the one stop shop. This provides a holistic service to victims, by providing support, target hardening, early intervention and temporary refuge to assist families to remain in their own home where it is safe to do so.</p>		
<p>Supporting a successful economy</p> <p>Helping people to be more self-reliant</p>	<p>Educational attainment:</p> <p>If school standards and pupil attainment do not continue to improve, there are significant risks to the emotional wellbeing of young people and their future employment prospects, the local economy and a range of Council services as young people leave education ill-equipped for employment.</p>	<p>An increase in the number of young people not in education, employment and training (NEET).</p> <p>A gap in achievement between pupils from vulnerable groups and other pupils.</p> <p>Greater deprivation as young people are unable to sustain a livelihood in the future.</p> <p>More young people with worse emotional health.</p>	<p>Likelihood - 4</p> <p>Impact - 4</p> <p>Total - 16</p>	<p>At the Foundation Phase, KS2 and KS3, performance is at the expected level and has improved.</p> <p>At KS 4 there has been a dip in performance. This is region wide and was contributed to by the number of changes that schools implemented this academic year. In response, a CSC action plan has been established.</p> <p>Overall, Bridgend has performed well at Post 16.</p> <p>The budget reductions required for 2018-19 are not as great as had been feared. It has been possible to protect schools from a 1% saving for one year. However it is almost unavoidable for 2019-20.</p> <p>Working with CSC and other partners (including BGA) to ensure that governing bodies are effective in providing challenge to schools.</p>	<p>Corporate Director</p> <p>Education & Family Support</p>	<p>Likelihood - 3</p> <p>Impact - 4</p> <p>Total - 12</p>

Priority Theme	Risk Description	Potential Impact	Inherent Risk Score	Risk Reduction Measures	Risk Owner	Residual Risk Score
		<p>More schools identified as requiring monitoring and intervention.</p> <p>A decline in Key Stage attainment results, PISA scores and other accreditation.</p> <p>Potential for parents to complain and/or take cases to SEN Tribunal.</p>		<p>Improved attendance through the application of the attendance strategy.</p> <p>A strong focus on raising standards of literacy and numeracy through structured and strategic programmes.</p> <p>Informal and formal collaboration between schools continues. School Improvement Groups have been set up so that schools can share best practice and learn from each other.</p>		
Links to all priority themes	<p>Educational provision</p> <p>If the Council does not adopt a strategic approach for sustainable educational provision in Bridgend, then there is a risk that it may not be able to offer high quality educational experiences for all pupils.</p>	<p>Poorer outcomes for children and young people.</p> <p>Less capacity for pupils with learning difficulties.</p> <p>Outcomes for vulnerable learners may not improve quickly enough or not at all.</p> <p>Falling school rolls and a large number of surplus places.</p> <p>More schools in a deficit budget situation.</p> <p>Insufficient Welsh medium and faith based provision to meet demand.</p> <p>The strategic future of whole life learning will not be fully integrated into our strategy e.g., Bridgend College.</p>	<p>Likelihood - 4</p> <p>Impact - 4</p> <p>Total - 16</p>	<p>A strategic review into the development and rationalisation of the curriculum and school estate, and the provision of Primary, Secondary and Post 16 Education has been undertaken.</p> <p>Band B of the school modernisation programme, has been agreed in principle. This is focused on the provision of sufficient primary school places to meet demographic growth from housing developments in the LDP, possible expansion of Welsh provision and increased Special School places.</p> <p>Post 16 education in Bridgend for 2020 and beyond is being considered. A paper from the Strategic Review Board will go to Cabinet in the spring of 2018 with recommendations on preferred options that could form the basis for a public consultation.</p> <p>The council has consulted on its new draft WESP with statutory consultees. The public consultation on the demand for Welsh Medium Education within Bridgend has concluded and will report in 2017-18 to support the delivery of the WESP. All Councils in Wales are awaiting further information from WG in respect of the timings associated with the delivery of the WESP.</p> <p>Greater join up at both a strategic and operational level via the Safe Dry and Warm project providing safer and more suitable schools.</p>	<p>Corporate Director</p> <p>Education & Family Support</p>	<p>Likelihood - 3</p> <p>Impact - 4</p> <p>Total - 12</p>
Corporate Governance	<p>Health and safety</p> <p>If the council does not actively manage the health and Safety implications of its activities, including working within a challenging budget with a reducing workforce, then employees and members of the public and others</p>	<p>Failure to manage health and safety could result in:</p> <p>Injury, ill-health or loss of life to employees or members of the public</p> <p>Total or partial loss of services or buildings used to deliver</p>	<p>Likelihood - 6</p> <p>Impact - 4</p> <p>Total - 24</p>	<p>Directorate Risk Registers will be used to methodically review the hazards on a priority basis to develop:</p> <ul style="list-style-type: none"> • Business plans and health and safety objectives • Risk assessment planned programmes • Health and safety competencies and training plans <p>The Directorate Risk Registers will be reviewed to ensure that they reflect the risk profiles of the new Directorate structure.</p>	<p>Chief Executive</p>	<p>Likelihood – 3</p> <p>Impact – 4</p> <p>Total - 12</p>

Priority Theme	Risk Description	Potential Impact	Inherent Risk Score	Risk Reduction Measures	Risk Owner	Residual Risk Score
	may be harmed, resulting in injury, ill health or loss of life.	<p>services to vulnerable people</p> <p>Criminal prosecution by enforcement bodies such as South Wales Police, the Health and Safety Executive or South Wales Fire and Rescue Service. Sanctions include higher fines under the new sentencing guidelines, imprisonment and disqualification from office</p> <p>Employers and Public Liability Claims</p> <p>Increased insurance premiums</p> <p>Reputational damage</p> <p>A deterioration in the condition of the Council's assets and infrastructure</p>		<p>Cascade health and safety objectives within staff appraisals.</p> <p>Monitor health and safety performance through Corporate Performance Assessment, Corporate Management Board and the Corporate Health and Safety Steering group which is Chaired by the Corporate Director - Education and Family Support.</p> <p>Continue to assess the health and safety impacts of the budget reductions required by the MTFS and relevant change programme projects.</p> <p>Establish an awareness raising campaign of regular communications to staff promoting a range of health and safety topics to develop a positive safety culture.</p> <p>Health and safety audits and condition surveys of assets and infrastructure will enable the Council to prioritise works and respond to emerging issues. This is supported by a two year fixed term post to undertake the audit programme.</p> <p>A full business case concerning the possibility of a collaborative arrangement will be considered by CMB.</p> <p>Managers will be encouraged to exercise their judgement and replace defective equipment as this becomes necessary.</p>		
<p>Supporting a successful economy</p> <p>Smarter use of resources</p>	<p>Disposing of waste:</p> <p>If the Council does not achieve WG's waste targets then it will receive substantial fines, waste resources and suffer a loss of reputation.</p>	<p>Penalties of £200 per tonne if the council fails to achieve landfill allowance targets</p> <p>Less resource to support council priorities</p> <p>A waste of physical resources as more goes to landfill</p> <p>Future generations will not be protected leading to a loss of reputation with the public and WG</p>	<p>Likelihood - 5</p> <p>Impact - 4</p> <p>Total - 20</p>	<p>There is a new waste and recycling contract with Kier and the council is now on course to meet targets.</p> <p>The amount of household waste diverted away from landfill between July and September increased from 57 per cent in 2016 to 74 per cent in 2017.</p> <p>Between June and August 2017, local community recycling centres recorded a 254 tonne increase in recycling while waste sent for disposal as landfill during that same period decreased by 957 tonnes.</p> <p>After the launch of the new service disruption was experienced, however the missed collection rate has reduced to 0.2%</p> <p>Further fine tuning of service delivery will take place in weaker areas. Eg absorbent hygienic products</p> <p>New recycling vehicles will be introduced in February 2017. The level of resource must be correct and there must be sound plans for implementation.</p>	<p>Corporate Director</p> <p>Communities</p>	<p>Likelihood - 3</p> <p>Impact - 4</p> <p>Total - 12</p>

Priority Theme	Risk Description	Potential Impact	Inherent Risk Score	Risk Reduction Measures	Risk Owner	Residual Risk Score
				<p>Education and engagement officers have been appointed. The two bag residual waste limit will soon start being enforced, with the excess bags not being collected</p> <p>BCBC and Swansea CBC have agreed a 15 year contract for all household food waste to be processed at Parc Stormy</p> <p>A tender was let to allow an operator to provide residual waste handling facilities at MREC. The results and their implications are being considered.</p>		
Links to all key priority themes	<p>Compliance with the Welsh Language Standards:</p> <p>If the Welsh Language Commissioner enforces the eleven appealed standards for which compliance is outstanding in an unrealistic timeframe, additional pressure will be placed on the Council's budgets and this will need to be recognised in the Medium Term Financial Strategy.</p>	<p>There is a recurrent budget pressure of £313,000 and a one off pressure of £81,000 (established in 2016-17 but now rolled forward into 2017-18) to meet the estimated costs of implementing the majority of the Standards which the Council is complying with. The pressure does not take into account the financial implications of the outstanding appealed Standards, which are likely to add significant strain on the MTFS.</p> <p>Whilst the Council has a budget of £394,000 set aside, the total cost of implementation could be as high as several millions of pounds. In this case the Council will need to consider measures such as increasing Council Tax, taking form reserves etc.</p>	<p>Likelihood - 4</p> <p>Impact - 3</p> <p>Total - 12</p>	<p>The Welsh Language Commissioner provided responses to the standards appealed in April 2017 and subsequently met with the Corporate Director, Operational and Partnership Services in May 2017. The Council agreed to consider implementing sixteen of the standards with two further standards requiring additional consideration.</p> <p>It has been agreed that five of the standards will be implemented by 31 December 2017, and this is in hand. The Council has agreed to comply with the other eleven standards and the implications for service delivery are being considered, as is the date when they can be complied with. This will then have to be agreed with the Welsh Language Commissioner.</p> <p>The Council also agreed to consider implementing an additional two standards that were not included on the Compliance Notice.</p> <p>If agreement cannot be reached with the Welsh Language Commissioner then there is a further right of appeal to the Welsh Language Tribunal.</p> <p>A budget pressure arising from the implementation of the Welsh Language Standards was recognised in the MTFS 2016-17 to 2019-20. The Council will need to meet any additional costs in the short term from the corporate contingency or Council Fund until such time as recurrent funding is identified from budget reductions elsewhere or Council Tax increases.</p> <p>The Council has been in regular contact with neighbouring Councils to establish their interpretation of certain Standards and also with the Welsh Language Commissioner when clarification on points of law and interpretation has been required.</p>	<p>Corporate Director</p> <p>Operational and Partnership Services</p>	<p>Likelihood - 4</p> <p>Impact - 3</p> <p>Total - 12</p>
Smarter Use of Resources	<p>Implementation of the General Data Protection Regulation</p> <p>The General Data Protection Regulation (GDPR) comes into force on 25 May 2018. If</p>	<p>Properly complied with, GDPR will increase public trust and confidence in how their data is handled by the council.</p> <p>Significant resources will be</p>	<p>Likelihood – 6</p> <p>Impact – 3</p> <p>Total - 18</p>	<p>An implementation group has been established with representation from each Directorate.</p> <p>Each Directorate is undertaking an audit of what data it holds.</p> <p>A Data Protection Officer will be appointed. They will monitor</p>	<p>Corporate Director</p> <p>Operational & Partnership Services</p>	<p>Likelihood – 6</p> <p>Impact – 2</p> <p>Total - 12</p>

Priority Theme	Risk Description	Potential Impact	Inherent Risk Score	Risk Reduction Measures	Risk Owner	Residual Risk Score
	<p>Directorates do not take ownership, breaches of the regulation could result, leading to large fines and damage to the reputation of the Council.</p>	<p>needed to meet subject access requests, particularly in Social Services where redaction is required.</p> <p>Resources will need to be used to undertake an audit of legacy data. This is required to identify how consent was given and whether this complies with GDPR.</p> <p>A suitable breach reporting system must be implemented.</p> <p>Under GDPR there is potential for very large fines,</p> <p>Action by the regulator would result in a loss of reputation for the council.</p>		<p>compliance, educate staff and co-operate with the Information Commissioner.</p> <p>A review will be made of data protection and privacy policies.</p> <p>The data protection E-Learning module will be updated.</p> <p>Consideration will be given to the level of resource needed to deal with subject access requests. A subject access request form is being developed which aims to narrow down what needs to be provided. Less officer time will be taken up making the necessary redactions.</p> <p>The Council must have a valid reason under GDPR to process data. Where possible lawful grounds will be relied upon rather than consent.</p> <p>The Council will review the systems it has for recording. The Council must ensure that there is a positive indication of agreement to personal data being processed.</p> <p>Contracts with suppliers who are Data Processors will be reviewed.</p> <p>The Council has procedures in place to detect, report and investigate data breaches.</p> <p>Member training will be given to ensure that they understand their responsibilities and are equipped to comply with them.</p>		

Appendix 2

Bridgend County Borough Council

Corporate Risk Management Policy

January 2018

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Bridgend County Borough Council **Corporate Risk Management Policy**

Introduction

Good corporate governance structures are essential if the Council is to achieve its vision of working together to improve lives within the County Borough. An essential part of governance is the mechanisms for the control and management of risk. There must be a clear focus on the significant risks that could prevent the Council achieving its corporate improvement priorities and this policy seeks to address those risks.

Good governance requires that risk management is embedded into the culture of the Council with Members, managers and staff at all levels recognising that risk management is part of their job. It is important that the changing nature of how we deliver services is acknowledged. In particular, the increasing use of partnerships, shared services and business transformation programmes provide fresh risks to manage.

This policy facilitates the management of corporate risk within the Council; it focuses attention on key areas and its outcomes will inform the budget process and the Medium Term Financial Strategy.

Definition of Risk

The definition of risk the Council uses is:

Any potential development or occurrence which, if it came to fruition, would jeopardise the Council's ability to:

- achieve its corporate improvement priorities
- provide services as planned
- fulfil its statutory duties, including the duty to make arrangements to secure continuous improvement.

Aims and Objectives

The aim of the policy is to facilitate effective corporate risk management throughout the Council so that risks are identified, evaluated, managed and monitored to enable the Council to achieve its corporate improvement priorities.

This will be done by:

- Managing corporate risk via a process that is integrated into usual business planning and is aligned to budget setting and the Medium Term Financial Strategy.
- Monitoring key corporate risks at the highest level within the Council, including:
 - Cabinet
 - Senior Management Team
 - Programme Management Board
 - Corporate Performance Assessment meetings, which are part of the 'informal' management arrangements involving Corporate Management Board/Heads of Service/Cabinet and Scrutiny
 - Overview and Scrutiny Committees
 - Audit Committee.
- Working closely with partner organisations and other bodies such as the Wales Audit Office and external auditors.
- Managing corporate risk via a process that is compatible with any guidance provided by regulatory bodies.

Strategy

Risk will be managed by:

- Providing for risk identification within the business planning process
- Assessing risks against a common understanding of the Council's risk appetite set by Cabinet and Senior Management Team
- Establishing appropriate control measures or other actions to manage risks to appropriate levels
- Maintaining a register of corporate risks which enables them to be recorded and regularly reviewed
- Establishing clear accountabilities and roles
- Ensuring that the risk assessment is considered within the budget setting process and the Medium Term Financial Strategy
- Making the link to corporate improvement priorities

- Having arrangements to monitor risks involving elected Members and senior management. (Corporate Performance Assessment Meetings and Corporate Working Groups are examples of these)

Accountabilities and Roles

A key part of the strategy is to establish clear roles, responsibilities and reporting lines within the Council.

Audit Committee

The Audit Committee will monitor the effective development and operation of risk management and corporate governance within the Council. The Committee will consider the report on the annual risk assessment in January and a further interim report in November detailing changes in the course of the year.

Cabinet

Together with the Senior Management Team the Cabinet will set the Council's risk appetite. They will also work with Senior Management Team and Heads of Service to provide oversight and information on the management of risk and opportunities arising from the various options facing the Council.

Cabinet Members

Cabinet Members provide risk management oversight of service provision in the Directorates aligned with their portfolio.

They must be made aware of the key risks within their portfolio of services and within any projects or partnerships related to these.

Chief Executive

The Chief Executive leads the Corporate Management Board, Senior Management Team and the wider corporate governance agenda of which risk management is a part. The Chief Executive will review an annual governance statement and together with the Leader consider this and sign it off as appropriate.

Corporate Directors

Together with the Chief Executive they are integral to the risk management process providing leadership to achieve cultural and organisational change. They are involved in the management of risks arising from corporate initiatives, business transformation, major projects, external environment, partnership working and assessing the wider implications of risk assessments associated with service provision.

They also need to make arrangements to embed risk management within the services that they have responsibility for, in order to provide assurance to the Chief Executive. They have responsibility for the delivery of Directorate plans, including service improvements and efficiencies and the delivery of corporate priorities.

Corporate Performance Assessment Meetings

Led by the Chief Executive; Cabinet, Corporate Management Board and Overview and Scrutiny Chairs will consider the extent to which business plans are being delivered and challenge senior officers about progress towards the achievement of improvement priorities. This will include review of the risks which are relevant to each priority.

Directorate and Service Management Teams

Managers and management teams have responsibility for delivering services. For successful delivery, many factors such as objectives, people, budget etc must be considered. Risk management is just one aspect of the overall management task. Risks which threaten the successful delivery of services must be identified through the business planning process. Managers will put in place actions to reduce the risks. These will be monitored and reviewed to ascertain the effectiveness of actions taken.

Heads of Service

Heads of Service develop and implement service plans to deliver agreed objectives. They should ensure that risks and the management of those risks has been explicitly considered in framing these plans.

Internal Audit

Internal Audit is an assurance function that primarily provides an independent opinion on the control environment comprising risk management, internal control and governance by evaluating its effectiveness in achieving the Council's improvement priorities. It examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper economic and effective use of resources.

Members

Members collectively are the ultimate policy makers. They will represent their communities and bring their views into the Council decision making process being advocates of and for their communities. They contribute to the continual improvement of Council services and directly to risk management via membership of the Audit and Overview and Scrutiny Committees.

Overview and Scrutiny Committees

Overview and Scrutiny Committees develop a forward work programme having regard to the Council's corporate priorities and risk management framework. They review and scrutinise the decisions made by and the performance of Cabinet and Council officers. They scrutinise the performance of the Council in relation to its policy objectives and performance targets. They make recommendations to the Cabinet and Council arising from the outcome of the scrutiny process.

Programme Management Board

The Programme Management Board will ensure that programmes contribute to delivering the aims and objectives of the Council. The Board will ensure that assessments of risk are kept under review and risk mitigation plans monitored.

Risk Management & Insurance Officer

The Risk Management and Insurance officer will co-ordinate work on the annual risk assessment and subsequent reviews and act as a point of reference and support.

Section 151 Officer

The Section 151 Officer is responsible for the proper administration of the Council's financial affairs and oversees the production of the risk register prior to its consideration by Senior Management Team. They must ensure that risks are fully considered and aligned with the Council's Medium Term Financial Strategy.

Senior Management Team

Together with the Cabinet the Senior Management Team will set the Council's risk appetite. They will also "scan the horizon" for new risks to the Council and the County Borough. They will provide a view of the medium to long term impacts of Government policy, financing, business transformation and partnership working.

Senior Management Team will work with Cabinet to produce an annual risk assessment. They will review the effectiveness of actions put in place by Corporate Directors and Heads of Service to mitigate risk at other meetings throughout the year.

Senior Management Team will endeavour to ensure that the resources of the Council are utilised efficiently so that the objectives of the Council are delivered.

Staff

All staff have responsibility for identifying opportunities as well as risks in performing their day to day duties, and for taking appropriate action to take advantage of opportunities or limit the likelihood and impact of risks.

Risk Management Methodology

The risk management methodology describes the way in which risks are managed within the Council.

Part 1 - Identifying Risk

Risk identification is not a stand alone activity which is completed in isolation from the management of service delivery. It is part of the strategic business planning and performance management processes.

It is concerned with identifying events and their consequences which could impact on the Council's corporate improvement priorities. Consequently, the starting point is understanding what these are; they are set out within the Corporate Plan.

It can help to use prompts which identify different sources of risk. These include:

- Customer/citizens: Failure to deliver services of a required standard or misunderstanding their needs
- Strategic: doing the wrong things as an organisation; missing opportunities
- Finance: losing monetary resources or incurring unacceptable liabilities
- Reputation: the Council's image, loss of public confidence
- Legal and regulatory: claims against the Council, non-compliance, new regulations resulting in new or more severe risks
- Information: loss or inaccuracy of data, systems or reported information
- Environmental: things outside of our control; environmental impact
- People: risks associated with employees, management and Members
- Political: political embarrassment, not delivering local or national policies
- Partnerships: the risks the Council is exposed to as a result of partnerships

These categories can be used in discussion to identify events that could prevent or hinder the council from achieving its objectives.

The ideas from these discussions need to be grouped into common themes and developed into the actual risk.

The risk description should have an event which leads to a consequence which then has an impact. Eg. A loss of xxxxxxx, will lead to xxxxxxx, resulting in xxxxxxx.

When will risks be identified?

Risk identification is not a stand alone activity. It forms part of good governance, business planning, decision making and performance management. A key opportunity to identify risk is during the budget process, when the Medium Term Financial Strategy is being agreed and when Directorate business plans are considered.

Part 2 - Assessing the inherent risk

Once the risks that threaten the achievement of the Council's corporate improvement priorities have been identified, the next step is to assess them in terms of the likelihood that they will occur and the impact if they do. This information will then be used as a tool to inform professional judgements as to the significance of the risks to the Council.

The Council has agreed criteria for the levels of likelihood and impact. These are shown in Tables 1 and 2 below. The definitions for likelihood of occurrence are quite short. However, because the impact of the risk, should it occur, can be much wider, there is a more comprehensive set of definitions.

When considering likelihood and impact you should not take into consideration any existing controls that are in place. The risk score you have will be an inherent or uncontrolled score.

When both the likelihood and impact have been considered, multiply the likelihood by the impact to get the overall risk score. This should be mapped on to the matrix in Table 3. The colours of the matrix are a traffic light system that denotes the risk appetite of the Council. High risks are the **red zone**, medium risks are the **amber zone** and low risks are the **green zone**.

The risk score should be used to inform your judgement, rather than dictate how risks compare and what the priorities should be. The scores help you to identify the most serious threats and to make decisions about the significance of those risks to the Council and how, or whether, they should be treated.

Table 1: Description and definitions of LIKELIHOOD of the RISK occurring

Score	Description
6	Almost certain - More than a 90% chance
5	Highly likely – 70% to 90% chance
4	More likely than not – 50% to 70% chance
3	Might happen, but probably not – 30% to 50% chance
2	Unlikely to happen - A 10% to 30% chance
1	Very unlikely - Less than a 10% chance

Table 2: Description and definitions of IMPACT of the RISK

Impact	Example Detail Description
4	Medium term loss of service capability Adverse UK wide publicity Litigation almost certain and difficult to defend Corporate budget realignment Breaches of law punishable by imprisonment
3	Short term loss of service capability Adverse Wales wide publicity Litigation to be expected Budget adjusted across service areas Breaches of law punishable by fines only
2	Short term disruption to service capability Adverse local publicity High potential for complaint, litigation possible Financial implications contained within the Directorate Breaches of regulations/standards
1	No significant disruption to service capability Unlikely to cause any adverse publicity Unlikely to cause complaint or litigation Financial implications contained within service area Breaches of local procedures or standards.

Now that the inherent risk score has been calculated, you can plot the risks on to the risk prioritisation matrix in Table 3. This will be a guide of their relative significance to the Council, and how they will be managed.

Table 3: Risk Prioritisation Matrix

	Impact			
Likelihood	6	12	18	24
	5	10	15	20
	4	8	12	16
	3	6	9	12
	2	4	6	8
	1	2	3	4

Part 3 - Managing and controlling risks

Having considered how corporate risks should be identified and assessed for likelihood and impact, it is necessary to consider how risks can be managed and controlled. The risk score should not dictate the level of management required, however it should be taken into consideration as it does point to matters that will require managing.

This involves:

Assessing the inherent risk against the Council's risk appetite

The degree to which an inherent risk is tolerable should be considered against the Council's risk appetite. Table 3 identifies which risks are high (**red zone**), medium (**amber zone**) or low (**green zone**).

Assigning ownership to manage the inherent risk to specific officers

The following is a guide to what level ownership should be at.

Red Risks – These are high impact/high likelihood risks that require active management by senior officers. The risk owner will be a member of and report to the Corporate Management Board

Amber Risks – These risks should be closely monitored by the risk owner who will be a Director or Head of Service

Green Risks – These risks will be managed and monitored within the service.

Assessing the method of control

The Council could tolerate the risk, treat it, terminate it or transfer it to a third party.

The cost and effectiveness of controls is a key consideration and needs to be balanced against the potential consequences (reputational, financial or otherwise) if the event occurred. The cost of implementing and operating the control should not normally exceed the maximum potential benefit.

Depending on the circumstances controls will probably fall under one of four basic approaches

- **Tolerate the risk.** The risks arising from an activity will be scored as part of a risk assessment process. If the score is low, the correct response might be to recognise that the activity brings risk, but still continue with it. You would typically take this approach when it is not cost effective to take action, because the likely impact of the risk, should it occur, is minimal. When a decision is made to tolerate a risk, the reason should be documented. In addition, you should continue to monitor the risk so that you can ensure that your decision remains sound.

- **Treat the risk.** This is the most widely used approach. The purpose of treating a risk is to continue with the activity, but at the same time take action to bring the risk to an acceptable level. This is done through either:
 - containment actions. These lessen the likelihood or consequences and are applied before the risk materialises
 - or
 - contingent actions. These are pre planned responses that will reduce the impact after the risk has happened.
- **Terminate the risk.** This involves stopping an activity altogether, or doing things differently so that the risk is removed.
- **Transfer some aspects of the risk to a third party.** The transfer of risk to another organisation can be used to reduce the financial exposure of the Council and/or pass the risk to another organisation which is more capable of effectively managing it. An example would be the transfer of a risk through the terms of a legal contract, such as an insurance policy. The Council has an Insurance Strategy which is shown in Appendix 1.

The cost of management and control should be understood and be proportionate to the risk being addressed. Resources should be expended on the higher level risks that need active management.

The reasons why a particular course of action has been taken should be documented and the decision implemented by the risk owner.

Part 4 – Assessing the residual risk

By this stage the risks have been identified and analysed and each has an inherent or uncontrolled risk score. In addition you have assessed the available controls and made decisions about which are appropriate and will be put in place. These controls will either make the likelihood that the risk will come to fruition less or they will reduce the impact of the risk in the event that it takes place.

As the likelihood or impact of the risk has changed you now need to rescore the risk, taking these changes into consideration. The resulting number is the residual risk score.

The mapping of the score on to the matrix in Table 3 should be repeated to record the residual risk. This will show what influence the controls have had. The residual risk score should be lower than the inherent risk score. If it isn't, the mitigation measures are just having the effect of stopping the risk from deteriorating. The residual risk score needs to be at an acceptable level when considered against the Council's risk appetite. If the score does not reduce the risk to an acceptable level you should consider the effectiveness and adequacy of the controls.

Part 5 - Recording and Reviewing Risks

It is necessary to monitor action plans to regularly report on the progress being made in managing risk. Alternative action will be needed if those actions initially taken prove ineffective.

All the information relating to the identified risks should be recorded in a risk register. This information should, as a minimum, include: the link to the corporate improvement priorities, a description of the risk; its impact; the inherent risk score, the controls in place or being put in place; the residual risk score and the risk owner. This document needs to be formally approved by the Council and this will be done by the Audit Committee in January each year following prior review by Senior Management Team and Cabinet in December.

Circumstances and business priorities can change, and therefore risks need to be regularly reviewed. The higher the risk, the more frequent the review. The corporate risk register will be reviewed quarterly by Senior Management Team and at Corporate Performance Assessment meetings. This is required because:

- Previously identified risks will change over time.
- New risks arising will need to be added.
- It might be appropriate to delete risks. However, when this is done a record of the reasons for this should be kept.

Prior to review at Senior Management Team, the Risk Management & Insurance Officer will contact the Directorate Business Managers and ascertain what changes to the risk assessment are proposed by the Directorate. These proposals will be included within the report to Senior Management Team for their consideration.

A timeline for the review process is shown as Appendix 2.

Whilst there is no prescribed process for review, the following is an example of how it could be approached.

Go through the risks listed in the register to consider:

- Are the risks still relevant?
- Have circumstances surrounding the risks changed?
- What progress has been made in managing the risk?
- Given the progress made, do the risk scores need revising?
- Are any further controls needed? If so, what should these be?
- Have any new risks arisen. Perhaps arising out of an adverse event or a new partnership or legislation.

The risk register should then be updated to reflect these changes. A report will be made to the Audit Committee each November.

Appendix 1 - Insurance Strategy

What is Insurance?

All activities involve a certain degree of risk, for example of fire or accident. If these risks come to fruition they will have a financial impact. Insurance is a risk mitigation measure whereby one organisation can transfer the financial impact of the risk to another.

This transfer is achieved when a business which provides insurance agrees to take on some of the risks of another organisation in exchange for a fee, known as a premium. It does this by providing an insurance policy, which is a legally binding contract. The premium, and the terms and conditions of the policy are based on the likelihood of the risk happening and its value. The insurer collects premiums on a number of policies and pools these funds, which it then invests to increase the amount of money held. Should the insured make a claim on a policy; the insurer will meet the claim from the pool of funds. The insurer will seek to make a profit and will be planning for the total premiums it receives in any one year, together with any money it can make through investments, to exceed the total claims it has to pay out.

The benefits of Insurance to Bridgend County Borough Council

Insurance provides the council with many benefits:

- 1) It protects it against the financial consequences of unexpected incidents.
- 2) It encourages the council to undertake activities, and invest with confidence, knowing that losses will be shared with the Insurer. This will benefit the local economy and the community.
- 3) Insurance companies provide expert advice about how the council can prevent or control losses.
- 4) The council does not need to maintain such significant sums of money in reserve to fund future possible losses. Funds can be released for more productive use.
- 5) There are social benefits. If someone is injured and it is as a result of the council's negligence, insurance provides them with compensation for their injuries.
- 6) We have access to external claims handling expertise.

However, Insurance does not provide a panacea to all issues around risk of loss. This is because it rarely provides full financial compensation for the loss, it may be considered uneconomic, there are exclusions and there will be some delays in the restoration of assets to full use.

What risks can be insured?

Not all risks are insurable. To be insurable, the risk must have certain characteristics:

- 1) The loss must be fortuitous. It can't be inevitable and must be unexpected.
- 2) It must be possible to allocate a financial value against the results of the incident.
- 3) The council must have an "insurable interest". This exists if the council would suffer a loss if an event happened. Typically, insurable interest is established by ownership, possession, or a direct relationship.
- 4) The only possible result of the event happening must be a loss rather than a profit.
- 5) The loss must be tied in to a specific identifiable event having happened.

What risks will the council insure?

The council's activities result in a certain amount of predictable financial loss. There is no point in insuring these losses because the Insurance Company will want a pound in premium for each pound it anticipates it will pay in claims. In addition it will charge a further amount for its administrative expenses, profit and insurance premium tax. In these circumstances the purchase of insurance is uneconomic.

The council will insure losses which would have a significant impact on budgets and the provision of services. This is generally achieved by purchasing insurance with a deductible. The overall exposure to financial loss is controlled by an aggregate deductible. This caps losses incurred in any one year to a certain amount.

The council will also buy insurance when it has to by law or where the provision of the insurance provides additional benefits which enable the activity to take place.

What information should be provided to Insurers?

The Insurance Act 2015 puts a duty on policy holders to make a "fair presentation" of the risk. This means that it must disclose to its Insurers all information, facts and circumstances which are, or ought to be, known to it, which are material to the risk. This is an ongoing duty and so if anything changes during the term of the Insurance this should be disclosed during the policy period. A "material" circumstance is one which would influence the judgement of a prudent underwriter in considering whether to provide insurance and, if so, on what basis and cost. This means that the Council is required to ascertain and disclose every material circumstance which is known by its "senior management" and by the individuals who are responsible for arranging its insurance.

The Council is also required to conduct a "reasonable search" for material information it ought to know that is available to it, which includes material information held by others outside the organisation, and by those to be covered by the insurance.

The pitfalls of purchasing insurance

The council will seek to keep its insurance arrangements in order so that if a loss occurs they respond in the way intended. In particular the council will:

- 1) Undertake a quinquennial review of its buildings sums insured. Between reviews sums insured will be amended in line with indices provided by the Royal Institute of Chartered Surveyors.
- 2) Be aware of the policy wordings and understand what they mean.
- 3) Keep insurers apprised of changing risk features which will have a material impact on the way Insurers perceive risk.
- 4) Maintain comprehensive records of insurance including Insurance Policy documentation.
- 5) Employ the services of a professional insurance broking company who can provide expert advice
- 6) Only transfer risks to Insurance Companies which are financially strong.

Appendix 2 - Risk Management Timeline 2018 - 19

Timeline	Responsibility	Action
January 2018	SMT	Considers the 2018-19 risk assessment
	Audit Committee	Considers the 2018-19 risk assessment
February 2018	Cabinet/Council	Considers the 2018-19 risk assessment in conjunction with the Medium Term Financial Strategy
March 2018	CPA	Risk assessment considered at quarter 3 2017-18 CPA
April 2018		
May 2018		
June 2018	CPA	Risk assessment considered at quarter 4 2017-18 CPA
July 2018	SMT	Review of the 2018-19 risk assessment
August 2018		
September 2018	Audit Committee	Audit Committee considers the changes made to the 2018-19 risk assessment
October 2018	SMT	Review of the 2018-19 risk assessment
November 2018	CPA	Risk assessment considered at quarter 2 2018-19 CPA
December 2018		
January 2019	SMT	Consider draft 2019-20 risk assessment and agree proposed changes to the Risk Management Policy
	Audit Committee	Considers the 2019-20 risk assessment
February 2019	Cabinet/Council	Considers the 2019-20 risk assessment in conjunction with the Medium Term Financial Strategy
March 2019	CPA	Risk assessment considered at quarter 3 2018/19 CPA

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BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

18 JANUARY 2018

REPORT OF THE CHIEF INTERNAL AUDITOR

INTERNAL AUDIT – OUTTURN REPORT – APRIL TO DECEMBER 2017

1. Purpose of Report.

1.1 The purpose of this report is to inform the Audit Committee of actual Internal Audit performance against the period of the audit plan year covering April to December 2017.

2. Connection to Corporate Improvement Plan / Other Corporate Priority.

2.1. The work of audit is intended to assist in the achievement of all corporate and service objectives.

3. Background

3.1. The 2017/18 Internal Audit Plan was submitted to the Audit Committee for consideration and approval on the 27th April 2017. The Plan outlined the assignments to be carried out and their respective priorities.

3.2. The Plan provided for a total of 1,085 productive days to cover the period April 2017 to March 2018.

4. Current situation / proposal

4.1. The following table shows an analysis of productive days achieved against the plan for the nine months of this financial year. The Head of Audit's Opinion Report and a more detailed analysis as extracted from the Internal Audit Shared Service management information system is shown at **Appendices A and B**.

Directorates	2017/18 Full Year Plan Days	Proportion of Plan Days Available for April to December 2017		2017-18 April to December Actual Days delivered
		Max.	Minimum	
CEX - Finance	130	98	98	60
Operational & Partnership Services	110	82	82	72
Education & Family Support	160	120	94	56
Communities	130	98	98	35

Social Services & Wellbeing	170	127	127	71
Cross Cutting including: External; Contingency unplanned and Fraud & Error	385	289	247	111
TOTAL PRODUCTIVE DAYS	1,085	814	746	405

4.2. The figures show that 405 actual days have been achieved, which is significantly less than that expected.

4.3. Following a re-structure the Section is now based on 14 Full Time Equivalent Employees (FTE's), carrying 6.5 current vacancies.

4.4. At the end of the period, 24 reviews / jobs have been completed and closed, 17 of which have provided management with an overall substantial / reasonable audit opinion on the internal control environment for the systems examined. Of the remaining 7 reviews, 5 identified weaknesses to such an extent that only limited assurance could be placed on the overall control environment and of the remaining 2, were closed without requiring an opinion due to the nature of the work undertaken.

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. Financial Implications.

7.1. Effective audit planning and monitoring are key contributors in ensuring that the Council's assets and interests are properly accounted for and safeguarded.

8. Recommendation.

8.1. That Members give due consideration to the Internal Audit Outturn Report covering the period April to December 2017 to ensure that all aspects of their core functions are being adequately reported.

Helen Smith
Chief Internal Auditor
18th January 2018

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Background Documents

None

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**Bridgend and Vale Internal Audit Service: Head of Internal Audit's Outturn Report April 2017 to December 2017
Bridgend County Borough Council.**

Executive Summary

This report provides a summary of the work completed by the Bridgend and Vale Internal Audit Shared Service for period of the year covering April to December 2017 and provides the Head of Audit's initial opinion on the Council's framework of governance, risk management and internal control. Therefore, based on our work carried out so far this year, my overall opinion is that the Council's framework of governance, risk management and control is considered to be satisfactory.

Introduction

The aim of the Shared Service is to help both Councils meet high standards of service delivery. Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, internal control and governance by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic and effective use of resources. The Shared Service supports the Audit Committees in discharging their responsibilities for:

- Advising on the adequacy and effectiveness of the Council's risk management, internal control and governance processes in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2015.
- Supporting both the Chief Executive and the Head of Finance with their delegated responsibilities for ensuring arrangements for the provision of an adequate and effective internal audit.
- Monitoring the adequacy and effectiveness of the Internal Audit Shared Service and Director's / Heads of Service responsibilities for ensuring an adequate control environment.

- Supporting the Head of Finance in discharging his statutory responsibilities under Section 151 of the Local Government Act 1972.
- Ensuring that the Council's External Auditor in relation to our work on the main financial systems audits can place reliance on this.

Definition of Internal Audit

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. (Source:- Public Sector Internal Audit Standards).

Statutory Framework

Internal Audit is a statutory requirement for local authorities. There are two principal pieces of legislation that impact upon internal audit in local authorities; these are:-

- Section 151 of the Local Government Act 1972 requires every authority to make arrangements for the proper administration of its financial affairs and to ensure that one of the officers has responsibility for the administration of those affairs.
- Section 5 of the Accounts and Audit (Wales) Regulations 2015 states that "a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

All principal local authorities subject to the Accounts and Audit (Wales) Regulations 2015 must make provision for internal audit in accordance with the Public Sector Internal Audit Standards (PSIAS).

Audit Committee

It is important to ensure that the Council has a sufficiently independent and effective Audit Committee that follows best practice. Audit Committees are a key component of corporate governance. They are a key source of assurance about the Council's arrangements for managing risk, maintaining an effective control environment, and reporting on financial and non-financial performance. In addition, Internal Audit provides a key source of assurance to the Committee as to whether controls are operating effectively.

External Audit

The Council's External Auditor examines the work of Internal Audit on an annual basis in order to place reliance on this work when undertaking their audit work on the Council's Financial Statement of Accounts. The Council's External Auditors are the Wales Audit Office.

Public Sector Internal Audit Standards (PSIAS)

The Standards the Internal Audit Shared Service works to are the Public Sector Internal Audit Standards. These standards set out:

- The definition of internal auditing;
- Code of ethics.

- International standards for the professional practice of internal auditing. These standards cover the following areas:
 - Purpose, authority and responsibility.
 - Independence and objectivity;
 - Proficiency and due professional care;
 - Quality assurance and improvement programme;
 - Managing the internal audit activity;
 - Nature of work;
 - Engagement planning;
 - Performing the engagement;
 - Communicating results;
 - Monitoring progress;
 - Communicating the acceptance of risks.

The PSIAS apply to all internal audit service providers, whether in-house or outsourced. During 2016-17 an External Assessment was undertaken to review our compliance with the Public Sector Internal Audit Standards. The External Assessor concluded that; overall the assessment identified no areas of non-compliance with the standards that would affect the overall scope or operation of the internal audit

activity. Indeed, the Assessor further stated that all auditees and statutory officers were positive in their responses and understanding of the audit process and the value it added.

It is important to note that there is a requirement within the PSIAS for an external assessment to be undertaken once every five years. The PSIAS came into effect from 1st April 2013 and therefore as a consequence of the external assessment undertaken during 2016/17, the Internal Audit Shared Service has met this requirement.

Internal Audit Coverage – April 2017 to December 2017

The level of internal audit resources required to examine all the Council's activities far exceed those available each year. It is, therefore, essential that the work of Internal Audit be properly planned to ensure that maximum benefit is gained from the independent appraisal function that internal audit provides.

Resources must be appropriately targeted by assessing the Council's total audit needs and preparing a plan that ensures systems are reviewed on a risk basis according to the impact they have on service delivery.

The Internal Audit Plan for 2017/18 is based, to a large extent, on the Council's Corporate Risk Register. This was complemented by:

- Priorities identified by Corporate Directors;
- Heads of Service key risks,
- The requirements of the Council's Section 151 Officer;
- External Audit and
- Those concerns / issues raised by Internal Audit in previous audits and our knowledge of potentially high-risk areas.

The Plan was submitted and approved by the Council's Audit Committee on 27th April 2017. The plan provides for the delivery of 1,085 productive days for the year, with a commitment of a minimum of 995 productive days. Table 1 below provides the outturn for the service for the period April to December 2017 and further detail is provided in Appendix B. The current structure for the Shared Service has recently been reviewed and staff numbers are now set at 14 Full Time Equivalent employees (FTE's). This came into effect from 1st October 2017. The Head of Audit aims to achieve best practice, but continues to take account of the issues of affordability at a time when both Councils are looking to make substantial reductions in costs. The service has already been vastly streamlined and continues to apply lean auditing risk based methodologies to its plan of work. At the commencement of this financial year, the service was carrying 7.5 vacant FTE posts; this subsequently increased to 9.5 FTE and as a result of the re-structure the service is now carrying 6.5

BCBC – IASS OUTTURN REPORT – APRIL TO DECEMBER 2017

vacancies. This lack of adequate resourcing has had an impact on the number of days delivered for the nine months of this year as indicated below.

Table 1 – Productive outturn for the period April 2017 to December 2017

Directorate	2017/18 Full Year Plan Days		2017/18 Expected days for the period April to December 17		2017/18 Actual Days achieved for the period April to December 17
	Max.	Mini.	Max.	Minimum	
Chief Executive / Resources	130	130	97	97	60
Operational Services and Partnerships	110	110	83	83	72
Education and Family Support	160	125	120	94	56
Communities	130	130	97	97	35
Social Services and Wellbeing	170	170	128	128	71
Cross Cutting – (Including External Client, Unplanned and Fraud and Error)	385	330	289	247	111
Total	1,085	995	814	746	405

As can be seen from the table above, the actual outturn for the period shows that the number of productive days expected has not been achieved. The shortfall in productive days on the minimum expected is as a direct result of staff vacancies and long term absences. The matching process for the re-structure of the Service has been completed and the new structure has now been implemented. The lack of resources within the Service is of specific concern; however a contingency plan is in place to address the shortfall.

A total of 24 reviews have been completed, 17 (71%) of which have been closed with either a substantial or reasonable assurance opinion level. 5 reviews (21%) have identified weaknesses in the overall control environmental (3 relating specifically to investigations). The remaining 2 reviews (8%) were closed without requiring an opinion due to the nature of the work undertaken.

Internal Control Weaknesses

Foster Care Payments –

An audit review of Foster Carers Payments was undertaken as part of the 2017/18 annual Internal Audit Plan. During the course of the review an input error was identified whereby one field on the Access payments database had not been populated with the placement end date and therefore as a consequence of this the weekly level allowance continued to be paid. This was addressed immediately and more robust validation checks have now been introduced to minimise the risk of re-occurrence. Nine recommendations for strengthening the control environment have been made, which have all been agreed by Senior Management with some being addressed as the Audit progressed.

Previously reported

Section 117 – Section 117 of the Mental Health Act 1983 imposes an enforceable joint duty on the relevant health and social services authorities to provide or to arrange to provide after-care services for certain categories of mentally disordered patients who have ceased to be detained and leave hospital (or prison, having spent part of their sentence detained in hospital).

During the Audit a number of strengths and areas of good practice were identified as follows:

- 96% of service users had been allocated a care co-ordinator and where no care co-ordinator was allocated a valid explanation was provided.
- High value service user packages are subject to scrutiny under the 'right sizing' exercise by the Council's transformation team.
- The use of the recently implemented Welsh Community Care Information System (WCCIS) is already displaying benefits e.g. Social Workers can input service users' information electronically which has removed the need for the completion of a paper 'basic details form.'

The following key issues were identified during the Audit which need to be addressed:

- An out of date financial contribution arrangement with the Health Board;
- No documented internal procedures or working instructions setting out the processes to be followed for the numerous teams involved in the administration of S117 aftercare.
- An authorised signatory listing has not been finalised which means that Finance potentially process payments to Service Providers without appropriate approval.

There are no other significant cross cutting internal control weaknesses identified so far this year which would impact on the Council's Annual Governance Statement. It should be noted that the other review where weaknesses have been identified was as a result of a specific investigation.

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Our overall opinion on a system is based on both the materiality and impact of the system and our opinion on the internal control arrangements within the system. The combination of these factors then results in a category of risk to the Council as shown in Table 2 below:

Table 2

		MATERIALITY AND IMPACT		
		HIGH	MEDIUM	LOW
	SYSTEM CONTROL			
1	Satisfactory	Moderate	Minimal	Minimal
2	Reasonable	Moderate	Moderate	Minimal
3	Limited – Significant Improvements required	Of Concern	Moderate	Moderate
4	No Assurance – Fundamental weaknesses identified.	Significant	Of Concern	Moderate

Therefore, having regards to the reviews completed so far to-date and the overall opinions given, my overall opinion is the Council’s overall internal control arrangements are considered to be **satisfactory**, resulting in a “**moderate**” level of risk.

Audit Recommendations – 2017/2018

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. For the nine month period, Internal Audit has made a total of **22** recommendations, of which management has given written assurance that all of these will be implemented.

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From time to time and where it is deemed appropriate to do so, Merits Attention recommendations will be made. By their very nature they relate specifically to an action that is considered desirable but does not necessarily have an impact on the control environment. To this end, 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 or included in table 3 below.

Table 3

2017 – 18 Recommendation Priority	No. Made	No. Agreed	No. Implemented	No. not yet due to be actioned	No. overdue action date
			Complete	Pending	Outstanding
Fundamental (Priority One) – Immediate Action	0	0			
Significant (Priority Two) – Action within 6 – 12 months	22	22	17	0	5
Total	22	22	17	0	5

Table 4. Analysis of Overdue Recommendations

Analysis of Overdue Implementation of Recommendations for 2017-18	No. Overdue	One / Two months overdue Target date	Three or more months overdue target date
		Amber	Red
Fundamental (Priority One) Rating - D and E (+ to -) Action – Immediate Implementation	0	0	0
Significant (Priority Two) Rating – C (+ to -) Action – Implementation within 6 – 12 months	5	5	0
Total	5	5	0

Resources, Qualifications and Experience

The Head of Internal Audit requires appropriate resources at their disposal to undertake sufficient work to offer an independent opinion on the Council’s internal control environment. This is a fundamental part of the Bridgend County Borough Council’s governance arrangements. The Internal Audit Annual Plan was presented to the Audit Committee in 27th April 2017, which is based on the provision of a maximum of 1,085 productive days.

The Bridgend County Borough Council is in a partnership agreement with the Vale of Glamorgan Council who host the Internal Audit Shared Service. As at the 1st April 2017 the staffing structure is listed in table 3 below, however this has subsequently changed as a result of the re-structure which came into effect from 1st October 2017.

Table 3 Staffing Structure

2017-18 Staffing Structure As at 1st April 2017	FTE		New Staffing Structure effective from 1st October 2017	FTE
Operational Manager Audit - Head of Audit	1		Operational Manager Audit – Head of Audit	1
Principal Auditor (1 vacant post at present)	2		Client Audit Manager (1 vacant post)	2
Group Auditor	2		Senior Auditor (3 vacant posts)	5
Group Auditor (Information Systems – vacant at present)	1		Auditor (1/2 vacant post)	4
Auditor (5.5 posts are vacant at present)	9.5		Audit Assistant (2 vacant posts)	2
Trainee Auditor (vacant at present)	1			
Trainee Auditor (Information Systems) (vacant at present)	1			
Administrative Assistant	0.5			
Total	18		Total	14

In accordance with the Public Sector Internal Audit Standards, the Head of Audit must ensure that Internal Auditors possess the knowledge, skills and competencies needed to perform their individual responsibilities. Internal Auditors are therefore encouraged to study for and obtain professional qualifications. In addition, it is a requirement of the standard that the Head of Audit must hold a professional qualification and be suitably experienced. The following information outlined in table 4 below demonstrates the experience and qualification mix for the Internal Audit Shared Service.

Table 4 - Qualifications / Experience

Post	Qualification Expectation	No of FTE's	No qualified	No of Employees with No of audit years' experience			
				1 – 2 years	3 – 5 years	6 -10 years	Over 10 years
Operational Manager Audit – Head of Audit	CCAB qualified and relevant experience.	1	1				1
Audit Client Manager (one vacant post)	CCAB qualified or equivalent.	2	1				1
Senior Auditors (three vacant posts)	Level 6 educational qualification e.g. Part Qualified Audit or Accountancy professional qualification e.g. PIIA, CIA or CCAB.	5	1				2
Auditors (½ vacant post)	Level 4 education qualification e.g. Qualified Accounting Technician (AAT) or equivalent.	4	2		1	2	1
Audit Assistant (2 vacant posts)	Level 3 educational qualification e.g. A Levels, BTEC National Award or part qualified AAT.	2					

All staff are encouraged to attend relevant courses and seminars to support their continual professional development. All staff have the opportunity to attend courses run by the Welsh Chief Auditors Group on a diverse range of topics. Individuals keep records of their continuing professional development based on their professional body requirements.

Internal Audit – Other Activities

- **Anti-Fraud** – the Internal Audit Shared Service continues to assist in promoting an anti-fraud and corruption culture. We have ensured that staff are made aware; via StaffNet; of any recent scams and frauds that have occurred in both the public and private sectors.

- **National Fraud Initiative** – The Council, via Internal Audit, has again participated in the National Fraud Initiative (NFI) as part of the statutory external audit requirements. This brings together data from across the public sector including local authorities, NHS, other government departments and other agencies to detect “matches” i.e. anomalies in the data which may or may not be indicative of fraud, for further investigation.
- **Advice and Guidance** – Internal Audit continues to provide advice and guidance both during the course of audits and responding to a wide range of ad-hoc queries.
- **Attendance at and contribution to, working groups etc.** - The Section continues to contribute to the development of the Council and ensuring that we are up to date with best practice by attending the following:-
 - Audit Committee;
 - Scrutiny Committees (as required);
 - Cabinet (as required);
 - Corporate Management Team /Board (as required);
 - Corporate Improvement Group.
 - The Welsh Chief Auditors Group and all its sub-groups (including South Wales Computer Audit Group; South East Wales Education Audit Group; Social Services Audit Group).
- **Investigation Work** – We continue to support Senior Management in providing resources and expertise in investigating allegations of fraud and misappropriation.

Internal Audit – Review of Performance Management and Quality Assurance Framework

The Public Sector Internal Audit Standards requires that the Head of Internal Audit develops and maintains a quality assurance and improvement programme that covers all aspects of the internal audit activity. The section has a “Quality Assurance and Improvement Programme (QAIP) that has been presented to, and approved by, the Audit Committee.

1. **Performance Management** – the section’s key performance indicators are set out in the section below.
2. **Quality Assurance** – each individual audit report and supporting working papers / documents are reviewed by either a Principal Auditor or the Head of Audit. Appropriate standards have been set by the Head of Internal Audit in accordance with the

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Standards. The file reviews ensure the audits comply with the Section’s internal processes and procedures and the overall Public Sector Internal Audit Standards. Where necessary corrective action is taken.

Internal Audit – Performance

The Section participates annually in the Welsh Chief Auditors Group benchmarking exercise. The results for 2016/17 have recently been received and are as follows:

Table 5

Performance Indicator 2016/2017	IASS Performance for BCBC 2016/17	Overall WCAG Average Performance 2016/17	IASS Performance For the BCBC 2015/16	Overall WCAG Average Performance 2015/16
Percentage of Planned Audits Completed	91	84%	98%	84%
Number of Audits Completed	75	90	102	95
Percentage of Audits Completed in Planned Time	63	63%	87%	70%
Percentage of directly chargeable time, actual versus planned	97.8	92%	99%	92%
Average number of days from audit closing meeting to issue of draft report.	9.5	8 days	9.5 days	6.8 days
% of staff leaving during the Financial Year	30.6*	10%	3%	9%

*combined figure for the shared service

Audit Client Satisfaction Questionnaires

At the completion of each audit, all recipients of reports are asked to comment on their satisfaction with the audit process, by way of a survey questionnaire ranging from a score of 1 for very satisfied to a score of 5 very unsatisfied. The results for the period April to December 2017 are summarised in Table 6 below.

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Table 6.

No.	Question	Average Score of Responses to December 2017	Average Score of Responses March 2016	Average Score of Responses March 2015	Average Score of Responses March 2014
1	Where appropriate, briefing of client and usefulness of initial discussion.	1.710	1.290	1.360	1.420
2	Appropriateness of scope and objectives of the audit.	1.860	1.560	1.450	1.450
3	Timelines of audit.	2.170	1.560	1.690	1.490
4	Response of Officer to any requests for advice and assistance.	1.140	1.330	1.240	1.300
5	General helpfulness and conduct of Auditor (s)	1.140	1.190	1.170	1.150
6	Discussion of findings / recommendations during or at the conclusion of the audit.	1.000	1.000	1.000	1.000
7	Fairness and accuracy of report.	1.430	1.420	1.360	1.600
8	Practicality and usefulness of recommendations	1.430	1.580	1.460	1.570
9	Standard of report.	1.140	1.420	1.290	1.380
10	Client agreement with overall audit opinion.	1.430	1.350	1.310	1.560

Governance Arrangements

The governance framework comprises the systems and processes, and cultures and values, by which the Council is directed and controls its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the

achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

Good Governance is about doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable way.

Bridgend County Borough Council is committed to the principles of good governance and as a result has adopted a formal Code of Corporate Governance (COCG) for the last six years. The COCG also makes provision for a joint commitment by Members and Officers to the principles it contains, as well as a statement of assurance jointly signed by the Leader of the Council and the Chief Executive. This helps to ensure that the principles of good governance are not only fully embedded but also cascade through the Council and have the full backing of the Leader of the Council and elected Members, as well as the Chief Executive and the Corporate Management Board. The work of the Internal Audit Shared Service represents a fundamental function in delivering the Council's Corporate Governance responsibilities.

Across the whole of the United Kingdom, local councils are facing unprecedented challenges following reduced Government funding and increased demands on essential services. Between 2016-17 and 2019-20, the Council is expecting to have to make budget reductions of up to £35.5 million. Budget cuts of this scale present a significant challenge that will require the Council to make many difficult decisions about what services can be maintained and what cannot.

The Council remains unwavering in its commitment towards improving and finding ways of delivering local services, providing better outcomes for residents and achieving savings that will ensure they can deliver a succession of balanced budgets.

As stated earlier in the report, based on the work completed so far to date by the Internal Audit Shared Service for the period April to October 2017; no significant cross cutting control issues have been identified (other than that reported in the body of this report) that would impact on the Council's overall control environment. The weaknesses that have been identified are service specific. The recommendations made to improve the overall control environment have been accepted and are being / will be implemented.

Of significant issue for the Internal Audit Shared Service is the current lack of resource and this is having an impact on the 2017/18 Audit Risk Based Plan. Prior to October 2017 the Section was carrying over 53% of its resource in vacant posts; this is obviously

unsustainable and without doubt will make this a very difficult year for the service. The current structure of the Shared Service has recently been reviewed and although the staff numbers have been reduced from 18 FTE's to 14, the number of senior posts has been increased. The purpose of this is to ensure a more resilient service moving forward which will not only meet the requirements of the Public Sector Internal Audit Standards (PSIAS) but also the changing environment in which we operate. Contingency plans are in place to address the shortage in resources until the end of March 2018.

In addition, Internal Audit is very mindful of the fact that in a Council of this size and complexity, with its significant savings requirements, there is an inherent risk of breakdown in the systems of control particularly where roles, responsibilities and systems are changing. It is clear that the scale of the challenges to come will mean that "business as usual", however well managed, will not be enough. The challenge will be to consider alternative delivery models for services across the Council and this will be essential to mitigate the impact of cuts and assist in continuing to provide priority services. Therefore, as the Council continues to experience reduced resources, increased demands on services and new and innovative forms of delivery; there is a need to ensure that the control environment; including governance and risk management; remains robust, proportionate and is as efficient and effective as possible.

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<u>Code</u>	<u>Job</u>	<u>Job Name</u>	<u>Days</u>	<u>Budget</u>	<u>Date Commenced</u>	<u>Date Closed</u>	<u>Opinion</u>
ASSURANCE							
	Directorate	CHIEF EXECUTIVE - RESOURCES					
	699 BCBC - C/F Main Acct & Bud Control		3.68	4.00	03/04/2017	05/07/2017	Substantial
	705 BCBC - Advice & Guidance CX & Resources		1.62	5.00	03/04/2017		
	718 BCBC - Income Generation		19.09	20.00	23/05/2017		
	738 BCBC - Housing Benefits		5.71	10.00	13/10/2017		
	741 BCBC - Creditors		9.86	15.00	03/11/2017		
	742 BCBC - Treasury Management		1.59	5.00	03/11/2017		
Total for	Directorate	CHIEF EXECUTIVE - RESOURCES	41.55	59.00			
	Directorate	OPERATIONAL SERVICES & PARTNERSHIPS					
B	698 BCBC - C/F Payroll		5.07	5.00	03/04/2017	16/06/2017	Reasonable
	706 BCBC - Advice & Guidance OpSvs & P/ship		0.71	5.00	03/04/2017		
	710 BCBC - IT Systems & Security Review		9.93	10.00	24/04/2017	06/07/2017	Reasonable
	716 BCBC - Payroll Grievances		29.56	30.00	03/04/2017		
	734 BCBC - Supporting People Grant 16-17		8.85	10.00	30/08/2017	13/11/2017	Reasonable
	744 BCBC - Mayoral Review		5.51	10.00	14/11/2017		
	750 BCBC - Compliance to the Code of Conduct		0.03	10.00	14/12/2017		
Total for	Directorate	OPERATIONAL SERVICES & PARTNERSHIPS	59.66	80.00			
	Directorate	EDUCATION AND FAMILY SUPPORT					
B	700 BCBC - C/F WB Allegation Education		3.61	5.00	03/04/2017	07/07/2017	Limited
	707 BCBC - Advice & Guidance Ed & Family Sup		0.81	5.00	03/04/2017		
	711 BCBC - Ed Minor Wks - Built Env		9.80	10.00	03/04/2017	05/07/2017	Substantial
	714 BCBC - CRSA & Assurance Schools 1617		4.22	3.00	03/04/2017	31/05/2017	Reasonable
	726 BCBC - Youth Work Strategy Support Grant		1.76	3.00	20/06/2017	07/07/2017	Reasonable
	727 BCBC - School Summary Report		4.93	5.00	20/06/2017	31/10/2017	Reasonable
	733 BCBC - Education Imp. Grant		4.97	5.00	17/07/2017	17/08/2017	Reasonable
	736 BCBC - School Uniform Grant		5.00	5.00	07/09/2017	20/09/2017	Substantial
	737 BCBC - School CRSA & Assurance 1718		4.83	5.00	18/09/2017		
	745 BCBC - CCYD Follow Up		0.84	3.00	21/11/2017		
	746 BCBC-Abercerdin School Catering Contract		0.41	5.00	28/11/2017		
	747 BCBC - Abercerdin School - P Cards		0.81	5.00	28/11/2017		
	748 BCBC - CRC		0.41	10.00	05/12/2017		
	752 BCBC - 6thForm & Adult Learning Statment		1.01	2.00	05/12/2017		
Total for	Directorate	EDUCATION AND FAMILY SUPPORT	43.41	71.00			

	Directorate	COMMUNITIES					
B		719 BCBC - Fleet	4.59	20.00	03/04/2017		
		729 BCBC - Highways Inspections & Complaints	20.24	20.00	03/07/2017		
		739 BCBC - SWTRA Grant Verification	10.34	10.00	18/10/2017		
	Total for Directorate	COMMUNITIES	35.17	50.00			
	Directorate	SOCIAL SERVICES AND WELLBEING					
B		697 BCBC - C/F Data Sharing Soc Svs	9.36	9.00	03/04/2017	06/06/2017	Reasonable
		708 BCBC - Advice & Guidance SS & Wellbeing	0.61	5.00	03/04/2017		
		713 BCBC - Section 117	23.07	25.00	17/04/2017	23/10/2017	Limited
		717 BCBC - Bus Svs Support Grant	4.90	5.00	18/05/2017	21/06/2017	Reasonable
		731 BCBC - Foster Care Payments	15.24	15.00	18/07/2017	27/11/2017	Limited
	Total for Directorate	SOCIAL SERVICES AND WELLBEING	53.18	59.00			
	Directorate	BCBC CROSS CUTTING					
B		701 BCBC - C/F Safeguarding	0.07	1.00	03/04/2017	15/05/2017	Reasonable
		703 BCBC - Finalising 2016-17 Jobs	11.49	20.00	03/04/2017	17/07/2017	N/A
		704 BCBC - Audit Planning	24.93	30.00	03/04/2017		
		709 BCBC - Audit Committee / CMB	23.24	30.00	03/04/2017		
		724 BCBC - Grant Verification Communities	1.96	2.00	05/06/2017	09/06/2017	Reasonable
		725 BCBC - Final Accounts	1.86	3.00	19/06/2017		
	Total for Directorate	BCBC CROSS CUTTING	63.55	86.00			
	Total for Function	ASSURANCE	296.52	405.00			
		ANTI-FRAUD & CORRUPTION					
	Directorate	CHIEF EXECUTIVE - RESOURCES					
B		735 BCBC - PTA accounting issues	18.04	20.00	04/09/2017	27/11/2017	Limited
	Total for Directorate	CHIEF EXECUTIVE - RESOURCES	18.04	20.00			
	Directorate	EDUCATION AND FAMILY SUPPORT					
B		715 BCBC - Engagement of Consultants	13.65	15.00	03/04/2017	02/10/2017	Limited
	Total for Directorate	EDUCATION AND FAMILY SUPPORT	13.65	15.00			
	Directorate	BCBC CROSS CUTTING					
B		721 BCBC - NFI	2.20	15.00	03/04/2017		
		723 BCBC - Counter Fraud Framework	12.84	15.00	05/06/2017		
		743 BCBC - Engagement of Consultants DM	0.91	5.00	06/11/2017		
	Total for Directorate	BCBC CROSS CUTTING	15.95	35.00			

Total for Function		ANTI-FRAUD & CORRUPTION	47.64	70.00			
		GOVERNANCE					
B	Directorate	OPERATIONAL SERVICES & PARTNERSHIPS					
		728 BCBC - New Member Support	12.16	10.00	03/07/2017	10/10/2017	Substantial
Total for	Directorate	OPERATIONAL SERVICES & PARTNERSHIPS	12.16	10.00			
B	Directorate	SOCIAL SERVICES AND WELLBEING					
		730 BCBC - Leisure Contract	11.35	10.00	03/07/2017	15/11/2017	Substantial
Total for	Directorate	SOCIAL SERVICES AND WELLBEING	11.35	10.00			
B	Directorate	BCBC CROSS CUTTING					
		720 BCBC - IASS Monitoring	7.57	10.00	03/04/2017		
		722 BCBC - COCG - AGS working group	0.81	5.00	03/04/2017	30/11/2017	N/A
		740 BCBC - Ethical Review	2.30	15.00	26/10/2017		
Total for	Directorate	BCBC CROSS CUTTING	10.68	30.00			
Total for Function		GOVERNANCE	34.19	50.00			
		RISK & PERFORMANCE MANAGEMENT					
B	Directorate	SOCIAL SERVICES AND WELLBEING					
		732 BCBC - SS and Wellbeing Act Overview	6.66	10.00	18/07/2017		
Total for	Directorate	SOCIAL SERVICES AND WELLBEING	6.66	10.00			
B	Directorate	BCBC CROSS CUTTING					
		712 BCBC - Insurance	20.71	15.00	26/04/2017	07/12/2017	Reasonable
Total for	Directorate	BCBC CROSS CUTTING	20.71	15.00			
Total for Function		RISK & PERFORMANCE MAN	27.36	25.00			
		Grand	405.71				

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BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

18 JANUARY 2018

REPORT OF THE CHIEF INTERNAL AUDITOR

UPDATE ON THE AUDIT RISK BASED PLAN 2017-18

1. Purpose of Report.

1.1. To provide Members with a position statement on the audit work that was included and approved within the 2017/18 Internal Audit Annual Risk Based Plan.

2. Connection to Corporate Improvement Objectives / Other Corporate Priority.

2.1. Internal Audit's work impacts on all the Corporate Improvement Objectives/other Corporate Priorities.

3. Background

3.1. Internal Audit conducts reviews according to an annual audit plan and reports findings to Audit Committee. Throughout the year priorities may be re-evaluated, ad hoc work requests are received and resources change. All of these have an impact on the ability to undertake some of the audits planned.

4. Current situation / proposal.

4.1. It was agreed at the Audit Committee meeting held on 16th November 2017 that, following the presentation of the Head of Audit's summary outturn report covering the period April to October 2017 and as a consequence of the impact of the number of staff vacancies the section is currently carrying, Members would be provided with an update on the progress against the plan.

4.2. The attachment at Appendix A provides Members with the relevant information in relation to the Directorates and the audit areas, together with a position statement relevant to the area. It highlights those reviews that have been completed, those allocated for quarter four, those that will be incorporated within the work allocated to the South West Audit Partnership and those that will no longer be completed this financial year but could be deferred to 2018/19 and/or where assurances can be sought from other external regulators. Members can be assured that every effort is being made to ensure that as much of the 2017/18 Risk Based Audit Plan can be completed in order that the Head of Audit is able to provide an annual opinion.

4.3. The work to be undertaken by the South West Audit Partnership as indicated within Appendix A will encompass a new approach which is based on the 3 lines of Defence Model, promoted by the Chartered Institute of Internal Auditors. This being:

1st line of Defence – Operational Management (management controls / internal control measures)

2nd line of Defence – Risk Management and Compliance functions (financial controls; security; risk management; quality; inspection and control).

3rd line of Defence – Internal Audit

4.4. It is a health check on 8 essential corporate functions (or any combination of the 8) which underpins day to day operational activities. These are Corporate Governance; Financial Management; Risk Management; Performance Management; Procurement and Commissioning; People and Asset Management; Programme and Project management and Information Management.

4.5. In consultation with the Chief Executive, it has been agreed that four areas would be included in the Healthy Organisation review, these being Risk Management; Corporate Governance; Programme and Project Management and Information Management.

4.6. This approach has a number of benefits such as:

- The results of the review can be used to inform the audit plan for the following year;
- Members, officers and Internal Auditors are more informed on the organisation's assurance arrangements;
- Addresses systemic organisation failure through a corporate view, rather than individual control failure;
- Promotes the efficient use of assurance resources - assurance is expensive and duplication is identified through this approach.
- Can eliminate assurance reporting in silos - supports a move towards integrated, organisational wide reporting.

5. Effect upon Policy Framework & Procedure Rules.

5.1. None

6. Equality Impact Assessment.

6.1 There are no equality implications.

7. Financial Implications.

7.1. There are no resource implications as a direct result of this report. The external cost of the review will be met out of the IASS's existing budget.

8. Recommendation.

8.1. That the Committee notes this report.

Helen Smith
Chief Internal Auditor
18th January 2018

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Chief Internal Auditor

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Postal Address

Bridgend County Borough Council
Internal Audit
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Bridgend Science Park
Bridgend
CF31 3NA

Background documents

Internal Audit reports relating to the above audits held within the Internal Audit Division

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Update on Progress against Bridgend County Borough Council’s Internal Audit Plan for 2017-18**Cross-cutting - BCBC**

Area	Audit Scope	IASS Budget Days	Status
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. To assist the Council in the production of the Annual Governance Statement.	10	Allocated for Quarter 4
Safeguarding	Case management of safeguarding incidents are dealt with in accordance with the Council’s safeguarding policies and procedures. This review will also include an annual assessment of the Council’s overall operating model for safeguarding; including reviewing the adequacy of assurances obtained by the Council in respect of safeguarding arrangements in place for vulnerable adults and children.	15	Allocated for Quarter 4
Transformational Change	Whilst recognising the need to generate savings, there is also a need to ensure that gaps in controls in key risk areas do not emerge as a result of transformation and that the necessary savings have been and are being achieved. This will be included within other reviews where appropriate.		Allocate to SWAP as part of the Healthy Organisation Review: Information Management; Programme & Project Management; Governance; Risk Management (Procurement & Commissioning).
Ethical Review	In accordance with the Public Sector Internal Audit Standards; review of procedures and standards in operation.		Complete
Bus Services Support Grant	To verify and validate grant claims as required.		Complete
Quality Assurance & Improvement Programme / Review of the Effectiveness of Internal Audit	To undertake a series of internal audits to ensure compliance with PSIAS. To review / ensure compliance with the Accounts and Audit (Wales) Regulations 2014 / Public Sector Internal Audit Standards (PSIAS).	5	Contingency

Emerging Risks / unplanned	To enable Audit Services to respond to provide assurance activity as required.	10	Contingency
Provision of Internal Control / Planning / General Advice	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.	10	Contingency
Audit Committee / Member and CMB Reporting	This allocation covers Member reporting procedures, mainly to the Audit Committee, plan formulation and monitoring, and regular reporting to, and meeting with, Corporate Directors, Corporate Management Board, the Internal Audit Shared Service Board and the Chair of the Audit Committee	20	In progress
External Audit Liaison	To ensure that a “managed audit” approach is followed in relation to the provision of internal and external audit services.	5	Contingency
Follow – Up	Where more serious concerns over the effectiveness of internal controls within the systems being reviewed are identified (and consequently an ‘ineffective’ or ‘poor’ opinion is provided at the time), a follow-up audit is undertaken at an appropriate time, allowing adequate time for the implementation of the recommendations but also taking into account the risk presented to the Council whilst the actions required remain open.	10	In progress
Recommendation Monitoring	Whilst it is management’s responsibility to manage the risks associated with their outcomes / objectives, this allocation enables Internal Audit to monitor management’s progress with the implementation of high priority recommendations.	10	In progress

<p>Fraud / Error / Irregularity</p>	<p>Irregularity Investigations – Reactive work where suspected irregularity has been detected.</p> <p>Anti-Fraud & Corruption – Proactive – Proactive counter-fraud work that includes targeted testing of processes with inherent risk of fraud.</p> <p>Developing fraud risk assessment in inform further areas for detailed focus (Fraud Risk Tools).</p> <p>National Fraud Initiative – Collection of data and analysis of matches for the NFI exercise, acting as first point of contact and providing advice and guidance to key contact officers.</p>	<p>20</p>	<p>Contingency</p>
<p>Carried Forward Work from 2016-17</p>	<p>Provision for the assignments still In progress at the end of 2016/17</p>		<p>Complete</p>
<p>Review of IT Strategy</p>	<p>Internal Audit will undertake a review to provide assurances over the adequacy and effectiveness of the Strategy to deliver the Council's priorities.</p>		<p>SWAP Healthy Organisation Review: Information Management; Programme & Project Management; Governance; Risk Management (Procurement & Commissioning)</p>
<p>Partnerships / Collaboration</p>	<p>To review the Council's approach to governance over collaborative working / partnership arrangements. The areas to be covered will be developed during the year and will concentrate on: Evaluation of controls, Consistency of approach (taking into account factors such as proportionality and appropriateness) Relevance / meeting strategic (operational) objectives / outcomes.</p>		<p>Defer to 2018/19 – However elements of this will be incorporated within the Healthy Organisation Review</p>
<p>Risk Management</p>	<p>Robust risk management system is required to underpin delivery of Council objectives, compliance with legislation. Internal Audit review is also required to provide a balanced Annual Head of Audit Opinion that contributes to the Annual Governance Statement.</p> <p>Internal Audit will undertake a review of evidence to ensure that the Council has a fully embedded risk management system in place that identifies and considers risks to key strategic and operational objectives.</p>		<p>SWAP Healthy Organisation Review: Information Management; Programme & Project Management; Governance; Risk Management (Procurement & Commissioning)</p>

COMMUNITIES DIRECTORATE

Area	Proposed Audit Scope	IASS Budget Days	Status
Waste	Review of waste management contract arrangements with emphasis placed on effective management of contracts and arrangements in place to respond to any changes in government legislation.		SWAP Healthy Organisation Review: Information Management; Programme & Project Management; Governance; Risk Management (Procurement & Commissioning)
Project Contract Management	Assess the most important contracts under the direction of the Directorate and how these are managed in terms of: whether the contract in place is robust and effective, variations to contracts are approved and embedded promptly, performance management is clear and if the culture between the parties is effective. Review the methodology and practice within the Directorate to manage projects.		SWAP Healthy Organisation Review: Information Management; Programme & Project Management; Governance; Risk Management (Procurement & Commissioning)
Property Compliance	This review has been rolled forward from 2016/17. This may be considered as a cross-cutting review due to the diversity of responsibility i.e. schools.	20	Not yet allocated to be undertaken during QTR 4
Capital Region City Deal	The “City Deal” aims to create 25,000 new jobs by 2036 and bring in £4 billion of private sector investment. The City Deal will bring £1.229 billion of investment in South East Wales infrastructure. There will also be programmes designed to tackle unemployment, support local businesses, improve the region’s digital network and coordinate house building and regeneration across the region. Initially this review will focus on the effectiveness of the overall governance arrangements		SWAP Healthy Organisation Review: Information Management; Programme & Project Management; Governance; Risk Management (Procurement & Commissioning)
Highways	One of the Corporate Risks for the Council as outlined in the Corporate Risk Register 2017-18 is Maintaining Infrastructure. One of the mitigating risks is the reliance that will be placed upon the inspection regime and responding to complaints. An assurance review will be undertaken in this area.	20	In progress
Health & Safety	To review procedures in operation by the Council to ensure compliance with policies and procedures, Health & Safety training, Risk Assessments, records maintenance and incident reporting.		Deferred to Quarter 1 of 2018/19

EDUCATION & FAMILY SUPPORT DIRECTORATE

Area	Audit Scope	IASS Budget Days	Status
Grant Certification	There are a number of grant funded schemes that require an Internal Audit review prior to the final claim submission. Internal Audit will undertake the necessary assurance checks as these grant submissions become due.		Complete
CRC	Provide the necessary assurance associated with the Carbon Reduction Certification.	10	In progress
Built Environment	To undertake a programme of system review audits. A risk-based approach is taken to prioritise the systems and processes in operation within Built Environment to be reviewed. The objectives will be to determine whether the systems and procedures in operation are functioning satisfactorily and are in accordance with legislation if appropriate and Council Policy.		Complete
Schools	To undertake a programme of system review audits on a thematic basis across the Schools within the Borough Council. To undertake a number of individual school audits based on a risk assessment.	30	CRSA's 16/17 complete CRSA's 17/18 in progress Grants complete
Early Help Locality Hubs (Compliance)	To independently review and appraise systems of internal control in relation to Early Help Locality Hubs to ensure compliance.		SWAP Healthy Organisation Review: Information Management; Programme & Project Management; Governance; Risk Management (Procurement & Commissioning)
Transport for Schools	The audit will review transport arrangements for children. The audit will include a review of the following: The assessment process undertaken, how services are procured, how transport is allocated and whether the allocations are equitable.		Not able to undertake this due to resource however, will gain assurances from the work undertaken by SWAP
School Based Ethical policies	The review will provide assurance over the adequacy and effectiveness of school based ethical policies and procedures.		Incorporated into the CRSA's

OPERATIONAL PARTNERSHIPS SERVICES DIRECTORATE

Area	Audit Scope	IASS Budget Days	Status
Compliance	A number of reviews will be undertaken to provide assurance over compliance with Council policies, procedures and where appropriate legislation.	10	Allocated for Quarter 4
HR	Evaluating controls within HR systems designed to prevent and / or detect fraud, irregularity or error, and to ensure that transactions are processed in accordance with Council policy, Finance and Contract Procedure Rules and appropriate legislation.	20	Allocated for Quarter 4
Supporting People Grant	Internal Audit will undertake the necessary assurance checks and certification as required by the grant conditions.		Complete
ICT	To continue a programme of system review audits, the objectives will be to determine whether the systems and procedures in operation are functioning satisfactorily and are in accordance with legislation and Council Policy. <ul style="list-style-type: none"> • Access to information and facilities is controlled and restricted to authorised users according to their needs. • The potential for fraud and error are minimised; • The system is effectively administered and supported; • All staff using the system have been correctly trained to the level that will allow them to properly fulfil their duties; • The system under review is continually available during working hours 		IT Systems and Security Complete Remainder of the programme to be allocate to SWAP as part of the Healthy Organisation Review: Information Management; Programme & Project Management; Governance; Risk Management (Procurement & Commissioning)
Members	Following the May elections, reviews will be undertaken to ensure that Members comply with the Council's Gifts and Hospitality Policy, Declaration of Interests and Code of Conduct.		Part completed Remainder will be deferred to Quarter 1 of 2018/19

CHIEF EXECUTIVE - FINANCE

Area	Audit Scope	IASS Budget Days	Status
Core Financial Systems	<p>The audit priorities and objectives are determined taking a risk-based approach. The audits to be undertaken will be a blend of assignments with objectives primarily relating to issues of system compliance and those with objectives primarily aimed at driving improvement in economy, efficiency and effectiveness.</p> <ul style="list-style-type: none"> Evaluating the controls within a system designed to prevent and / or detect fraud, irregularity or error, and to ensure that transactions are processed in accordance with Council policy, Finance and Contract Procedure Rules, legislation and the requirements of external bodies such as HM Revenues and Customs. Review a range of systems' intelligence to assess how well a system is achieving its objectives and overall desired outcomes, safeguarding the interests of the Council and achieving value for money. 	50	Allocated in Quarter 3 and 4
Automated Processes	Review of automated processes to ensure a robust internal control environment.	10	Allocated quarter 3 and 4
Capital Assets (Capital Receipts)	Review of arrangements to identify, monitor, control and report on Capital Assets including Capital Receipts.		SWAP Healthy Organisation Review: Information Management; Programme & Project Management; Governance; Risk Management (Procurement & Commissioning)
Income Generation	Maximisation of existing and identification of new income streams.		Complete
Performance Indicators	The validation of the Council's overall performance		Deferred to Quarter 1 of 2018/19

SOCIAL SERVICES & WELLBEING DIRECTORATE

Area	Audit Scope	IASS Budget Days	Status
Section 117	This review has been carried forward from 2016/17. To follow up on the recommendations made in the 2014/15 Internal Audit Report to ensure adequate progress has been made to address the internal control weaknesses.		Complete
Social Services & Wellbeing Act	The formal implementation date of the Act was April 2016, it will take a significant period of time to bed in due to the introduction of new ways of working and the inevitable impact this will have on the present culture, custom and practice. Therefore, Internal Audit will continue a programme of reviews, provide advice and support where needed to provide overall assurances on the robustness of the systems and processes put in place as they develop. To assess whether there is robust challenge over the placement identification process and pricing, and whether all information is required and received by the appropriate Panels.	25	In progress
Funding			Complete
Leisure	To review the overall effectiveness of the delivery of the Leisure Contract with Halo.		Complete
Directorate	Reviews will be undertaken relating to the effectiveness of quality assurance processes within Social Services & Well-being which will provide assurance on the internal control, governance and risk management environment.	10	To be allocated during quarter 4
Children	An independent review of the corporate governance arrangements over children social care to provide assurance that these remain effective and achieve appropriate outcomes for children and young people.		SWAP Healthy Organisation Review: Information Management; Programme & Project Management; Governance; Risk Management (Procurement & Commissioning)
Payments to providers	To review how quickly after contract award, service providers are set up on the system and accurately paid.		SWAP Healthy Organisation Review: Information Management; Programme & Project Management; Governance; Risk Management (Procurement & Commissioning)

Total Days Available	Vale 56%	BCBC 44%	Directorate Vale	BCBC Actual Days April – Oct Total	Balance	Nov 17 to March 18
						IASS Budget
			CEX – Resources (130)	38	92	60
			Operational Services & Partnerships (110)	57	53	30
			Education & Family Support (125)	50	75	40
			Communities (130)	19	111	40
			Social Services & Wellbeing (170)	64	106	35
			Cross Cutting (330)	85	245	115*
Total 460	258	202	Total 995 minimum	313	682	320

(* this figure included 50 days of contingency)

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BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

18 JANUARY 2018

REPORT OF THE CHIEF INTERNAL AUDITOR

UPDATED FORWARD WORK PROGRAMME 2017-18

1. Purpose of Report.

- 1.1 To present to Members the updated Forward Work Programme for 2017/18 for consideration.

2. Connection to Corporate Improvement Objectives/Other Corporate Priorities

- 2.1 Internal Audit's work impacts on all of the Corporate Improvement Objectives /other Corporate Priorities.

3. Background.

- 3.1 The Core functions of an effective Audit Committee are:-

- To consider the effectiveness of the Council's Risk Management arrangements, the control environment and associated anti-fraud and corruption arrangements.
- Seek assurances that action is being taken on risk-related issues identified by auditors and inspectors.
- Be satisfied that the Council's assurance statements properly reflect the risk environment and any actions required to improve it.
- Oversee the work of internal audit (including the annual plan and strategy) and monitor performance.
- Review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary.
- Receive the annual report of the Chief Internal Auditor as Head of Audit.
- Consider the reports of external audit and inspection agencies, where applicable.
- Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
- Review and approve the financial statements, external auditor's opinion and reports to Members, and monitor management action in response to the issues raised by external audit.

- 3.2 Effective Audit Committees help raise the profile of internal control, risk management and financial reporting issues within an organisation, as well as providing a forum for the discussion of issues raised by internal and external auditors. They enhance public trust and confidence in the financial governance of an authority.

4. Current situation / proposal.

4.1 In order to assist the Audit Committee in ensuring that due consideration is given by the Committee to all aspects of their core functions the updated Forward Work Programme for 2017/18 is at **Appendix A**.

5. Effect upon Policy Framework& Procedure Rules.

5.1 None

6. Equality Impact Assessment

6.1 There are no equality implications arising from this report.

7. Financial Implications.

7.1 None

8. Recommendation.

8.1 That Members consider and note the updated Forward Work Programme 2017-18.

Helen Smith
Chief Internal Auditor
18th January 2018

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Background documents

None

**AUDIT COMMITTEE
SCHEDULE OF MEETINGS AND FORWARD WORK PROGRAMME
2017 - 2018**

PROVISIONAL DATE OF MEETING	FORWARD WORK PROGRAMME	OFFICER RESPONSIBLE	UPDATE
2017			
29th June	Information and Action Requests (if applicable).	Chief Internal Auditor (CIA)	N/A
	Proposed Forward Work Programme 2017/18.	CIA	Complete
	Pre-audited Statement of Accounts 2016/17.	Head of Finance	Complete
	Draft Annual Governance Statement 2016-17	Head of Finance	Complete
	Treasury Management Outturn 2016/17	Head of Finance	Complete
	External Auditors / Inspection Reports (where applicable).	Head of Finance / WAO	Complete
	IASS Outturn Report April and May 2017.	CIA	Complete
	IASS Charter 2017-18	CIA	Complete
	IASS - External Assessment	CIA	Complete
	IASS Risk Based Plan 2017-18	CIA	Complete
28th September	Information and Action Requests	CIA	N/A
	Updated Forward Work Programme	CIA	Complete
	Statement of Audited Accounts and Final Annual Governance Statement 2016/17	Head of Finance / WAO	Complete
	Internal Audit 5 months Outturn Report April to August 2017.	CIA	Complete
	External Auditors / Inspection Reports (where applicable).	Head of Finance / WAO	Complete
16th November	Up dated Forward Work Programme	CIA	
	Information and Action Requests (where applicable)	CIA	N/A
	Fraud update	Head of Finance / Benefits Manager	Complete
	Corporate Risk update - Communities Directorate	Head of Finance / Risk & Insurance Manager	Complete
	Treasury Management Half Year monitoring report 2017-18	Head of Finance	Complete
	Internal Audit Outturn Report – April 2017 to October 2017.	CIA	Complete
	External Assessment update	CIA	Complete
	IASS staff resourcing update	CIA	Complete
	External Auditors / Inspection Reports (where applicable).	Head of Finance / WAO	Complete
2018			
18th January	Up dated Forward Work Programme	CIA	Submitted
	Internal Audit 9 months Outturn Report April 2017 – December 2017	CIA	Submitted
	External Auditors / Inspection Reports (where applicable)	Head of Finance / WAO	Submitted
	Corporate Risk Assessment 2017-18	Head of Finance	Submitted
	Progress against 2017-18 Audit Plan	CIA	Submitted

APPENDIX A

	Treasury Management Strategy 2018-19	Head of Finance	Submitted
	External Auditors / Inspection Reports (where applicable).	Head of Finance / WAO	Submitted
26th April	Information and Action Requests (where applicable)	CIA	
	Updated Forward Work Programme	CIA	
	Proposed Forward Work Programme 2018-19.	CIA	
	Internal Audit proposed Annual Strategy and Audit Plan 2018-2019.	CIA	
	Audit Committee – Terms of Reference	CIA	
	Internal Audit Shared Service Charter	CIA	
	Head of Audit’s Annual Opinion Report and outturn for the Year 2017/18	CIA	
	External Auditors / Inspection Reports (if applicable): -	Head of Finance / WAO	