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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

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

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



Annwyl Cyngorydd,

PWYLLGOR ARCHWILIO

Cynhelir Cyfarfod Pwyllgor Archwilio yn Committee Rooms 2/3, Civic Offices Angel Street Bridgend CF31 4WB ar **Dydd Iau, 8 Awst 2019** am **14:00**.

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 - 10
I dderbyn am gymeradwyaeth y Cofnodion cyfarfod y 13/06/19
4. Cofnod Gweithredu'r Pwyllgor Archwilio 11 - 22
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11. Materion Brys

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Rydym yn croesawu gohebiaeth yn y Gymraeg. Rhowch wybod i ni os yw eich dewis iaith yw'r Gymraeg

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

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

K Watson

Pennaeth Gwasanaethau Cyfreithiol a Rheoleiddiol

Dosbarthiad:

Cynghowrwy

CA Green

JE Lewis

MJ Kearn

B Sedgebeer

Cynghorwyr

RM Granville

LM Walters

A Williams

AJ Williams

Cynghorwyr

PA Davies

P Davies

TH Beedle

A Hussain

Aelod Lleyg

Mrs J Williams

PWYLLGOR ARCHWILIO - DYDD IAU, 13 MEHEFIN 2019

COFNODION CYFARFOD Y PWYLLGOR ARCHWILIO A GYNHALIWIWYD YN COMMITTEE ROOMS 2/3, CIVIC OFFICES ANGEL STREET BRIDGEND CF31 4WB DYDD IAU, 13 MEHEFIN 2019, AM 14:00

Presennol

Y Cynghorydd – Cadeirydd

CA Green	JE Lewis	MJ Kearns	B Sedgebeer
RM Granville	LM Walters	A Williams	AJ Williams
PA Davies	P Davies	TH Beedle	A Hussain

Swyddogion:

Mark Thomas	Pennaeth Gwasanaeth Archwilio Rhanbarthol
Mary Williams	Rheolwr Grŵp - Phrif Gyfrifydd
Julie Ellams	Swyddog Gwasanaethau Democraidd - Pwyllgorau
Gill Lewis	Pennaeth Cyllid a Swyddog 151 Dros Dro
Nigel Smith	Rheolwr Cyllid
Joan Davies	Uwch Archwilydd Grwp
Deborah Exton	Rheolwr Grŵp Cynllunio Ariannol a Rheoli Cyllidebaue
Samantha Clements	Swyddfa Archwilio Cymru
Mark Jones	Rheolwr Archwilio Ariannol, Swyddfa Archwilio Cymru

Aelod Lleyg:

Josephine Williams

128. ETHOL CADEIRYDD

PENDERFYNWYD: Mae'r Cynghorydd Lyn Walters wedi'i ethol fel Cadeirydd y Pwyllgor Archwilio ar gyfer y flwyddyn nesaf.

129. ETHOL IS-GADEIRYDD

PENDERFYNWYD: Mae'r Cynghorydd Alex Williams wedi'i ethol fel Is-gadeirydd y Pwyllgor Archwilio ar gyfer y flwyddyn nesaf.

130. DATGANIADAU O FUDDIANT

Dim

131. CYMERADWYO'R COFNODION

PENDERFYNWYD: Bod cofnodion cyfarfod y Pwyllgor Archwilio ar 18 Ebrill 2019 yn cael eu cymeradwyo fel cofnod gwir a chywir.

Fel y gofynnwyd yn y cyfarfod blaenorol, adroddodd y Pennaeth Cyllid Dros Dro a Swyddog Adran 151 fod diweddariad ar gamau heb eu cymryd ers cyfarfodydd blaenorol y Pwyllgor Archwilio yn cael ei baratoi. Sicrhawyd y pwyllgor gan Reolwr y Gwasanaethau Democraidd y byddai'r wybodaeth hon yn cael ei chyflwyno i'r cyfarfod nesaf ar 8 Awst 2019.

Cyfeiriodd Bennaeth y Gwasanaethau Archwilio Rhanbarthol at gofnod 123, Archwiliad Mewnol – Adroddiad Alldro Terfynol. Esboniodd eu bod yn dal i wneud cynnydd ar y darn penodol hwnnw o waith ac y dylai gael ei gwblhau yn ystod y chwe wythnos nesaf.

132. DIWEDDARIAD AR WAITH PERFFORMIAD SWYDDFA ARCHWILIO CYMRU 2019-20

Cyflwynodd y Pennaeth Cyllid Dros Dro a Swyddog Adran 151 adroddiad a oedd yn rhoi diweddariad i'r aelodau ar y Rhaglen Archwilio Perfformiad ar gyfer 2019-20 gan Swyddfa Archwilio Cymru.

Cafodd diweddariad Mehefin 2019 ar raglen waith archwilio perfformiad Swyddfa Archwilio Cymru ei atodi fel Atodiad A i'r adroddiad. Roedd yn amlinellu'r gwaith a wnaed yn y Cyngor gan ac ar ran yr Archwilydd Cyffredinol o dan Fesur Llywodraeth Leol (Cymru) 2009 a Rhannau 2 a 3A o Ddeddf Archwilio Cyhoeddus (Cymru) 2004.

Gwnaeth y cynrychiolydd o Swyddfa Archwilio Cymru ddarparu diweddariad ar statws pob eitem, gan gynnwys gwaith a ymgwymerwyd a dyddiadau cwblhau disgwylidiedig.

Cyfeiriodd un aelod at yr "Adolygiad o Fyrddau Gwasanaethau Cyhoeddus ac effeithiolrwydd gwaith partner", gan ofyn a oedd yr adolygiad yn cynnwys edrych ar ganlyniadau a chyrhaeddiadau'r Byrddau Gwasanaethau Cyhoeddus. Esboniodd y cynrychiolydd o Swyddfa Archwilio Cymru fod briff y prosiect wedi cael ei anfon at y Cyngor ac, fel rhan o'r diweddariad nesaf, y byddai hi'n darparu copi. Byddai hi hefyd yn trafod y maes hwn gyda'r Pennaeth Cyllid Dros Dro a Swyddog Adran 151 er mwyn cael dealltwriaeth well o'r hyn a olygir gan y gwaith.

Gwnaeth y Pennaeth Cyllid Dros Dro a Swyddog Adran 151 gyfeirio at yr astudiaeth ar "Effaith cyni ar wasanaethau dewisol mewn llywodraethau lleol", gan esbonio y byddai'n fuddiol cael diffiniad clir o'r term "dewisol" mewn perthynas â gwasanaethau statudol. Atebodd y cynrychiolydd o Swyddfa Archwilio Cymru y byddai hi'n adolygu briff y prosiect, ei drafod gyda swyddogion Swyddfa Archwilio Cymru, ac yna'n adrodd yn ôl. Ychwanegodd y Cadeirydd fod arsylwadau tebyg wedi cael eu gwneud mewn pwyllgorau craffu, lle roedd cynghorau wedi cael eu hysbysu bod yn rhaid iddynt fod yn fwy arloesol wrth gyflenwi gwasanaethau.

PENDERFYNWYD: Bod yr aelodau yn nodi diweddariad Mehefin 2019 ar raglen waith archwilio perfformiad Swyddfa Archwilio Cymru.

133. DATGANIAD LLYWODRAETHU BLYNYDDOL 2018-19

Gwnaeth y Pennaeth Cyllid Dros Dro a Swyddog Adran 151 gyflwyno Datganiad Llywodraethu Blynyddol 2018-19 i'w gymeradwyo cyn iddo gael ei gynnwys o fewn y datganiad nas archwiliwyd o gyfrifon ar gyfer 2018-19. Roedd hyn yn gyfle i aelodau adolygu a herio'r naratif o fewn y ddogfen, a oedd eisoes wedi derbyn sylw gan y Bwrdd Rheoli Corfforaethol, y Cabinet, a gwasanaethau archwilio mewnol ac allanol. Ychwanegodd hi y byddai cyfle pellach i aelodau wneud sylwadau yn ystod cyfarfod y Pwyllgor Archwilio ym mis Awst.

Adroddodd y Pennaeth Cyllid Dros Dro a Swyddog Adran 151 at dudalennau 36 i 38 o'r agenda, a oedd yn dangos y cynnydd a wnaed ers datganiad y flwyddyn flaenorol.

Nododd aelod y byddai'n fuddiol gweld yr wybodaeth honno ymlaen llaw a'i bod yn anodd darllen drwy'r ddogfen gyfan i geisio deall yr hyn a oedd wedi newid o'i gymharu â'r llynedd.

Nododd y Cadeirydd fod y ddogfen yn haws ei darllen eleni nag oedd y flwyddyn flaenorol.

PENDERFYNWYD: Bod y Pwyllgor wedi adolygu a chymeradwyo Datganiad Llywodraethu Blynyddol 2018-19 (Atodiad A) i'w gynnwys o fewn y datganiad nas archwiliwyd o gyfrifon ar gyfer 2018-19.

134. DATGANIAD O GYFRIFON 2018/19 (HEB EU HARCHWILIO)

Cyflwynodd y Rheolwr Cyllid – Rheoli Ariannol a Chau y datganiad nas archwiliwyd o gyfrifon ar gyfer 2018-19 er gwybodaeth a datganiad blynyddol yr Awdurdod Harbwr ar gyfer 2018-19 i'w gymeradwyo.

Esboniodd fod datganiad o gyfrifon drafft y Cyngor ar gyfer y flwyddyn ariannol a ddaeth i ben ar 31 Mawrth 2019 wedi'i atodi fel Atodiad A i'r adroddiad a'i fod yn cynnwys amrywiaeth o ddatganiadau gwahanol sy'n ymwneud â'r perfformiad ariannol a chronfeydd, yn ogystal â datganiad ar y trefniadau llywodraethu corfforaethol. Roedd y datganiad blynyddol ar gyfer yr Awdurdod Harbwr wedi'i atodi i'r adroddiad hefyd i'w gymeradwyo.

Esboniodd y Rheolwr Cyllid – Rheoli Ariannol a Chau y cafodd y datganiad o gyfrifon ar gyfer 2018/19 ei gymeradwyo gan y Swyddog Adran 151 a'i roi i Swyddfa Archwilio Cymru ar 28 Mai 2019, bythefnos ymlaen llaw i'r dyddiad y gofynnwyd amdano. Roedd hyn yn dangos ymrwymiad y Cyngor i gau'r cyfrifon yn gynharach, fel a wnaed yn ystod y ddwy flynedd ddiwethaf. Amlinellodd y Datganiadau Ariannol Craidd a oedd wedi'u cynnwys yn y cyfrifon, a gynhyrchwyd yn unol â Safonau Adrodd Ariannol Rhyngwladol a dangosyddion eraill o ddiddordeb.

Cyfeiriodd un aelod at y nifer fawr o ysgolion a oedd â diffyg yn eu cyllideb, gan holi a oedd y fformiwla ariannu yn gywir. Atebodd y Pennaeth Cyllid Dros Dro a Swyddog Adran 151 fod hynny'n gwestiwn diddorol a bod dogfen newydd wedi'i chyflwyno i'r Cyngor yn ddiweddar a oedd yn dangos yr hyn a oedd yn cael eu wneud i reoli'r diffyg. Roedd rhai cynghorau wedi newid y fformiwla ond roedd y cyfanswm wedi aros yr un fath, felly, yn yr achosion hyn, byddai rhai ysgolion a fyddai ar eu hennill a rhai ar eu colled. Fforwm Cyllidebau Ysgolion oedd y corff a fyddai'n ystyried manteision/anfanteision unrhyw newidiadau i'r fformiwla ariannu.

Nododd yr aelod, o ystyried y Strategaeth Ariannol Tymor Canolig, y byddai'r ysgolion hynny a oedd eisoes â diffyg yn ei chael yn anodd mantoli eu cyllideb. Esboniodd y Pennaeth Cyllid Dros Dro a Swyddog Adran 151 eu bod eisoes yn gweithio'n agos gydag ysgolion i helpu i leihau'r diffygion ac, yn gyffredinol, roedd ysgolion yn y sefyllfa hon am bob math o resymau. Roedd lefel y cymorth wedi'i gynyddu i roi cyfle i ysgolion greu cynllun yn nodi sut byddent yn lleihau'r diffyg ac roedd hi'n bendant eu bod wedi achub y blaen ar y sefyllfa. Gofynnodd yr aelod sut roedd diffyg mewn cyllideb yn cydfynd â chanlyniadau arolygiadau Estyn a sut y gallai'r ysgolion hyn wneud cynnydd. Esboniodd y Pennaeth Cyllid Dros Dro fod y duedd yr un peth ledled Cymru. Roedd y sefyllfa wedi gwella rhywfaint eleni ond dim ond oherwydd grant munud olaf gan Lywodraeth Cymru. Roedd yn anodd i ysgolion ymdopi pan oedd gwybodaeth am grantiau ar gael ar y funud olaf. Nid oedd grant mawr gan Lywodraeth Cymru wedi cael ei gytuno eto ar gyfer y flwyddyn bresennol ac roedd hyn yn ei gwneud yn anodd iawn i ysgolion reoli eu cyllidebau. Eglurodd y byddai arolygwyr yn edrych ar y trefniadau rheoli ariannol sydd ar waith i gefnogi ysgolion yn ystod arolygiad. Roedd yr adroddiad diweddar gan Estyn yn galonogol ac roeddent yn gallu gweld bod cymorth da yn cael ei ddarparu. Byddent hefyd yn edrych ar y balansau dros nifer o flynyddoedd a niferoedd y

disgyblion. Roedd yn anodd gwneud cynlluniau, ond roeddent yn cefnogi'r ysgolion gymaint â phosibl.

Cyfeiriodd un aelod at leihad mewn costau gwasanaethau o tua £10 miliwn yn ystod y flwyddyn, gan ofyn a oedd hynny yn unol â'r disgwyliadau o gofio'r cynllun cynilo am y flwyddyn. Ychwanegodd hi mai'r lleihad mwyaf, yn ôl pob tebyg, oedd o fewn Addysg a Chymorth i Deuluoedd a gofynnodd a oedd yr arbedion yn unol â'r disgwyl. Esboniodd y Rheolwr Cyllid – Rheoli Ariannol a Chau mai oherwydd addasiad technegol yn rhannol oedd y lleihad o fewn Addysg a Chymorth i Deuluoedd yn dilyn y broses ailbriso ysgolion ac roedd hyn wedi arwain at lai o wariant o un flwyddyn i'r llall. Gofynnodd yr aelod a lwyddwyd i wneud arbedion eraill ac a oedd y ffigurau yn dangos hyn. Eglurodd y Pennaeth Cyllid Dros Dro fod y ffigur yn adlewyrchu'n rhannol yr addasiadau technegol y cyfeiriwyd atynt yn ddiweddar ac yn adlewyrchu'n rhannol arbedion y Strategaeth Ariannol Tymor Canolig a throsglwyddiadau i'r setliad gan Lywodraeth Cymru. Nid oedd cyfanswm gwirioneddol cyllideb Cyngor Bwrdeistref Sirol Pen-y-bont ar Ogwr wedi disgyn dros y blynyddoedd diweddar. Yn wir, roedd yn bosibl ei fod wedi cynyddu diolch i grantiau yn cael eu trosglwyddo i'r setliad, ond mae'n ymddangos yn is eleni oherwydd addasiadau technegol.

Holodd y Cadeirydd pam fod y tabl ynghylch gorwariant a thanwariant gan gyfarwyddiaethau, a oedd wedi'i gynnwys yn y cyflwyniad, wedi'i gynnwys yn y cyfrifon y llynedd ond nid eleni, a gofynnodd a oedd y gorwariant ar y Gyfarwyddiaeth Cymunedau o ganlyniad i arbedion heb eu cyflawni neu gostau annisgwyl. Esboniodd y Dirprwy Bennaeth Cyllid Dros Dro nad oedd ganddi'r manylion wrth law ond y byddai adroddiad ar berfformiad ariannol ar gyfer 2018/19 yn cael ei gyflwyno i'r Cabinet yr wythnos ganlynol. Roedd rhan o'r gorwariant yn ymwneud ag arbedion cyllideb heb eu cyflawni'n llawn ac roedd rhan yn sgil gorwariant ar wasanaethau. Eglurodd y Pennaeth Cyllid Dros Dro a Swyddog Adran 151 nad oedd dau gynllun penodol wedi'u gweithredu, sef llwybrau bysiau â chymhorthdal a chyfleusterau cyhoeddus, ac y byddai'r rhain yn ymddangos fel gorwariant. Roedd oedi wedi bod ynghylch y ddau beth o ganlyniad i ymarfer ymgynghori ond byddent yn cael eu cyflenwi ymhen amser.

PENDERFYNWYD: Bod y Pwyllgor wedi nodi'r datganiad nas archwiliwyd o gyfrifon ar gyfer 2018-19 ac wedi cymeradwyo datganiad blynyddol yr Awdurdod Harbwr ar gyfer 2018-19.

135. ADRODDIAD ALLDRO RHEOLI TRYSORLYS BLYNYDDOL 2018-19

Cyflwynodd y Pennaeth Cyllid Dros Dro a Swyddog Adran 151 adroddiad yn diweddar u'r Pwyllgor Archwilio ar y sefyllfa alldro ar gyfer gweithgareddau rheoli trysorlys ac ar y dangosyddion darbodus a rheoli trysorlys ar gyfer 2018-19, ac i dynnu sylw at y gydymffurfiaeth â pholisïau ac arferion y Cyngor, cyn iddynt gael eu hadrodd i'r Cabinet a'r Cyngor.

Eglurodd y Pennaeth Cyllid Dros Dro a Swyddog Adran 151 fod y Cyngor wedi cydymffurfio â'i anghenion deddfwriaethol a rheoliadol yn ystod 2018-19. Adroddwyd y system rheoli trysorlys ar gyfer 2018-19 a'r alldro hanner blwyddyn i'r Cyngor ar 28 Chwefror 2018 a 24 Hydref 2018 yn y drefn honno. Byddai'r Adroddiad Alldro Rheoli Trysorlys Blynyddol yn cael ei adrodd i'r Cabinet a'r Cyngor ym mis Medi 2019. Yn ogystal â hyn, byddai adroddiadau monitro chwarterol yn cael eu cyflwyno i'r Cabinet yn ystod 2018-19.

Cyflwynodd y Pennaeth Cyllid Dros Dro a Swyddog Adran 151 grynodedb o weithgareddau rheoli trysorlys ar gyfer 2018-19, gan amlinellu dyledion allanol y Cyngor a'i safle buddsoddi ar gyfer 1 Ebrill 2018 hyd at 31 March 2019, fel y'i nodir yn Nhabl 1 yn yr adroddiad. Ni fu benthyca hirdymor yn ystod 2018-19 ac ni fu unrhyw aildrefnu

dyledion am nad oedd unrhyw arbedion sylweddol i'w gwneud. Fodd bynnag, byddai'r portffolio yn cael ei adolygu yn ystod 2019-20. Roedd llifau arian ffafriol wedi darparu cronfeydd dros ben ar gyfer buddsoddi ac roedd y balans ar fuddsoddiadau ar 31 Mawrth 2019 yn £27.40 miliwn (gyda chyfradd llog gyfartalog o 0.94%).

Yn 2018-19, gweithredodd y Cyngor o fewn terfynau'r trysorlys a'r dangosyddion darbodus a rheoli trysorlys fel y'u nodwyd yn y system rheoli trysorlys ar gyfer 2018-19 a gwnaeth gydymffurfio hefyd â'i arferion rheoli trysorlys.

Cyfeiriodd aelod at fenthyciadau rhwng cynghorau, gan ofyn beth oedd y gyfradd llog ar gyfer y rhain. Esboniodd y Rheolwr Cyllid nad oedd yr awdurdod wedi gwneud benthyciadau hirdymor ers mis Mawrth 2012 a dim ond wedi cael benthyciad tymor byr ar ddau achlysur yn ystod 2018-19 at ddibenion llif arian, a byddai'r benthyciadau hyn gan awdurdodau lleol ar gyfraddau llog is. Fel y disgrifiwyd yn yr adroddiad, roedd y Cyngor wedi cynnal sefyllfa o dan-fenthyca.

Yn ogystal â'r ddyled tymor hir gan y Bwrdd Benthyciadau Gwaith Cyhoeddus, roedd hefyd benthyciadau Opsiwn Rhoddwr Benthyciadau Opsiwn Cymerwr Benthyciadau (LOBO). Fodd bynnag, roedd yr awdurdod wedi'i ymrwymo i'r rhain ac nid oedd yn gallu gwerthu'r ddyled.

Gofynnodd y Cadeirydd a oedd y enillion yn net o'r costau a dalwyd i Arlingclose. Atebodd y Pennaeth Cyllid Dros Dro a Swyddog Adran 151 fod hyn yn gywir a'i fod yn aml yn cyfarfod ag Arlingclose, a oedd yn rhoi cyngor ynghylch strategaeth.

PENDERFYNWYD: Nododd y Pwyllgor Archwilio'r gweithgareddau rheoli trysorlys ar gyfer 2018-19.

136. YMCHWILIADAU I DWYLL YN YMWNEUD Â GOSTYNGIADAU'R DRETH CYNGOR: MIS EBRILL 2018 HYD AT FIS MAWRTH 2019

Cyflwynodd y Pennaeth Cyllid Dros Dro a Swyddog Adran 151 adroddiad yn hysbysu'r Pwyllgor am y gweithgareddau a wnaed rhwng 1 Ebrill 2018 a 31 Mawrth 2019 o ran ymchwiliadau i dwyll yn ymwneud â Gostyngiadau'r Dreth Gyngor. Roedd yr adroddiad hefyd yn crynhoi'r canlyniadau a gafwyd yn 2018/19 o'u cymharu â'r sefyllfa yn 2017/18.

Amlinellodd y Pennaeth Cyllid Dros Dro a Swyddog Adran 151 y cefndir i'r Gwasanaeth Ymchwilio i Dwyll Sengl, y sefyllfa bresennol (gan gynnwys Gostyngiadau'r Dreth Gyngor), y rhwydwaith cyswllt, atgyfeiriadau twyll, menter rhybuddion Gwirio Enillion a Phensiynau yr Adran Gwaith a Phensiynau, dadansoddiad o'r mathau o gyhuddiadau a atgyfeiriwyd, a'r cosbau a'r dirwyon a gyflwynwyd yn y cyfnod perthnasol. Ym mis Mai 2019, gwnaeth ymchwiliad i Ostyngiadau'r Dreth Gyngor gan yr Ymchwilydd Twyll arwain at erlyniad llwyddiannus, gan arwain at orchymyn cymunedol o 12 mis a 60 awr o waith di-dâl. Cafodd yr unigolyn ei orchymyn hefyd i dalu costau gwerth £600 a gordal dioddefwr o £80. Y nod oedd y byddai hyn yn rhwystro eraill rhag gwneud yr un peth.

Gofynnodd un aelod faint o bobl a oedd wedi gorfod mynd i'r llys a faint o bobl a oedd wedi derbyn rhybuddion. Esboniodd y Pennaeth Cyllid Dros Dro a Swyddog Adran 151 mai dyma'r achos cyntaf a oedd wedi mynd i'r llys a bod baich profi eithaf sylweddol er mwyn dwyn achos i'r cam hwnnw.

Gofynnodd un aelod sut roedd yr awdurdod yn hawlio gordaliadau yn ôl, yn enwedig pan oedd nifer o'r unigolion mewn sefyllfa ariannol wan. Esboniodd y Pennaeth Cyllid Dros Dro a Swyddog Adran 151 y gallai gymryd amser hir ac y gallent ddefnyddio gorchymynion llys neu atafaelu enillion os oedd angen. Roedd amgylchiadau achosion unigol yn amrywio'n fawr.

PENDERFYNWYD: Nododd y Pwyllgor Archwilio'r adroddiad.

137. DIWEDDARIAD AR DDATGANIAD CYMHORTHDAL BUDD-DAL TAI 2017/18

Cyflwynodd y Pennaeth Cyllid Dros Dro a Swyddog Adran 151 adroddiad i'r Pwyllgor am y newidiadau i'r lefel o adolygiadau rheoli, hyforddiant cynefino ar fudd-dal tai a gweithgareddau hyfforddi a oedd ar waith hyd yn hyn a'r camau gweithredu a oedd ar y gweill ar gyfer 2019/20 i fynd i'r afael â'r materion a nodwyd yn ystod yr archwiliad Cymhorthdal Budd-dal Tai yn 2017/18.

Cadarnhaodd y Pennaeth Cyllid Dros Dro a Swyddog Adran 151 y cafodd ganlyniad llawer gwell eleni o'i gymharu â 2017/18.

Gofynnodd y Cadeirydd a oedd y mater dan sylw ym mharagraff 4.11 yn fater newydd neu yn un yr oeddent eisoes yn gyfarwydd ag ef. Esboniodd y Pennaeth Cyllid Dros Dro a Swyddog Adran 151 ei fod yn fater yr oeddent eisoes yn gyfarwydd ag ef.

PENDERFYNWYD: Nododd y Pwyllgor Archwilio'r adroddiad.

138. ARCHWILIAD MEWNOL – ADRODDIAD ALLDRO – MIS EBRILL I FIS MAI 2019

Cyflwynodd Pennaeth y Gwasanaethau Archwilio Rhanbarthol adroddiad yn hysbysu'r Pwyllgor Archwilio o'r perfformiad archwilio mewnol gwirioneddol ochr yn ochr â dau fis cyntaf y cynllun archwilio ar gyfer blwyddyn ariannol 2019/20.

Cyflwynwyd Cynllun Archwilio Mewnol 2019/20 i'r Pwyllgor Archwilio i'w ystyried a'i gymeradwyo ar 18 Ebrill 2019. Roedd y cynllun yn amlinellu'r aseiniadau i'w cynnal a'u blaenoriaethau priodol. Roedd y sefyllfa bresennol yn erbyn Chwarter 1 o gynllun seiliedig ar risg 2019/20 wedi'i hatodi fel Atodiad A i'r adroddiad. Esboniodd Pennaeth y Gwasanaethau Archwilio Rhanbarthol, gan eu bod dim ond dau fis i mewn i'r cynllun archwilio newydd, nad oedd unrhyw wendidau sylweddol yn y system rheoli mewnol wedi'u nodi hyd yn hyn.

Gofynnodd un aelod am esboniad o'r wybodaeth a oedd wedi'i chynnwys yn y cynllun. Esboniodd Pennaeth y Gwasanaethau Archwilio Rhanbarthol fod y cynllun yn rhoi arwydd o'r sefyllfa gyfredol o ran pob maes arfaethedig sydd wedi'i nodi fel testun adolygiad yn y chwarter cyntaf. Roedd yn gynnar yn y flwyddyn ariannol ac roedd y gwaith archwilio mewn nifer o feysydd a oedd wedi'u nodi ar gyfer adolygiad newydd ddechrau.

PENDERFYNWYD: Rhoddodd aelodau sylw dyledus i'r Adroddiad Alldro Archwilio Mewnol a oedd yn ymdrin â'r cyfnod rhwng mis Ebrill a mis Mai 2019.

139. DIWEDDARIAD AR FLAENRAGLEN WAITH 2019/20

Cyflwynodd Uwch-archwilydd y Grŵp adroddiad a oedd yn rhoi diweddariad i aelodau o'r Flaenraglen Waith ar gyfer 2019/20. Eglurodd hi y byddai Adroddiad Twyll Corfforaethol 2018/29 yn cael ei gyflwyno i'r cyfarfod ym mis Awst 2019 ac y byddai'n cynnwys diweddariad ar y Fenter Twyll Genedlaethol.

Gofynnodd un aelod a allai'r Polisi Chwythu'r Chwiban gael ei gyflwyno gyda'r Fframwaith Twyll Corfforaethol ar yr un adeg i hwnnw gael ei ystyried.

Gofynnodd un aelod a oedd dyddiad y cyfarfod ym mis Awst yn drefniant dros dro neu'n ddyddiad pendant. Esboniodd Uwch-archwilydd y Grŵp fod angen cynnal y cyfarfod hwnnw i lofnodi'r cyfrifon.

PENDERFYNWYD: Gwnaeth yr aelodau ystyried a nodi'r Flaenraglen Waith ddiweddaedig ar gyfer 2019/20.

140. DIOLCH I'R PRIF GYFRIFYDD

Hysbyswyd yr aelodau gan y Pennaeth Cyllid Dros Dro a Swyddog Adran 151 mai dyma oedd cyfarfod olaf y Pwyllgor Archwilio ar gyfer y Prif Gyfrifydd, a fyddai'n gadael ym mis Gorffennaf. Soniodd hi fod y Prif Gyfrifydd wedi bod yn aelod ffyddlon iawn o'r staff a'i bod wedi gweithio i Forgannwg Ganol cyn cael swydd ym Mhen-y-bont ar Ogwr pan gymhwysodd yn 1996.

Daeth yn Gyfrifydd Grŵp yn 2004, gan drosglwyddo wedyn i'r Gwasanaethau Archwilio Mewnol cyn dod yn Brif Swyddog yn y gwasanaethau cymdeithasol. Yn ddiweddarach, aeth yn ôl at gyfrifyddiaeth a gwerthfawrogwyd ei chryfderau yn yr ochr dechnegol. Yn 2012, cafodd ei dyrchafu i'r swydd o Brif Gyfrifydd, sef ei swydd bresennol. Roedd y Prif Gyfrifydd yn allweddol wrth gwblhau'r datganiad o gyfrifon cyntaf oll ac yn arbenigwr ym maes rheoli trysorlys gyda gwybodaeth am amrywiaeth helaeth o brosiectau ariannol. Roedd yr adran yn dibynnu ar ei harbenigedd technegol a byddai ei chyfraniad yn cael ei gollu'n fawr. Gwnaeth y Pennaeth Cyllid Dros Dro a Swyddog Adran 151 ei chanmol am ei phroffesiynoldeb a'i hymrwymiad i'w gwaith, gan ddiolch iddi, ynghyd â'r Cadeirydd, aelodau a swyddogion, am ei chymorth a dymuno pob dymuniad da iddi i'r dyfodol.

Gwnaeth y Prif Gyfrifydd ddiolch i swyddogion a'r pwyllgor am eu dymuniadau gwresog. Esboniodd y byddai'n gweithio i Heddlu De Cymru ac yn parhau i wneud y gwaith yr oedd wrth ei bodd.

141. MATERION BRYS

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BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

8 AUGUST 2019

REPORT OF THE HEAD OF LEGAL AND REGULATORY SERVICES

AUDIT COMMITTEE ACTION RECORD

1. Purpose of report

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

2. Connection to corporate improvement objectives/other corporate priorities

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

1. **Supporting a successful economy** – taking steps to make the county a good place to do business, for people to live, work, study and visit, and to ensure that our schools are focused on raising the skills, qualifications and ambitions of all people in the county.
2. **Helping people to be more self-reliant** – taking early steps to reduce or prevent people from becoming vulnerable or dependent on the Council and its services.
3. **Smarter use of resources** – ensuring that all its resources (financial, physical, human and technological) are used as effectively and efficiently as possible and support the development of resources throughout the community that can help deliver the Council's priorities.

3. Background

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

4. Current situation/proposal

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

5. Effect upon policy framework and procedure rules

- 5.1 There is no effect upon the policy framework and procedure rules.

6. Equality Impact Assessment

- 6.1 There are no equality implications arising from this report.

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

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

8. Financial implications

8.1 There are no financial implications arising from this report.

9. Recommendation

9.1 That the Audit Committee consider the Action Record.

Kelly Watson
Head of Legal & Regulatory Services
16 July 2019

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Background Documents

None

Date of Committee	Title of report/ Agenda Item	Actions	Responsible Officer	Updated Timeframe for response	Comment	Status RAG
26 April 2018	<u>EXTERNAL AUDIT ANNUAL AUDIT PLAN 2017-18.</u>	An audit to be undertaken by the internal shared service, in addition to one carried out by lead authority of Cardiff city council and/or Cardiff City Deal Joint Committee, to ensure accountability was shown by BCBC as a participating authority.	Chief Internal auditor	Review Sept 2019	Awaiting for new City Deal projects to be approved as still currently only one project is live and then an Internal Audit review can begin.	Amber
28 June 2018	<u>AUDIT COMMITTEE'S TERMS OF REFERENCE.</u>	The group manager- Chief Accountant to clarify whether terms of reference can be amended as per the CIPFA Guidance in order for the Committee to scrutinise the Treasury Management Strategy.	Chief Accountant	Completed	Treasury Management Strategy presented to Committee by Chief Accountant 17 January 2019 and confirmed Councils compliance with CIPFA Code.	Green
	<u>COMMUNITY ACTION FUND 2017-18 UPDATE</u>	A full review of the Community Action Fund will be undertaken following the end of the current phase of funding as stated in paragraph 4.11 of the report.	Interim Head of Finance	Completed	Action completed and reported on 13th December 2018.	Green
	<u>INCIDENT AND NEAR MISS REPORTING PROCEDURE (EXCLUDING HEALTH AND SAFETY).</u>	<ul style="list-style-type: none"> • Further consultation to be undertaken with Directorates to finalise the Incident and Near-Miss Reporting Procedure. • A subsequent report to be presented to the committee following the consultation. 	Insurance and Risk Officer	Completed	17 January 2019, report provided members with outcome of the Corporate risk assessment and to inform Committee of changes to Incident and near miss reporting procedure.	Green

Date of Committee	Title of report/ Agenda Item	Actions	Responsible Officer	Updated Timeframe for response	Comment	Status RAG
	<p><u>PROPOSAL TO INCORPORATE THE SHARED INTERNAL AUDIT SERVICE (RIASS) INTO A LARGER SERVICE HOSTED BY THE VALE OF GLAMORGAN COUNCIL TO INCLUDE TWO ADDITIONAL COUNCILS. (RCT & Merthyr)</u></p>	<p>The Committee are to oversee the implementation arrangements during 2018/19 and that it may be necessary to hold an additional meeting of the Committee to consider the implementation arrangements to incorporate RCT and Merthyr into the RIASS.</p>	<p>Chief Internal Auditor</p>	<p>Completed</p>	<p>Additional Councils Merthyr Tydfil and RCT are now collaborating within the RIASS.</p>	<p>Green</p>
	<p><u>UPDATED FORWARD WORK PROGRAMME 2018/19</u></p>	<p>Reports on Incident and near miss procedure; Healthy Organisation review – including Information Management follow up and Regional Internal Audit Shared Service to be added to the Forward Work Programme to be reported to the committee.</p>	<p>Chief Internal Auditor</p>	<p>Completed</p>	<p>Completed December 2018 by Chief Internal Auditor</p>	<p>Green</p>
<p>6 September 2018</p>	<p><u>WALES AUDIT OFFICE – OVERVIEW AND SCRUTINY – FIT FOR THE FUTURE?</u></p>	<ul style="list-style-type: none"> Proposed to benchmark overview and scrutiny in BCBC against other neighbouring authorities. The WAO representative added could take away proposals for improvement to see if any assistance could be provided by WAO. Committee felt that would be appropriate for more training to be undertaken in in the area of overview and scrutiny. 	<p>Senior Democratic Services Officer</p> <p>Financial Audit Manager – WAO</p>	<p>Ongoing</p>	<p>Research has been undertaken and will continue to be undertaken by the Scrutiny Team to look at best practice elsewhere, particularly how other local authorities get the public involved in the scrutiny process. The Scrutiny Team plays an active role in the South East Wales Scrutiny</p>	<p>Amber</p>

Date of Committee	Title of report/ Agenda Item	Actions	Responsible Officer	Updated Timeframe for response	Comment	Status RAG
					Officers' Network, which is made up of 10 local authorities based on the Cardiff Capital Region City Deal footprint. The Network is a very useful means of exchanging ideas and good practice. A training day was held at a recent Network which was delivered by an external trainer on good practice in Scrutiny.	
	<u>AUDIT REPORT – HEALTHY ORGANISATION REVIEW – ACTION PLAN.</u>	<ul style="list-style-type: none"> The follow-up concerning one of the 8 core functions (Information Management) had been delayed, the outcome will be presented to members at next meeting. All incomplete actions to be completed and further information to be shared with committee. Future reports to be more expansive against the plan, to include further information against the items, risks and actions taken etc. 	Chief Internal Auditor	Completed	Actions completed 15th November 2018 *Many recommendations have already been actioned.	Green

<p>15 November 2018</p>	<p><u>WALES AUDIT OFFICE REPORT ON THE SERVICE USER PERSPECTIVE OF DISABLED FACILITIES GRANT.</u></p>	<ul style="list-style-type: none"> • Case studies are to be undertaken where properties have benefited from DFGs and reported to Committee for information. • Head of Finance to provide report to Committee providing action plan relating to WAO recommendations. • Disclose to the Committee the fee paid to the agent to support service user through the building process. 	<ul style="list-style-type: none"> • Group Manager Housing • Interim Head of Finance • Group Manager Housing 	<p>November 2019</p>	<p>The Group Manager Housing will provide an update report to November’s Audit Committee which will include an update on the WAO recommendations</p> <p>Response provided after the Committee</p>	<p>Amber</p>
<p>Date of Committee</p>	<p>Title of report/ Agenda Item</p>	<p>Actions</p>	<p>Responsible Officer</p>	<p>Updated Timeframe for response</p>	<p>Comment</p>	<p>Status RAG</p>
	<p><u>WALES AUDIT OFFICE PERFORMANCE WORK UPDATE.</u></p>	<ul style="list-style-type: none"> • WAO to report on digital risk, the improvement plan audit 18-19, performance audit and annual improvement report and financial planning and transformation. A report on using data effectively will be presented to the committee next month. • Present report to committee on the findings of local government studies. 	<ul style="list-style-type: none"> • Financial audit manager – WAO 	<p>Completed</p>	<p>Digital Risk diagnostic report presented to Committee by Head of Finance on 13 December 2018.</p> <p>An update report was presented to Committee concerning the WAO performance work update on 18 April 19. Reports relating to specific local government studies will be fed back as appropriate.</p>	<p>Green</p>
	<p><u>AUDIT REPORT – INFORMATION MANAGEMENT FOLLOW UP.</u></p>	<ul style="list-style-type: none"> • In response to question from Committee for information on 	<ul style="list-style-type: none"> • Chief Internal Auditor 	<p>November 2019</p>	<p>The RIASS has undertaken an audit on the</p>	<p>Green</p>

		<p>the GDPR Implementation Board and Governance Board, Chief internal Auditor stated that she would provide the Committee with details of the composition, terms of reference and frequency of meetings of those boards.</p> <ul style="list-style-type: none"> Request Group Manager ICT to attend to provide a report addressing the actions in relation to information management. 	<ul style="list-style-type: none"> Group Manager ICT - 	Completed	<p>implementation of GDPR – once the report is finalised an update will be reported to Committee</p> <p>Group manager ICT reported to Committee on 13 December 2018.</p>	Green
Date of Committee	Title of report/ Agenda Item	Actions	Responsible Officer	Updated Timeframe for response	Comment	Status RAG
	<u>INTERNAL AUDIT – OUTTURN REPORT – APRIL TO SEPTEMBER 2018.</u>	A risk assessment of the Anti-fraud and Bribery Strategy has been completed. To be reported to Committee.	Interim Head of Finance	None given.	Anti- fraud and Bribery Strategy has been reviewed in line with Local Government fraud Strategy and reported to Committee 17 January 19 and to Cabinet in February.	Completed
13 December 2018	<u>WALES AUDIT OFFICE DIGITAL RISK DIAGNOSTIC REPORT.</u>	Issues of concern raised in an action plan to be presented to members as part of a follow up report.	Interim Head of Finance	At next or future meeting.	Follow up report provided by Head of Partnerships and Performance 17 January 19.	Completed
	<u>COMMUNITY ACTION FUND 2018-19 UPDATE.</u>	Cessation of the CAF for the transfer of the 285k funding back into the MTFS for consideration when setting the budget for 2019/20 to 2022/23.	Interim Head of Finance	At budget setting.	Fund not taken forward for 2019/20.	Completed

	<u>RISK MANAGEMENT</u>	New 5x5 risk matrix to be adopted and further risk report to be reported to Committee as a suite of documents. (In the form of an updated Risk Management Policy, Corporate Risk Assessment and Incident and Near Miss Reporting Procedure.)	Chief Accountant	January 2019	The Corporate Risk Management Policy has been changed to incorporate a 5x5 scoring matrix which will now be used as standard across the Council. (reported in Committee 17 January 2019)	Completed
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Date of Committee	Title of report/ Agenda Item	Actions	Responsible Officer	Updated Timeframe for response	Comment	Status RAG
	<u>AUDIT REPORT – HEALTHY ORGANISATION REVIEW – ACTION PLAN UPDATE.</u>	Approach the Welsh Language Commissioner in order to ascertain best practice regarding FOI publication on BCBC website and ascertain the standard practice in neighbouring authorities.	Democratic Services Officer	Completed	The FOI Team is looking at the publication of FOI requests as part of the open data project. Some neighbouring authorities publish FOIs but not bilingually but in the language they were submitted and are meeting the Welsh Language Standards they have signed up to.	Green
	<u>UPDATED FORWARD WORK PROGRAMME 2018/19.</u>	Two further items need to be added to the FWP, namely reports on the subject of an updated Risk Policy and Incident Management Policy.	Chief Internal Auditor	Completed	Forward work programme updated and report provided 17 January 19.	Green
17 January 2019	<u>AUDIT REPORT – WALES AUDIT OFFICE – DIGITAL RISK DIAGNOSTIC RESPONSE.</u>	The SIRO should ensure that access to the Data Security Breach Incident tracker is adequately access - restricted.	Head of Partnerships and Performance	November 2019	A report is being drafted by SWAP as a follow on from the healthy organisation report, that will provide assurance that access to the Data Security Breach Incident tracker is secured	Amber
	<u>CORPORATE RISK ASSESSMENT, CORPORATE RISK MANAGEMENT POLICY AND INCIDENT AND NEAR MISS REPORTING PROCEDURE.</u>	Proposed Committee considers annual report summarising incidents and near misses recorded and action taken to prevent reoccurrence of these/ others.	Interim Head of Finance	August 2019	Update Report will be presented to Committee	Amber

Date of Committee	Title of report/ Agenda Item	Actions	Responsible Officer	Updated Timeframe for response	Comment	Status RAG
		A further report would have to be presented to Council, seeking amendment to the Committees Terms of Reference within the Constitution, to include this function.			Legal advised that the terms of reference for Audit Committee were sufficient to cover off this task	
	<u>TREASURY MANAGEMENT STRATEGY 2019-20.</u>	The final version of the Treasury Management Strategy 2019-20 to be presented to Council for approval.	Chief Accountant	Completed	Council Approval received	Green
	<u>INTERNAL AUDIT – CORPORATE FRAUD FRAMEWORK.</u>	The Anti-Fraud and Bribery Strategy and the Anti-Money Laundering Policy are to be referred to Cabinet for approval.	Chief Accountant	Completed	Chief Accountant confirmed on 18 April 19, the Anti-Fraud and Bribery Strategy and Anti-Money Laundering Policy have been approved by Cabinet.	Green
18 April 2019	<u>WALES AUDIT OFFICE PERFORMANCE WORK UPDATE.</u>	Feedback to Committee information regarding Services to Rural Communities and Using Data Effectively. Including what specifically was being reviewed and reports of good practice (especially concerning rural bus services).	WAO representative	Completed	Committee Members provided with WAO link to survey	Green

Date of Committee	Title of report/ Agenda Item	Actions	Responsible Officer	Updated Timeframe for response	Comment	Status RAG
	<u>CERTIFICATION OF GRANTS AND RETURNS 2017-18.</u>	A further report to be submitted to the next Committee meeting, outlining a summary of improvements made in the Housing benefit section as part of an action plan drawn up following the audit, including details of staff training/ development plan.	Interim Head of Finance	Completed	Report taken to June Committee	Green
	<u>INTERNAL AUDIT – FINAL OUTTURN REPORT.</u>	The Committee was to be updated on progress of Internal audit work. Quarterly updates provided as planned	Head of Internal Audit	In Forward Work Programme for November 2019	Report to November Committee	Green
	<u>REGIONAL INTERNAL AUDIT SHARED SERVICE CHARTER 2019/20</u>	Harmonisation of the Audit Committees terms of reference with neighbouring authorities. Suggested consideration for potential networking initiative – Chairs of Audit Committees of neighbouring authorities to meet up and share best practice.	Head of Internal Audit	In Forward Work Programme for November 2019	All Wales Session planned for Audit Committee Chair on 11 th October 2019.	Green Green

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BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

8 AUGUST 2019

REPORT OF THE INTERIM HEAD OF FINANCE AND SECTION 151 OFFICER

WALES AUDIT OFFICE (WAO) PERFORMANCE WORK UPDATE

1. Purpose of this report

- 1.1 The purpose of this report is to submit an update on the Performance Audit Programme by the Wales Audit Office (WAO).

2. Connections to Corporate Improvement Objectives / Other Corporate Priorities

- 2.1 This report assists in the achievement of the following corporate priority:
- Smarter use of resources – ensuring that all its resources (financial, physical, human and technological) are used as effectively and efficiently as possible and support the development of resources throughout the community that can help deliver the Council's priorities.
- 2.2 The Council's performance is an important element in determining the extent to which the Corporate Objectives can be delivered.

3. Background

- 3.1 This programme of work is undertaken to help the Auditor General discharge his duties under section 17 of the Public Audit (Wales) Act 2004 (the 2004 Act) and section 18 of the Local Government (Wales) Measure 2009. It may also inform a study for improving value for money under section 41 of the 2004 Act, and/or an examination undertaken by the Auditor General under section 15 of the Well-being of Future Generations (Wales) Act 2015. The Local Government (Wales) Measure 2009 also requires the Auditor General to carry out an annual Improvement Assessment to determine whether Bridgend County Borough Council is likely to comply with the requirements of Part 1 of the Measure. This involves:-

- A review of the Council's arrangements to secure continuous improvement;
- Improvement studies of areas which may hinder improvement or transformation or give rise to inefficiencies;
- Bespoke pieces of work related to the Council's improvement objectives and arrangements; and

- An audit of the Council's published improvement plans and its self-assessment of performance.

4. Current Situation / Proposal

- 4.1 The WAO performance audit work – Audit Committee Update August 2019 - is attached as **APPENDIX A**. It outlines work undertaken in the Council by and on behalf of the Auditor General under the Local Government (Wales) Measure 2009 and Parts 2 and 3A of the Public Audit (Wales) Act 2004.

5. Effect upon policy framework & procedural rules

- 5.1 None.

6. Equality Impact Assessment

- 6.1 There are no equality implications.

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

- 7.1 This report links to the Council's long-term well-being objectives as it examines the performance of the Council and how continuous improvement is being achieved.

8. Financial implications

- 8.1 The annual fee for Performance Audit Work in 2019-20 is £97,405 and there is a revenue budget allocated for this charge.

9. Recommendation

- 9.1.1 It is recommended that Audit Committee:-

- Note the WAO performance audit work Audit Committee Update August 2019 (**Appendix A**)

Gill Lewis CPFA
Interim Head of Finance and Section 151 Officer
01 August 2019

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Nigel Smith, Interim Group Manager – Chief Accountant

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Background Documents:

None

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Bridgend County Borough Council

Audit Committee Update – August 2019

Performance Audit work

2018-19 performance audit work	Scope	Status
Improvement Plan audit	Checks Council compliance with Local Government Measure (Wales) 2009 requirement to publish a self-assessment of performance in the previous year by 31 October.	Final Certificate issued 19th April 2018.
Performance audit	Checks Council compliance with Local Government Measure (Wales) 2009 requirement to set improvement objectives.	Final Certificate issued 23rd November 2018
Annual Improvement Report (AIR)	Annual report summarising the audit work undertaken in the last year which also includes a summary of the key findings from reports issued by 'relevant regulators'	Drafting
Financial planning and transformation	We will follow up the proposals for improvement made in our savings planning report issued to the Council in April 2017 and undertake ongoing monitoring of the Council's transformation programme, providing real-time challenge during the year.	Draft report to be issued August 2019
Assurance and risk assessment	Project to identify the level of audit assurance and/or where further audit work may be required in future years in relation to risks to the Council putting in place proper arrangements to secure value for money in the use of resources.	Complete

<p>Well-being of Future Generations Act (Wales) 2015 (WFG Act) examinations</p>	<p>Examination of the extent to which the Council has acted in accordance with the sustainable development principles when taking steps to meet the following wellbeing objective: Deliver the Porthcawl Resort Investment Focus Programme (e.g. the Cosy Corner developments and the Rest Bay café development) to grow the value of tourism in the economy, increase employment and business opportunities, and support a range of cultural, sporting and business events.</p>	<p>Issued as draft July 2019</p>
<p>Environmental health</p>	<p>Review of the arrangements the Council has put in place to deliver environmental health services building on the study previously undertaken by the Auditor General as part of the 'delivering with less' themed studies.</p>	<p>Drafting</p>
<p>Corporate safeguarding arrangements</p>	<p>Review of the effectiveness of corporate safeguarding arrangements building on the study previously undertaken by the Auditor General in this area.</p>	<p>Planning</p>
<p>2018-19 Local Government Studies</p>	<p>Scope</p>	<p>Status</p>
<p>First point of contact assessments under the Social Services and Well-being (Wales) Act 2014</p>	<p>The Welsh Government introduced the Social Services and Well-being (Wales) Act 2014 (the 2014 Act), which focuses on reforming and simplifying the law relating to social services. The 2014 Act introduced new duties for local authorities, local health boards and other public bodies and covers adults, children and their carers, and came into force on 6 April 2016. The study will review first point of contact and assessments for adult social care. Detailed fieldwork in five local authorities. We are planning to undertake fieldwork in Cardiff City Council, Denbighshire County Council, Merthyr Tydfil County Borough Council, Pembrokeshire County Council and Carmarthenshire County Council</p>	<p>Clearance. Due to be published 29th August 2019</p>
<p>Tackling violence against women, domestic abuse and sexual violence</p>	<p>In 2015 the Welsh Government passed the Violence against Women, Domestic Abuse and Sexual Violence (Wales) Act (the</p>	<p>Drafting</p>

	<p>2015 Act). The overarching objective of the 2015 Act is to improve the Public Sector response to violence against women, domestic abuse and sexual violence; provide a strategic focus on these issues; and ensure consistent consideration of preventative, protective and supportive mechanisms in the delivery of services. The review will focus on determining whether local authorities and their partners are effectively working together to prevent gender-based violence and domestic abuse, and protecting all of the people involved.</p> <p>Our fieldwork sites are Swansea City and County Council, Conwy County Borough Council, Flintshire County Council, Rhondda Cynon Taff County Borough Council, South Wales Police and South Wales Fire and Rescue Authority</p>	
<p>Planning Services: Improving the wellbeing of Wales</p>	<p>Planning services are an important part of the democratic jigsaw that allows the detailed consideration of proposals to improve the economic prospects of the nation. Good planning decisions can have a positive impact on the wellbeing of people and places. Poor planning decisions can have a detrimental impact on people’s wellbeing and can stifle economic development. This study will provide independent assurance that planning authorities are supporting sustainable development and delivering for the future long-term wellbeing of their communities and for Wales</p> <p>We are planning to undertake fieldwork in Bridgend County Borough Council, Gwynedd County Council, Newport City Council, Torfaen County Borough Council and Ceredigion County Council.</p>	<p>Published 6th June 2019</p> <p>LINK to Published report</p>
<p>2019-20 Performance Audit Work</p>	<p>Scope</p>	<p>Status</p>
<p>Improvement Plan audit</p>	<p>Checks Council compliance with Local Government Measure (Wales) 2009 requirement to publish a self-assessment of performance in the previous year by 31 October.</p>	<p>Final Certificate issued 11th April 2019</p>

Performance audit	Checks Council compliance with Local Government Measure (Wales) 2009 requirement to set improvement objectives.	November 2019
Annual Improvement Report (AIR)	Annual report summarising the audit work undertaken in the last year which also includes a summary of the key findings from reports issued by 'relevant regulators'	June/July 2020
Assurance and risk assessment	Project to identify the level of audit assurance and/or where further audit work may be required in future years in relation to risks to the Council putting in place proper arrangements to secure value for money in the use of resources.	Underway
Well-being of Future Generations Act (Wales) 2015 (WFG Act) examinations	Examination of the extent to which the Council has acted in accordance with the sustainable development principle when delivering the key programme 'Active Bridgend Plan 2017-21' to meet the Council's well-being objective: Helping people to be more self-reliant.	Underway
Financial Sustainability	A project common to all local councils that will assess financial sustainability in light of current and anticipated future challenges.	Planning.
Transitioning to new Health and Social Care Partnership	A project to assess the Council's progress in transitioning to a new Health and Social Care Partnership with Cwn Taf Health Board.	Planning
Workforce Strategy	A project to review the Council's approach to workforce planning.	Planning
2019-20 Local Government Studies	Scope	Status
Review of Public Service Boards and the effectiveness of partnership working	This review will provide assurance and insight on how well PSBs are delivering the expectations of the Well-being of Future Generations Act, and by working together in tackling complex hard to shift problems. This includes examining the practicalities of joint working, what resources are being used, whether current arrangements are fit for purpose, and what needs to change.	Phase 1 – drafting Phase 2 – Set up

	<p>This review will also allow us to identify how decisions are communicated to partners and the public and whether decisions are transparent to help build a picture of how relationships work in reality.</p> <p>We will undertake fieldwork looking at how partners recognise and deal with problems of rough sleeping including public and voluntary bodies in three areas – Cardiff, Swansea and Wrexham.</p>	
<p>The impact of austerity on discretionary services in local government</p>	<p>The focus of the study is to provide independent assurance by looking at councils approaches to sustaining discretionary services and identify if councils are ensuring changes in provision or cessation of activity do not adversely impact future generations or those with protected characteristics.</p> <p>The study will provide insight on an issue that is much talked about but not well evidenced and provides us with a good opportunity to comment on services which are much valued by citizens across Wales. The review will take a strong focus on risk management and consider how well councils manage the transition from direct service providers towards a different role based on what will be affordable in the future.</p>	<p>Data tool being developed</p>
<p>Commercialisation in local government</p>	<p>Our review will focus on producing good practice case studies and support materials to help authorities develop their approaches to commercialisation. This will cover the key building blocks required to effectively manage commercialisation.</p> <p>The study will comment on long-term approaches to financial sustainability and how commercial activity supports organisations to deliver their wider wellbeing objectives and corporate priorities. Given commercialisation should have a strong ethical focus we are likely to touch on equality issues and we will provide a commentary on how public bodies collectively are responding to ensuring fairness and accountability for commercial ventures.</p>	<p>Fieldwork being set up</p>

National Studies	Update and link to report
Improving the well-being of young people	Publication autumn 2019
Primary care services	Published April 2018. Link to published report
Integrated care fund	Published 18 th July 2019 LINK
Reflecting on Year One – Well-being of Future Generations Act	Published 10 th May 2018 LINK
Waste management	Recycling module (published Link); waste prevention (published Link) and waste treatment infrastructure modules (published Link)
NHS Wales informatics services	Published 10 January 2018. Link to published report
Access to public services with the support of specialist interpretation and translation	Published 25 April 2018. Link to published report
Early intervention and public behaviour change	Drafting
Welsh Government business finance	Publish 29 th November 2018
Managing the Impact of Brexit on the Rural Development Programme	Published November 28 th November 2018 Link
European Structural Funds Programme 2014-2020	Published August 2018 Link

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

8 AUGUST 2019

REPORT OF THE INTERIM HEAD OF FINANCE AND SECTION 151 OFFICER

WALES AUDIT OFFICE INTEGRATED CARE FUND REPORT

1. Purpose of this report

- 1.1 The purpose of this report is to submit the Integrated Care Fund report produced by Wales Audit Office (WAO), attached as **Appendix A**, for noting.

2. Connections to Corporate Improvement Objectives / Other Corporate Priorities

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

- Helping people to be more self-reliant – taking early steps to reduce or prevent people from becoming vulnerable or dependent on the Council and its services.
- Smarter use of resources – ensuring that all its resources (financial, physical, human and technological) are used as effectively and efficiently as possible and support the development of resources throughout the community that can help deliver the Council's priorities.

- 2.2 The Integrated Care Fund was established by Welsh Government to drive and enable integrated and collaborative working between social services, health, housing, the third and independent sectors.

3. Background

- 3.1 Wales Audit Office undertook this piece of work to examine whether the fund is being used effectively to deliver sustainable services that achieve better outcomes for service users. It focuses on whether the Welsh Government is effectively managing the fund to deliver against its intentions, as well as understanding whether Regional Partnership Boards (RPBs) are demonstrating effective use of the fund. The report also considers whether the projects supported by the fund are making a clear difference at a local level.

4. Current Situation / Proposal

- 4.1 The Integrated Care Fund is allocated by the Welsh Government across Wales. The aim of the fund is to drive and enable integrated working between social services, health, housing and the third sector and independent providers to develop sustainable services.
- 4.2 The fund can be used to support new initiatives (or projects), as well as the extension of existing initiatives to a broader area. The Welsh Government's intention is that successful initiatives are sustained but mainstreamed into organisations' core business and supported by other funding streams.
- 4.3 The report sets out a number of recommendations which are intended to help support the Welsh Government and RPBs to improve the arrangements for managing the fund.
- 4.4 Alongside the national report, there will also be a local report which draws on the feedback to each of the Regional Partnership Boards and this will be presented to Audit Committee at a later date once it has been finalised.

5. Effect upon policy framework and procedural rules

- 5.1 None

6. Equality Impact Assessment

- 6.1 There are no equality implications.

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

- 7.1 As the report is for information it is considered that there will be no significant or unacceptable impacts upon the achievement of wellbeing goals/objectives as a result of this report. However, the Integrated Care Fund is a combination of capital and revenue funding, and in allocating this funding the RPBs must demonstrate how the proposed projects complement key policies/legislation, including the Social Services and Well-being (Wales) Act 2014 and the Well-being of Future Generations (Wales) Act 2015.

8. Financial implications

- 8.1 There are no financial implications regarding this report.

9. Recommendations

- 9.1 It is recommended that Audit Committee:
 - Note the WAO Integrated Care Fund Report (**Appendix A**)

Gill Lewis CPFA
Interim Head of Finance and Section 151 Officer
8 August 2019

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Background Papers: None

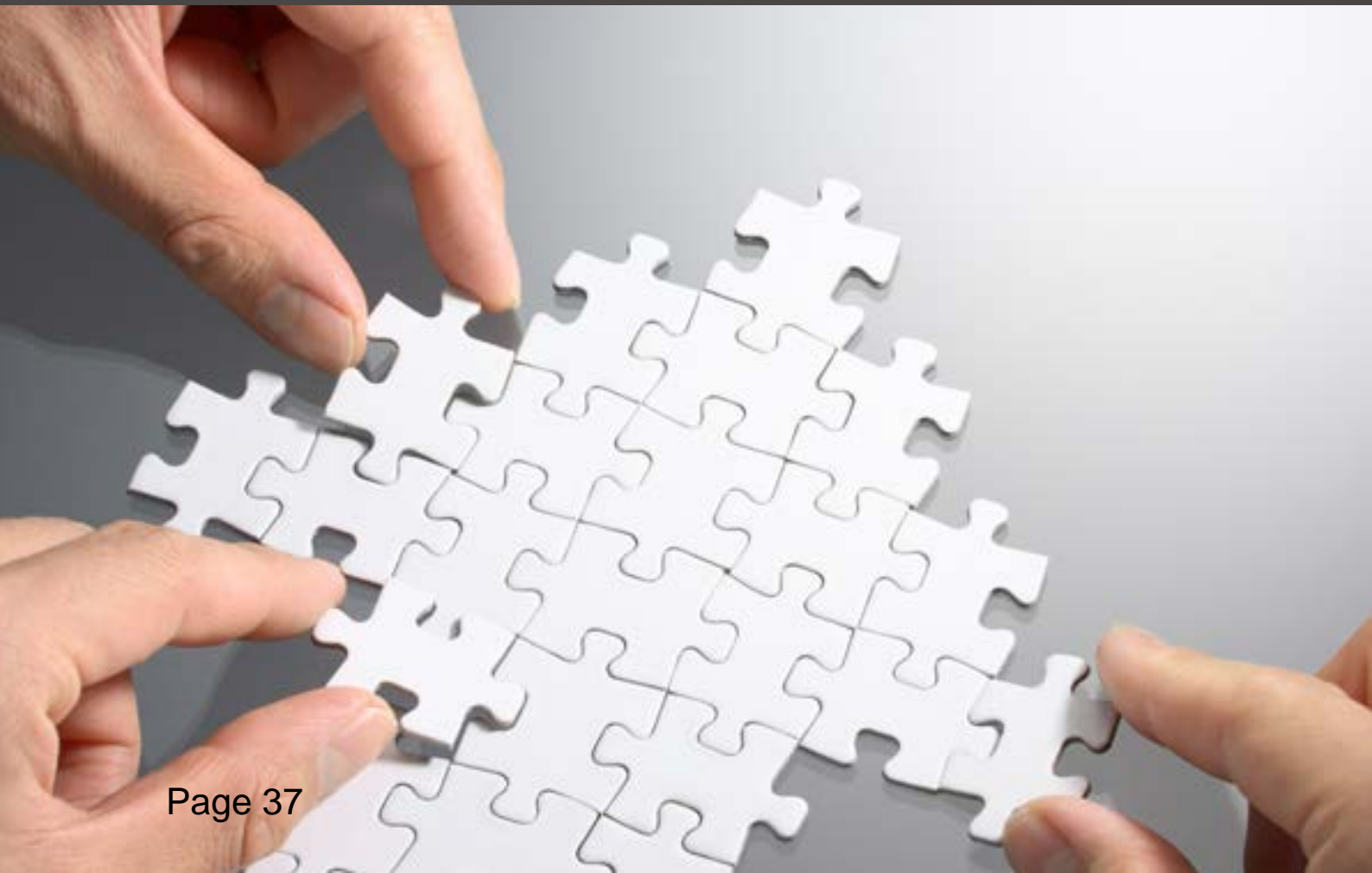
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Archwilydd Cyffredinol Cymru
Auditor General for Wales

Integrated Care Fund



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU



This report has been prepared for presentation to the National Assembly under the Government of Wales Acts 1998 and 2006, and the Public Audit (Wales) Act 2004.

The Wales Audit Office study team comprised Anne Beegan, Allison Rees, David Wilson, Fflur Jones, Matthew Brushett, Nathan Couch and Philippa Fido under the direction of Matthew Mortlock.

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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.

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Mae'r ddogfen hon hefyd ar gael yn Gymraeg.

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Summary report

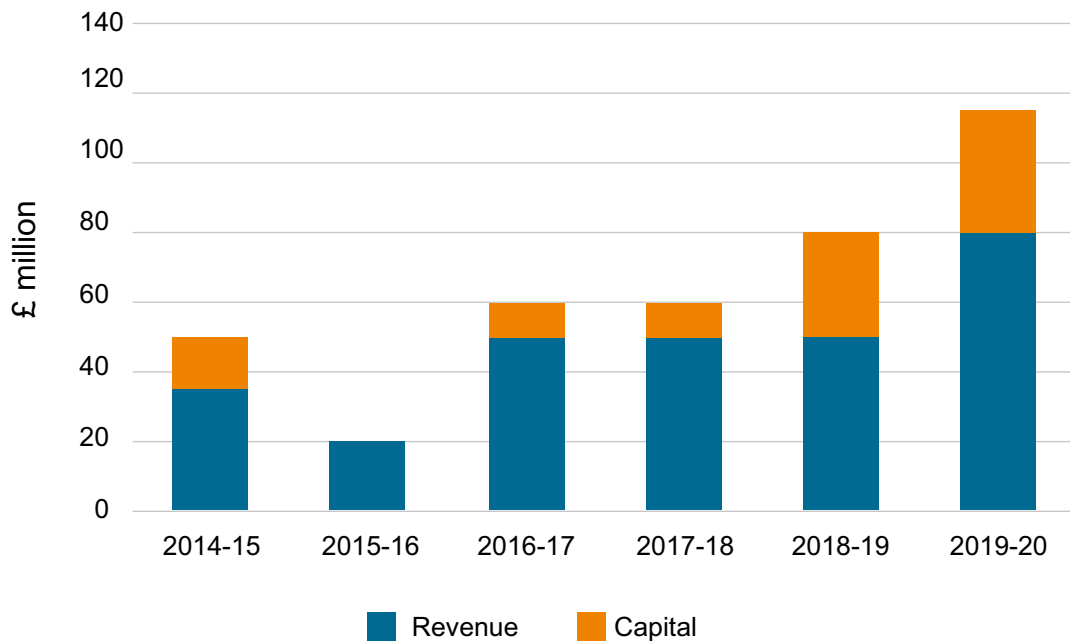
Summary

- 1 The Integrated Care Fund (the fund) is allocated by the Welsh Government across Wales. The aim of the fund is to drive and enable integrated working between social services, health, housing and the third sector and independent providers to develop sustainable services.
- 2 The Welsh Government first established the fund on a one-year basis for 2014-15 (as the Intermediate Care Fund¹). At that time, the Welsh Government focused the fund on supporting older people and helping to avoid unnecessary hospital admissions, or inappropriate admission to residential care. It also focused on preventing delayed discharges from hospital and reducing the rates of delayed transfers of care.
- 3 After some continued funding in 2015-16, the Welsh Government extended the scope of the fund for 2016-17 to include:
 - a children and adults with complex needs;
 - b children and adults with learning disabilities; and
 - c the Integrated Autism Service ([Exhibit 2](#)).
- 4 In 2017-18, the Welsh Government extended the scope of the fund again to include carers (of all ages), and the Welsh Community Care Information System² ([Exhibit 2](#)).
- 5 Since the inception of the fund, the Welsh Government has made a total of £270 million available up to March 2019. Except for 2015-16, there have been both capital and revenue-based allocations each year ([Exhibit 1](#)). For 2019-20, the Welsh Government has increased the capital allocation to £35 million. The revenue allocation has increased to £80 million, resulting in a total fund allocation of £115 million.

1 In 2017, the Welsh Government changed the name to the Integrated Care Fund to better reflect its aim of driving integrated working.

2 As part of our wider programme of work, we are taking forward a separate examination of the implementation of the system.

Exhibit 1: total funds available between April 2014 and March 2020



Note: Revenue funding supports spending on staffing and administrative expenses. Capital funding supports purchasing and improving assets, including land, buildings, equipment and vehicles.

Source: Wales Audit Office analysis of Welsh Government guidance.

6 The Welsh Government distributes the fund across Wales to the seven Regional Partnership Boards (RPBs)³ based on a range of funding principles⁴. The RPBs, aligned geographically with the seven health boards (Appendix 2), are responsible for overseeing and managing the use of the fund in their area. The health boards receive the funds and act as the banker on behalf of the respective RPB. Appendix 3 provides a breakdown of how the Welsh Government has allocated the fund across the RPBs in the period from April 2014 to March 2019.

3 The **Social Services and Well-being (Wales) Act 2014** established RPBs in 2016. RPBs are responsible for ensuring that partner organisations work effectively together to identify needs within the regions' population (a population assessment). They are also responsible for developing and managing an area plan to address those needs.

4 The Welsh Government allocates the fund across the different strands of the programme, some of which is held centrally for the national initiatives. Funding focused on older people is allocated based on the 'Townsend' formula which is also used for the wider allocation of NHS Wales resources to health boards. Funding focused on children, and adults with learning disabilities, is based on a prescribing formula. Although a priority group, there is no discrete funding for carers.

- 7 The fund can support new initiatives (or projects), as well as the extension of existing initiatives to a broader area. The Welsh Government's intention is that successful initiatives are sustained but mainstreamed into organisations' core business and supported by other funding streams.
- 8 RPBs must use the fund in line with Welsh Government guidance. The RPBs approve revenue projects. They then submit an annual Revenue Investment Plan to the Welsh Government setting out how the fund will be used. The RPBs submit proposals for the use of capital funds to the Welsh Government for approval. The RPBs must demonstrate how the proposed projects complement key policies/legislation, including the Social Services and Well-being (Wales) Act 2014 and the Well-being of Future Generations (Wales) Act 2015.
- 9 **Exhibit 2** sets out some examples of funded projects. **Appendix 4** provides further information about the number and scale of projects supported across Wales between April 2014 and March 2019.

Exhibit 2: examples of funded projects



(Older People)

'The Bay' Reablement Unit – (Cardiff and Vale RPB)

'The Bay' is a six-bed unit providing a bridge between hospital discharge and home for those who require additional time in a supportive environment to maximise their independence.



(Older People)

'Stay Well @ Home' – (Cwm Taf RPB)

'Stay Well @ Home' is a range of services developed to help keep people well and independent at home and prevent admission to hospital. Services include the Community Integrated Assessment Service, the Community Ward, Community Intra Venous Therapy and Reablement.



(Children with complex needs)

Multi Agency Placement Support Service (MAPSS) – (Western Bay RPB)

The regional MAPSS helps looked-after children with, or at risk of, mental illness and/or emotional and/or behavioural difficulties, by providing specialist placement support.



(Children with complex needs)

Egwyl Fer (Short Breaks) – (North Wales RPB)

This initiative developed and enhanced the provision of Short Breaks for disabled children with complex needs and/or learning disabilities. This initiative offers a variety of short-break options to meet the needs of children, young people, and their families following multiagency assessments.



(Learning disabilities)

The Social Zone Café – (West Wales RPB)

‘Caffi Man Cwrdd’ or ‘The Social Zone Café’ is a supported employment café which provides work experience, training and employment opportunities in catering, food and customer service for people with learning disabilities in Pembrokeshire.



(Learning disabilities)

Return to Home – (Powys RPB)

The Return to Home project supports people with learning disabilities to lead meaningful and valued lives within their own communities. The project has supported the development of assessment processes to support people to relocate back to Powys and has included the construction of a six-bed unit in Welshpool.



(Carer)

Supporting life alongside caring – (Greater Gwent RPB)

To help support life alongside caring and respite, the partnership has developed a Small Grants Scheme for carers. The aim is to support carers in different aspects of their caring role. The Carers Trust runs the scheme on behalf of the region. The scheme is open and accessible to all carers over the age of 16.

Integrated Autism Service – (all RPBs)



(IAS)

The Integrated Autism Service is part of the Welsh Government's commitment set out in its refreshed Autistic Spectrum Disorder Action Plan to improve services for individuals identified as autistic, and their families and carers. Rolled out across the regions over the three-year period 2016-17 to 2018-19, the service provides adult diagnostic assessment, support and advice.

Welsh Community Care Information System – (all RPBs)



(WCCIS)

The Welsh Community Care Information System is a computer system designed to help health and social care professionals work together to provide care closer to people's homes. The system is being rolled out across Wales over a three-year period starting from 2017-18.

Source: Wales Audit Office analysis of RPB monitoring returns to the Welsh Government.

- 10 On behalf of the Auditor General for Wales, we have examined whether the fund is being used effectively to deliver sustainable services that achieve better outcomes for service users. We have focused on whether the Welsh Government is effectively managing the fund to deliver against its intentions, as well as understanding whether RPBs are demonstrating effective use of the fund. We also considered whether the projects supported by the fund are making a clear difference at a local level.
- 11 **Appendix 1** sets out our audit methods, which included a survey of RPB members and leads of projects supported by the fund. **Appendix 5** provides more detail about responses to our surveys. We provided feedback about regional arrangements to each of the RPBs in autumn 2018. We also provided feedback on our emerging findings to the Welsh Government. We note in the main body of this report where the Welsh Government has already acted to address the issues we identified.
- 12 In 2015, we published a report⁵ on the independence of older people. In that report, we made a recommendation to local authorities, health bodies, third-sector partners and the Welsh Government in relation to the fund. **Appendix 6** sets out our assessment of progress against that recommendation.

5 Auditor General for Wales, **Supporting the Independence of Older People: Are Councils Doing Enough?** October 2015.

- 13 Overall, we have concluded that **the fund has had a positive impact, supporting improved partnership working and better integrated health and social care services. However, aspects of the way the fund has been managed at national, regional and project levels have limited its potential to date. There is little evidence of successful projects yet being mainstreamed and funded as part of public bodies' core service delivery.**
- 14 **The fund has helped to bring organisations together to plan and provide services.** Partnerships between health and social care bodies have been around for some time but integrated working prior to the fund was limited. The fund has provided an impetus for partners to develop integrated services and to move to joint funding arrangements in the context of wider policy and legislation. The feedback we received from RPB members and project leads reflected generally positive views in this regard.
- 15 **Aspects of the way funding has been allocated by the Welsh Government and used by regional partners have limited the potential of the fund to date.** The changing and expanding scope of the fund has created challenges for RPBs. Despite attempts by the Welsh Government to provide early information, the late issuing of guidance and notification of allocations has previously created difficulties for regional planning with knock-on impacts on the approval of capital bids and the subsequent allocation of funds. In addition, the annual nature of the fund in its early years has also led to a short-term approach, rather than promoting strategic planning of longer-term changes. The Welsh Government is taking steps to address the annual nature of the fund and issued the 2019-20 guidance in a timelier way.
- 16 RPBs can find it difficult to balance local population needs with the Welsh Government's indicative allocations for target groups. Other short-term funding streams from the Welsh Government focusing on the same target groups, but with differing criteria, also make it difficult for RPBs to take a combined approach. The RPBs use their allocations in different ways, not all of which have supported a regional focus. The Welsh Government has re-emphasised its desire for regional approaches in the 2019-20 guidance and as part of its scrutiny of investment plans. Other variations include the approach to funding central co-ordination, third-sector involvement and the approach to agreeing projects, with limited sharing and learning of the approaches used across Wales.

- 17 **Governance arrangements for the fund need to be further developed to strengthen central oversight and ensure greater consistency across the regions.** The Welsh Government has established governance arrangements for the fund. However, we found that through its project board, and in general terms, the Welsh Government could do more to consider how its own actions impact on regional partners and integrate funding streams. The Welsh Government's staffing capacity to support regular and timely oversight of the fund has also been limited. The Welsh Government has already made some changes to respond to these issues.
- 18 At a regional level, RPBs frequently delegate responsibility for the fund to an RPB sub-group. Each of the RPBs has in place a memorandum of understanding setting out their agreed decision-making process. However, our work has identified that there is very little scrutiny of the decisions made by the RPBs by health boards and local authorities, with a general lack of awareness across those organisations about how the fund is being used. At a project level, the rigour of project management varies between regions and organisations, and few projects involve service users at the outset.
- 19 **Despite positive examples, the overall impact of the fund in improving outcomes for service users remains unclear, with little evidence of successful projects yet being mainstreamed.** RPBs identify a range of positive case studies but the Welsh Government's central monitoring arrangements do not yet provide a basis on which to assess the fund's overall impact. RPBs undertake quarterly monitoring of projects but the information gathered has tended to focus on the outputs from the funding rather than outcomes for service users. The Welsh Government and the RPBs recognise the need to strengthen outcome reporting and the Welsh Government intends to commission some wider evaluation work having decided to postpone a previously announced evaluation given the plans for our own work. In addition, the Welsh Government intends to publish an annual report on the use of the fund in 2018-19 by September 2019.
- 20 There is little evidence that successful projects have been mainstreamed and funded as part of public bodies' core service delivery. RPBs have found it difficult to convince partner organisations to invest in projects, not helped by a lack of project evaluations but also in the context of wider funding pressures. The Welsh Government recognises the challenges that RPBs face in mainstreaming but has not previously provided any detailed guidance. The guidance for 2019-20 does now include a clear expectation that revenue investment plans include exit strategies for each project. However, further practical support would be helpful, building on an existing annual shared learning event.

Recommendations

21 Our recommendations are intended to help support the Welsh Government and the RPBs improve the arrangements for managing the fund. However, they may also be relevant to other Welsh Government funding streams, such as the NHS Transformation Fund⁶. In addition, we consider the recommendations that we made in our 2015 report on the independence of older people remain relevant ([Appendix 6](#)). Our feedback to RPBs on regional arrangements identified areas for improvement specific to individual regions to address local issues.

Recommendations

Timeliness of guidance and decision-making

R1 We recommend that the Welsh Government:

- keeps under review whether the earlier issuing of guidance has mitigated the issues raised in previous years in relation to the timeliness of decision-making in respect of project funding; and
 - considers whether any further improvements in the process can be made.
-

Multiple short-term funds available for health, social care and housing

R2 Building on previous mapping work, we recommend that the Welsh Government review all the short-term funding streams available to health, social care and housing partners and the respective criteria and, where practical, makes appropriate changes to:

- minimise duplication;
 - ensure that the purpose of the funding streams are complementary and that the collective allocations for specific groups of people align with the local population needs, as well as the Welsh Government priority areas; and
 - ensure that the regional partner organisations, where relevant through the RPBs, can take a combined approach to the use of the funding streams available to them.
-

⁶ The Welsh Government's NHS Transformation Fund 2018-2020 must be used towards achieving the commitments made in **A Healthier Wales: our Plan for Health and Social Care**, June 2018.

Recommendations

Project board arrangements

R3 We recommend that the Welsh Government further strengthens its governance arrangements for the fund by reviewing the membership of its project board to include representation from outside of the departments directly involved in the fund to provide some independent challenge.

Regional Partnership Board scrutiny arrangements

R4 We recommend that the Welsh Government works with NHS bodies and local authorities to ensure that appropriate scrutiny arrangements are in place for decisions made by the RPBs on behalf of those bodies.

Project monitoring

R5 We recommend that the Welsh Government works with RPBs to:

- agree key outcome measures which are expected to be achieved, and monitored, for the different target groups in receipt of the fund. Where possible, these measures should align to wider outcome measures set out in national outcome frameworks already in place;
 - make clear how the information gathered is used centrally; and
 - streamline the reporting requirements for revenue and capital projects, where practical to do so.
-

Shared learning and mainstreaming projects

R6 We recommend that the Welsh Government increases its support for shared learning across the RPBs with a particular focus on:

- approaches to managing the fund, in the context of the variation highlighted in this report; and
 - overcoming challenges to mainstreaming successful projects.
-

Part 1

The fund has helped to bring organisations together to plan and provide services



Health and social care partnerships have been around for some time but integrated working prior to the fund was limited

- 1.1 Health and social care partnership forums have existed for some time. In 2003, the Welsh Government required key public bodies to work together to set out how they would meet the needs of their local populations in a health, social-care and wellbeing strategy for their local area⁷. To drive this agenda forward, public bodies established partnership forums (or steering groups) across the different areas. These forums were established on the footprint of the 22 local authorities working with the 13 NHS trusts and the 22 local health boards that existed at that time. Following NHS reconfiguration in 2009, the integrated health and social-care partnership forums started to merge, forming seven partnership forums. Those partnership forums provided the basis of the RPBs that are in place today.
- 1.2 The previous partnership forums had no statutory basis. The only requirement that the Welsh Government placed on the partnership bodies was to produce the local health, social-care and wellbeing strategy. Partnerships explored the potential to pool funds to develop integrated services that would support the delivery of their local strategies. However, there were only a handful of Section 33 agreements⁸ or jointly funded posts or services prior to the introduction of the fund in 2014. The willingness of key public bodies to release funds into joint arrangements was a key barrier.

7 Welsh Assembly Government, **Health, Social Care and Well-being Strategies, Policy Guidance**, February 2003.

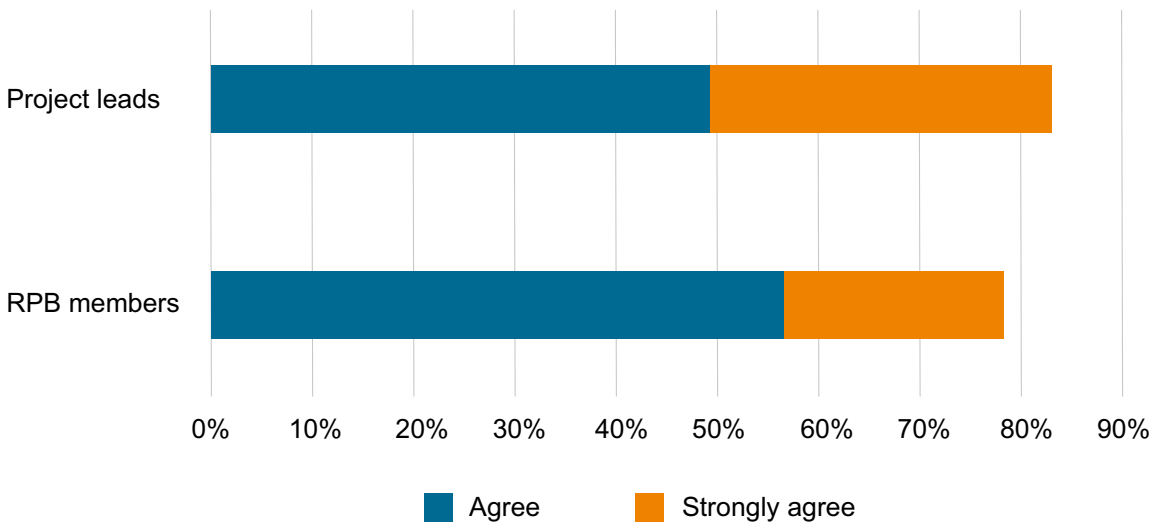
8 Section 33 of the **National Health Service Act 2006** makes provision for NHS bodies and local authorities to enter into agreements which can include the establishment and maintenance of a fund which is made up of contributions of one or more NHS body, and one or more local authority, to provide a service or function.

The fund has provided an impetus for regional partners to develop integrated services and to move to joint funding arrangements in the context of wider policy and legislation

- 1.3 The introduction of the fund in 2014 provided a fresh opportunity for the partnership forums to develop integrated services and to start to build the willingness of public bodies to commit to working together, a key aim of the fund when first established. The requirement of the Social Services and Well-being (Wales) Act 2014 for the establishment of RPBs by April 2016 emphasised the need for partnerships to increase service integration. The Act also required RPBs to establish pooled funds by April 2016. These are now in place across the seven RPBs, focused on areas such as Integrated Family Support Services and Community Equipment Services. Pooled funds have also been in place since April 2018 for the commissioning of adult care home provision.
- 1.4 During our work, Welsh Government officials emphasised to us that the maturing of partnership arrangements because of the fund had provided a solid basis for taking pooled funding arrangements forward. This was echoed in the Health and Social Care Plan **A Healthier Wales** published in June 2018. The plan was positive about the way partnerships, and more specifically the RPBs, had created integrated models of care using the fund.
- 1.5 Several of the projects funded have also been supported by other funding sources, demonstrating the commitment by the partner organisations to ensuring the projects are successful, although such examples are not widespread. This has either included core funding or funds made available to individual organisations through additional revenue allocations from the Welsh Government, such as the NHS 'winter pressures' funding.
- 1.6 Feedback from those we met at a regional and project level also emphasised that the fund had been a catalyst to improved partnerships and joint working. Many individuals spoke about an increased commitment to partnership working since the creation of the fund. Importantly, they also commented on an increased focus on improved outcomes for the service users.

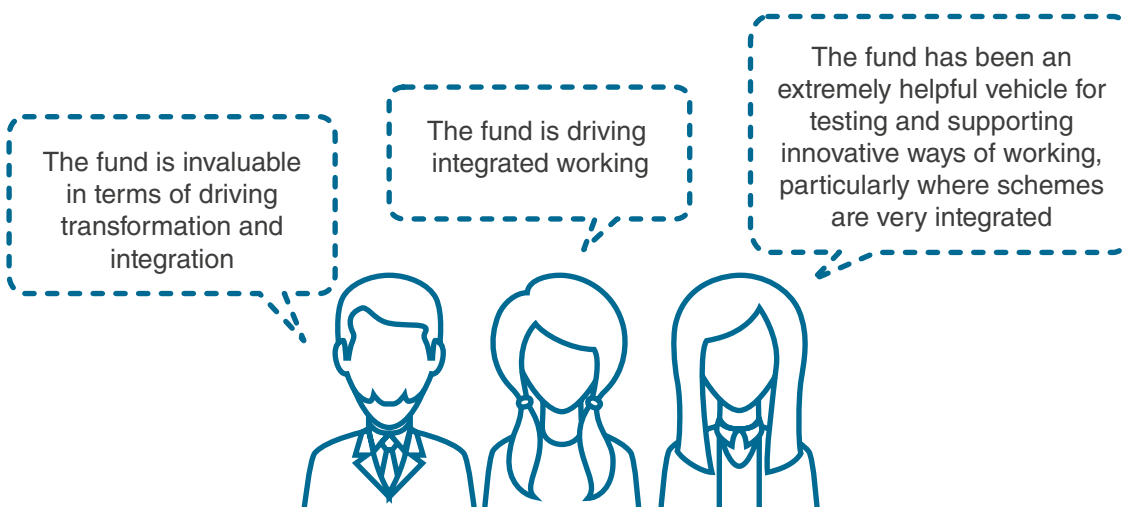
1.7 As part of our surveys of RPB members and project leads, we asked about the impact of the fund on partnership working. The responses we received confirmed generally positive views about the impact that the fund has had on strengthening partnership working (Exhibits 3 and 4).

Exhibit 3: percentage of people surveyed who agreed or strongly agreed that the Integrated Care Fund is helping to drive integrated working between key partners.



Source: Wales Audit Office survey of RPB members and project leads.

Exhibit 4: respondents to our survey told us that...



Source: Wales Audit Office survey of RPB members and project leads.

Part 2

Aspects of the way funding has been allocated by the Welsh Government and used by regional partners have limited the potential of the fund to date



Changing expectations, issues with the timeliness of funding allocation processes and short-term horizons have hampered regional delivery

The changing and expanding scope of the fund has created challenges for Regional Partnership Boards

- 2.1 The Welsh Government issues annual guidance for both the revenue and capital elements of the fund. Since the introduction of the fund in 2014-15, there have been annual changes to the criteria that the regional partners need to meet. The Welsh Government has emphasised to us that some of these changes have been informed by feedback from partner organisations and supported by an overall increase in funding.
- 2.2 When introduced in 2014-15, the focus of the fund was for a single year to support older people, particularly the frail elderly. The Welsh Government designed it to be used for new, innovative and integrated services which would help avoid unnecessary hospital admissions, or inappropriate admission to residential care. It also focused on preventing delayed discharge from hospital and reducing the rates of delayed transfers of care. Following positive feedback from the regional partners, the Welsh Government agreed to continue revenue funding for 2015-16. The purpose of the continued funding was to take forward existing projects deemed to be effective in linking out-of-hospital NHS care⁹ and social care. Towards the end of 2015-16, the Welsh Government confirmed that the fund would be available for new projects for the financial year 2016-17.

9 Out-of-hospital NHS care is provided outside of a major hospital setting, usually by primary and community-based services such as GPs and district nurses.



















- 2.3 During 2016-17, the Welsh Government made a commitment to make the fund available on an annual basis up to 2021. The focus broadened to provide support to additional distinct population groups: children with complex needs, and children and adults with learning disabilities. The Welsh Government also retained an element of the fund to support the development and implementation of an Integrated Autism Service, overseen through national arrangements. Revenue projects within the new population groups also needed to have a reablement¹⁰ focus, reducing longer-term care and a reliance on services provided outside of Wales. The focus of capital funds also changed from small-scale housing adaptations to support independent living, to larger adaptations and development of reablement and step-down schemes¹¹. The Welsh Government made a separate fund available to support housing adaptations previously supported through the fund¹².
- 2.4 For 2017-18, the fund was rebranded from the Intermediate Care Fund to become the Integrated Care Fund. This rebrand reflected the broadened focus and scope of the fund as a mechanism for RPBs to support delivery of the Social Services and Well-being (Wales) Act 2014. The focus on older people was realigned to those with long-term or complex needs, including dementia. The fund was also extended to include carers, including young carers. The Welsh Government retained an element of the fund to support the roll-out of the Welsh Community Care Information System (WCCIS).
- 2.5 For 2019-20, the fund has now been extended to include children at risk of becoming looked after, in care or adopted. The Welsh Government allocated an additional £15 million allocation for this group as part of the overall £30 million increase in revenue funding ([Exhibit 1](#)). [Exhibit 5](#) shows the priority groups in receipt of the fund from 2014-15 to 2019-20.

10 Reablement is defined as short-term care, usually provided at home, to aid recovery after hospital.

11 Step-down schemes provide low-intensive support for patients who are medically well and no longer require the care provided in an acute hospital ward, but who are not yet able to go home. Schemes usually provide short-term care and can be based within community hospitals or care homes.

12 The Welsh Government provided a separate allocation of £4 million to the enhanced adaptations system 'Enable – Support for Independent Living' from 1 April 2016. In February 2018, the Auditor General for Wales published a report on Housing Adaptations.

Exhibit 5: priority groups and projects in receipt of the fund, 2014-15 to 2019-20

2014-15 2015-16		Older people with complex needs	
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2016-17		Older people with complex needs	 Children and adults with learning disabilities
		Children with complex needs	 Integrated autism service
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2017-18 2018-19		Older people with complex needs	 Integrated autism service
		Children with complex needs	 Welsh Community Care Information System
		Children and adults with learning disabilities	 Carers
<hr style="border-top: 1px dashed #0070C0;"/>			
2019-20		Older people with complex needs	 Integrated autism service
		Children with complex needs	 Welsh Community Care Information System
		Children and adults with learning disabilities	 Carers
		Children at risk of becoming looked after, in care or adopted	

Note: the total value of the fund – revenue and capital – has increased from £50 million in 2014-15 to £115 million in 2019-20 (Exhibit 1).

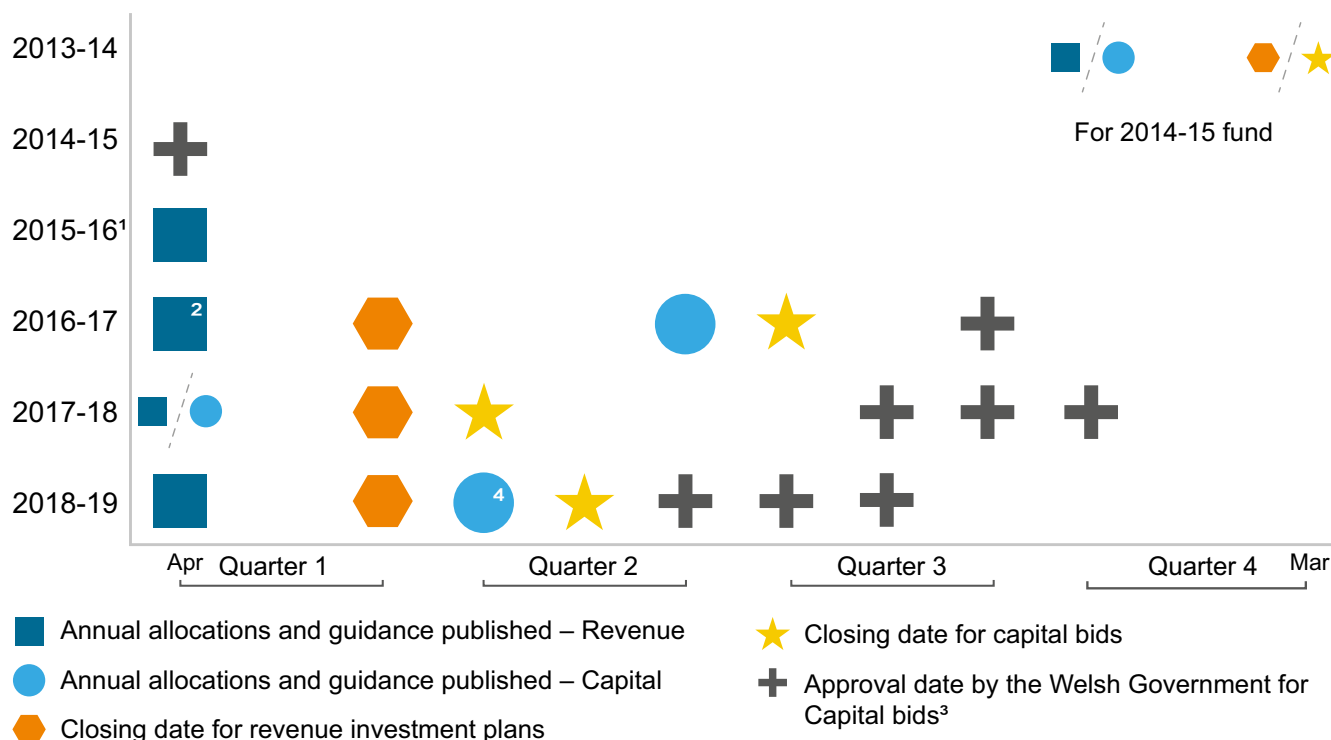
Source: Wales Audit Office analysis of Welsh Government guidance.

- 2.6 RPBs have welcomed the changes to the fund and the introduction of additional population groups. However, we identified that, over time, RPBs have felt that the criteria of the fund have become too prescriptive. They stated that they find it difficult to identify and approve revenue projects that continue to satisfy the range of criteria, particularly for population groups that have been supported for some time.
- 2.7 Changes in the Welsh Government's reporting requirements for RPBs have also presented challenges. These changes have required regional partners to adapt their reporting arrangements for projects that have run over more than one year. They have also meant that the ability to undertake year-on-year comparisons for these projects has been limited.

Despite attempts by the Welsh Government to provide early information, the late issuing of guidance and notification of allocations has previously created difficulties for regional planning

- 2.8 The timeliness of the Welsh Government's revenue and capital guidance, and the subsequent allocation of the funds, was consistently raised as an issue which affected the ability of the RPBs to use and manage the fund effectively. For 2014-15, the Welsh Government issued its guidance in January 2014. However, for 2015-16 to 2018-19 this did not happen until the beginning of, or months into, the relevant financial year (**Exhibit 6**). This has then had an impact on the timelines for submissions of plans by the RPBs, the approval process and subsequent release of funds. Except for 2014-15, capital funding has also not been agreed until quarter three or, in one case, quarter four of the financial year. This is despite the requirement for the RPBs to spend the money by the end of the financial year. The Welsh Government has worked to issue more timely guidance for 2019-20 (**paragraphs 2.24 to 2.29**).

Exhibit 6: timeline for the publication of guidance and allocations and funding approvals, 2014-15 to 2018-19



Notes:

1. In 2015-16, the Welsh Government issued a letter rather than formal guidance. This was due to the fund being used to extend existing successful projects for a further year or to extend good practice projects across Wales. Regional leads simply had to notify the Welsh Government where there was a significant change in their programme. There were no capital monies available in 2015-16.
2. In 2016-17, the Welsh Government held back £15 million from the revenue fund, notifying RPBs that the remaining fund would be used to support preventative services across the differing population groups. A total of £13 million was subsequently issued to the regions in September 2016 with the remaining £2 million held by the Welsh Government.
3. The Welsh Government does not approve the revenue bids, this is done by the RPBs. The Welsh Government instead satisfies itself that the revenue investment plans put together by the RPBs meet the criteria of the fund and make full use of the allocations available.
4. The Welsh Government has noted that the timings for an internal review of the ICF capital programme, which ultimately led to a three-year capital allocation (paragraph 2.24), did not allow for joint guidance to be issued for 2018-19.

Source: Wales Audit Office analysis of Welsh Government guidance, allocation and confirmation letters.

- 2.9 The Welsh Government provides early verbal indications to regional leads of their expected allocations and any intended changes to the use of the fund prior to issuing formal guidance, to enable them to start to plan. However, the RPBs told us that they have been reluctant to plan their use of the fund on a large scale prior to receiving formal notifications due to the changing expectations of the fund to date. In addition, some RPBs have received early indications of funding which later changed.
- 2.10 Some RPBs have begun an earlier planning cycle based on their indicative allocations. Nevertheless, these uncertainties and timing issues have impacted on the RPBs' preparedness and ability to plan an annual work programme which best uses their annual allocation. The Welsh Government has tried to address the uncertainty around the population groups by setting out in the guidance for 2017-18 that the priority areas would remain the same for the next three years. However, the priority areas have changed with the fund now extended to include children at risk of becoming looked after, in care or adopted, for 2019-20.
- 2.11 In 2018-19, the Welsh Government also made available a separate fund specifically for dementia which was administered through the Integrated Care Fund process and guidance. The separate fund to support the Dementia Action Plan for Wales 2018-2022 accounted for an additional £5 million, made available to RPBs. Although there was reference in the annual guidance for the fund, detailed guidance on the use of dementia monies was not made available until September 2018. That guidance indicated that dementia projects already supported through the fund could not be shifted across to the new dementia monies. Many RPBs identified that had they known that this restriction would be placed on them, they would have held off from submitting dementia-related projects as part of their general revenue investment plans, and instead focused their projects on other complex-need groups.
- 2.12 The guidance for the fund has continued to encourage the development of projects that combine revenue and capital funding¹³. However, even where the guidance and allocations have been published at the same time, the requirement for the Welsh Government to approve capital bids has added a substantial gap between the two funding-stream timelines. These issues have presented missed opportunities in making the most strategic use of the fund, with very few projects making use of both streams.

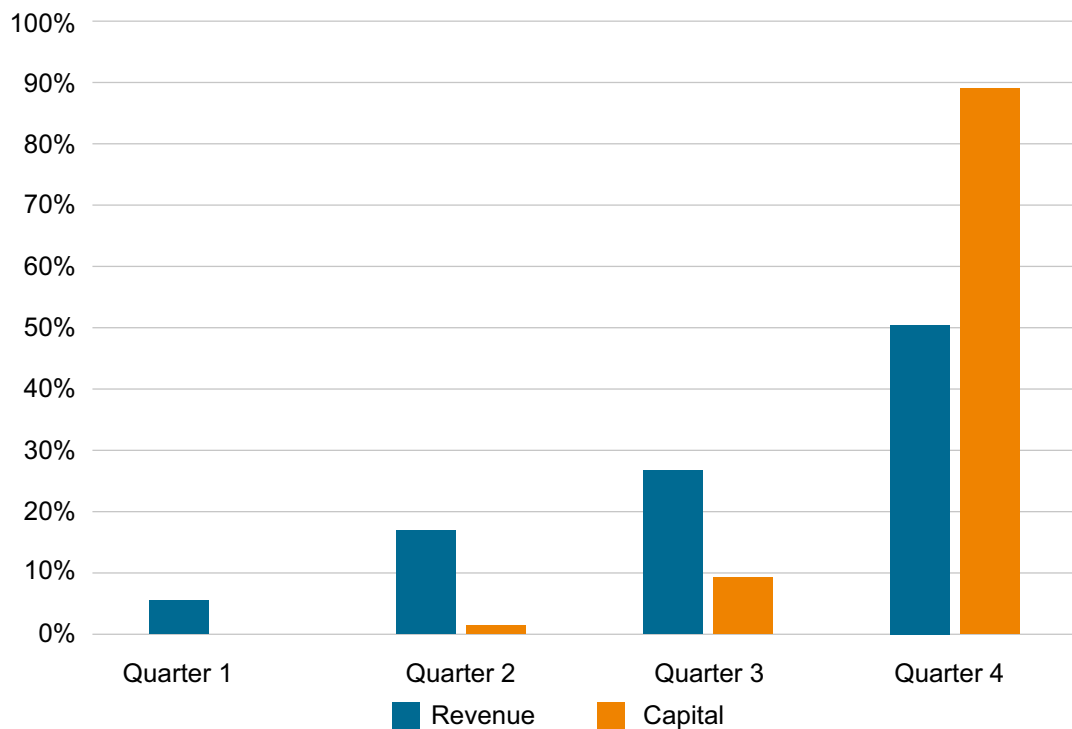
13 The 2018-19 guidance states that the fund can be used so revenue supports capital-funded projects, such as staffing for new-build provision.

The annual nature of the fund in its early years has not promoted strategic planning and effective use of the fund

- 2.13 The Welsh Government has been clear that the allocated funds must be used by the end of the financial year that they are intended for. Many of the RPBs have expressed their frustration at the short-term annualised focus on the fund which they say has led them to short-term planning and delivery, restricting their ability to plan more strategically over a longer timeframe. In practice, this has meant that many projects put forward are based on their ability to be initiated and concluded quickly, and not those that over a longer period could have a greater impact.
- 2.14 The annual guidance from the Welsh Government has clearly stated that the fund should be used to pump-prime new and innovative projects, which can include remodelling or upscaling previously funded projects. The guidance, however, has also stated that the projects should be sustainable beyond the year of the funding, with an expectation that the projects should run no longer than a year.
- 2.15 Given the late notification of allocations and guidance outlined in [paragraphs 2.8 to 2.10](#), regional partners have often been unable to get projects up and running in a timely manner, and to then allow them to run for enough time to demonstrate their impact. Consequently, over the period of the fund being in place, many of the projects have, in practice, been allowed to roll forward into the next financial year.
- 2.16 Even with the decision to roll forward projects, the need to resubmit project proposals and wait for confirmation of the funding has meant that projects may stop and start. Public bodies have been able to get around this challenge by allowing some projects to progress or start 'at risk' while awaiting approval, and the funding to be released. Third-sector bodies do not generally have the resources to continue to run projects 'at risk' while awaiting funding confirmation.

- 2.17 Even once approved, there are several practical issues that can add delays to getting projects up and running within the one-year window, including:
- a **recruitment:** processes can take a significant amount of time, often around three or four months, with some organisations reluctant for the recruitment process to start until the Welsh Government releases the funds.
 - b **capability and skills:** lead organisations for projects find it difficult to attract suitable candidates for annual fixed-term posts, and often need to advertise multiple times before they can appoint a successful applicant. Retention of staff is also difficult due to the short-term nature of the funding, leading to frequent changes of staff year-on-year for the same projects.
 - c **procurement:** many capital projects will need to complete procurement processes, which can take a significant amount of time.
- 2.18 Because of the inbuilt delays in the funding process, many revenue projects do not begin or restart until the second or third quarter of the financial year. The profile of expenditure during the year reflects this, with a significant proportion of the revenue fund spent in the last quarter of the year.
- 2.19 **Exhibit 7** sets out the profile of revenue and capital spend for 2016-17 and 2017-18. The capital-spend profile had been significantly worse than the revenue-spend profile, largely because of the late approval of capital bids for both the 2016-17 and 2017-18 financial years.

Exhibit 7: percentage of the revenue and capital fund spent by quarter in 2016-17 and 2017-18



Source: Wales Audit Office analysis of RPB monitoring returns to the Welsh Government.

2.20 The delays in getting projects up and running mean that underspends occur at year-end. The Welsh Government guidance clearly states that the funds cannot roll forward to the following year. Instead the health boards can retain any surplus revenue monies at the year-end, although this is not intended to be the default position. In the early years of the fund, we are aware that some health boards retained surplus monies which they were able to use towards their bottom line and which caused tension within the partnerships at that time.

2.21 The RPBs have since developed varying approaches for managing underspends. The most advanced process is within the West Wales region where a reserve list of projects is kept which can be supported if surplus funds become available. In other areas, the fund has been used on short-term projects which can be initiated and concluded quickly. We are also aware that, in 2017-18, the Welsh Government agreed that the Cwm Taf region could carry over a small amount of funding to be used in 2018-19.

- 2.22 The effective management of underspends remains an issue in some areas. However, this should start to improve in 2019-20 following a requirement by the Welsh Government for processes for minimising underspends to be articulated in revenue investment plans.
- 2.23 Underspend in capital funds has been more problematic. Delays in receiving the funds alongside the time it can take to work through procurement processes have meant that much of the capital fund has not been spent on what was intended. Instead funds have been used to support one-off equipment purchases or returned to the Welsh Government at the year-end.

The Welsh Government is taking steps to address the annual nature of the fund and issued the 2019-20 guidance in a timelier way

- 2.24 For 2018-19, the Welsh Government provided a three-year allocation for the capital element of the fund and introduced changes that split the stream in two:
- a 25% of the total amount to be on small-scale one-year capital projects, with its use to be determined by the RPBs; and
 - b 75% of the total amount to be on transformational, long-term projects up to 2021, to be approved by a Welsh Government panel.
- 2.25 RPB members across Wales were positive about this change, and some have begun to develop three-year regional capital plans to ensure best use of the fund going forward. However, as of November 2018 some RPBs were still to receive approval for their capital projects.
- 2.26 Despite stating that 25% of the capital fund would be at the discretion of the RPBs, the Welsh Government considered these proposals through its capital panel before they could begin. As a result, several projects were not able to progress during 2018-19 given the time remaining and have subsequently been resubmitted in 2019-20. The Welsh Government expects this process to have improved for 2019-20.

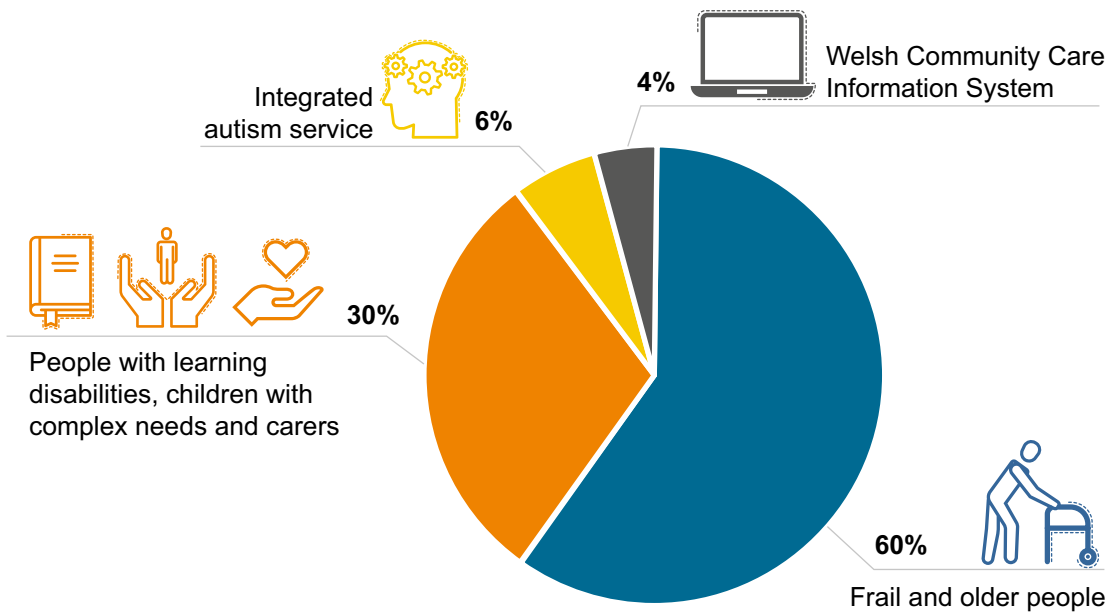
- 2.27 After considering our initial feedback, the Welsh Government acted to provide an early indication of the revenue allocation for 2019-20 in December 2018 and to issue the guidance for 2019-20 in February 2019, covering both revenue and capital funding streams. Not only has this helped with the timeliness issues but it has also helped to ensure consistency of messages between verbal and written communication that had previously caused confusion over allocations.
- 2.28 For 2019-20, the Welsh Government has recognised the need for the RPBs to be able to also plan their use of the revenue funding on a longer-term basis. The Welsh Government has required the RPBs to set out their intentions over a two-year period. In developing its 2019-20 guidance, the Welsh Government has also made greater reference to the Well-being of Future Generations (Wales) Act 2015, although we acknowledge that the overall aim of the fund was already closely aligned with the five ways of working¹⁴ set out in the Act.
- 2.29 The earlier issuing of guidance which covers both revenue and capital funds will help address many of the issues raised by RPB members. Welsh Government officials responsible for revenue and capital funding are jointly scrutinising the 2019-20 funding. The Welsh Government expects the approval of projects will take place earlier in the financial year, and by no later than the end of July 2019. Timely approvals are, however, reliant on when the RPBs submit their capital investment plans and this has taken longer than the Welsh Government expected.

Regional Partnership Boards can find it difficult to balance local population needs with the Welsh Government's indicative allocations for target groups

- 2.30 The Social Services and Well-being (Wales) Act 2014 places a duty on the RPBs to undertake a population assessment to identify the needs of the region's local population, and an area plan to address the specific needs identified. Since 2017-18, the Welsh Government guidance has required that all projects supported by the fund must address the care and support needs identified within population assessments and area plans. **Exhibit 8** shows how the Welsh Government allocated the 2018-19 revenue funding.

14 The **Well-being of Future Generations (Wales) Act 2015** sets out five ways of working needed for public bodies to achieve the seven wellbeing goals set out in the Act. The five ways of working are long term, integration, involvement, collaboration and prevention.

Exhibit 8: proportion of the 2018-19 revenue funding allocated to different population groups



Source: Wales Audit Office analysis of Welsh Government guidance.

2.31 Some RPB members noted that this approach to allocating specific amounts of the fund creates a tension for them to balance their use of the fund between the specified target groups and the needs identified within their population assessment. This tension is compounded when consideration is given to the other Welsh Government funding streams that the RPBs are responsible for which are also ring-fenced to specific groups of people. Examples include the Dementia Action Plan funding outlined in [paragraph 2.11](#).

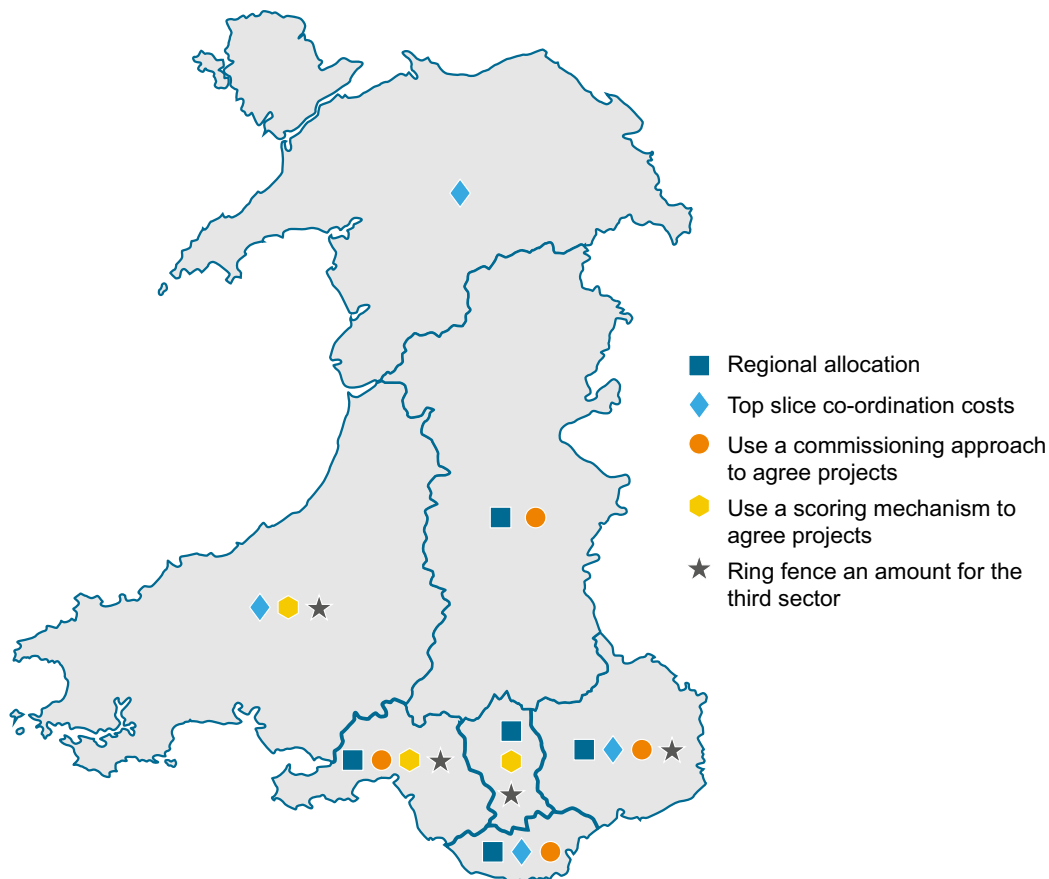
2.32 Different criteria for Welsh Government funding streams also make it difficult for RPBs to take a combined approach to using the funds available to them to meet the local population needs. Instead they have to submit and support separate projects for each fund. Consequently, many regional partners feel that there may be a risk of a disproportionate amount of funding collectively being allocated for specific population groups. They feel that this limits their ability to prioritise funding based on need. For example, some RPB members stated in response to our survey that:

- ‘the way in which the fund is structured means that it can be difficult to align the funding to what needs doing for our local population’; and
- ‘the ring fencing can be a hindrance as it can overly commit the partnership to an area that is not a big priority’

Regional Partnership Boards use their allocations in different ways, not all of which have supported a regional focus

2.33 While the Welsh Government allocates the fund on a regional basis, it is then up to each of the RPBs to agree through their revenue investment plans how to use the fund. The approaches to the use of the fund vary between the regions, with limited sharing and learning of the approaches used across Wales ([Exhibit 9](#)).

Exhibit 9: approaches applied to the allocation of funds 2014-2018 across the RPBs



Notes:

1. In North Wales, most of the fund is allocated across smaller footprint areas, such as Anglesey and Gwynedd; Conwy and Denbighshire; and Flintshire and Wrexham.
2. Before 2017-18, Powys RPB top-sliced an element of the fund to support communication and engagement costs.
3. In West Wales, most of the fund is allocated between the three local authority areas, although a small proportion is held at a regional level to support the delivery of agreed regional projects.

Source: Wales Audit Office fieldwork.

- 2.34 Five of the seven RPBs seek to allocate the funds on a regional basis except for North Wales and West Wales, where both RPBs allocate the funds to a lower level. This is either at a single local-authority level or across more than one local authority but not the whole region. This dilutes the intended focus on regional delivery and has resulted in some tensions between localities around the fairness of the allocation within the region. Our RPB member survey identified less positive views from North Wales and West Wales in relation to whether the process used to allocate the fund was fair. The Welsh Government has re-emphasised its desire for regional approaches in the 2019-20 guidance and as part of its scrutiny of investment plans. The Welsh Government has noted that while RPBs use their allocations in different ways, they are increasingly regional in their approach but with further progress needed in some areas.
- 2.35 Four RPBs have consistently used some of the fund to support management, oversight and co-ordination of the fund at a regional level. The sums 'top-sliced' during 2018-19 range from £60,000 (1%) in the Greater Gwent region to £400,000 (8%) in the West Wales region. This 'top-slice' is often used to contribute towards the funding of a specific post and in West Wales as programme management for identified RPB priorities. While this may be a good use of the fund at a local level, it is reducing the amount of funding which could otherwise be used for projects. All other RPBs have funded co-ordination through a different funding stream, or through core funding.
- 2.36 Most RPBs fund a high number of moderate-cost projects. The more projects there are, the greater the need for oversight and co-ordination. [Appendix 4](#) sets out the scale and number of the projects since 2014 by region, with the Cwm Taf and Cardiff and Vale RPBs focusing on fewer, larger-scale projects compared with the North Wales RPB which has more, smaller-scale projects.
- 2.37 Four of the RPBs have adopted a 'commissioning approach' to developing their work programme for the fund. In effect, the RPBs are commissioning their sub-groups responsible for the various population groups, to identify work required within the area plans which would benefit from funding to support delivery of the local priorities. The commissioning approach helps to align the use of the fund with the priorities set out in the area plans, rather than seeking an open and potentially more scattergun invite for project proposals. However, there have been some concerns about representation at these sub-groups and, as a result, the ability of some partners to influence decision-making ([paragraph 3.16](#)).

- 2.38 On receipt of proposals, several RPBs use a structured scoring mechanism to assess which proposals the RPB want to take forward and set out in their revenue investment plan or capital plan. These scoring mechanisms vary slightly but largely focus on the extent to which the projects meet the needs of the fund, as well as alignment with regional priorities and the area plan. The other RPBs take a less rigid approach, focusing predominantly on whether the projects meet the fund criteria.
- 2.39 A key aim of the fund is to promote joint working between statutory and third-sector organisations. The third-sector representatives that we spoke to identified a range of challenges which have affected their ability to access the fund. To address this, some of the RPBs have ring-fenced some of the fund specifically for the third sector to use, predominantly through a grants-type approach. This has increased access for the third sector, particularly for small short-term projects. However, it has still left the third sector disconnected from the wider programme where they could equally have valid contributions to make to some of the larger-scale projects.

Part 3

Governance arrangements for the fund need to be further developed to strengthen central oversight and ensure greater consistency across the regions



The Welsh Government has established governance arrangements for the fund but needs to do more to consider how its actions impact on regional partners and integrate funding streams

- 3.1 The budget for the fund comes from two areas of the Welsh Government and as such the responsibility for oversight is shared:
- the policy and governance responsibility relating to the revenue stream of funding is with the Minister for Health and Social Services; and
 - responsibility for the capital element of the fund rests with the Deputy Minister for Housing and Local Government.
- 3.2 The Welsh Government oversees the development and delivery of the fund through a formal project board. Representatives from across the Welsh Government's social services, health, housing and regeneration departments make up the board. The project board meets on a quarterly basis to:
- a review progress;
 - b monitor each RPB's performance, outcomes and expenditure;
 - c where appropriate, clarify and seek agreement on the administrative management of the fund;
 - d ensure emerging issues are identified and addressed in a timely and proactive manner; and
 - e provide a strategic steer on the future direction of the fund.
- 3.3 While officials feel that working across portfolios has improved through this arrangement, they acknowledged that if key individuals were missing from project board meetings then the rigour and quality of discussion suffered. Our own observations of the project board identified opportunities for greater internal challenge on changes made to the fund and the impact that these may have on the regional partners. For example, there appeared to be little acknowledgement of the impact of issues related to the timing of guidance ([paragraphs 2.8 to 2.10](#)).
- 3.4 Since our fieldwork, a member of staff has been seconded into the Welsh Government from Powys RPB to support the management of the fund. This arrangement has brought some valuable insight from the RPBs into the project board and has already resulted in the Welsh Government having a better understanding of the impact of their processes and decision-making on the regional partners.

- 3.5 We also identified a lack of challenge on the information submitted through the RPB quarterly returns. Although the project board receives updates, drawing on the information submitted by the RPBs, we observed limited discussion focused on these reports.
- 3.6 The fund has the potential to overlap with other funds made available from the Welsh Government, such as the Primary Care Fund. However, there was limited evidence that the project board was clearly considering the overlaps and ensuring that the criteria complemented the other funding streams available. Some RPBs have begun to consider how they could more effectively use these funding streams together to benefit their populations, but there is currently no requirement for them to do so.
- 3.7 The project board has subsequently recognised the overlap between the fund and the new NHS Transformation Fund launched in 2018. For 2019-20, the Welsh Government has gone some way to articulate the linkages in the guidance. The Welsh Government has also made links with other relevant funding streams through changes to the membership of the project board and other work is underway to map out the wider funding landscape. Meanwhile, a new reference group is considering the co-ordination of policy and funding relevant to RPBs. In addition, learning from the Families First and Flying Start programmes has been considered following the introduction of ‘children at risk of becoming looked after’ as a priority group for 2019-20.

The Welsh Government’s staffing capacity to support regular and timely oversight of the fund has been limited

- 3.8 Day-to-day oversight of the fund is by the Welsh Government through a small management team, consisting of three members of staff. The team is responsible for communicating with the regional leads, preparing annual guidance, and reviewing performance and delivery of the fund across the seven RPBs.
- 3.9 The RPBs reported a positive relationship with the central team for both the revenue and capital elements of the fund, with welcomed opportunity to engage through attendance at RPBs, one-to-one dialogue and meetings with the RPB chairs. However, the regional fund leads previously did not have the opportunity to come together on a regular basis with the central team. Since our fieldwork, a lead network group has been established which supports more frequent two-way dialogue between the team and those responsible for managing the fund in each of the regions.

- 3.10 The RPBs have identified frustration with the amount of information that they needed to provide on a quarterly basis to meet the Welsh Government reporting requirements. The Welsh Government considers that the requirements have been proportionate to the level of investment through the fund. However, capacity issues within the central team mean that there have been time lags of up to three or four months between the RPBs submitting their returns and the point at which they receive formal feedback from the Welsh Government on areas for improvement.
- 3.11 The RPBs have also expressed frustration that much of the monitoring information submitted is not being used for any obvious purpose. Welsh Government officials have acknowledged that the team did not have the capacity to examine each project in detail or to follow through on all the information, for example, by conducting site visits to gain a better understanding of the work. However, they have emphasised that the information is used not just to inform their feedback but to support the Welsh Government's own accountability, for example, in response to Ministerial questions. There have also been periodic visits at a regional level and to some projects.
- 3.12 The seconded member of staff from Powys RPB (paragraph 3.4) has helped provide some additional resource since late 2018, replacing a longstanding vacancy. Work is also underway to revisit the amount of information required through the reporting arrangements. Paragraphs 4.1 to 4.11 consider the arrangements in more detail.

Regional Partnership Boards frequently delegate responsibility for the fund to a sub-group and there is limited scrutiny of the use of the fund by health boards and local authorities

- 3.13 The Social Services and Well-being (Wales) Act 2014 required RPBs to be established on the footprint of the health boards and to include representation from social services, cabinet members, health boards including members, third-sector organisations and user and carer representatives. All the RPBs have representation from the statutory bodies, although the level of attendance from health board representatives can be variable, ranging from one to three. Health board representation is routinely through partnership and primary-care leads either at director or manager level, as well as independent members.

- 3.14 Membership from local authorities can also vary to up to three members from a single authority, resulting in large RPBs in areas with five to six authorities and a risk of local-authority representatives dominating the discussion. Local-authority representation is routinely through social-service directors and cabinet members, although the Welsh Government amended the Act in 2018 to require RPBs to have housing representation¹⁵. Representation from housing prior to the amendment to the Act was variable across RPBs. Third-sector organisations are represented on RPBs, although it can be challenging getting representation from service users and carers.
- 3.15 RPBs have responsibility for delivering area plans and using any funds made available to them. This requires them to make decisions on the use of the fund across the region, on behalf of the public bodies that they represent. Each of the RPBs has in place a memorandum of understanding setting out their agreed decision-making process. Our work, however, has identified that there is very little scrutiny of the decisions made by the RPBs. Although some RPB members seek ratification from their host organisation, this is not common practice across much of Wales. We also found limited evidence that representatives were routinely reporting back decisions made by RPBs to the boards and scrutiny committees of the relevant public bodies, with a general lack of awareness among health boards and local authorities about how the fund is used.
- 3.16 Within the RPBs, responsibility for the fund is largely delegated to sub-group arrangements. The RPBs receive recommendations from the sub-groups as to how the fund should be used, along with assurance reports during the year as to how the fund is spent. Representation on the sub-groups largely comprises directors or heads of service, with representation from other partners such as the third-sector, housing and carers often lacking. Third-sector representatives particularly raised concerns with us that while members of the RPBs, they are not always represented at sub-groups. As such, the ability for them to engage and influence the decisions surrounding the fund is limited. In some RPBs, we also raised potential conflicts of interest as an issue as the members on the sub-groups recommending the decisions for the allocation of the fund were managing the services that were also benefiting from the fund.

15 The amendment to the Act also included representation from housing associations.

3.17 Timing of RPB meetings can be an issue. The Welsh Government sets out in the annual guidance clear but often tight deadlines for submissions of revenue investment plans, capital plans and quarterly monitoring returns. We found that some RPB chairs were signing off monitoring returns outside of the RPB meetings because of the tight timescales between the end of the quarter and the submission dates. Some chairs felt uncomfortable doing this and refused to do so without reporting the returns through the RPB meeting. This has required realignment of some of the RPB meeting dates with the Welsh Government timescales.

The rigour of project management varies between regions and organisations, and few projects involve service users at the outset

- 3.18 Oversight and management arrangements of individual projects are largely based on the arrangements used by the host organisation. However, not all projects are supported by detailed project plans and the approach to managing project risks is inconsistent. Some projects have local risk registers which feed into organisational or area risk registers, but many do not have mechanisms in place to identify, manage and escalate risks.
- 3.19 The leads for each of the projects frequently have wider responsibilities beyond the project. This can result in issues in terms of capacity to plan, manage and report on the projects as required, with many project leads struggling to meet the reporting deadlines set by the Welsh Government.
- 3.20 Few projects have involved service users at the outset due to the short timescales within which the regional partners have to develop their project proposals. However, regional partners seek to engage through the carer and user representatives on the RPB. There is a requirement in the Social Services and Well-being Act (Wales) 2014 for each RPB to establish a citizen's panel. Panel arrangements differ across the regions. In some cases, RPBs are using engagement mechanisms that public bodies already have in place to engage with service users and citizens. There is currently little evidence that regional partners are making use of these arrangements to engage citizens in planning projects supported by the fund.
- 3.21 Despite the intention of the fund to support the pump-priming of new and innovative projects, relatively few projects have had defined exit plans either to mainstream the project if successful or to terminate the project if it fails to deliver the intended benefits. Responding to our survey, 40% of project leads identified that they were required to include an exit strategy as part of their project plans. The inclusion of an exit strategy for each project is now a requirement of the fund for 2019-20, following our early feedback to the Welsh Government (paragraphs 4.12 to 4.17).

Part 4

Despite positive examples, the overall impact of the fund in improving outcomes for service users remains unclear, with little evidence of successful projects yet being mainstreamed



Regional Partnership Boards identify a range of positive case studies, but the Welsh Government's central monitoring arrangements do not yet provide a basis on which to assess the fund's overall impact

- 4.1 Since the inception of the fund, the Welsh Government has required the RPBs to report both financial and performance data on their revenue and capital use of the fund on a quarterly basis. Each year the guidance outlines reporting requirements. In 2016-17, the Welsh Government guidance also began including the reporting deadlines.
- 4.2 There are, however, different reporting formats for revenue and capital. The main reason for the difference is that the capital element of the fund is identified as a grant and, as such, has different reporting requirements. While the RPBs acknowledge this, they find the different approaches frustrating and would welcome a simplified process.
- 4.3 There are also separate reporting processes in place for the Integrated Autism Service and Welsh Community Care Information System strands of the revenue funding. Scrutiny and reporting of these schemes rest directly with the Welsh Government as part of the wider oversight of the Autistic Spectrum Disorder Action Plan and of the rollout of the information system across Wales.
- 4.4 The Welsh Government has outlined the reporting requirements for the RPBs with an emphasis on outcomes to measure the success of projects. This is instead of outputs which focus on the amount of activity undertaken. The Welsh Government set delayed transfers of care as a key outcome measure when the fund was first established. RPBs are not required to report their delayed transfer positions. Instead, the Welsh Government monitor the regional position through central mechanisms. All RPBs identified that with the increasing focus on preventative and admission avoidance services, as well as changes to the target population groups, delayed transfers of care do not now reflect the full scope of the fund.

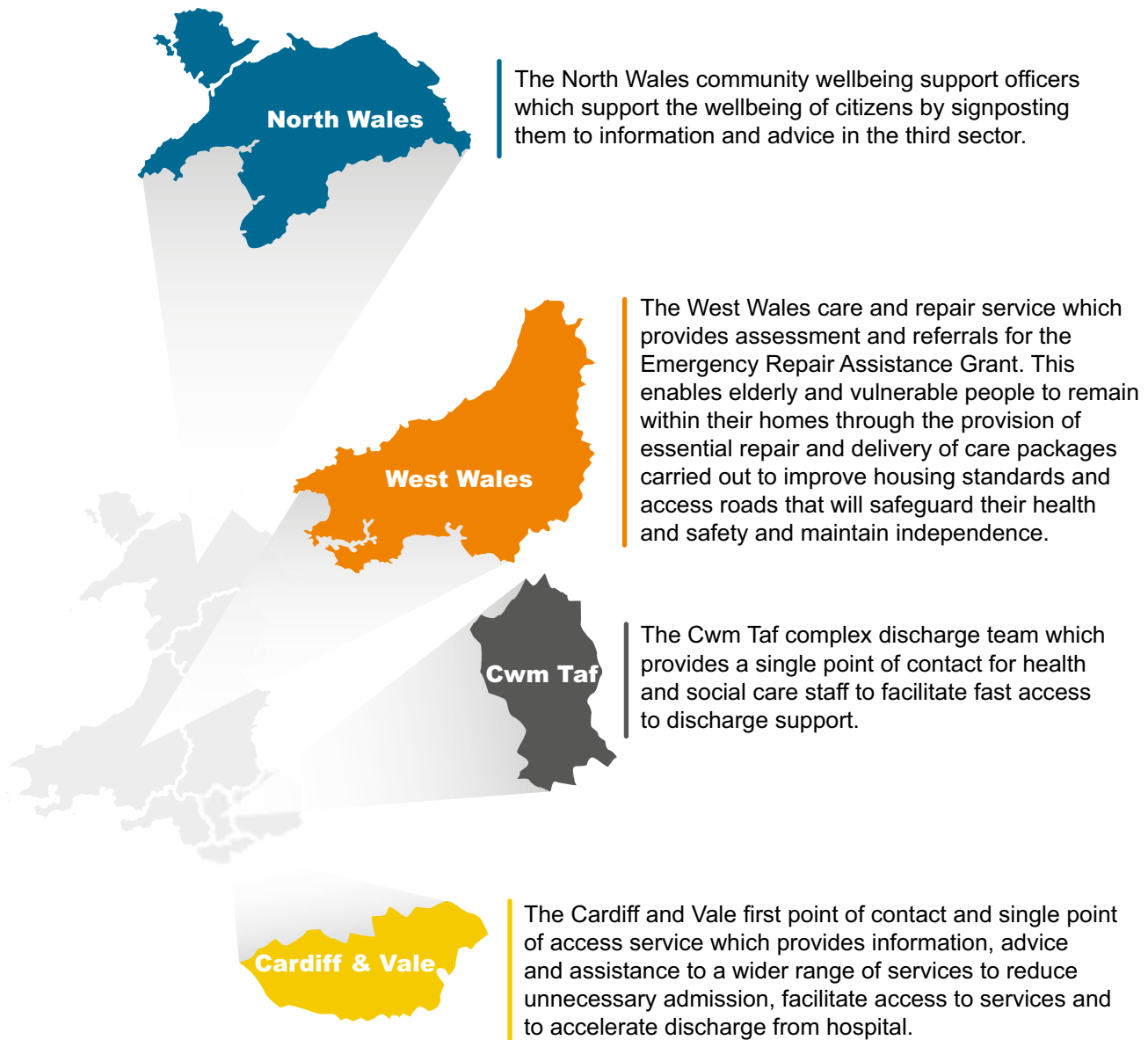
- 4.5 The Welsh Government has not set any specific expectations about how the RPBs should measure or capture information about outcomes. Each RPB has developed its own processes. This approach has given the RPBs flexibility to use the tools they feel most appropriate to measure performance. But it has led to the Welsh Government receiving very different information about similar projects, making it difficult to collate or compare like-for-like information on outcomes at a national level. Within the different approaches to performance management that they have adopted, all regional partners also reported a difficulty in successfully quantifying outcomes.
- 4.6 In 2017-18, following consultation with the RPBs, the Welsh Government began including a reporting template within the guidance. Despite the emphasis on reporting outcomes, the template focuses mainly on what support has been provided through the fund, as well as spend. Regional partners have been encouraged to continue to collect any additional information that they felt was worthwhile to demonstrate project performance. This is in addition to that required to complete the template, and the RPBs often submit this additional information with their quarterly returns. Issues with capacity in the Welsh Government's central team ([paragraphs 3.8 to 3.12](#)) however, have meant that the Welsh Government does not have the opportunity to review all of the projects in detail.
- 4.7 Many regional partners have been capturing user experiences through case studies, believing that this best demonstrates the outcomes they are achieving and the impact that the fund is having on people's lives. However, the Welsh Government has encouraged RPBs to take a proportionate approach to the number of case studies submitted within their quarterly returns, focussing on good practice, given its limited capacity to analyse the information.
- 4.8 Many of the projects focus on prevention and earlier intervention. Regional partners, however, are unable to report decreases in service use elsewhere in the system and savings. This is due to increased demand on existing core services from a growing population with more complex needs, which is replacing the demand that the funded projects are now managing.

- 4.9 All RPBs recognise that measuring impact is an area that they could improve and are taking actions to better record outcomes. For example, the West Wales region is trialling the use of the Integrated Pathway for Older People¹⁶. As part of this, the regional partners are trying to link the local outcomes they achieve through the funded projects to the national outcomes identified as part of the pathway, although this is still in early development. In its latest guidance, the Welsh Government is encouraging RPBs to use Results Based Accountability¹⁷ to measure outcomes, with three RPBs already using it to varying degrees of success.
- 4.10 Nevertheless, these issues mean that, to date, the Welsh Government has been unable to provide a national picture on the impact that the fund has had. In the meantime, the project board has received high-level assurance from the RPBs' information on spend and activities and used the information to inform Assembly Member site visits to different projects. The Welsh Government intends to publish an annual report on the use of the fund in 2018-19 by September 2019. The Welsh Government also intends to commission some wider evaluation work having decided to postpone a previously announced evaluation given the plans for our own work.
- 4.11 The RPBs have also found the requirement to report the same level of information for each quarter frustrating, particularly given that there has generally been a lower level of activity in the first quarter of the financial year. The Welsh Government has now recognised this and, for 2019-20, has introduced lighter touch reporting requirements for quarters one and three.

There is little evidence that successful projects have yet been mainstreamed and funded as part of public bodies' core service delivery, although the Welsh Government has re-emphasised its expectations

- 4.12 Since its inception in 2014, there has been a clear expectation from the Welsh Government that projects that are demonstrating impact should be mainstreamed into core budgets. In practice, many projects supported by the fund have rolled forward year on year ([paragraph 2.15](#)). Examples of this include:

- 16 The Integrated Pathway for Older People is a six-stage pathway developed by the Welsh Government to identify and understand what level of care older people need. The pathway has been updated in West Wales to include seven stages.
- 17 Results Based Accountability is an approach for measuring performance which focusses on how service users are better off to determine the success of a service rather than the more traditional focus on activity.



4.13 In the context of wider funding pressures, RPBs have found it difficult to convince the partner organisations that they represent to invest in these and other projects through core funding streams. Despite the requirement for the undertaking of project evaluations, very few projects, including those that have been in place since the introduction of the fund, have received any formal evaluation.

4.14 The intention is for RPBs to use evaluative information to assess the value of mainstreaming services supported by the fund. Information reported through the annual reports for RPBs and through case study material would indicate that many of these projects, however, are making a tangible difference (**Exhibit 10**). Further information is available in RPB Annual Reports, many but not all of which are published on their websites.

Exhibit 10: examples of positive impacts of projects funded by the Integrated Care Fund



**‘The Bay’
Reablement Unit**
(Cardiff and Vale RPB)

By increasing the confidence, physical and mental strength of each individual admitted to the Bay, the unit can demonstrate a significant reduction in ongoing support requirements once the service user returns home. By ensuring that the care provided to the person is appropriately based upon need, savings of c.£500,000 per annum have been achieved – **Cardiff and Vale Integrated Health and Social Care Partnership Annual Report 2017-18**



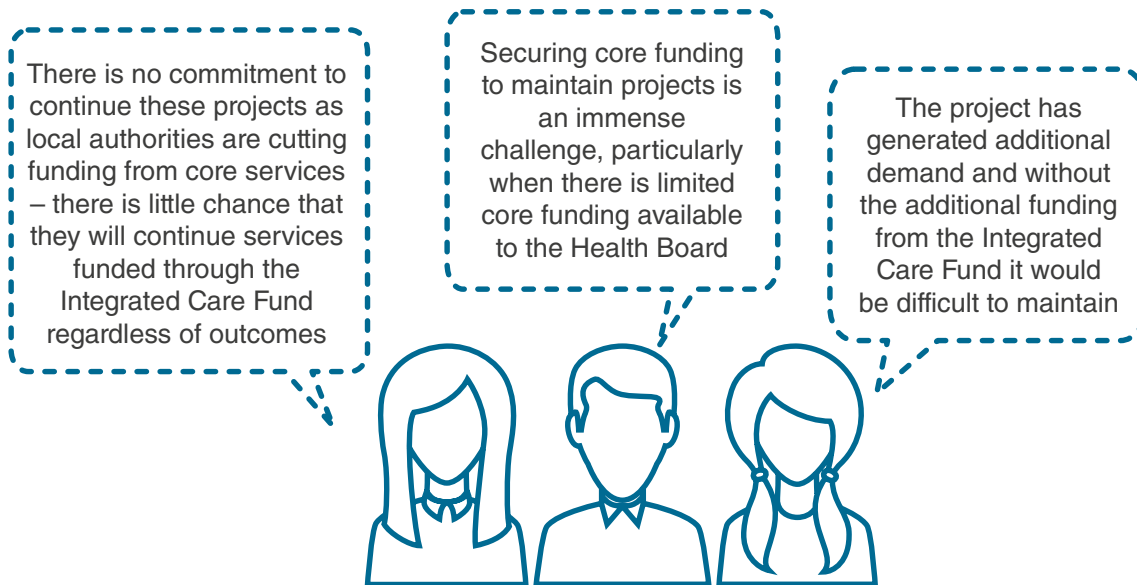
**Eating Disorders
for Children and
Young People**
(Greater Gwent RPB)

This dedicated community eating disorder team can provide a routine Child and Adolescent Mental Health Service (CAMHS) assessment of a child or young person. This is leading to improved outcomes for children and young people and reduced admissions to Tier 4 beds – **Greater Gwent Regional Partnership Board Annual Report 2017-18**

Source: Wales Audit Office review of RPB Annual Reports.

4.15 Responding to our surveys, 91% of project leads agreed or strongly agreed that the projects that they were involved in were making a difference to service users. In addition, 87% of RPB members also agreed or strongly agreed that the projects funded in their region were making a difference to service users. Only 60% of project leads, however, identified that they had been able to demonstrate the impact of the project and 75% identified that there were challenges in mainstreaming the projects (**Exhibit 11**).

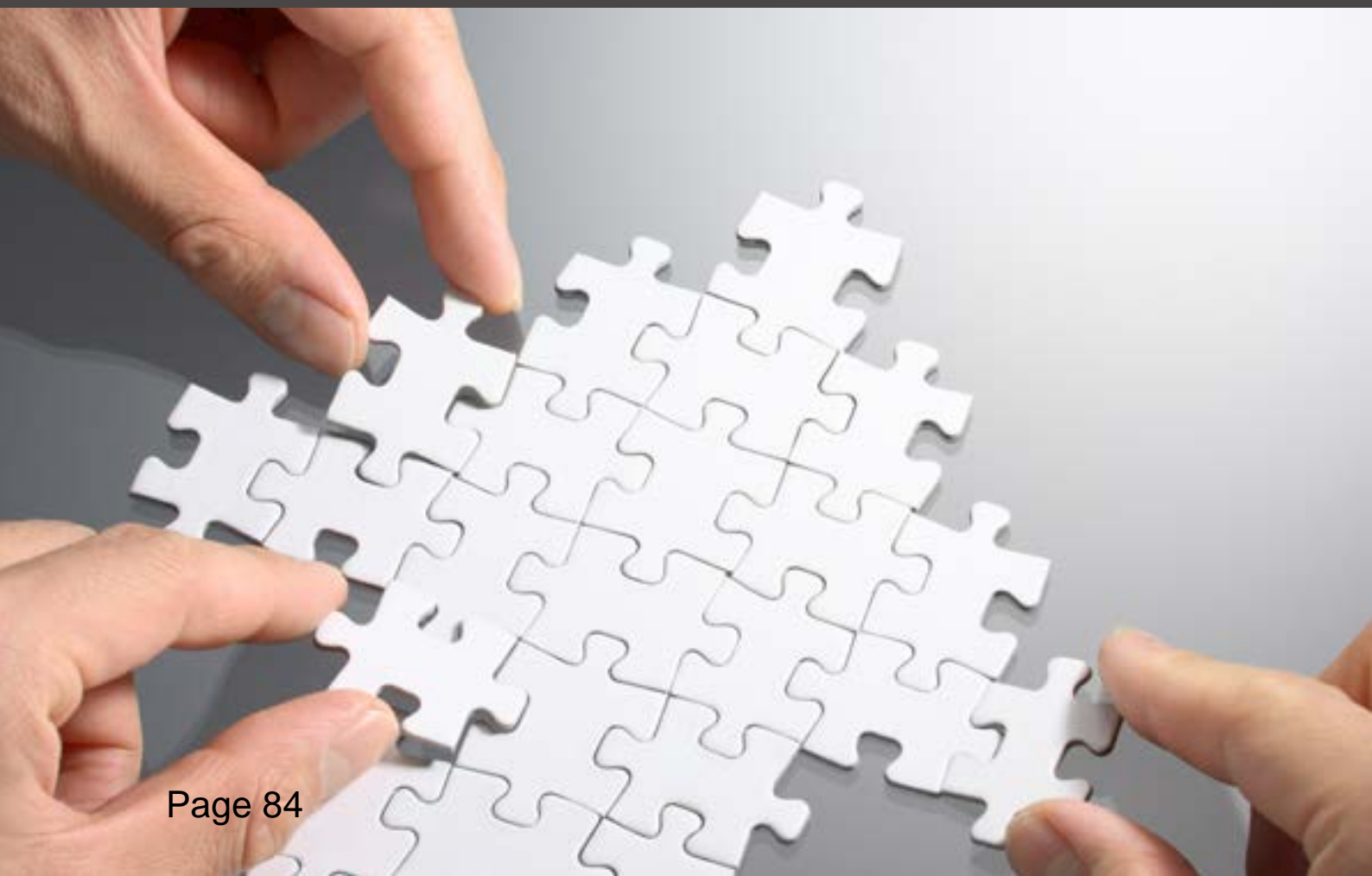
Exhibit 11: challenges identified with mainstreaming projects through our project-lead survey



Source: Wales Audit Office survey of project leads.

- 4.16 Some of the projects, however, are now so embedded that they have in effect become a core service which, if stopped, would have a detrimental impact on wider service provision. In its latest guidance, the Welsh Government has emphasised that the fund should not be supporting projects that have become core services, and that other funding mechanisms should be sought. The Welsh Government recognises the challenges that the RPBs face in mainstreaming projects but has not previously provided any detailed guidance or support to help them address the issue. The guidance for 2019-20 does now include a clear expectation that revenue investment plans include exit strategies for each project ([paragraph 3.21](#)). However, this still lacks any practical examples about how regional partners can move to mainstream projects that are demonstrating impact. Regional partners may also have to make some difficult decisions to dis-invest from some services.
- 4.17 Once a year, the Welsh Government hosts an event to bring together RPB members and those directly involved in the funded projects. The aim of the event is to facilitate shared learning. Feedback from those who have attended identifies that the event is useful in understanding what projects are in place across Wales and showcasing projects that are working well. RPB members felt that the event would be more useful if there were wider opportunities to learn from the experiences of others, particularly in relation to overcoming challenges. The annual event could also be a useful mechanism for shared learning about mainstreaming.

Appendices



Appendix 1

Audit methods

Exhibit A1: audit methods used



Document reviews

We have reviewed central and regional documents including:

- Welsh Government guidance
- Strategic plans, including: local-authority corporate plans, health board integrated medium-term plans, public-service-board well-being plans
- Project plans
- RPB quarterly financial and performance monitoring returns
- Minutes from RPBs and sub-groups¹⁸

We have also reviewed relevant reports on health and social-care integration by Audit Scotland and the National Audit Office.



Surveys

We undertook surveys of RPB members and project leads responsible for projects during 2017-18.

We received responses from 71 of the 156 RPB members surveyed and 65 of the 243 project leads surveyed.



Interviews

We conducted interviews with:

- Regional leads for the Integrated Care Fund
 - RPB members, including: elected members, officers, service users and third-sector representatives
 - Project leads
 - Welsh Government officials
-



Workshops

We held workshops with members of the relevant RPB sub-groups in each of the regions.

We also held workshops with a sample of project leads within each of the regions.

¹⁸ Each RPB has delegated responsibility for elements of the fund to one or more sub-groups.



We analysed financial and project performance data for the period 2014-2019.

Data analysis



We observed governance arrangements in practice by observing the Welsh Government's project board. We also observed meetings of all the RPBs and the relevant sub-groups responsible for overseeing the fund.

Meeting observations

Appendix 2

Map of Regional Partnership Boards as at 31 March 2019¹⁹

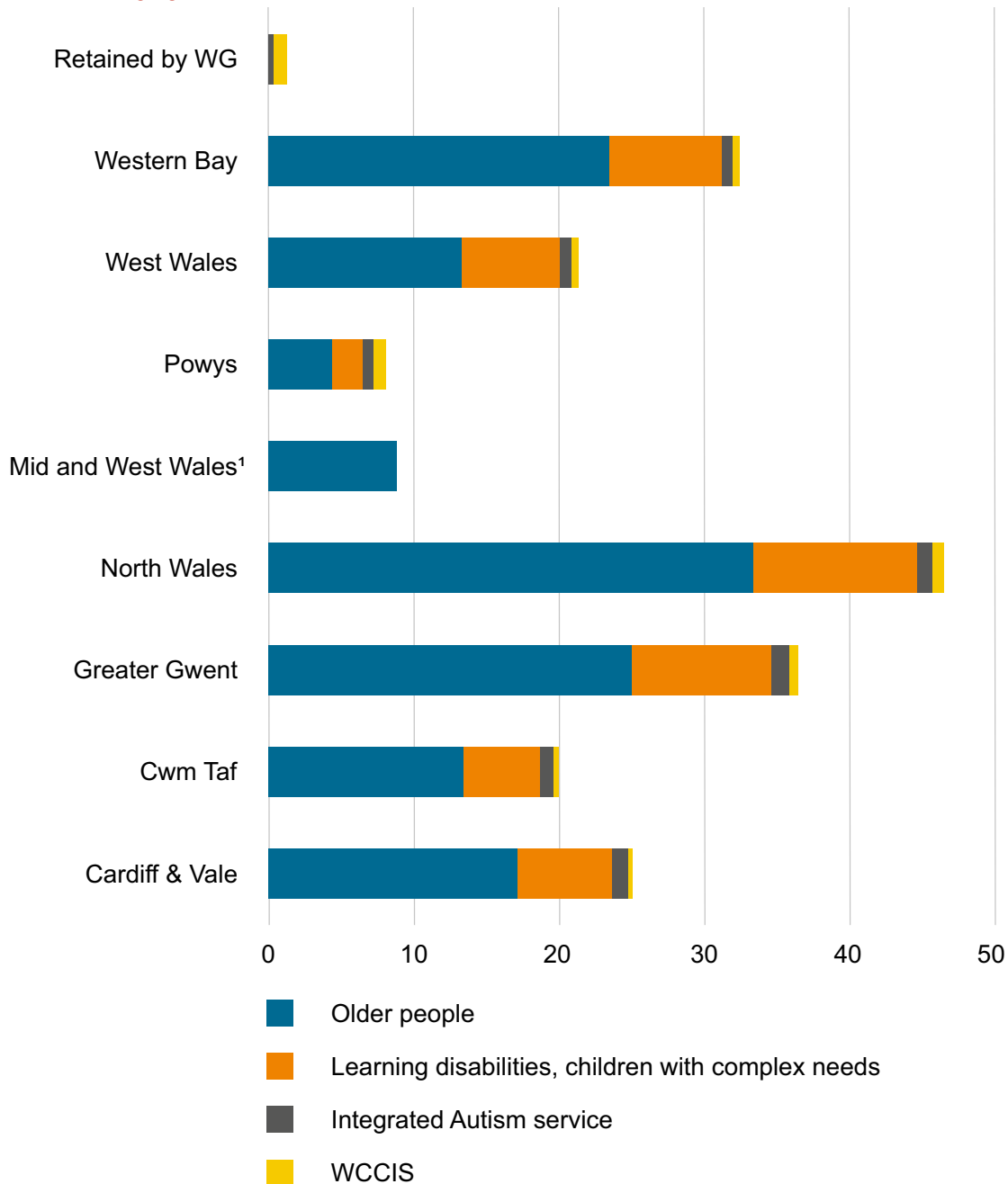


19 Following boundary changes relating to the Abertawe Bro Morgannwg University Health Board which came into effect on 1 April 2019, what is now Cwm Taf Morgannwg RPB includes Bridgend County Borough Council. The remaining partnership of Swansea Bay University Health Board, Swansea Council and Neath Port Talbot County Borough Council has been re-established as West Glamorgan RPB.

Appendix 3

Distribution of the fund between 2014 and 2019

Exhibit A2: distribution of revenue fund by region and area of scope, April 2014 to March 2019



Note:

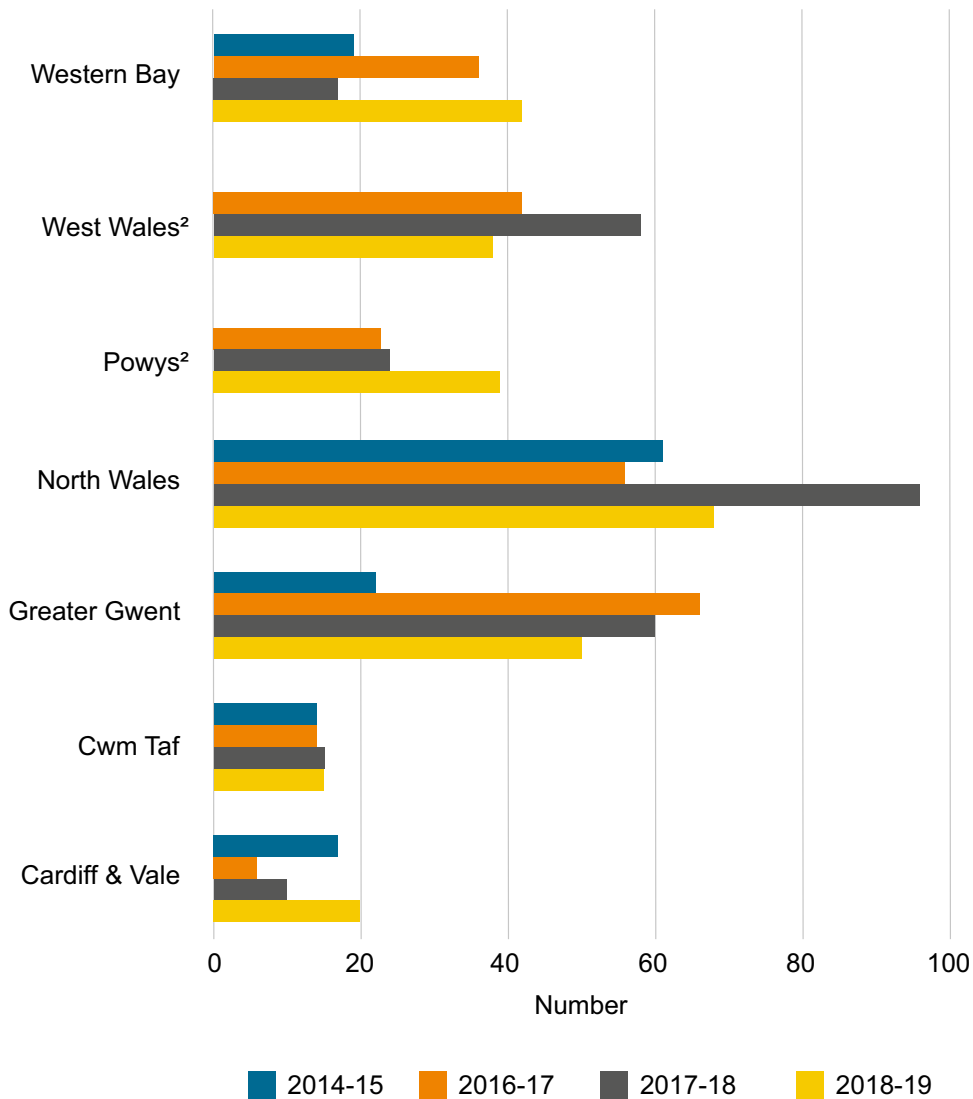
1. Between April 2014 and March 2016 West Wales and Powys were considered a single region and received a single allocation for Mid and West Wales.

Source: Wales Audit Office analysis of Welsh Government guidance and allocation letters.

Appendix 4

Breakdown of the number and scale of projects between 2014 and 2019

Exhibit A3: number of revenue projects by region, April 2014 to March 2019 (excluding 2015-16)¹

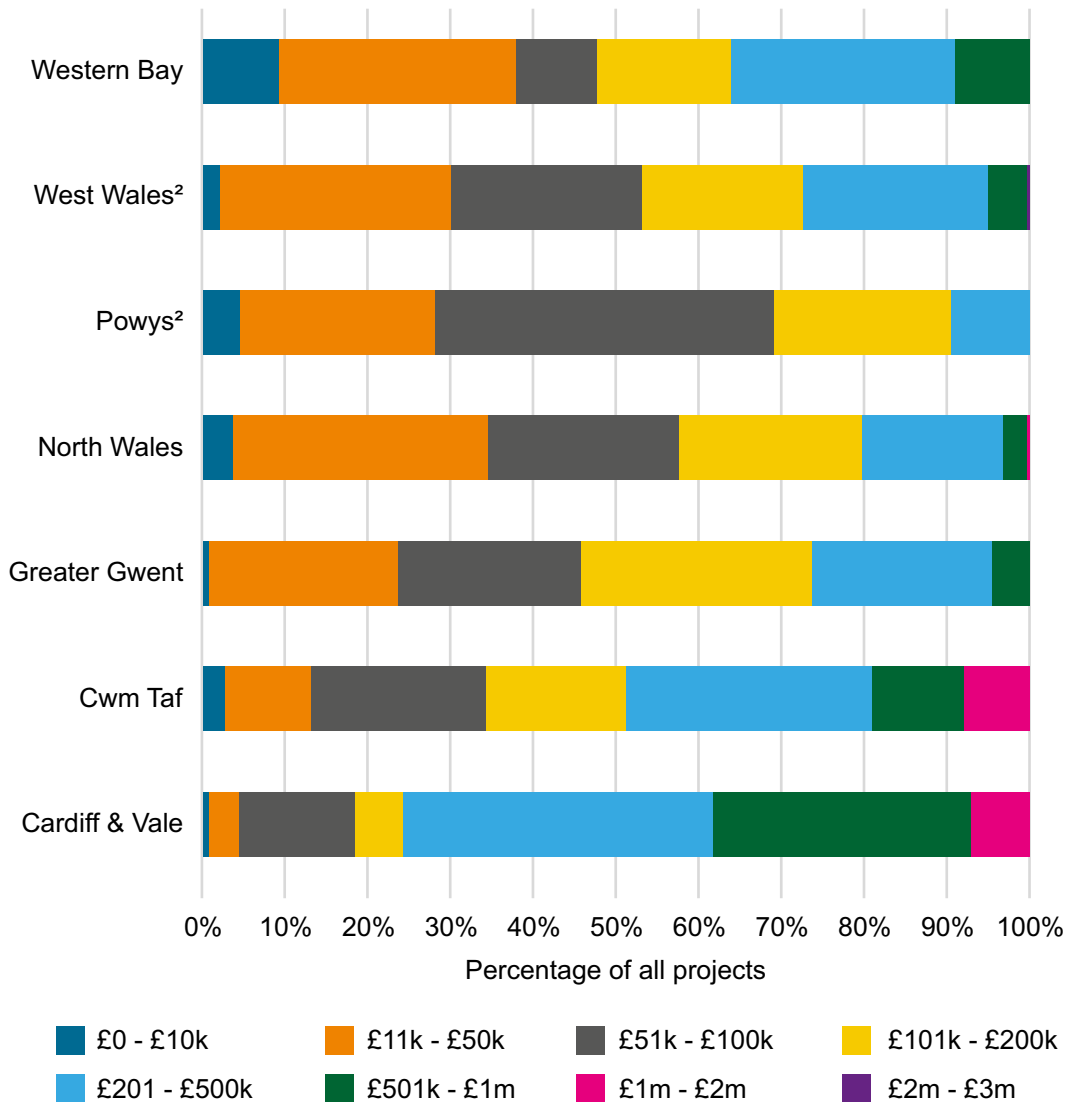


Notes:

1. Projects were rolled forward for 2015-16 and have therefore been excluded.
2. Between April 2014 and March 2016 West Wales and Powys were considered a single region and received a single allocation for Mid and West Wales. We have excluded the number of projects for the Mid and West Wales region for the period 2014-2016 from the comparison.

Source: Wales Audit Office analysis of RPB monitoring returns to the Welsh Government.

Exhibit A4: scale of projects by region, April 2014 to March 2019 (excluding 2015-16)¹



Notes:












1. Projects were rolled forward for 2015-16 and have therefore been excluded.
2. Between 2014-2016 West Wales and Powys were considered a single region and received a single allocation for the Mid and West Wales region. We have excluded the number of projects for the Mid and West Wales region for the period 2014-2016 from the comparison.

Source: Wales Audit Office analysis of RPB monitoring returns to the Welsh Government.

Appendix 5

Key findings from our surveys of RPB members and project leads

Our survey of RPB members²⁰ identified that:

	59 out of 70 (84%) agreed that partner organisations demonstrate a commitment to partnership working.
	38 out of 68 (56%) agreed that there were appropriate links with other regional groups and forums, such as Public Service Boards, to ensure that there were no overlaps or gaps in responding to legislative requirements.
	33 out of 62 (53%) agreed that the ring fencing of the fund for the national initiatives was helpful.
	21 out of 61 (34%) agreed that the templates provided by the Welsh Government for quarterly reporting captures the right information.
	37 out of 59 (63%) agreed that there was helpful ongoing communication between the RPBs and the Welsh Government to understand any changes to the fund.
	57 out of 71 (80%) agreed that proposals put forward for the RPB to approve are generally good quality.
	39 out of 69 (57%) agreed that the RPB sets enough time aside for effective scrutiny of the delivery of the projects supported by the fund.
	49 out of 68 (72%) agreed that there is a clear process for monitoring and managing project underspends and overspends within the RPB structure.
	47 out of 68 (69%) agreed that the RPB and its sub-group focusses on outcomes when scrutinising the projects.
	45 out of 70 (64%) agreed that the fund is funding the right projects.
	60 out of 69 (87%) agreed that the projects funded were making a difference to service users.

²⁰ Not all members responding answered every question.

Our survey of project leads identified that:



46 out of 65 (71%) identified that their project(s) had received funding in previous years.



31 out of 65 (48%) identified that their project(s) received additional funding as well as the Integrated Care Fund.



60 out of 65 (92%) identified that their project(s) clearly linked to national strategic priorities, including the Well-Being of Future Generations (Wales) Act.



38 out of 65 (58%) identified that there was a risk management framework for their project(s).



58 out of 65 (89%) identified that they had received appropriate guidance from managers to support them in delivering the project(s).



27 out of 65 (40%) identified that they were required to include an exit strategy as part of their project plans.



51 out of 65 (78%) identified that there was a single point of accountability for delivery of the project(s).



21 out of 65 (32%) identified that their project(s) started on time.



26 out of 65 (40%) identified that there was a mechanism to measure the financial benefits of the project(s).



39 out of 65 (60%) identified that they had been able to demonstrate the impact of the project(s).



43 out of 65 (66%) identified that the fund is helping to provide sustainable and improved services in their region.



49 out of 65 (75%) identified that there were challenges in mainstreaming the project(s).



59 out of 65 (91%) identified that the project(s) was making a difference to service users.

Appendix 6

Progress against a previous recommendation

In the Auditor General's October 2015 report **Supporting the Independence of Older People: Are Councils Doing Enough?** we made the following recommendation to local authorities, health boards, third-sector partners and the Welsh Government. We have assessed progress against the recommendation ([Exhibit A5](#)).

Exhibit A5: progress against the previous recommendation relating to the fund

Recommendation – to improve the management and impact of the [then] Intermediate Care Fund by:	Our assessment of progress
Setting a performance baseline at the start of projects to be able to judge the impact of these over time.	There is no single approach to performance management of projects, this differs amongst the regions as well as sometimes within the region (paragraphs 3.18 to 3.20). There are examples of projects setting indicative performance during project planning, but it does not happen for all projects.
Agreeing the format and coverage of monitoring reports to enable funded projects to be evaluated on a like-for-like basis against the criteria for the fund, to judge which are having the greatest positive impact and how many schemes have been mainstreamed into core funding.	As outlined above, there is no single approach to project management or the ability to compare similar projects on a like-for-like basis (paragraphs 4.5). There is evidence of some regions beginning to take an approach that would provide information for comparison (for example the regional outcomes framework in West Wales), but this is still in early development and there is no data available currently to make judgements about which projects are having the greatest impact. Additionally, regions are struggling to capture positive impacts and evidence savings due to the preventative nature of the projects and there is little evidence that mainstreaming into core funding has taken place (paragraphs 4.12 to 4.17).
Improving engagement with the full range of partners to ensure as wide a range of partners are encouraged to participate in future initiatives and programmes.	The extent to which partners are engaged with the fund does differ by region, with some ongoing concerns raised by third sector partners (paragraph 3.16). However, the introduction of the RPBs since the inception of the fund has brought together a wider range of partners on a regional basis than was previously the case to contribute and participate in the programme (paragraphs 1.1 to 1.7).

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BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

8 AUGUST 2019

REPORT OF THE INTERIM HEAD OF FINANCE AND SECTION 151 OFFICER

STATEMENT OF ACCOUNTS 2018-19

1. Purpose of this report

- 1.1 The purpose of this report is to present the final Statement of Accounts for 2018-19, which is now due to be certified by our external auditors, Wales Audit Office (WAO) and the associated Letter of Representation of the Council.
- 1.2 WAO will update Members on their main findings from the audit, summarise the audit work carried out in respect of the 2018-19 financial year and present their Audit of Financial Statements Report, which requires the appointed auditor to report these key findings to those charged with governance.

2. Connections to Corporate Improvement Objectives / Other Corporate Priorities

- 2.1 This report assists in the achievement of the following corporate priority:
 - Smarter use of resources – ensuring that all its resources (financial, physical, human and technological) are used as effectively and efficiently as possible and support the development of resources throughout the community that can help deliver the Council's priorities.
- 2.2 The Council's financial performance is an important element in determining the extent to which the Corporate Objectives can be delivered.

3. Background

- 3.1 The preparation of the Statement of Accounts is a requirement of the Accounts and Audit (Wales) Regulations 2014 (as amended 2018) and its content is defined by the Chartered Institute of Public Finance and Accountancy's (CIPFA's) 'Code of Practice on Local Authority Accounting in the United Kingdom' (the Code).
- 3.2 The unaudited Statement of Accounts 2018-19 was signed by the responsible financial officer on 28 May 2019 and presented to Audit Committee on 13 June 2019 for noting. During the intervening period

the external audit has taken place, resulting in a number of amendments being made to the financial statements noted below.

- Pensions amendments as a result of the Supreme Court's decision to not allow the Government's application for leave to appeal the Court of Appeal's decision that transitional protection provisions contained in public sector pension reforms for judicial and firefighter pension schemes amounted to direct age discrimination and were therefore unlawful, otherwise known as the McCloud Judgement. This decision was made on 27 June 2019 and, as a result, a revised pensions actuary report was sought which required amendments to the cost of services within the Comprehensive Income and Expenditure Statement of £8.24 million along with an associated increase in the Pensions Liability and Pensions Reserve in the Balance sheet, which are also reflected through the Movement in Reserves, cash flow statement and associated notes to the accounts.
- Reclassification of Assets Held for Sale to Surplus Assets on the balance sheet of £1.761 million. This is a reclassification on the face of the Balance Sheet which does not affect the financial position of the Council
- Correction of 2 school valuations resulting in an adjustment of £0.656 million.
- Inclusion of a number of exit packages agreed prior to 31 March 2019 amounting to £0.272 million, which had not been paid until after 31 March 2019, however disclosure is required at the point at which the commitment to these packages is made.

3.3 A number of amendments were identified during the interim audit which were corrected prior to the completion of the pre-audit Statement of Accounts which were passed to the auditors on 29 May 2019.

- Amendments to the revaluation values for a number of assets to correct the basis of revaluation - £3.358 million
- Amendments between accounting for revaluation movements between revaluation reserve and income and expenditure - £0.848 million.

3.4 A number of notes were amended that did not affect the core financial statements or the financial position of the Council and these are detailed within the Auditor's Report. They include restating prior year figures in the Expenditure and Income Analysed by Nature note, inclusion of the total rateable value of properties in the Borough within the National Non-Domestic Rates (NNDR) note and amending the value of the PFI scheme for the provision of Maesteg Secondary School within the Critical Judgements in Applying Accounting Policies note.

3.5 The amended audited Statement of Accounts 2018-19 is attached at **Appendix A**. The detail of all the amendments are contained within the Auditor's Report at **Appendix B**.

3.6 The audited Statement of Accounts 2018-19 is required to be signed by the Chief Financial Officer and the Chair of the Committee that approves the Accounts by the 15 September as presenting a 'true and fair view' of the financial position of the Council as at 31 March 2019.

4. Current Situation / Proposal

4.1 The Wales Audit Office have substantially completed their audit work and the Statement of Accounts are due to be signed by the Auditor General for Wales on 13 August, subject to Audit Committee approval of the accounts.

4.2 The Council Fund and Earmarked Reserves balances as at 31 March 2019 as presented to the Committee in June 2019 have reduced by £273,000 as a result of exit packages agreed prior to 31 March 2019 as noted above. The revised position is summarised in the table below with further details available on pages 59 to 61 within the Statement of Accounts:

Opening Balance 2018-19 £'000	Reserve	Movement during 2018-19		Closing Balance 2018-19 £'000
		Additions/ Re- classification £'000	Drawdown by Directorates / Unwound £'000	
8,347	Council Fund Balance	429	-	8,776
360	Delegated Schools Balance	254	-	614
47,715	Earmarked Reserves	17,516	(17,738)	47,493
56,422	TOTAL INCLUDING COUNCIL FUND	18,199	(17,738)	56,883

4.3 In line with the International Standard on Auditing (ISA) 260, the external auditor is required to communicate relevant matters relating to the audit of the financial statements to those 'charged with governance'. These matters are incorporated into the 'Audit of Financial Statements Report' at **Appendix B**. The appendix also contains the full list of all adjustments made to the accounts as a result of the audit as described in paragraph 3.2 to 3.4 together with management responses to the recommendations made.

4.4 A Final Letter of Representation from the Council is required by the Appointed Auditor to complete the process and enable the accounts to be approved. This is included as **Appendix C**.

4.5 The Statement of Accounts will be published on the Council's website no later than 15 September 2019.

5. Effect upon policy framework & procedural rules

5.1 There is a legal requirement for the Statement of Accounts to be signed by the responsible financial officer, approved by the relevant committee and published by 15 September following the end of the financial year.

6. Equality Impact Assessment

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

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

- 7.1 The well-being goals identified in the Act were considered in the preparation of this report, in particular the sustainability principle. It presents a positive long-term picture in respect of both the 2018-19 revenue position and the accumulated reserves position.

8. Financial implications

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

9. Recommendation

- 9.1 It is recommended that Audit Committee:-
- Approve the audited Statement of Accounts 2018-19 and amendments therein (**Appendix A**)
 - Note the appointed auditor's Audit of Financial Statements Report (**Appendix B**)
 - Note and agree the Final Letter of Representation to the Wales Audit Office (**Appendix C**)

Gill Lewis CPFA
Interim Head of Finance and Section 151 Officer
01 August 2019

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Background Documents:

None



Statement of Accounts

Bridgend County Borough Council • 2018-19

**Bridgend County Borough Council
Civic Offices
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(01656) 643643**

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Narrative Report

“ One council, working together to improve lives ”

1. Bridgend as a place

Bridgend is conveniently situated between Wales' Capital Cardiff to the East and Swansea to the West, approximately 20 miles from each. Nestled just south of the M4 corridor, with easy access from both major cities, bounded by the Bristol Channel to the South, it is at the heart of the South Wales industrial and coastal belt. Bridgend as a County Borough is home to over 140,000 and continues to grow. The Borough's towns are undergoing redevelopment and a number of historic buildings and the town centres have been rejuvenated over recent years. To the North is the residential town of Maesteg, to the South West is the coastal town of Porthcawl and the East Pencoed. Bridgend is one of 22 Councils in Wales, and accounts for just approximately 4.5% of the Principality's population.



Population	144,300
Land area	98.5 square miles
Households	61,484
Council employees	4,279 (full time equivalent)
Businesses	4,160
Councillors	54

- Welsh Government funding made up 55% of core funding in 2018-19 (55% in 2017-18)
- The Council manages an asset base, excluding the road network, of £526 million to deliver its services
- The Council employs over 5,700 staff both full- and part-time, to deliver a wide range of services including education, social care, highways maintenance and economic development.
- An increasingly ageing population will continue to place pressure on the Council's budget in years to come

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



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

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

2. Governance

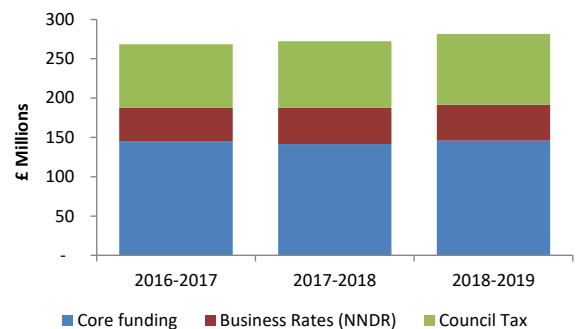
The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. This includes ensuring that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government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

3. Financial Performance

Financial context of the Council

The Council:

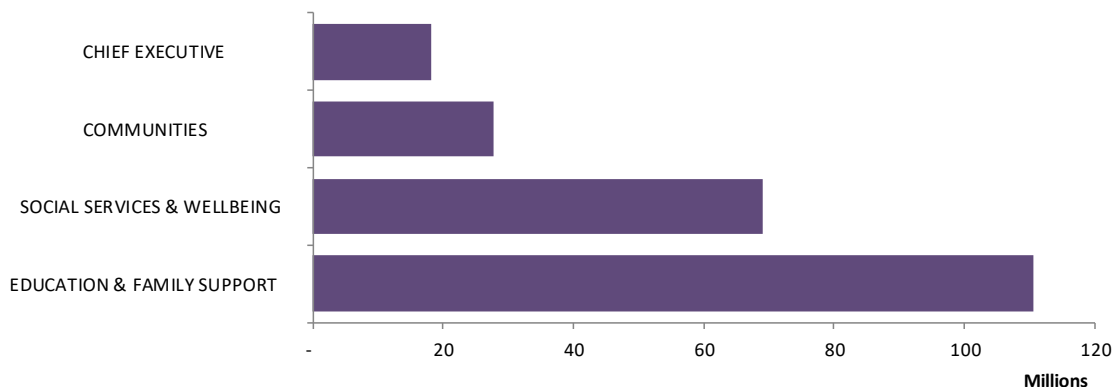
- Manages cash-flows and assets in excess of £724 million
- Holds £536 million of long-term assets, including £528 million of operational assets for delivering services, £4 million of long-term investments and £4 million of intangible assets
- Generates £35 million of fees, internal and external charges and other service income used to deliver services



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

Council Spending

Council spending by Directorate was within 99.81% of budget for all departments reflecting sound financial management and budgetary control. The table below shows the net spend by service Directorate.



The Council achieved an underspend in the year of £0.429 million, or 0.19% of its net budget. This demonstrates its sound financial management throughout the year and its commitment to ensuring it does not spend beyond its means. The Council's outturn report for the year can be found on the Council's website.

4. Addressing future challenges

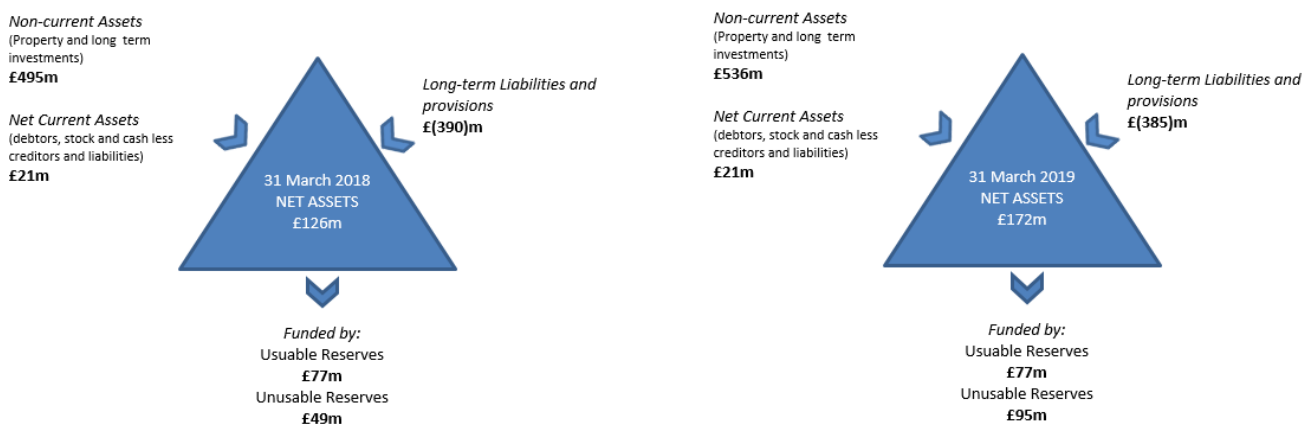
The Council faces significant challenges moving forward. These include demographic pressures, such as an ageing population and an increasing number of young people with complex disabilities living into adulthood and adding progressively to the demand for care. In addition to this there are inflationary pressures arising from specific contractual commitments and significant increases in staffing costs arising not only from the increase in the national living wage but also the agreed two-year deal for local government workers, along with significant increases in employers' contributions for teachers' pensions. Whilst the Welsh Government settlement for Bridgend for 2019-20 is a decrease of 0.1%, the impact of new responsibilities on the Council in respect of increased capital limits on residential care, targeted relief to support local businesses and homelessness prevention means that the true position for Bridgend is a reduction of 0.61% year-on-year. No indications have been provided by the Welsh Government in respect of the settlement for Councils in 2020-21 which makes forward planning very difficult, especially in the post-Brexit years.

Whilst the Council continues to face increasing pressures on its budget, it has approved a balanced budget for 2019-20.

On 29 March 2017 the UK Government submitted its notification to leave the EU in accordance with Article 50. The triggering of Article 50 started a two-year negotiation process between the UK and the EU. On 11 April 2019 the government confirmed agreement with the EU on an extension until 31 October 2019 at the latest, with the option to leave earlier as soon as a deal has been ratified. The uncertainty regarding the UK's exit from Europe will inevitably create challenges for the Council and the communities it supports over the forthcoming months and years. The Council continues to work with its partners to prepare as best it can for Brexit and the UK's departure from the European Union. The Council has established a project board chaired by the Chief Executive with representatives from each Council department. The board is reviewing all council services, and a 'risk register' has been developed and regularly updated to ensure that contingency plans are in place. Businesses, residents, staff and elected members are regularly updated, and the council is raising awareness of the EU Settlement Scheme. The Council will continue to work alongside partners to obtain answers on important issues such as how post-Brexit funding will be delivered.

5. Financial position

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





Ysgol Gynradd Gymraeg Calon Y Cymoedd

Significant schemes completed during the year included Betws and Pencoed Primary schools, with Ysgol Gynradd Gymraeg Calon Y Cymoedd becoming operational. These schemes have been supported by the Welsh Governments 21st Century Schools Programme and will deliver high level facilities for the education of children in the Borough. The Council, in partnership with Linc Cymru, saw the completion and opening of an Extra Care scheme in Bridgend to support older people to continue to live independently within their community.

The capital programme includes a number of new and existing projects which will help to support a successful economy including significant new investment in highways and footways to encourage use of local services, development in town centres, including regeneration in Porthcawl and development of Enterprise Hubs. These supplement existing schemes such as the Cardiff Capital Region City Deal (CCRCD) investment which will be targeted to focus on raising economic prosperity, increasing job prospects and improving digital and transport connectivity. The opening of a second Extra Care scheme is due early 2019 and there remains a significant investment in Disabled Facilities Grants to enable people to live as independently as possible in their own homes.

7. Accounts preparation

These accounts have been produced in line with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) for 2018-19, which is underpinned by International Financial Reporting Standards (IFRS). The most significant change to the Accounting Standards that affects these accounts is the application of IFRS9 – Financial Instruments.

The accounts consist of the following financial statements:

Statement of Responsibilities for the Statement of Accounts

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

The Comprehensive Income & Expenditure Statement (CIES)

This records all of the Council's income and expenditure in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with statutory requirements, which may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Movement in Reserves Statement (MiRS)

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'usable reserves' - those that can be used to fund expenditure or reduce local taxation - and 'unusable' reserves, which must be set aside for specific purposes. Unusable reserves would include unrealised gains and losses (such as the Revaluation Reserve), where amounts would only become available if the assets are sold, and reserves that reflect

'adjustments between accounting basis and funding under regulations'. The surplus or deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the Council Fund Balance for council tax setting purposes. The Net Increase/Decrease line shows the statutory Council Fund balance movements in the year following those adjustments.

Balance Sheet

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

Cash Flow Statement

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

Notes to the Accounts

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

Annual Governance Statement

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

The Statement of Responsibilities for the Statement of Accounts

The Council's responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council that officer is the Head of Finance.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

Signed: _____ 08 August 2019

Chair of Audit Committee

The Chief Financial Officer's Responsibilities

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

In preparing this Statement of Accounts, the Chief Financial Officer has:

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

The Chief Financial Officer has also:

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

Chief Financial Officer's Certificate

I certify that the Statement of Accounts presents a true and fair view of the financial position of Bridgend County Borough Council as at 31 March 2019 and of its income and expenditure for the year ended 31 March 2019

Signed: _____ 08 August 2019



Comprehensive Income and Expenditure Statement

2017-18 re-stated				2018-19				Notes	
Gross Expenditure £'000	Govt Grants £'000	Other Income £'000	Net Expenditure £'000	Gross Expenditure £'000	Govt Grants £'000	Other Income £'000	Net Expenditure £'000		
149,807	(23,977)	(8,242)	117,588	Education and Family Support	140,656	(26,415)	(9,223)	105,018	
92,348	(6,199)	(16,336)	69,813	Social Services and Wellbeing	99,857	(5,531)	(16,336)	77,990	
56,339	(7,923)	(7,091)	41,325	Communities	52,223	(7,105)	(6,069)	39,049	
26,994	(9,257)	(1,667)	16,070	Operational and Partnership Services	-	-	-	-	
54,341	(49,338)	(915)	4,088	Chief Executives and Finance	80,514	(55,580)	(2,439)	22,495	
18,352	-	(948)	17,404	Central Services	22,826	-	(1,642)	21,184	
398,181	(96,694)	(35,199)	266,288	Cost Of Services	396,076	(94,631)	(35,709)	265,736	
				Other Operating Expenditure					
13,567			13,567	Precepts payable	14,945			14,945	7
6,968			6,968	Levies payable	7,070			7,070	7
1,815			1,815	(Gain) / loss on disposal of non current assets	276			276	
22,350	-	-	22,350	Other Operating Expenditure	22,291	-	-	22,291	
				Financing and Investment Income and Expenditure					
4,567			4,567	Interest payable on debt	4,550			4,550	
60			60	Interest element of finance leases (lessee)	54			54	
1,352			1,352	Interest payable on PFI unitary payments	1,306			1,306	13
6,350			6,350	Net Interest on Net Defined Benefit Liability	6,760			6,760	30
		(959)	(959)	Investment Income & Other Interest Receivable			(1,012)	(1,012)	31
		(350)	(350)	Changes in fair value of investment properties			(275)	(275)	
12,329	-	(1,309)	11,020	Financing and Investment Income and Expenditure	12,670	-	(1,287)	11,383	
				Taxation and Non-Specific Grant Income					
	(141,610)		(141,610)	Revenue Support Grant		(145,780)		(145,780)	8
		(45,888)	(45,888)	National Non Domestic Rates			(45,680)	(45,680)	9
		(84,617)	(84,617)	Council Tax			(90,018)	(90,018)	10
	(13,024)		(13,024)	Recognised capital grants and contributions		(9,494)		(9,494)	11
-	(154,634)	(130,505)	(285,139)	Taxation and Non-Specific Grant Income	-	(155,274)	(135,698)	(290,972)	
				(Surplus) or Deficit on Provision of Services					
432,860	(251,328)	(167,013)	14,519	(Surplus) or deficit on revaluation of Property, Plant and Equipment	431,037	(249,905)	(172,694)	8,438	29a
4,580		(10,830)	(10,830)	Impairment losses on non-current assets charged to the Revaluation reserve	5,605		(33,337)	(33,337)	29a
4,360			4,360	Actuarial (gains) / losses on pension liabilities			(26,320)	(26,320)	30
				Other Comprehensive (Income) and Expenditure				(54,052)	
				Total Comprehensive (Income) and Expenditure				(45,614)	
			12,629						

Following a restructure of services at 1 April 2018, the majority of Operational and Partnership Services was subsumed within Chief Executives.

Movement in Reserves Statement

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

	Council Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Reserves £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Council Reserves £'000
Balance at 31 March 2018 brought forward	8,347	48,075	21,161	288	77,871	48,363	126,234
<u>Movement in Reserves during 2018-19</u>							
Total Comprehensive (Income) and Expenditure	(8,438)				(8,438)	54,052	45,614
Adjustments between accounting basis & funding basis under regulations (Note 20)	8,899		(3,239)	1,194	6,854	(6,854)	-
Transfers to Earmarked Reserves (Note 28)	(32)	32			-		
Increase/(Decrease) in 2018-19	429	32	(3,239)	1,194	(1,584)	47,198	45,614
Balance at 31 March 2019 carried forward	8,776	48,107	17,922	1,482	76,287	95,561	171,848

Balance Sheet

31 March 2018		31 March 2019	Notes
£'000		£'000	
	Property, Plant & Equipment		21c
381,032	Other Land and Buildings	430,421	
4,732	Vehicles, Plant, Furniture and Equipment	5,078	
63,702	Infrastructure	65,147	
4,914	Community Assets	4,912	
7,739	Assets under Construction	662	
15,128	Surplus Assets not Held for Sale	17,530	
220	Heritage Assets	220	
4,360	Investment Property	4,635	22
4,109	Intangible Assets	3,593	21d
9,010	Long Term Investments	4,011	31
1	Long Term Debtors	-	
494,947	Long Term Assets	536,209	
20,084	Short Term Investments	20,054	
5,961	Assets Held for Sale	2,560	24
583	Inventories	725	
31,058	Short Term Debtors	32,300	23
88	Cash and Cash Equivalents	1,051	
57,774	Current Assets	56,690	
(2,623)	Short Term Borrowing	(2,551)	31
(32,254)	Short Term Creditors	(31,782)	25
(1,979)	Provisions due in 1 year	(1,925)	26
(36,856)	Current Liabilities	(36,258)	
(2,222)	Provisions due after 1 year	(4,311)	26
(97,421)	Long Term Borrowing	(97,412)	
(20,267)	Other Long Term Liabilities		
	PFI & Other Long Term Liabilities	(17,054)	27
(268,620)	Net Pensions Liability	(263,510)	30
(1,101)	Capital Receipts in Advance	(2,506)	
(389,631)	Long Term Liabilities	(384,793)	
126,234	Net Assets	171,848	
	Usable reserves		28
8,347	Council Fund	8,776	
48,075	Earmarked reserves	48,107	28b
21,161	Capital Receipts Reserve	17,922	28a
288	Capital Grants Unapplied	1,482	
	Unusable Reserves		29
126,378	Revaluation Reserve	149,553	29a
(268,620)	Pensions Reserve	(263,510)	29b
194,640	Capital Adjustment Account	213,123	29c
(723)	Financial Instruments Adjustment Account	(715)	
(3,312)	Short-term Accumulating Compensated Absences Account	(2,890)	
126,234	Total Reserves	171,848	

Cash Flow Statement

2017-18 £'000		2018-19 £'000	Notes
14,519	Net (surplus)/deficit on the Provision of Services	8,438	
(41,329)	Adjustments to net deficit on the provision of services for non-cash movements	(24,524)	34
13,598	Adjustments for Items included in the net deficit on the provision of services that are investing and financing activities	11,378	
(13,212)	Net Cash Flows from Operating Activities	(4,708)	35
27,861	Investing Activities	14,565	36
(13,073)	Financing Activities	(10,820)	37
1,576	Net (Increase) / Decrease in Cash & Cash Equivalents	(963)	
(1,664)	Cash & Cash Equivalent at the beginning of the Reporting Period	(88)	
(88)	Cash & Cash Equivalent at the end of the Reporting Period	(1,051)	

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



Notes to the Financial Statements

Notes to the Financial Statements

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1. Accounting Policies

1.1 General principles

The Statement of Accounts summarises the Council's transactions for the 2018-19 financial year and its position at the year end of 31 March 2019. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014 in accordance with proper accounting practices. These practices comprise the *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code) 2018-19 and the *Service Reporting Code of Practice 2018-19* supported by International Financial Reporting Standards (IFRS).

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

1.2 Standards that have been issued but not yet adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2018-19 (the Code) requires that the Council discloses information relating to the anticipated impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This requirement applies to the adoption of the following new or amended standards within the 2018-19 Code:

Standard	Effective date	Further details
IFRS 16 Leases	2020-21	IFRS16 will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (with an exception for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2020.
Amendments to IAS 40 – Investment Property: Transfers of Investment Property	2019-20	The amendment provides clarification on whether a property under construction or development that was previously classified as inventory could be transferred to investment property when there was an evident change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. The Council does not consider this will impact on its current accounting practice.
Annual Improvements to IFRS Standards 2014-2016 Cycle	2019-20	This provides amendments to three International Financial Reporting Standards (IFRSs) as a result of the IASB's annual improvements project, namely IFRS 1 – First-time adoption of IFRS, IFRS 12 – Disclosure of Interests in Other Entities, and IAS 28 – Investments in Associates and Joint Ventures. The Council does not consider these amendments will have an impact on the accounts.
IFRIC 22 Foreign Currency Transactions and Advance Consideration	2019-20	This provides clarification for accounting for transactions that include receipt or payment of advance consideration in a foreign currency. The Council does not receive or make such payments and therefore this change will not have an impact.
IFRIC 23 Uncertainty over Income Tax Treatments	2019-20	IFRIC 23 applies to all aspects of income tax accounting where there is uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The Council does not consider that there will be any impact in its accounting treatment as a result of changes to IFRIC 23.

Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation	2019-20	The main changes to IFRS 9 are related to financial assets with prepayment features with negative compensation. Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than unpaid amounts of principal and interest. The Council does not have any such arrangements and therefore this change will have no effect on the accounts.
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As their implementation is for financial years starting after 1 April 2019 they would not have any impact on the 2018-19 Statements.

1.3 Accruals of income and expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Investment income and interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may be impaired, the balance of debtors is written down by the difference between the carrying amount and revised future cash flows and a charge made for the impairment to revenue.

1.4 Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

Contingent Assets

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

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

1.5 Reserves

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

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

1.6 Government grants and contributions

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to

the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the Council Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

1.7 Employee benefits

Benefits Payable during Employment

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

Termination Benefits

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

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

Post-Employment Benefits

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

The *Teachers' Pension Scheme*, administered by Teachers' Pensions on behalf of the Department for Education (DfE). The arrangements for this scheme mean that liabilities for benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme and no liability for future payment of benefits is recognised in the Balance Sheet. The Education and Family Support line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

The *Local Government Pension Scheme* - other employees are entitled to be members of the Rhondda Cynon Taf County Borough Council Pension Fund. The Local Government Scheme is accounted for as a defined benefit scheme:

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

debits for the cash paid to the pension fund and pensioners any amounts payable to the fund but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the Council Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

- The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

1.8 VAT

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

1.9 Overheads and Support Services

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

1.10 Intangible Assets

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

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

1.11 Property, Plant and Equipment

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

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

Measurement

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

- **Land and buildings** – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)
- **Non-specialised operational properties** – existing use value (EUV)

- **Specialised operational properties (such as schools)** – depreciated replacement cost (DRC)
- **Vehicles, plant and equipment** – depreciated historical cost
- **Community assets** – historical cost
- **Assets under construction** – historical cost (until they become operational)
- **Infrastructure assets** – depreciated historical cost
- **Surplus assets and investment properties** – fair value
- **Assets held for sale** – lower of carrying amount and fair value less costs of sale

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

Revaluations

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

Impairment

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

Depreciation

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

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

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

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

Infrastructure - Roads	Straight line depreciation on estimated remaining life	15 years
Infrastructure - Other	Straight line depreciation on estimated remaining life	1 - 30 years

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

Componentisation

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

1.12 Heritage Assets

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

1.13 Charges to revenue for non-current assets

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

- Depreciation attributable to the assets used by the relevant service

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

The Council is not required to raise council tax to fund depreciation, revaluation or impairment losses or amortisation. However, it is required to make an annual prudent provision from revenue to contribute towards the reduction in its overall borrowing requirement. This is detailed in the Council's Annual Minimum Revenue Provision Statement, and differentiates between supported capital expenditure, unsupported capital expenditure, and Finance Leases / PFI. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by this *Minimum Revenue Provision* (MRP) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two. The Council revised its MRP policy during the year to move from a reducing balance charge of 4% per annum to a straight line charge over 45 years. This ensures that the costs of supported capital expenditure are spread more evenly over the lifetime of assets, and that the debt is fully extinguished within forty-five years instead of leaving a residual debt balance well beyond this timescale. This has had the effect of reducing the MRP charged to revenue in the current year.

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

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

1.15 Leases

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

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

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

The Council as a Lessee

Operating Leases

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

The Council as a Lessor

Operating Leases

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

1.16 Financial Instruments

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

Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council. Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash-flow characteristics. There are three main classes of financial assets measured at:

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

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

Financial Assets held at Amortised Cost

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

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

Expected Credit Loss Model

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

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

Financial Liabilities

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

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

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

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

1.17 Inventories and Long Term Contracts

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

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

1.18 Private Finance Initiatives (PFI)

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

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

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

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

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

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

1.19 Joint Arrangements

The Council is part of a number of joint arrangements including the Joint Committee for the Cardiff Capital Region City Deal (CCRCDD) which consists of 10 Partner Authorities: Blaenau Gwent; Caerphilly; Cardiff; Merthyr Tydfil; Monmouthshire; Newport; Rhondda-Cynon-Taf; Torfaen; the Vale of Glamorgan and Bridgend. The Joint Committee has been established to oversee delivery of a range of programmes designed to increase connectivity and to improve physical and digital infrastructure. The contributions to the Joint Committee are classified as Revenue Expenditure Funded from Capital Under Statute (REFCUS). The Council has not consolidated the assets or liabilities of the Joint Committee. The Council continues to have administrative responsibilities for Coychurch Crematorium and independent financial statements continue to be prepared and reviewed for this joint committee. The activities of these joint arrangements are excluded from the Council's single entity financial statements on the basis of materiality of both assets and population.

1.20 Council Tax Income

All Council Tax income is shown in the Comprehensive Income and Expenditure Statement of the Council with the major preceptors' precepts (principally Police and Crime Commissioner for South Wales) being included as expenditure. Council Tax Income is shown gross in the Comprehensive Income and Expenditure Statement with any amounts allocated as a result of the Council Tax Reduction Scheme recognised as an expense within net costs of services.

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period. Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

1.22 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty of notice of not more than 24 hours. Cash equivalents are investments that mature in no more than a month or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

1.23 Events after the Balance Sheet date

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

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

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

1.24 Investment Property

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

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

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

Level 3 inputs: based on most recent valuations, adjusted if necessary through the use of indexation and impairment review

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

Rentals received in relation to investment properties are credited to the net Cost of Services and result in a gain for the Council Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the Council Fund Balance. The gains and

losses are therefore reversed out of the Council Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.25 Local Authority Schools

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

2. Critical Judgements in Applying Accounting Policies

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

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

The Council is deemed to control the services provided under the outsourcing agreement for the provision of a Comprehensive School in Maesteg and also to control the residual value of the school at the end of the agreement. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement and the School (valued at £22.9 million) has been recognised as Property, Plant and Equipment on the Council's Balance Sheet.

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

3. Assumptions made about the future and other major sources of estimated uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

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

Plant, Property and Equipment

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

Depreciation of Property, Plant and Equipment

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

Investment Properties, Surplus Assets and Assets Held for Sale

Fair Value estimations:

The Council instructed external valuers Cooke & Arkwright to provide valuations as at 31 December 2018 for all of the Council's investment portfolio and these were valued in line with IFRS13.

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

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

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

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

Pensions Liability

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

4. Expenditure and Funding Analysis

2017-18				2018-19		
Net Expenditure Chargeable to the Council Fund	Adjustments between the Funding and Accounting Basis & transfers to Earmarked Reserves (Note 5)	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the Council Fund	Adjustments between the Funding and Accounting Basis & transfers to Earmarked Reserves (Note 5)	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
108,387	(9,199)	117,586	Education and Family Support	110,544	5,526	105,018
66,281	(3,533)	69,814	Social Services & Wellbeing	69,135	(8,855)	77,990
25,271	(16,055)	41,326	Communities Operational & Partnership Services	27,822	(11,227)	39,049
14,259	(1,811)	16,070	Chief Executives	-	-	-
3,746	(342)	4,088	Central Services	18,065	(4,430)	22,495
29,635	12,231	17,404		29,866	8,682	21,184
247,579	(18,709)	266,288	Net Cost Of Services	255,432	(10,304)	265,736
(247,966)	3,803	(251,769)	Other income and Expenditure	(255,861)	1,437	(257,298)
(387)	(14,906)	14,519	Surplus or Deficit	(429)	(8,867)	8,438
7,960			Opening Council Fund Balance	8,347		
387			Surplus or (Deficit) on Council Fund for year	429		
8,347			Closing Council Fund Balance as at 31 March	8,776		

5. Note to the Expenditure and Funding Analysis

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

Adjustments between Funding and Accounting Basis 2018-19				
Adjustments from Council Fund to arrive at the Comprehensive Income and Expenditure Statements amounts	Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
	£'000	£'000	£'000	£'000
Education and Family Support	10,666	(5,772)	632	5,526
Social Services & Wellbeing	(2,560)	(4,531)	(1,764)	(8,855)
Communities	(7,943)	(2,036)	(1,248)	(11,227)
Chief Executives	(962)	(2,111)	(1,357)	(4,430)
Central Services	3,184	-	5,498	8,682
Net cost of services	2,385	(14,450)	1,761	(10,304)
Other income and expenditure from the Expenditure and Funding Analysis	9,494	(6,760)	(1,297)	1,437
Difference between Council Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	11,879	(21,210)	464	(8,867)

Note 1 - Adjustments for Capital Purposes

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

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

Note 2 - Net Change for the Pensions Adjustments

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

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

Note 3 - Other Differences

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

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

6. Expenditure and Income Analysed by Nature

This table sets out how the funding to the Council has been used in providing services in line with generally accepted accounting practices. This will include cash and non-cash transactions including accounting adjustments in line with International Financial Reporting Standards. **A segmental analysis of fees, charges and other service income is presented on the face of the Comprehensive Income and Expenditure Statement.**

2017-18 £'000		2018-19 £'000
	Expenditure	
180,687	Employee expenses	192,855
193,043	Other services expenses	198,758
24,451	Depreciation, amortisation, impairment	4,463
12,329	Interest payments	12,670
20,535	Precepts and levies	22,015
1,816	Loss on disposal of assets	276
432,861	Total expenditure	431,037
	Income	
(35,200)	Fees, charges and other service income	(35,709)
(130,505)	Income from council tax, non-domestic rates	(135,698)
(251,328)	Government grants and contributions	(249,905)
(959)	Investment Income and other Interest Receivable	(1,012)
(350)	Other income	(275)
(418,342)	Total income	(422,599)
14,519	(Surplus) or Deficit on the provision of services	8,438

Notes to the Comprehensive Income and Expenditure Statement

7. Precepts and levies

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

2017-18 £'000		2018-19 £'000
	Precepts	
11,514	Police and Crime Commissioner for South Wales	12,450
2,053	Community Councils	2,495
13,567	Total Precepts	14,945
	Levies	
6,603	South Wales Fire and Rescue Authority	6,689
255	Coroners Service	271
92	Archive Service	92
18	Swansea Bay Port Authority	18
6,968	Total Levies	7,070
20,535	Total Precepts and Levies	22,015

8. Revenue Support Grant (RSG)

This is the principal source of finance towards revenue expenditure from Welsh Government with the amount receivable fixed at the start of each financial year. The amount received in 2018-19 was £145.78 million (£141.61 million for 2017-18).

9. National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Welsh Government (WG) specifies the rate in the pound to be charged and, subject to the effects of transition arrangements, local businesses pay rates calculated by multiplying their rateable value by the rate in the pound. This was 51.4p in 2018-19 (49.9p in 2017-18). The total rateable value of the Council equalled £98,716,925 on 31 March 2019 (£98,259,179 on 31 March 2018). The Council is responsible for collecting rates due from ratepayers in its area but pays the proceeds into the NNDR pool administered by WG. WG then redistributes the sums payable back into local authorities on the basis of a fixed amount per head of population.

The Council receives a contribution from the NNDR pool direct. The income from this is reflected separately in the Comprehensive Income and Expenditure Statement. This amount was £45.680 million in 2018-19 (£45.888 million in 2017-18).

10. Council Tax

Council Tax Income derives from charges raised according to the value of residential properties, which have been classified into ten valuation bands estimating 1 April 2005 values for this specific purpose. Charges are calculated by taking the amount of income required for Bridgend County Borough Council, each Community Council and the Police and Crime Commissioner for South Wales and dividing this by

the Council Tax base. The Council Tax base is the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts – 53,315.53 dwellings for 2018-19 (52,759.01 in 2017-18). The average amount for a Band D property is £1,675.82 in 2018-19 (£1,592.58 in 2017-18 on average) and is multiplied by the proportion specified for the particular band to give the individual amount due.

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

Band	A*	A	B	C	D	E	F	G	H	I
Multiplier	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9
Chargeable Dwellings	29	10,134	14,846	14,068	10,472	7,441	4,174	1,398	280	90

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

2017-18 £'000		2018-19 £'000
(84,617)	Council Tax Collectable	(90,018)
	Less:	
2,053	Payable to Community Councils	2,495
11,514	Payable to Police and Crime Commissioner for South Wales	12,450
403	Provision for non-payment of Council Tax increase/(decrease)	290
(70,647)	Net Proceeds from Council Tax	(74,783)

11. Grants

In addition to the Revenue Support Grant, the Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement. 2017-18 has been restated to separately identify the Pupil Deprivation Grant.

2017-18 Re-stated £'000	Specific Grants credited to Services	2018-19 £'000
(47,980)	Housing Benefit Subsidy	(46,357)
(6,446)	Post 16 Grant	(6,022)
(5,142)	Education Improvement Grant	(4,921)
(4,239)	Pupil Development Grant	(4,549)
(3,366)	Other Education & Family Support	(5,837)
(4,828)	Other Social Services & Wellbeing	(3,140)
(3,592)	Others	(3,323)
(5,816)	Supporting People	(6,074)
(445)	Sport Play & Active Wellbeing	(929)
(2,699)	Concessionary Fares Grant	(2,931)
(3,301)	Flying Start	(3,227)
(2,650)	Sustainable Waste Grant	(781)
(545)	Housing/Council Tax Benefit Administration	(576)
(995)	Communities First	-
(1,690)	Families First	(1,858)
(2,379)	General Capital Grant	(2,394)
(581)	Other Capital Grants	(1,712)
(96,694)	Total	(94,631)

2017-18 £'000	Other Government Grants credited to Taxation and Non-specific Grant Income	2018-19 £'000
(13,024)	Capital Grants and Contributions	(9,494)
(13,024)	Total	(9,494)

(109,718)	Total	(104,125)
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12. LeasesCouncil as a LesseeOperating Leases

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

2017-18 £'000		2018-19 £'000
(692)	Not later than one year	(704)
(1,698)	Later than one year but less than five years	(1,794)
(6,756)	Later than five years	(7,094)
(9,146)	Total	(9,592)

Expenditure charged in the year to the Service areas was £0.747 million made up of minimum lease payments of £0.153 million and £0.594 million for contingent rents (£0.776 million in 2017-18 made up of £0.232 million minimum lease payments and £0.544 million contingent rents).

Council as a Lessor

Operating Leases

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

2017-18 £'000		2018-19 £'000
105	Not later than one year	99
139	Later than one year but less than five years	159
849	Later than five years	1,719
1,093	Total	1,977

13. Private Finance Initiative (PFI)

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

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

2017-18 £'000	Unitary Charge	2018-19 £'000
660	Service Charge Element	682
1,352	Interest Element	1,306
595	Finance Lease Liability	641
2,607	Total	2,629

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

Unitary Charge	2019-20 £'000	2020-21 to 2024-25 £'000	2025-26 to 2029-30 £'000	2030-31 to 2033-34 £'000	TOTAL £'000
Service Charge Element	502	2,511	2,511	2,002	7,526
Interest Element	1,257	5,397	3,444	792	10,890
Finance Lease Liability	690	4,337	6,290	5,683	17,000
Total	2,449	12,245	12,245	8,477	35,416

14. Pooled Fund Arrangements

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

2017-18			2018-19				
Gross Income Of Partnership £'000	Gross Expenditure of Partnership £'000	Council's Contribution £'000	Partner	Purpose of Partnership	Gross Income Of Partnership £'000	Gross Expenditure of Partnership £'000	Council's Contribution £'000
(560)	560	280	Abertawe Bro-Morgannwg University Health Board	Provision of day opportunities for people recovering from mental health problems.	(600)	600	300
(2,646)	2,734	609	Rhondda Cynon Taff CBC Merthyr Tydfil CBC Cwm Taf LHB Abertawe Bro Morgannwg University Health Board	Provision of specified community equipment for service users to enable them to continue to live in their own homes. Rhondda Cynon Taf are the lead partner	(2,831)	2,712	594
(4,730)	4,730	2,595	Abertawe Bro-Morgannwg University Health Board	Provision of integrated community support services	(4,930)	4,930	2,678
(657)	657	198	Neath Port Talbot CBC, City and County of Swansea Council	Provision of an Integrated Family Support Service	(632)	632	163

15. Officers' Remuneration

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

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

The ratio of the remuneration of the Chief Executive to the median remuneration of all the body's employees was 6.64 (2017-18: 6.64). The median salary of all employees was £20,541 (2017-18: £20,138), i.e. the Remuneration of the Chief Executive was 6.64 times more than the median remuneration of the Council's employees. The Chief Executive's salary was based on a weighted average of the outgoing Chief Executive for the period 1 April 2018 to 6 January 2019, and the interim Chief Executive 7 January to 31 March 2019.

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

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

2017-18 including Redundancy Costs	Remuneration Band	Number of Employees			
		2018-19 inc Redundancy Costs (Note 1)	2018-19 exc Redundancy Costs (Note 2)	Number of Teachers inc in Figures exc Redundancy (Note 2)	Number of Non-Teachers inc in Figures exc Redundancy (Note 2)
22	£60,000 - £64,999	32	27	23	4
11	£65,000 - £69,999	12	12	12	-
4	£70,000 - £74,999	6	4	3	1
7	£75,000 - £79,999	4	3	3	-
9	£80,000 - £84,999	10	8	3	5
1	£85,000 - £89,999	6	2	2	-
2	£90,000 - £94,999	5	2	2	-
-	£95,000 - £99,999	1	1	1	-
2	£100,000 - £104,999	1	1	-	1
2	£105,000 - £109,999	3	3	1	2
1	£110,000 - £114,999	1	1	-	1
-	£120,000 - £124,999	1	-	-	-
1	£125,000 - £129,999	-	-	-	-
1	£130,000 - £134,999	-	-	-	-
-	£145,000 - £149,999	1	-	-	-
-	£195,000 - £199,999	1	-	-	-
-	£225,000 - £229,999	1	-	-	-
-	£245,000 - £249,999	1	-	-	-
2	£335,000 - £339,999	-	-	-	-
65		86	64	50	14

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

Note 2: These are officers still in post, of which there are 64 individuals with remuneration of £60,000 or more, including:-

- a) 50 Headteachers and Deputy Headteachers, and
- b) 14 Senior Managers of the Council, including the Senior Officers shown in Disclosure 3 below, and Heads of Service.

Disclosure 3 – Table of Senior Officer’s Remuneration (including Pensions Contributions)

Job Title	Salary		Compensation for Loss of Office		Pension Contributions (note 1)		Total Remuneration including Pension Contributions	
	18-19 £	17-18 £	18-19 £	17-18 £	18-19 £	17-18 £	18-19 £	17-18 £
Chief Executive Officer & Head of Paid Service (Note 2)	104,500	133,726	-	-	22,259	28,484	126,759	162,210
Interim Chief Executive Officer & Head of Paid Service (Note 3)	29,766	-	-	-	6,340	-	36,106	-
Corporate Director - Education and Family Support (Note 4)	105,982	184,220	-	-	22,574	39,239	128,556	223,459
Corporate Director - Communities (Note 5)	82,959	106,160	-	-	17,670	22,612	100,629	128,772
Corporate Director - Operational and Partnership Services (Note 6)	28,205	103,682	93,903	-	147,424	22,084	269,532	125,766
Corporate Director - Social Service & Wellbeing	108,283	106,160	-	-	23,064	22,612	131,347	128,772
Head of Finance - s151 Officer (Note 7)	-	61,562	-	-	-	13,113	-	74,675
Head of Legal and Regulatory Services (Note 8)	56,503	-	-	-	11,588	-	68,091	-
Head of Performance and Partnership Services (Note 9)	59,923	-	-	-	12,764	-	72,687	-
Head of Operations - Communities (Note 10)	20,708	-	-	-	4,411	-	25,119	-

Notes

- Note 1 No 'Taxable Expenses' or 'Benefits in kind' were paid in the year. Pension Contributions relate to actual payments made.
- Note 2 The Chief Executive left the Council on 6 January 2019. Their salary excludes payment for Election Duties which amounted to £960 for 6 Town and Community Council Elections
- Note 3 The Corporate Director – Communities was appointed as Interim Chief Executive on a temporary basis from 7 January 2019.
- Note 4 The Corporate Director – Education and Family Support left the Council on 7 January 2018. The interim Corporate Director – Education and Family Support appointed to cover the post was appointed to Corporate Director on 31 August 2018. During 2017-18 the Corporate Director was seconded to Welsh Government, costs being recovered from Welsh Government of £109,327.
- Note 5 The Corporate Director – Communities was appointed to Interim Chief Executive on 7 January 2019. The Corporate Director – Communities was vacant from that date to the end of the financial year.
- Note 6 The Corporate Director – Operational and Partnership Services took voluntary redundancy on 6 July 2018. The salary and pension figures include redundancy costs and associated pension costs, which had been accrued in the 31 March 2018 accounts.
- Note 7 The interim Head of Finance and s.151 Officer is appointed under a contractual arrangement with the Welsh Local Government Association. The costs incurred in this arrangement during the year were £104,129 (2017-18: £26,355)
- Note 8 The Head of Legal and Regulatory Services assumed the role of Monitoring Officer following the departure of the Corporate Director – Operational and Partnership Services with a direct report

to the Chief Executive. Only costs since the post reported directly to the Chief Executive have been included.

Note 9 Following the departure of the Corporate Director – Operational and Partnership Services, the Head of Performance and Partnership Services reported directly to the Chief Executive and only costs since the post reported directly to the Chief Executive have been included

Note 10 Following the appointment to Interim Chief Executive of the Corporate Director – Communities, the Head of Operations – Communities was appointed on 1 January 2019, reporting directly to the Chief Executive.

Disclosure 4 – Table on Exit Packages

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

Exit Package Cost Band (including Special Payments)	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band	
	18-19 £	17-18 £	18-19 £	17-18 £	18-19 £	17-18 £	18-19 £	17-18 £
£0 - £20,000	32	13	29	24	61	37	731,527	324,861
£20,001 - £40,000	34	4	16	18	50	22	1,446,731	576,770
£40,001 - £60,000	16	6	1	4	17	10	814,416	478,481
£60,001 - £80,000	4	1	1	1	5	2	329,394	125,264
£80,001 - £100,000	2	-	-	-	2	-	178,584	-
£100,001 - £150,000	-	-	1	-	1	-	141,821	-
£150,001 - £200,000	2	-	-	-	2	-	366,362	-
£200,001 - £250,000	-	1	-	-	-	1	-	233,281
£250,001 - £300,000	-	1	-	-	-	1	-	254,462
	90	26	48	47	138	73	4,008,835	1,993,119

16. Members' allowances

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

2017-18 £'000		2018-19 £'000
573	Basic Salary (all Members)	557
465	Senior Salary	481
25	Civic Salary	46
1,063	Total	1,084

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

17. External audit costs

In 2018-19 Bridgend County Borough Council incurred the following fees relating to external audit and inspection. Of the amount incurred, £Nil (2017-18 - £5,083) was claimed against grants:

2017-18 £'000		2018-19 £'000
194	Financial Statement Audit	192
97	Performance Audit	97
291	External Audit Services	289
78	Grant Claims and Returns	54
369	Total	343

18. Participation in Joint Committees and Joint Arrangements

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

	2017-18 £'000	2018-19 £'000
Cardiff Capital Region City Deal (CCRCD)	2,358	1,257
Central South Consortium Joint Education Service	621	606
Integrated Family Support Service (IFSS)	198	163
Joint Adoption Service	949	949
Shared Regulatory Service	1,621	1,505
Shared Internal Audit Service	251	205
Western Bay Youth Justice and Early Intervention Service	275	287
Civil Parking Enforcement	213	185
Glamorgan Archives	92	92
Coychurch Crematorium	-	-
Margam Crematorium	-	-
Total	6,578	5,249

19. Related Party Transactions

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Welsh Government

Welsh Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates; provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills). Grants received from government departments are set out in Notes 8 and 9 above.

Members

Members of the Council have direct control over the Council's financial and operating policies. Members' external interests are maintained in a register, which is available for inspection on the Council's website. The total of members' allowances paid in 2018-19 is shown in Note 16. Payments made to organisations whose senior management included Members included Care and Repair (Bridgend) £1,365,954 (no interests were declared in 2017-18), Bridgend County Borough Citizens Advice Bureau £226,709 (£224,415 in 2017-18) and Bridgend Association of Voluntary Organisations £92,322 in 2018-19 (£104,500 in 2017-18). In all instances, the grants were made with proper

consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. Other payments made to organisations where members declared interests totalled £293,576 (£426,230 in 2017-18).

Chief Officers

During 2018-19 the Corporate Director – Communities sat on the Board of Capita Glamorgan Consultancy Ltd until 4 July 2018 and the Head of Adult Social Care from that date. The Council owns 14.7% of the shares of the company and holds voting rights to this value on the Board. During 2018-19 the Council was charged £1,146,732 (2017-18: £1,038,722) in respect of goods, services and capital works. In addition the Corporate Director sat on the Board of CSC Foundry Ltd, a special purpose vehicle which is a wholly owned subsidiary of the City Deal Joint Committee. Details of the payments made to the Cardiff Capital Region City Deal are included in note 18 to the accounts. The Corporate Director – Social Services and Wellbeing was an Associate Board Member of Abertawe Bro-Morgannwg University Health Board. The Council and the Health Board have a range of formal pooled funding arrangements as set out in note 14 – Section 33 NHS (Wales) Act 2006.

The Head of Regeneration, Development and Property Services was a Board Member for Bridgend College and also a Director of the newly formed Bridgend Business Improvement District (BID). During 2018-19 the value of payments to the College totalled £344,569 (2017-18: £295,640). The Council acts as the collector of Business Rates on behalf of the Business Improvement District and transfers those monies to the company. The Council has no business transactions with the BID Company. No Directors received any remuneration for these roles.

Other Joint Committees

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

Glamorgan Archives Joint Committee

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

Coychurch Crematorium

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

Margam Crematorium

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

Other Public Bodies

The Council has a number of pooled budget arrangements with Abertawe Bro-Morgannwg University Health Board as detailed in Note 14. It also pays a management fee to the Awen Trust for cultural related services which is a not for profit organisation. The amount paid in 2018-19 was £3,231,354 (2017-18: £3,226,540). The Board of Awen Trust has two Members and a Member's family member as Director.

Notes to the Movement in Reserves Statement

20. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

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

Council Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

Unusable Reserves

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

The tables below detail the adjustments for 2017-18 for comparative purposes and the adjustments for 2018-19.

2018-19	Usable Reserves			Unusable Reserves
	Council Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000
Adjustment to the Revenue Resources				
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i>				
Pensions costs (transferred to (or from) the Pensions Reserve)	21,210			(21,210)
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	(8)			8
Holiday Pay (transferred to the Accumulated Absences Reserve)	(422)			422
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (those items are charged to the Capital Adjustment Account)	8,377			(8,377)
Total Adjustments to Revenue Resources	29,157	-	-	(29,157)
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(1,884)	1,884		
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(4,958)			4,958
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(3,922)			3,922
Total adjustments between Revenue and Capital Resource	(10,764)	1,884	-	8,880
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure		(5,123)		5,123
Application of capital grants to finance capital expenditure	(9,494)			9,494
Cash payments in relation to deferred capital receipts			1,194	(1,194)
Total adjustments to Capital Reserves	(9,494)	(5,123)	1,194	13,423
Total Adjustments	8,899	(3,239)	1,194	(6,854)

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

Notes to the Balance Sheet

21. Non-current Assets

a) Capital commitments

As at 31 March 2019 the Council did not have any material capital commitments.

2017-18 £'000		2018-19 £'000
3,890	Garw Valley South Primary Provision	-
4,248	Pencoed Primary School	-
8,138	Total	-

b) Notes on Non-current Assets

Voluntary-aided & Voluntary-controlled Schools

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

c) Non-current Assets valuation

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

Summary of Property, Plant & Equipment (PPE)	Other Land and Buildings £'000	Vehicle, Plant and Equipment £'000	Infrastructure £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total PPE Assets £'000	PFI Assets Included In PPE £'000
Cost or Valuation								
At 1 April 2018	399,145	9,364	214,177	4,951	15,130	7,739	650,506	24,142
Additions	3,391	1,530	7,457	-	-	9,062	21,440	-
Accumulated Depreciation and Impairment written out to Gross Carrying Amount	(19,417)	(1,123)	-	-	(502)		(21,042)	(2,783)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	27,437	352	-	(2)	(56)	-	27,731	1,258
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	16,054	-	-	-	(807)		15,247	251
Derecognition - Disposals	(234)	(532)	-	-	(100)	-	(866)	-
Assets reclassified (to)/from Held for Sale	(195)				1,761		1,566	-
Other Movements in Cost or Valuation	13,850				2,289	(16,139)	-	-
At 31 March 2019	440,031	9,591	221,634	4,949	17,715	662	694,582	22,868
Accumulated Depreciation and Impairments								
At 1 April 2018	(18,113)	(4,632)	(150,475)	(37)	(2)	-	(173,259)	(1,858)
Depreciation Charge for the year	(10,947)	(1,530)	(5,878)	-	(55)		(18,410)	(928)
Accumulated Depreciation and Impairment written out to Gross Carrying Amount	19,417	1,123			502		21,042	2,783
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	(612)		(134)				(746)	-
Derecognition - disposals	15	526					541	-
Other Movements	630				(630)		-	-
At 31 March 2019	(9,610)	(4,513)	(156,487)	(37)	(185)	-	(170,832)	(3)
NBV as at 1 April 2018	381,032	4,732	63,702	4,914	15,128	7,739	477,247	22,284
NBV as at 31 March 2019	430,421	5,078	65,147	4,912	17,530	662	523,750	22,865

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

d) Intangible Assets.

The Intangible asset refers to the Wales Community Care Information System, WCCIS. As at 31 March 2019 the remaining life of the asset was 4 years.

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

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

e) Sources of finance for Capital Expenditure

2017-18 £'000		2018-19 £'000
(9,853)	Loans	(6,163)
(14,212)	Government grants	(12,037)
(180)	Capital receipts	(5,123)
(9,922)	Revenue contribution	(3,922)
(2,417)	Other contributions	(369)
(36,584)	Total	(27,614)

f) Revenue Expenditure Funded from Capital under Statute

These relate to capital expenditure that does not result in a tangible non-current asset. They include renovation grants and contributions towards capital expenditure incurred by other parties. 2018-19 also included a contribution of £1.162 million by the Council to the Cardiff Capital Regional City Deal.

2017-18 £'000		2018-19 £'000
6,669	Revenue Expenditure Funded from Capital under Statute	6,137
(2,960)	Grants and Contributions	(4,106)
3,709	Total	2,031

g) Capital financing requirement and the financing of capital expenditure

2017-18 £'000	Capital Financing Requirement	2018-19 £'000
168,060	Opening Capital Financing Requirement	170,880
750	Adjustment to Capital Financing Requirement Reversal	-
(25)	Adjustment to Capital Financing Requirement MRP Reversal	-
(603)	Innovation Centre Prior Year Adjustment	-
168,182	Amended Opening Capital Financing Requirement	170,880
	Capital Investment	
29,916	Property, Plant and Equipment and Intangible Assets	21,477
6,669	Revenue Expenditure Funded from Capital under Statute	6,137
	Sources of Finance	
(16,631)	Grants & Contributions	(12,407)
(180)	Capital receipts applied	(5,123)
(9,922)	Revenue Contributions	(3,922)
(5,056)	Minimum Revenue Provision	(2,858)
(1,364)	Unsupported Borrowing MRP	(1,459)
(60)	Innovation Centre MRP	-
(79)	Crematorium MRP	-
(595)	PFI School MRP	(641)
170,880	Closing Capital Financing Requirement	172,084
	Explanation for Movements in Year	
(1,830)	Increase/(Decrease) in Underlying Need to Borrow (supported by government financial assistance)	1,077
5,305	Increase/(Decrease) in Underlying Need to Borrow (unsupported by government financial assistance)	768
(60)	Assets acquired under finance leases	-
(595)	Assets acquired under PFI Contract	(641)
2,820	Increase/(Decrease) in Capital Financing Requirement	1,204

22. Investment Properties

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

2017-18 £'000		2018-19 £'000
5,060	Balance at 1 April	4,360
(1,050)	Transferred to Property, Plant and Equipment	-
350	Net gain / (loss) from fair value adjustments	275
4,360	Balance as at 31 March	4,635

23. Short Term Debtors

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

2017-18 £'000 restated		2018-19 £'000
7,592	Trade Receivables	7,016
1,881	Prepayments	2,582
21,585	Other Receivable Amounts	22,702
31,058	Balance as at 31 March	32,300

The Council collects NNDR payments on behalf of Welsh Government. As at the 31 March 2019, the Council had paid over more cash than it collected, this excess was included in the Balance Sheet as a debtor of £1.385 million. The equivalent for 2017-18 was a debtor of £0.154 million.

24. Assets Held for Sale

2017-18 £'000		2018-19 £'000
1,730	Balance at 1 April	5,961
4,661	Assets newly classified as held for sale: Property, Plant & Equipment	195
(180)	Assets declassified as held for resale: Property, Plant & Equipment	(1,761)
	Revaluation Gain/(Loss)	
(250)	Assets Sold	(1,835)
5,961	Balance as at 31 March	2,560

25. Short Term Creditors

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

2017-18 £'000 restated		2018-19 £'000
(3,705)	Trade Payables	(5,131)
(28,550)	Other Payables	(26,651)
(32,255)	Balance as at 31 March	(31,782)

26. Provisions

The Council has provisions as detailed below:

	Insurance £'000	Carbon Reduction Commitment £'000	Other Provisions £'000	Total £'000
Balance at 1 April 2018	2,888	253	1,060	4,201
Additional provisions made in 2018-19	2,870	242	-	3,112
Amounts used in 2018-19	(482)	(253)	(342)	(1,077)
Balance at 31 March 2019	5,276	242	718	6,236
Provisions < 1 yr	965	242	718	1,925
Provisions > 1 yr	4,311	-	-	4,311
Balance at 31 March 2019	5,276	242	718	6,236

Insurance Provision (Self-funding / MMI)Self-Fund

The Council has a self-insurance fund. This Insurance Provision has been set aside to meet the estimated cost to the Council of outstanding liability for policy years up to 2018-19 for Employer's Liability, Public Liability and Property. However the actual cost of individual claims and the timing of payments is uncertain. The Council also has an earmarked reserve for Insurance which acts as an additional buffer amount to the fund, over and above the total outstanding liability, to allow for unexpected events, worse than anticipated deterioration in the current reserves and higher than anticipated future losses both in frequency and cost.

Carbon Reduction Commitment Energy Efficiency Scheme

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

Other Provisions

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

27. PFI and Other Long Term Liabilities

2017-18 £'000		Movement in year £'000	Moved to Short Term Creditors £'000	2018-19 £'000
17,000	Maesteg School PFI Lease	-	(690)	16,310
537	Innovation Centre	-	(90)	447
300	Waste Contract	-	(50)	250
30	Escrow	17	-	47
2,400	Welsh Government Loan - Llynfi Valley	(154)	(2,246)	-
20,267	Balance as at 31 March	(137)	(3,076)	17,054

The PFI Finance Lease Liability matches the fair value of the fixed asset for the PFI School as at the date the asset came onto the Council's Balance Sheet being £21.898 million (July 2008). This will be written down over the life of the PFI contract by the value of the unitary payment deemed to be the finance lease element each year. For 2018-19, the amount written down was £640,000 and £690,000 has been transferred to Short Term Creditors leaving an outstanding long term liability of £16.3 million at year end.

The Innovation Centre Financial Liability of £0.917 million was recognised in 2009-10 as a loan in substance. This is being written down over the remaining fourteen years of the loan. The amount written down in 2018-19 was £66,000 and £90,000 was transferred to Short Term Creditors resulting in a long term financial liability of £0.447 million at 31 March 2019.

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

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

28. Usable Reserves

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

a) Useable Capital Receipts Reserve

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

2017-18 £'000		2018-19 £'000
21,364	Balance at 1st April	21,161
573	Capital Receipts Received	1,884
7	Mortgage Repayments (Council Fund)	-
(180)	Receipts Used to Finance Capital Expenditure	(5,123)
(603)	Prior Year Adjustment	-
21,161	Balance as at 31 March	17,922

b) Earmarked Reserves

The Earmarked Reserves in the Balance Sheet as at 31 March 2019 are detailed below:

Opening Balance 2017-18 £'000	Reserve	Movement during 2018-19		Closing Balance 2018-19 £'000
		Additions/ Re- classification £'000	Drawdown by Directorates £'000	
8,347	Council Fund	429	-	8,776
	Corporate Reserves:			
12,082	Capital Programme Contribution	6,102	(4,112)	14,072
8,022	Major Claims Reserve	786	(3,534)	5,274
7,957	Service Reconfiguration	-	(2,656)	5,301
11,094	Other Corporate Reserves	5,918	(4,929)	12,083
39,155	Total Corporate Reserves	12,806	(15,231)	36,730
	Other Reserves:			
4,565	Directorate Reserves	3,093	(1,763)	5,895
1,088	City Deal Reserve	812	-	1,900
5,653	Total Directorate Reserves	3,905	(1,763)	7,795
360	Delegated Schools Balance	254	-	614
45,168	Total Reserves excluding Equalisation Reserves	16,965	(16,994)	45,139
2,907	Equalisation and Grant Reserves	805	(744)	2,968
48,075	TOTAL EXCLUDING COUNCIL FUND	17,770	(17,738)	48,107
56,422	TOTAL INCLUDING COUNCIL FUND	18,199	(17,738)	56,883

Council Fund

The transfer to the Council Fund for 2018-19 was £0.429 million. This increased the balance on the Fund to £8.776 million at 31 March 2019 (£8.347 million at 31 March 2018).

Other Earmarked Reserves

The transfer to Earmarked Balances excluding the Council Fund Balance was a net increase of £0.305 million in 2018-19 (net reduction of £3.084 million in 2017-18). An overview of each earmarked reserve is explained below.

Corporate Reserves**Capital Programme Contribution**

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

Major Claims Earmarked Reserve

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

Service Reconfiguration / Severance Costs

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

Directorate Reserves**City Deal Reserve**

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

Directorate Issues

This reserve relates to specific Directorate issues anticipated in 2019-20 together with some carried forward amounts from 2018-19. Examples include a reserve to implement the post inspection action plan for the Youth Offending Service, the ancillary costs associated with the transition of Autistic Spectrum Disorder provision, a reserve to be used for any additional costs resulting from Brexit and support for various new apprentices within the Council.

Delegated School Balances

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

Analysis of Delegated Schools Balance

2017-18 Closing Balance £'000	School Types	No's in Category	2018-19 Budget £'000	2018-19 Spend £'000	2018-19 Closing Balance £'000
261	Primary Schools	48	45,646	45,295	351
(437)	Secondary Schools	9	42,124	42,322	(198)
536	Special Schools	2	8,940	8,479	461
360	Total	59	96,710	96,096	614

The 2017-18 Closing Balance figure is included within the 2018-19 Budget. This accounting treatment of including the prior year's closing balance in the current year's budget applies solely to Schools and does not apply in any other area of the accounts.

Equalisation and Grant Reserves

This includes grant reserves where under proper accounting practice, all grants and contributions should be analysed to see whether there are specific conditions attached to them. When the conditions are actually satisfied the grant is credited to the Comprehensive Income and Expenditure Statement regardless of whether the actual expenditure has been incurred. In these cases the Council can decide

to transfer the grant monies to an earmarked reserve to fund future expenditure. In 2018-19 there were £805,000 (2017-18 - £604,000) of new grants that have been transferred to earmarked reserves, to ensure the funding is protected in accordance with the original terms and conditions of the grant or contribution. In addition there are a small number of equalisation reserves that ensures expenditure that is incurred in a particular future year is smoothed over the period of the MTFS. These include the costs of elections, the Special Regeneration Fund, the preparation of the Local Development Plan and the Building Control Earmarked Reserves.

29. Unusable Reserves

The following notes detail the Unusable Reserves of the Council.

a) Revaluation Reserve (RR)

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost;
- Used in the provision of services and the gains are consumed through depreciation; or
- Disposed of and the gains are realised.

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

2017-18			2018-19	
£'000	£'000		£'000	£'000
	124,703	Balance at 1 April		126,378
10,830		Prior Year adj	(32)	
		Upward Revaluation of Assets	33,337	
(4,580)		Downward Revaluation of Assets and Impairment		
		Losses not charged to the Surplus/Deficit on the		
		Provision of Services	(5,605)	
	6,250	Surplus or deficit on revaluation of non-current		27,700
		assets not posted to the Surplus or Deficit on the		
		Provision of services		
(3,803)		Difference between fair value depreciation and historical		
(772)		cost depreciation (charged to the Capital Adjustment	(3,755)	
		Account)	(770)	
		Accumulated gains on assets sold or scrapped		
	(4,575)	Amount written off to the Capital Adjustment Account		(4,525)
	126,378	Balance as at 31 March		149,553

b) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any

pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2017-18 £'000		2018-19 £'000
(252,450)	Balance at 1 April	(268,620)
(4,360)	Actuarial gains or losses on pensions assets and liabilities	26,320
(28,360)	Reversal of Items relating to Retirement Benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(38,650)
16,550	Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	17,440
(268,620)	Balance as at 31 March	(263,510)

c) Capital Adjustment Account (CAA)

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

The Account contains accumulated gains and losses on Investment Properties.

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

2017-18			2018-19	
£'000	£'000		£'000	£'000
	189,468	Balance at 1 April		194,640
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement :		
(23,470)		Charges for depreciation and impairment of non-current assets	(18,964)	
(980)		Revaluation gain/(losses) on Property, Plant and Equipment	14,502	
(3,709)		Revenue Expenditure funded from Capital Under Statute	(2,031)	
(7)		Other amounts including Mortgage Payments		
(1,618)		Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,357)	
	(29,784)	Adjusting amounts written out to the Revaluation Reserve		(7,850)
	3,803			3,755
	(25,981)	Net written out amount of the cost of non-current assets consumed in the year		(4,095)
		Capital financing applied in the year:		
180		Use of the Capital Receipts Reserve to finance capital expenditure	5,123	
603		Innovation Centre Prior Year Adjustment	-	
12,919		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that has been applied to capital financing	8,300	
7,179		Statutory provision for the financing of capital investment charged against the Council Fund	4,958	
9,922		Capital expenditure charged against the Council Fund	3,922	
	30,803			22,303
	350	Movement in the market value of Investment Properties credited to the Comprehensive Income and Expenditure Statement		275
	194,640	Balance as at 31 March		213,123

30. Pensions liabilities, IAS 19 disclosures

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

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

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

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

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

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

The disclosures required for 2018-19 include information provided by the pension administrators, Rhondda Cynon Taff CBC and Aon Hewitt Associates Limited as the pension fund scheme's actuary.

McCloud Judgement

In December 2018, the Court of Appeal held that transitional protection provisions contained in reformed judicial and firefighter pension schemes, introduced as part of public service pension reforms in 2015, amounted to direct age discrimination and were therefore unlawful. On 27 June 2019 the Supreme Court denied the Government's application for leave to appeal the decisions. Provision for the increased potential liability of £8.24 million based on an actuarial assessment has been included in the accounts and associated notes.

Transactions Relating to Post-employment Benefits

The cost of retirement benefits is recognised in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against Council Tax is based on the cash payable in the year, so the real cost of post-employment benefits is reversed out of the Council Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Council Fund balance via the Movement in Reserves Statement during the year.

Local Govt Pension Scheme	LGPS Unfunded Benefits	Teachers' Unfunded Benefits	Total	Comprehensive Income & Expenditure Statement	Local Govt Pension Scheme	LGPS Unfunded Benefits	Teachers' Unfunded Benefits	Total
£m	£m	£m	£m		£m	£m	£m	£m
2017-18	2017-18	2017-18	2017-18	Cost of Services :	2018-19	2018-19	2018-19	2018-19
21.84	-	-	21.84	Service cost comprising:	22.65	-	-	22.65
0.17	-	-	0.17	current service cost	9.24	-	-	9.24
-	-	-	-	past service costs	-	-	-	-
				(gain)/loss from settlements				
6.04	0.20	0.11	6.35	Financing & Investment Income & Expenditure :-	6.47	0.19	0.10	6.76
				Net interest expense				
28.05	0.20	0.11	28.36	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	38.36	0.19	0.10	38.65
				Benefit Charged to the				
				<i>Remeasurements of the net defined benefit liability comprising:</i>				
(13.42)	-	-	(13.42)	Return on plan assets (excluding the amount included in the net interest expense)	(40.76)	-	-	(40.76)
13.85	0.07	0.03	13.95	Actuarial (gains) / losses due to changes in financial assumptions	46.24	0.19	0.07	46.50
-	-	-	-	Actuarial (gains) / losses due to changes in demographic assumptions	(32.89)	(0.33)	(0.20)	(33.42)
4.22	0.03	(0.42)	3.83	Actuarial (gains) / losses due to liability experience	1.33	0.02	0.01	1.36
4.65	0.10	(0.39)	4.36	Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	(26.08)	(0.12)	(0.12)	(26.32)
				Movement in Reserves Statement:-				
(28.05)	(0.20)	(0.11)	(28.36)	Reversal of net charges made for retirement benefits in accordance with IAS 19	(38.36)	(0.19)	(0.10)	(38.65)
				Actual amount charged against the Council Fund Balance for pensions in the year				
15.69	0.47	0.39	16.55	Employer's Contributions payable to the scheme	16.58	0.48	0.38	17.44
(22.44)	(0.47)	(0.39)	(23.30)	Retirement Benefits Paid Out	(30.34)	(0.48)	(0.38)	(31.20)

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

Local Govt Pension Scheme	LGPS Unfunded Benefits	Teachers' Unfunded Benefits	Total		Local Govt Pension Scheme	LGPS Unfunded Benefits	Teachers' Unfunded Benefits	Total
£m 2017-18	£m 2017-18	£m 2017-18	£m 2017-18		£m 2018-19	£m 2018-19	£m 2018-19	£m 2018-19
814.56	7.64	3.87	826.07	Present value of defined benefit obligation	856.10	7.23	3.47	866.80
(557.45)	-	-	(557.45)	Fair Value of Plan Assets	(603.29)	-	-	(603.29)
257.11	7.64	3.87	268.62	Net liability arising from defined benefit obligation	252.81	7.23	3.47	263.51

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

£m 2017-18		£m 2018-19
532.49	Opening fair value of scheme assets at 1 April	557.45
13.82	Interest income on assets	14.38
13.42	The return on plan assets, excluding the amount included in the net interest expense	40.76
15.69	Contributions by Employer	16.58
4.47	Contributions by Participants	4.46
(22.44)	Net Benefits Paid Out	(30.34)
557.45	Balance as at 31 March	603.29

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

Local Govt Pension Scheme	LGPS Unfunded Benefits	Teachers' Unfunded Benefits	Total		Local Govt Pension Scheme	LGPS Unfunded Benefits	Teachers' Unfunded Benefits	Total
£m	£m	£m	£m		£m	£m	£m	£m
2017-18	2017-18	2017-18	2017-18		2018-19	2018-19	2018-19	2018-19
772.59	7.81	4.54	784.94	Opening balance at 1 April	814.56	7.64	3.87	826.07
21.84	-	-	21.84	Current Service Cost	22.65	-	-	22.65
19.86	0.20	0.11	20.17	Interest Cost	20.85	0.19	0.10	21.14
4.47	-	-	4.47	Contributions from scheme participants	4.46	-	-	4.46
				Remeasurement (gains) and losses:				-
				Actuarial gains / losses arising from changes in financial assumptions	46.24	0.19	0.07	46.50
				Actuarial gains / losses arising from changes in demographic assumptions	(32.89)	(0.33)	(0.20)	-33.42
				Actuarial gains / losses arising from changes in liability experience	1.33	0.02	0.01	1.36
0.17	-	-	0.17	Past Service Cost	9.24	-	-	9.24
(22.44)	(0.47)	(0.39)	(23.30)	Benefits Paid	(30.34)	(0.48)	(0.38)	(31.20)
-	-	-	-	Liabilities extinguished on settlements	-	-	-	-
814.56	7.64	3.87	826.07	Balance as at 31 March	856.10	7.23	3.47	866.8

Local Government Pension Scheme assets comprised:

Fair Value of Scheme Assets 2017-18 £m	Asset Split 2017-18 %		Fair Value of Scheme Assets 2018-19 £m	Asset Split 2018-19 %
15.137	2.72	Cash and cash equivalents	6.80	1.13
		Equity Instruments: <i>by industry type (FTSE Sector)</i>		
11.347	2.04	Oil & Gas	3.27	0.54
12.715	2.28	Basic Materials	7.92	1.31
54.757	9.82	Industrials	26.08	4.32
49.085	8.81	Consumer Goods	37.08	6.15
32.321	5.80	Health Care	10.02	1.66
46.941	8.42	Consumer Services	0.00	0.00
1.465	0.26	Telecommunications	0.67	0.11
2.325	0.42	Utilities	0.46	0.08
74.813	13.42	Financials	24.21	4.01
56.950	10.22	Technology	8.29	1.37
0.627	0.11	Real Estate	0.00	0.00
68.536	12.28	Pooled Equity Investment Vehicles	285.68	47.35
411.882	73.88	Sub-total equity	403.68	66.90
		Bonds: <i>By Sector</i>		
52.106	9.35	Corporate	75.09	12.45
49.121	8.81	Government	72.20	11.97
101.227	18.16	Sub-total bonds	147.29	24.42
		Property: <i>By Type</i>		
6.670	1.20	Retail	7.24	1.20
4.036	0.72	Office	6.06	1.00
8.446	1.52	Industrial	13.43	2.23
10.052	1.80	Other Commercial	18.80	3.12
29.204	5.24	Sub-total property	45.53	7.55
557.450	100.00	Total assets	603.30	100.00

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the Local Government Pension Scheme (LGPS) and discretionary benefits liabilities have been estimated by Aon Hewitt, an independent firm of actuaries, in accordance with IAS 19.

The significant assumptions used by the Actuary were:

2017-18 % pa		2018-19 % pa
2.60	Discount rate	2.40
2.10	Rate of pension increases	2.20
3.35	Rate of salary increases	3.45
Years		Years
	<i>Mortality Assumptions:</i>	
	Longevity at 65 for current pensioners :-	
22.90	Men	22.20
25.00	Women	24.10
	Longevity at 65 for future pensioners :-	
25.10	Men	23.90
27.30	Women	25.90

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

Increase in Assumption 2017-18	Decrease in Assumption 2017-18		Increase in Assumption 2018-19	Decrease in Assumption 2018-19
£m	£m		£m	£m
(14.84)	15.12	Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(15.60)	15.89
2.98	(2.95)	Rate of increase in salaries (increase or decrease by 0.1%)	3.19	(3.16)
12.12	(11.92)	Rate of increase in pensions (increase or decrease by 0.1%)	12.68	(12.47)
24.53	(24.34)	Longevity (increase or decrease in 1 year)	27.68	(27.39)

Impact on the Council's Cash Flows

The funded nature of the LGPS requires the Employer and its employees to pay contributions into the fund, calculated at a level intended to balance the pension liabilities with investment assets. The Actuary will be carrying out the next Actuarial Valuation based on information as at 31 March 2019 during 2019-20. The current Employer's contribution rate to achieve a funding level of 100% of scheme liabilities will be reviewed at this point. Consequently, whilst there is a significant shortfall (liability) between the benefits earned by past and current employees and the resources the Council has set aside to meet them, the statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

The expected employer's contributions to the Local Government Pension Scheme for the accounting period ending 31 March 2020 are:-

	2019-20 £m
Local Government Pension Scheme	29.80
LGPS Unfunded	0.17
Teachers Unfunded	0.08
Total	30.05

The weighted average duration of the defined benefit obligation for the scheme members is 18.4 years, which is the same as for 2017-18.

Teachers

In 2018-19, the Council paid £8.3 million (£8.15 million for 2017-18) to the Teachers Pensions Agency in respect of teachers' pension costs. In addition, the Council is responsible for all pension payments relating to added years awarded, together with the related increases. In 2018-19, these amounted to £0.420 million (£0.415 million for 2017-18).

31. Financial Instruments Disclosures

Categories of Financial Instruments

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

Financial Assets

31 March 2018					31 March 2019			
Current		Non-current			Current		Non-current	
Invest- ments £'000	Debtors £'000	Invest- ments £'000	Total £'000		Invest- ments £'000	Debtors £'000	Invest- ments £'000	Total £'000
20,172	7,654	9,010	36,836	Amortised Cost	21,105	7,016	4,011	32,132
20,172	7,654	9,010	36,836	Total financial asset	21,105	7,016	4,011	32,132
-	-	4,360	4,360	Non-financial assets	-	-	4,635	4,635
20,172	7,654	13,370	41,196	Total	21,105	7,016	8,646	36,767

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

The £7.016m (2017-18: £7.654 million) debtors figure above relates to trade debtors for goods and services delivered and is included in the overall debtors figure of £32.3 million (2017-18: £31.058 million) included in the balance sheet. More information in relation to debtors can be found at note 23.

Financial Liabilities

31 March 2018					31 March 2019			
Current		Non-current			Current		Non-current	
Borrowings £'000	Creditors £'000	Borrowings & Other Long Term Liabilities £'000	Total £'000		Borrowings £'000	Creditors £'000	Borrowings & Other Long Term Liabilities £'000	Total £'000
(2,623)	(4,225)	(117,688)	(124,536)	Amortised Cost	(2,551)	(5,687)	(114,466)	(122,704)
(2,623)	(4,225)	(117,688)	(124,536)	Total	(2,551)	(5,687)	(114,466)	(122,704)

The current borrowings figure above includes £1.953 million of accrued interest payable for the year.

The current creditors figure of £5.687 million (2017-18: £4.225 million) relates to trade creditors for goods and services received of £5.132 million (2017-18: £3.704 million) and £0.555 million (2017-18: £0.521 million) monies held by the Council on behalf of third parties and is included in the overall creditors figure of £31.509 million (2017-18: £32.254 million) on the balance sheet. More information in relation to creditors can be found at note 25.

Offsetting financial assets and liabilities

Financial assets and liabilities are set off against each other where the Council has a legally enforceable right to set off and it intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The table below shows those instruments that have been offset on the balance sheet.

31 March 2018 Gross Assets (Liabilities) £'000	Offsetting of Financial Assets and Liabilities	31 March 2019 Gross Assets (Liabilities) £'000
1,871	Bank Accounts in Credit	1,859
1,871	Total Financial Assets	1,859
(1,980)	Bank Overdrafts	(1,982)
(1,980)	Total Financial Liabilities	(1,982)
(109)	Net Position on Balance Sheet	(123)

Income, expense, gains and losses

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

31 March 2018				31 March 2019		
Financial Liabilities Amortised Cost	Financial Assets Amortised Cost	Total		Financial Liabilities Amortised Cost	Financial Assets Amortised Cost	Total
£'000	£'000	£'000		£'000	£'000	£'000
5,979	-	5,979	Interest Expense	5,910		5,910
-	(959)	(959)	Investment Income and Other Interest Receivable	-	(1,012)	(1,012)
5,979	(959)	5,020	Net (gain)/loss for the year	5,910	(1,012)	4,898

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

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

31 March 2018		Financial Assets	31 March 2019	
Carrying amount £'000	Fair Value £'000		Carrying amount £'000	Fair Value £'000
		<i>Financial assets held at amortised cost:</i>		
9,010	8,993	Long-term investments	4,011	4,010
9,010	8,993	Total interest revenue	4,011	4,010

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

31 March 2018		Financial Liabilities	31 March 2019	
Carrying amount £'000	Fair Value £'000		Carrying amount £'000	Fair Value £'000
		<i>Financial liabilities held at amortised cost:</i>		
(77,617)	(111,012)	PWLB	(77,617)	(110,769)
(19,804)	(31,843)	LOBOs	(19,795)	(31,507)
(20,267)	(28,500)	PFI and other long term liabilities	(17,054)	(25,391)
(117,688)	(171,355)	Total	(114,466)	(167,667)

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

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

- PWLB – Public Works Loan Board – market rates for local authority loans of the same remaining term to maturity as at the Balance Sheet date

- LOBO – Lender’s Option Borrower’s Option – increased by the value of the embedded options. Lender’s options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudian cancellable swaps. Borrower’s contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual rate.
- Other financial liabilities – discounted contractual cash flows at the appropriate AA-rated corporate bond yield.

Nature and extent of risks arising from Financial Instruments

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

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

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

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council’s customers. The risk is minimised through the Annual Investment Strategy included in the Council’s Treasury Management Strategy, which is available on the Council’s website via Council agenda Medium Term Financial Strategy [here](#).

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

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

Credit risk exposure

As at 31 March 2019 the Council had the following exposure to credit risk. £21.049 million of the £27.469 million investments outstanding at 31 March 2019 were invested with other Local Authorities, where an expected loss allowance is not required. For those financial assets where a 12 month expected credit loss is calculable, the calculated credit loss is £3,693. This has been calculated by reference to historic default data published by credit rating agencies as advised by our Treasury Management Advisors. Due to the immateriality of the expected credit loss, no adjustment has been made in the accounts for this.

	Credit risk rating (as used by the Council)	Gross carrying amount £'000
12 month expected credit losses	AA-	2,013
	A	3,407
	Building Society - Unrated	1,000
Simplified approach	Local Authorities - unrated	21,049
TOTAL		27,469

Council does not generally allow credit for its customers (trade debtors) such that all the trade debtors are recognised as short term, however, £4.271 million balance of debtors is past due date for payment. These are not included in the credit risk table above.

Liquidity Risk

The Council manages its liquidity risk through its cash-flow management to ensure that cash is available when required. It has ready access to instant access deposit accounts, overdraft facilities and borrowing from the Money Markets or other local authorities to cover any day to day cash flow need. In addition the Public Works Loan Board (PWLB) provides access to borrowing at favourable rates. The Council arranges fixed term loans and investments with a range of maturity dates within the framework and indicators approved each year. There is no perceived risk that the Council will be unable to raise finance to meet its commitments, instead the risk relates to replenishing a significant proportion of its borrowings at a time of unfavourable interest rates. The Council sets limits on the maturity structure of fixed rate borrowing such that no more than 50% of loans are due to mature in any one year through careful planning of new loans taken out and (where it is beneficial to do so) making early repayments. The maturity analysis of financial liabilities is as follows:

31 March 2018 £'000	Maturity Analysis Financial Liabilities	31 March 2019 £'000
(7,605)	Less than 1 year	(11,314)
(830)	Between 1 and 2 years	(891)
(5,277)	Between 2 and 5 years	(3,092)
(19,152)	Between 5 and 10 years	(19,410)
(31,236)	Between 10 and 20 years	(29,888)
(41,389)	More than 20 years	(41,390)
(19,804)	Uncertain date*	(19,795)
(125,293)	Total Financial Liabilities	(125,780)

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

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

Market Risk

The Council is exposed to the risk that financial loss could potentially occur as a result of changes in such measures as interest rate movements, market prices or foreign currency exchange rates.

Interest Rate Risk

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

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates – the fixed rate protects the Council from increased interest charges as an equivalent loan would now cost more. The fair value of the borrowing (liability) will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates – the fixed rate prevents the Council from receiving higher investment income from the same principal invested. The fair value of the asset will fall

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

The Council monitors market and forecast interest rates within the year to adjust exposures appropriately, to allow any adverse changes to be accommodated. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans may be repaid early to limit exposure to losses. According to this strategy, at 31 March 2019, if there had been a 1% change in interest rates with all other variables held constant, the financial effect would be approximately:

	Estimated £'000 + 1%	Estimated £'000 -1%
Interest payable on variable rate borrowings	133	-
Interest receivable on variable rate investments	(156)	156
Impact on Surplus or Deficit on Provision of Services	(23)	156

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

Price risk

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

Foreign Exchange Risk

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

Transition to IFRS9 Financial Instruments

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

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

32. Events after the Reporting Period

The draft Statement of Accounts was authorised for issue by the Director of Finance on 28 May 2019. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes would be adjusted in all material respects to reflect the impact of this information. There have been no events after the balance sheet date that have required adjustment to the financial statements or notes.

33. Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. As at 31 March 2019 the Council had no contingent liabilities.

Notes to the Cash Flow Statement

34. Adjustments for Non-Cash Movements

2017-18 £'000		2018-19 £'000
(24,451)	Depreciation & Impairment of Assets	(4,463)
(2,493)	Movement in Inventories, Debtors & Creditors	5,067
(11,810)	Pension Fund Adjustments	(21,210)
(536)	Provisions	(2,034)
(2,389)	Disposal of Non Current Asset	(2,159)
350	Changes in Fair Value of Investment Property	275
(41,329)	Adjustments to net deficit on the provision of services for non-cash movements	(24,524)

35. Operating Activities

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

2017-18 £'000		2018-19 £'000
(16,564)	Cash Flow on Revenue Activities	(9,577)
2,889	Interest Paid	4,549
1,412	Interest element of finance lease and PFI rental payments	1,360
(949)	Interest Received	(1,040)
(13,212)	Net Cash Flows from Operating Activities	(4,708)

36. Investing Activities

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

2017-18 £'000		2018-19 £'000
29,916	Purchase of Property, Plant and Equipment and Intangibles	21,477
(1,482)	Purchase / (Proceeds) from Short Term Investments	(5,028)
(573)	Proceeds from sale of Property, Plant and Equipment and Investment Property	(1,884)
27,861	Net Cash Flows from Investing Activities	14,565

37. Financing Activities

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

2017-18 £'000		2018-19 £'000
(5,660)	Cash Receipts of short and long term borrowing	(2,920)
(11,413)	Other Receipts from financing activities	(10,900)
4,000	Repayments of short and long term borrowing	3,000
(13,073)	Net Cash Flows from Financing Activities	(10,820)

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

Report on the audit of the financial statements

I have audited the financial statements of Bridgend County Borough Council for the year ended 31 March 2019 under the Public Audit (Wales) Act 2004.

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Bridgend County Borough Council as at 31 March 2019 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

Report on other requirements

Opinion on other matters

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

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19.
- The information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Governance Statement has been prepared in accordance with guidance.

Matters on which I report by exception

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

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

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

Certificate of completion of audit

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

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 10, the responsible financial officer is responsible for the preparation of the statement of accounts, which gives a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Anthony J Barrett

For and on behalf of the Auditor General for Wales

13th August 2019

24 Cathedral Road, Cardiff CF11 9LJ

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



Foreword

“One Council working together to improve lives”

This is the Council’s vision as stated in the [Corporate Plan](#) for 2018-2022 reviewed for 2019-20, which also sets out what our long-term Well-being objectives are so that amongst all of the complexity of increased demand and reduced resources we can keep a clear focus on what is really important for our communities.

We want to contribute to a place where people love to live, work, study and do business, where people are qualified with the skills they need to improve their life chances and enjoy good health and independence.

It is necessary to ensure that our communities and those that use and pay for our services, those who deliver our services and our partners and suppliers have confidence in our governance arrangements. They must be assured that the way we provide our services are effectively and efficiently delivered on a consistent basis, that public money is safeguarded and properly accounted for; and that decisions are taken transparently and lawfully.

The Council also has a duty to set well-being objectives under the Future Generations (Wales) Act and the Local Government (Wales) Measure 2009 to make arrangements to secure continuous improvement in delivering its functions in terms of strategic effectiveness, service quality, service availability, fairness, sustainability, efficiency and innovation.

Our governance arrangements operate effectively in supporting the Council in meeting its challenges and responsibilities. Improvements are continually being made and opportunities to do so have been identified. These are being monitored during 2019-20 to ensure that the necessary improvements are made.



Mark Shepherd
Chief Executive



Cllr Huw David
Leader of the Council



Pencoeed Primary 2018

What is Corporate Governance?

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

The Governance Framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

What this Statement tells you

This Statement describes the extent to which the Council has complied with its Code of Corporate Governance and the requirements of the Accounts and Audit (Wales) Regulations 2014, for the year ended 31 March 2019.

It also sets out how the Council has responded to governance issues identified during 2017-18 and actions to be undertaken during 2019-20 following an annual review of the Governance Framework.

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

The Council's Governance Responsibilities

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

It also has a duty to make arrangements to secure continuous improvement in the exercise of its functions in terms of strategic effectiveness, service quality, service availability, fairness, sustainability, efficiency and innovation¹.

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

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

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

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

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

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



¹ Local Government (Wales) Measure 2009

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

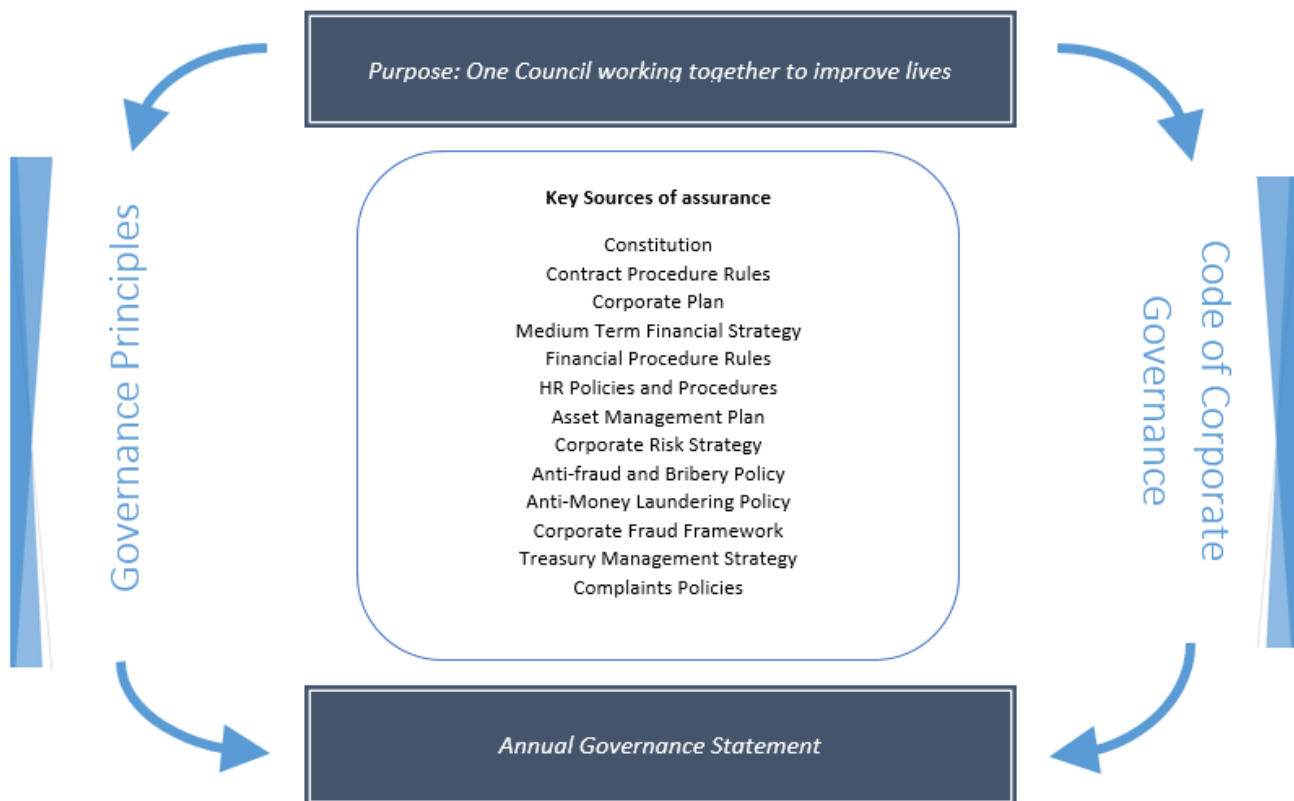
The Governance Framework

The Governance Framework comprises the systems, processes and values by which the Council is directed and controlled and the means by which it accounts to, engages with and leads the local community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to make appropriate use and prevent loss of public funds. It also assists with managing the risk of failure to achieve policies, aims and objectives. It does not eliminate all the risk, the system of internal control is designed to identify and prioritise risks, evaluate the likelihood of those risks materialising and manage their impact.

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

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



The Council is one of ten Councils jointly delivering the Cardiff Capital Region City Deal (CCRCD), which has in place joint Scrutiny and Cabinet to ensure governance in its implementation. The CCRCD aims to raise economic prosperity, job prospects and improve digital and transport connectivity and is a significant investment into the South Wales economy. The Council is committed to contributing to the delivery of these objectives across the region to ensure that the community and business within the Borough can benefit from this investment.

In March 2018 a Welsh Government consultation on health boundary changes for people in the area of Bridgend County Borough Council ended. The result of the consultation was that from 1st April 2019, local authority and Health Services in Bridgend and a number of local authority regional partnership arrangements would be moved from the Western Bay Region/Abertawe Bro Morgannwg University Health Board (ABMU) to the Cwm Taf Region.

During 2018-19 the Council has adopted a structured approach to the disaggregation of regional services, which has required close working with a range of partners to ensure that where regional funding supports integrated services, such services are accounted for between Western Bay, ABMU Health Board and Bridgend County Borough Council. In planning for the changes to regional boundaries a Transition Programme was established including, at various levels, officers from the two Health Boards, the Council and the third sector. The overarching Board and associated work streams set the governance structure that supported the Transition Programme. The Council's representation is as follows:

- Joint Transition Board: the Leader/Cabinet Member for Social Services and Wellbeing and the Chief Executive/Corporate Director, Social Services and Wellbeing
- Joint Transition Programme Group: Corporate Director, Social Services and Wellbeing
- Work Streams: all relevant service areas within Bridgend County Borough Council are linked in to their counterparts in the various work streams

From 1st April 2019 the governance structure for the new partnership arrangements will be through the Cwm Taf Morgannwg Regional Programme Board.



The Corporate Plan

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



Underpinning the Council’s Corporate Plan and throughout its decisions-making process, the principles of the Well-being of Future Generations (Wales) Act 2015 are applied.

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

Prevention: stop problems arising – don’t create new problems.

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

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

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

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



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

Assessing Performance

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

The Wales Audit Office, our External Auditor, assesses the Council's arrangements for delivering continuous improvement and subsequent performance, the results of which are published in their Annual Improvement Report. For 2017-18 they reported that 'the Auditor General believes that the Council is likely to comply with the requirements of the Local Government Measure (2009) during 2018-19'. Whilst there will always be areas where improvements can be made, the Auditor General made no formal recommendations, which demonstrates the commitment of the Council to continuous improvement.



External Assessments of Performance

The Council is also inspected by other organisations, including the Care Inspectorate Wales (CIW) and Estyn. Early in the year CIW reported on its review of the Joint Adoption Service, shared with Swansea and NeathPortTalbot Councils. Whilst some recommendations for improvement were made, and an action plan has been put in place to address these, the overall assessment of this review was that adopters and people receiving adoption support receive a good service.

In November 2018, Her Majesty's Inspectorate of Probation (HMIP) were joined by colleague inspectors from Police, Health, Social Care and Education and undertook a two-week inspection of Youth Offending Service (YOS) in Western Bay. The report has now been received and the overall rating of the Western Bay YOS was deemed inadequate. There are twelve domains within the inspection framework and nine of the twelve were rated as inadequate. One was rated as needing improvement, one was good with joint working rated as outstanding. Bridgend YOS was already planning to disaggregate from Western Bay before the inspection, due to the Council's migration to Cwm Taf Morgannwg University Health Board, which became effective on 1st April 2019. Bridgend has therefore produced an individual post-inspection action plan for improvement. This will be monitored on a fortnightly basis by the YOS Strategic Lead and Operational Manager, who will meet with the Youth Justice Board.

An Estyn inspection of the Council's Education Service took place at the end of March 2019, the outcome of which was reported to Council on 19 June 2019. Overall the report noted that pupils in Bridgend make good progress between the statutory school ages of five and sixteen, although at sixth form level perform less favourably with the national average. The Council will respond to the recommendations with a Post Inspection Action Plan, which will be monitored by the School Improvement Group.

Decision Making and Responsibilities

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



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

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

Managing Risk

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

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

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

Risks are viewed from both a Service and Council-wide perspective which ensures the key risks are distilled in the [Corporate Risk Assessment](#). The Risk Assessment sets out how the Council is addressing these risk and the mitigating actions it will put in place to reduce them. It is regularly reviewed and challenged by both senior management and the Audit Committee. A strategic review of the management control framework, or 'health' of the Council, identified more than one risk scoring mechanism was being used, the Council has implemented a consistent risk matrix across all services.

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

Financial Management

The financial management of the Council is conducted in accordance with all relevant legislation and the Constitution. The Council has in place Financial Procedure Rules and Contract Procedure Rules, and the scheme of delegation provides the framework for financial control. The Section 151 Officer is responsible for establishing a clear framework for the management of the Council's financial affairs and for ensuring that arrangements are made for their proper administration.

The Council's ability to deliver savings and contain its expenditure within its overall budget is well established. However, the Council faces significant challenges in the future in the face of further Government plans to cut public spending and significant uncertainty as a result of Brexit and the impacts this might have on Council services. The Council estimates that it will need to generate approximately £35 million of savings over the period 2019-20 to 2022-23. The Medium Term Financial Strategy has taken account of cost pressures and priority areas in line with the Corporate Plan, and involved extensive consultation to ensure a robust process. Given the single-year funding provided by the Welsh Government, the Council has developed detailed budgets for year on of the Strategy with indicative budgets thereafter based on a range of funding scenarios.



Consultation overview

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

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

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

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

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

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

The Council has in place robust arrangements for effective financial control through the Council's accounting procedures, key financial systems and the Financial Procedure Rules. This includes established budget planning procedures and regular budget monitoring reports to Cabinet and Scrutiny Committee, as well as detailed information to budget holders. The Council prepares its Annual Accounts as required by the Accounts and Audit (Wales) Regulations and in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom.

The Council follows the CIPFA Code on Treasury Management and Welsh Government's Guidance on Local Authority Investments to ensure that funds invested are secure, accessible when necessary and attract an appropriate return and any borrowings needed are in line with the Council's Treasury Management Strategy, as approved by Council.



Audit and Audit Assurances

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

In 2018 the External Auditor gave an unqualified audit opinion on the financial statements 2017-18.

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

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

The Internal Audit Service is a key means of assurance. During 2018-19 Bridgend had a joint service with the Vale of Glamorgan Council and the service operated to the Public Sector Internal Audit Standards (PSIAS). The Audit Committee approved the Internal Audit Charter for Bridgend and the Vale Audit Shared Service in April 2018. The Audit Committee also approve the Internal Audit Annual Plan and receives progress updates at every Audit Committee. The Head of Internal Audit's annual opinion as to the effectiveness of the Council's internal control environment for 2018-19 is of:

“Reasonable Assurance” on the adequacy and effectiveness of the Council's framework of governance, risk management and control.

The opinion states that, based on the work completed by the Internal Audit Shared Service for the financial year and the contribution to the Audit Plan made by the South West Audit Partnership, no significant cross-cutting control issues have been identified (other than that reported in the outturn 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.

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

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

Of significant issue for the Internal Audit Shared Service is the continuing lack of resources and the impact this has had on delivering the 2018-19 Audit Risk Based Plan. During the whole of the year, the Shared Service has carried a high level of vacancies and as a consequence the services of the South West Audit Partnership were commissioned to help address the shortfall. 2018-19 has continued to be a challenging year for the Shared Service and as predicted, South West Audit Partnership have once again assisted with the delivery of the 2018-19 Risk Based Plan. From 1st April 2019 a new Regional Audit Shared Service was established with two more Councils joining the partnership – Rhondda Cynon Taff County Borough Council and Merthyr Tydfil County Borough Council. There will still need to be some latitude required during 2019-20 to facilitate this transitional period from all parties concerned.

During the year there were interim arrangements in place in relation to two of the key statutory officers of the Council and members of the Corporate Management Board. However, in May 2019 the Chief Executive, as Head of Paid Service, has been confirmed in post following a competitive process. This is the former Corporate Director – Communities who had been appointed on an interim basis as Chief Executive in December 2018. Also during the year there have been continued interim arrangements in place to cover the statutory position of the Council's Section 151 Officer/Head of Finance, which does cause some concern from a continuity and capacity perspective. Whilst there is little or no risk in the short term as the Statutory Officer is extremely experienced and more than capable to fulfil the role, it is important that the interim position is permanently addressed as soon as possible to ensure that the Council's corporate governance arrangements are not affected in the medium- to long-term. To help strengthen the resilience of the Finance function, a temporary Deputy Head of Finance and Section 151 Officer post was appointed in May 2019.

A strategic review of the Council was undertaken by the South West Audit Partnership with a final report issued in April 2018, which can be accessed [here](#). Five themes were reviewed:

- Governance
- Risk Management
- Commissioning and Procurement
- Programme & Project Management
- Information Management

For each of the corporate themes the strength of the management control framework in place was assessed against a benchmark model by identifying the presence or otherwise of key controls. This included the use of assurance from other sources, such as external audit, as well as internal audit reports. The overall assurance received from the strategic review with the exception of its Information Management indicated an overall **High Assurance** opinion. A follow-up audit on Information Management identified a number of areas for improvement which the Council has addressed, and provided a **Medium** assurance.

Improving Governance

The progress made on the significant issues identified in the Council's 2017-18 Annual Governance Statement is shown below:

The Council should resolve how it will embed the sustainable development principle into decision-making	Whilst elected Members undertook an interactive workshop in November 2017 they have requested further training to be arranged in relation to the Well-being of Future Generations (Wales) Act 2015 to ensure they apply sustainable development principles in all decisions they make. An e-learning package has also been developed so that officers can undertake training to support the decision-making process
The Council should clearly set out how the impact of service changes will be monitored at the point of decision, with a clear set of criteria and a detailed options appraisal process considered when producing Council's decision reports	The Council has put in place a 'Well-being of Future Generations Assessment Form' that ensures the five ways of working and the seven Well-being goals of the Well-being of Future Generations (Wales) Act 2015 are considered as part of any decision making process. Use of the form will ensure that potential impacts of service changed are identified and proposals to maximise any positive impacts, or minimise any negative impacts, are provided as appropriate
The Scrutiny Forward Work Programme is not easily accessible on the website and that the website search function for officer and member decisions was not working properly. There were no links to items pre-2014. This limits transparency and access arrangements	The Council's web-pages have been redesigned and were launched in April 2018. The website is much more focussed and easy to navigate and search. The Forward Work Programme for the Scrutiny Committees can be found under the Scrutiny Committee pages accessible from the Council's website
Concern at the vacancy rate of 50% within the Internal Audit service. Audit Committee to consider a review of resources in internal audit at a future meeting as part of setting the Internal Audit Plan	2018-19 has continued to be a challenging year for the Shared Service and as predicted, South West Audit Partnership have once again assisted with the delivery of the 2018-19 Risk Based Plan. From 1 st April 2019 a new Regional Internal Audit Shared Service was established with two more councils joining the partnership – Rhondda Cynon Taff County Borough Council and Merthyr Tydfil County Borough Council. There will still need to be some latitude required during 2019-20 to facilitate this transitional period from all parties concerned.
Concern of the ability of Internal Audit to deliver on its Audit Plan due to the lack of resources	As noted above, the Audit Plan has been substantially completed. Areas of work not undertaken during the year included: Asset Management and Youth Offending Service (which is undergoing an external inspection). The Asset Management review will be rolled forward into 2019-20
Corporate website has received 1 star rating. Work needed to upgrade and redesign website	The Corporate website has been redeveloped and was relaunched in April 2018. The development is ongoing including reviewing of 'micro-sites' that link from the Corporate website, and ensuring that all information is available bilingually to comply with the Welsh Language Act
Need to ensure that key policies and procedures are subject to a regular review process and/or in line with statutory timescales	Key policies and documents are reviewed and updated on at least an annual basis, including the Constitution, Corporate Plan, Annual Governance Statement, Treasury Management Strategy and Medium Term Financial Strategy. A number have been updated during the year including the Anti-Fraud and Bribery Policy and the Anti Money-Laundering Policy. A number of other key documents are updated on cyclical basis including the Strategic Equality Plan and Corporate Health & Safety Policy (4-yearly). However there are a number of policies that need updating in order to ensure that they are effective and relevant. These will be reviewed over the forthcoming period

Based on a review of the governance framework, the following significant issues identified in 2018-19 which will be addressed in 2019-20:

<p>Medium Term Financial Strategy – the economic uncertainty and increasing public expectations and demands facing public sector organisations continue to challenge and place pressures on the Council, impacting on its ability to deliver the required efficiencies.</p>	<p>The Council will continue to monitor external economic and fiscal information to ensure that it can respond quickly to unexpected events. This is particularly important in the post-Brexit era. Alongside this the Council will continue to transform how services are delivered and manage public expectations. All savings proposals will be closely monitored and mitigating action put in place to address any shortfalls</p>
<p>The findings from the HMIP report on Western Bay Youth Offending Service concluded that the overall rating was inadequate and that <i>‘The governance and leadership of the service are ineffective. There is no vision, understanding of purpose or the strategy to provide a high-quality personalised responsive service to children and young people.’</i></p>	<p>The Western Bay Youth Offending Service has been disaggregated and a Bridgend Youth Justice Management Board set up with senior multi-agency representation, including the Cabinet Member – Communities and the Cabinet Member – Social Services and Early Help to take forward services within Bridgend. The Council has produced a Post Inspection Action Plan in response to the full joint inspection by HM Inspectorate of Probation. This further builds upon the list of priorities that were developed on receipt of the minutes from the Ratings Panel, which was held on 18th December 2018. The Action Plan will be monitored on a fortnightly basis by the YOS Strategic Lead and Operational Manager, and the Youth Justice Board (YJB)</p>
<p>Outcome of the Estyn Inspection on Education Services</p>	<p>The report was reported to Council on 19 June 2019. The recommendations made will be incorporated within a Post Inspection Action Plan which will be monitored by the School Improvement Group</p>
<p>The role of the s.151 Officer is filled on an interim basis pending decisions on way forward with the post in light of the appointment of the Chief Executive</p>	<p>The Chief Executive post was appointed in May 2019 and the appointment of the s151 Officer will be sought to be filled on a permanent basis at the earliest opportunity. A temporary Deputy Head of Finance and Deputy s151 Officer has been appointed to strengthen resilience within the Finance function</p>
<p>The impact of the Health Boundary change from the Western Bay Region to the Cwm Taf Region</p>	<p>The Council has endeavoured to minimise the potential impact of the transition to the new Health Authority during 2018-19 and will continue to monitor arrangements during 2019-20 to ensure that all processes are bedded in.</p>
<p>The impact of Brexit on services and finances could place increased pressures on Council resources</p>	<p>The Council will develop a strategy and action plan to identify potential impacts to the communities it supports, and have in place preparations for any financial consequences. The Council has established an internal cross-Directorate Brexit Forum, chaired by the Chief Executive, to explore the potential impact of Brexit on service delivery along with actions to mitigate against risks. The Forum will also explore any potential opportunities that might arise from Brexit. A report was presented to Cabinet in March setting out a Brexit risk register, which will be actively monitored and updated as necessary.</p>


<p>The Council's scrutiny functions should seek ways to improve its focus and scrutiny activity to ensure that the Council makes the most effective use of the resources available and improve the impact of scrutiny activity³</p>	<p>Scrutiny Officers will maintain a record of the impact of scrutiny activity in order to both strengthen and learn from this in order to shape the future work of the scrutiny function. Following a recent 'Scrutiny Fit for Future?' review a report is being compiled detailing proposals to implement best practice and innovation used elsewhere. To ensure the Council's scrutiny function is as effective and comprehensive as possible the Scrutiny Chairs will meet quarterly to share learning and intelligence, identify areas of cross-over and discuss where there may be gaps in focus. Consideration is also being given to the skills and training that scrutiny members need to better prepare them for current and future challenges and to developing an appropriate training programme. Scrutiny continue to work effectively with external bodies such as WLGA, neighbouring authorities and third sectors to optimise the resources available to provide good scrutiny of council services</p>
<p>Digital Transformation and channel shift – the Council needs to continue to develop its online platforms to enable residents and businesses to interact with the Council digitally</p>	<p>The new responsive "Website" and the "Digital Platform" was launched in April 2018 and continues to mature and develop through the addition of new digital channels providing the Citizen the option to engage with the Council digitally alongside the traditional channels such as "face to face" and "telephony". The progress and success of the "Digital Platform" is dependent on the adoption of digital by the Council which will require cultural change to support transformation and efficiencies savings</p>

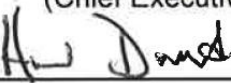
These issues will be monitored via a detailed action plan during 2019-20, with the responsible officer and deadline for implementation identified for each action, and reported to Cabinet/Corporate Management Board and to the Audit Committee.

Assurance

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

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

Signed:  Date: 24 / 7 / 19
 (Chief Executive)

Signed:  Date: 24 / 7 / 19
 (Leader)

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

Glossary Of Terms

Accrual

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

Actuary

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

Amortisation

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

Audit

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

Balance Sheet

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

Budget

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

Capital expenditure

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

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

Capital receipt

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

Cash flow Statement

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

Comprehensive Income and Expenditure Statement

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

Contingent liabilities

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

Corporate and Democratic Core (CDC)

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

Creditor

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

Current assets

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

Current liabilities

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

Debtor

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

Delegated schools balances

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

Depreciation

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

Earmarked reserves

These are reserves set aside for a specific purpose.

Escrow account

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

Expenditure and Funding Statement

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

Financial Year

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

Finance leases

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

Government grants

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

International Financial Reporting Standard (IFRS)

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

International Financial Reporting Standards Interpretations Committee (IFRICs)

The interpretative bod of the International Accounting Standards Board (IASB) designed to help the IASB improve financial reporting through timely identification, discussion and resolution of financial reporting issues within the framework of IFRS.

Inventories

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

Leasing

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

Liability

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

Minimum Revenue Provision (MRP)

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

Movement in Reserves Statement (MIRS)

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

National Non-Domestic Rates (NNDR)

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

Net Realisable Value

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

Non Distributable Costs (NDC)

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

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

Open Market Value in Existing Use (OMVEU)

OMVEU is a basis for valuation of fixed assets.

Operating assets

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

Operating leases

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

Post balance sheet events

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

Precepts

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

Prior year adjustment

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

Provision

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

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

Public Works Loan Board (PWLB)

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

Related party transactions

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

Revaluation Reserve

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

Revenue account

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

Service Reporting Code of Practice (SerCOP)

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

Temporary borrowing or investment

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

Trust fund

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

Work in progress (WIP)

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





WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Audit of Financial Statements Report – **Bridgend County Borough Council**

Audit year: 2018-19

Date issued: July 2019

Document reference: 1405A2019-20

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

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

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

infoofficer@audit.wales.

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

Contents

The Auditor General intends to issue an unqualified audit report on your financial statements. There are some issues to report to you prior to their approval.

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Summary report

Introduction

- 1 The Auditor General is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of Bridgend County Borough Council (the Council) at 31 March 2019 and its income and expenditure for the year then ended.
- 2 We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.
- 3 The quantitative levels at which we judge such misstatements to be material for the Council are £4.3 million. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements, or areas of the financial statements that we consider to be of particular interest to the reader that we therefore judge to be sensitive. Examples of such areas are the remuneration report and related party disclosures, which we consider to be material by nature and hence set lower levels of materiality.
- 4 International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. To meet this requirement this report sets out for your consideration the matters arising from the audit of the Council's 2018-19 financial statements.

Status of the audit

- 5 The Section 151 Officer signed the draft 2018-19 financial statements on 28 May 2019 and provided them to us on 29 May. We therefore received them some two and a half weeks ahead of the statutory deadline of 15 June (see [Exhibit 1](#)).
- 6 We have now substantially completed the audit work. We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with the relevant officers.

Proposed audit report

- 7 It is the Auditor General's intention to issue an unqualified audit report on the financial statements once you have provided us with a Letter of Representation based on that set out in [Appendix 1](#). The proposed audit report is set out in [Appendix 2](#).

Significant issues arising from the audit

Uncorrected misstatements

- 8 The Council's Finance Team has corrected all non-trivial misstatements identified in the draft financial statements. Therefore, there are no uncorrected non-trivial misstatements to report.

Corrected misstatements

- 9 The more important misstatements that were corrected are set out with brief explanations in [Appendix 3](#). We consider that these reported corrections should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

Other significant issues arising from the audit

- 10 During the audit we consider a number of matters both qualitative and quantitative relating to the financial statements and we report any significant issues to you. We comment below on significant matters that arose, and also on aspects of our audit that we are required to report to you.

The Council has generally sound accounting and financial reporting practices.

- 11 We found the overall quality of the draft financial statements presented for audit to be good. Generally, we found the information provided to be relevant, reliable, comparable, material and easy to understand. We concluded that the accounting policies, and the accounting estimates, are appropriate and financial statement disclosures unbiased, fair and clear.

We did not encounter any significant difficulties during the audit.

- 12 We are grateful for the help and assistance provided to us by Council staff throughout the audit process. We generally received information in a timely and helpful manner and were not restricted in our work.

We have engaged with management on two significant matters

- 13 The first significant matter relates to the impact of recent judicial decisions on post-employment pension benefits (commonly referred to as the McCloud judgement). In December 2018 the Court of Appeal ruled against the UK Government, holding that changes made to certain pension schemes were discriminatory. On 27 June 2019 the Supreme Court denied the Government's application for leave to appeal the decision. These judicial decisions are expected to affect the pension schemes of many public bodies across the UK. They do affect the RCT pension scheme, in which the Council is an admitted member. In July the Council sought (via RCT) an actuarial assessment of the impact on its pension liability. The actuary's assessment reported that the Council's pension liability had increased by £8.24 million, which the Council has adjusted for within the audited financial statements (see [Appendix 3](#)).
- 14 We examined four exit-package payments. For one of the payments we found the Council's documentation of key parts of the process to be poor. We therefore undertook additional work in order to understand all the relevant facts and we sought expert advice where necessary. We have concluded that the exit payment is lawful, albeit important aspects of the process should have been documented better. We also comment on this matter within [Exhibit 3](#) at [Appendix 4](#).

There are no other matters that we need to report to you

- 15 There are no other matters to report to you. In particular:
- there are no other matters significant to the oversight of the financial reporting process that we need to report to you;
 - we did not identify any material weaknesses in your internal controls; and
 - there are no other matters specifically required by auditing standards to be communicated to those charged with governance.

The accounts and audit deadlines going forward

- 16 Under the Accounts and Audit (Wales) (Amendments) Regulations 2018¹, in the future the Council and the Auditor General are required to meet earlier statutory deadlines. Under the amended regulations the new deadlines are changing in stages, with the first change taking effect for the 2018-19 financial year and the

¹ <http://www.legislation.gov.uk/wsi/2018/91/contents/made>

final change taking effect from 2020-21. **Exhibit 1** summarises the statutory changes since last year’s 2017-18 financial statements.

Exhibit 1: changes introduced by the amended regulations

Annual financial statements	Financial statements signed by the responsible finance officer (Section 151 Officer)	Financial statements approved by the Council and published (with the signed audit certificate or an explanation for its absence)
2017-18	30 June 2018	30 September 2018
2018-19	15 June 2019	15 September 2019
2019-20	15 June 2020	15 September 2020
2020-21 and thereafter	31 May 2021	31 July 2021

- 17 As stated at paragraph 5, the draft 2018-19 financial statements were provided to us some two and a half weeks earlier than the statutory deadline. After submitting the statements for audit, the relevant officers were present and available for our audit and they engaged with us responsively and knowledgeably. These attributes again proved crucial to our completion of the audit by the agreed timescales.
- 18 This year the Audit Committee is meeting much earlier, on 8 August 2019, to consider and approve the audited financial statements. We understand that the Section 151 Officer may seek to bring next year’s (equivalent) Audit Committee forward to the last week of July 2020 which, if achieved, would be one year ahead of the 31 July 2021 statutory date set out at **Exhibit 1**.
- 19 Over the coming months we will continue to work closely with finance officers to establish whether further improvements can be made to the preparation and audit of the annual financial statements.

Recommendations arising from our 2018-19 financial audit work

- 20 The recommendations arising from our financial audit work are set out in **Appendix 4**. Management has responded to them and we will review management’s actions during next year’s audit. Where any actions are outstanding, we will continue to monitor their progress and report any relevant matters to you next year.

Update on last year's recommendations

- 21 **Appendix 5** provides an update on the Council's progress with last year's audit recommendations. For three of the four recommendations that we raised last year, we have found similar weaknesses this year.

Independence and objectivity

- 22 As part of our finalisation process, we are required to provide you with representations concerning our independence. We can confirm that we have complied with ethical standards and in our professional judgment we are independent of the Council and our objectivity has not been compromised. There are no relationships between the Wales Audit Office and the Council that we consider to bear on our objectivity and independence.

Appendix 1

Final Letter of Representation

[The Council's letterhead]

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

8 August 2019

Representations regarding the 2018-19 financial statements

This letter is provided in connection with your audit of the financial statements of Bridgend County Borough Council (the Council) for the year ended 31 March 2019 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

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

Management representations

Responsibilities

We have fulfilled our responsibilities for:

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

Information provided

We have provided you with:

- Full access to:
 - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
 - additional information that you have requested from us for the purpose of the audit; and

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

Financial statement representations

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

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

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

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

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

The financial statements are free of material misstatements, including omissions.

Representations by the Council

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

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Council's Audit Committee on 8 August 2019.

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

Signed by:

Section 151 Officer

Date: 8 August 2019

Signed by:

Chair of the Audit Committee

Date: 8 August 2019

Appendix 2

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

Report on the audit of the financial statements

Opinion

I have audited the financial statements of Bridgend County Borough Council for the year ended 31 March 2019 under the Public Audit (Wales) Act 2004.

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Bridgend County Borough Council as at 31 March 2019 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

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

Conclusions relating to going concern

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

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

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

Other information

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

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

Report on other requirements

Opinion on other matters

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

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Governance Statement has been prepared in accordance with guidance.

Matters on which I report by exception

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

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

- adequate accounting records have not been kept;

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

Certificate of completion of audit

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

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 11, the responsible financial officer is responsible for the preparation of the statement of accounts, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Anthony J Barrett
For and on behalf of the Auditor General for Wales
13 August 2019

24 Cathedral Road
Cardiff
CF11 9LJ

Appendix 3

Summary of corrections made to the draft financial statements which should be drawn to the attention of Members of the Audit Committee

We consider that the following misstatements, which management have corrected, should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

Exhibit 2: summary of corrections made to the draft financial statements

	Value of correction	Nature of correction	Reason for correction
Adjustments affecting the financial position of the Council			
1	£8,240,000	<p>Comprehensive Income and Expenditure Account</p> <p>Adjustments within the 'cost of services' section against the column for 'gross expenditure' for the following amounts:</p> <ul style="list-style-type: none"> • Education and family support increased by £3,291,000; • Social services and wellbeing increased by £2,584,000; • Communities increased by £1,161,000; and • Chief executives and finance increased by £1,204,000. <p>Balance sheet</p> <p>Net pensions liability (long-term liabilities) and pensions reserve (unusable reserves) both increased by £8,240,000.</p> <p>The adjustment also impacted on the following primary statements and notes, the value of adjustments were per the figures detailed above:</p> <ul style="list-style-type: none"> • Movement in reserves statement; • Cash flow statement; • Note 4 – expenditure and funding analysis; • Note 5 – note to the expenditure and funding analysis; • Note 6 – expenditure and income analysed by nature; 	<p>To adjust the pensions' liability and associated figures for the actuary's revised actuarial assessment of the impact of a key judicial judgement (commonly known as the McCloud case). Paragraph 13 refers to this adjustment.</p>

	Value of correction	Nature of correction	Reason for correction
		<ul style="list-style-type: none"> Note 20 – adjustments between accounting basis and funding basis under regulations; Note 29b – pensions reserve; Note 30 – pensions liabilities, IAS 19 disclosures; and Note 34 – adjustments for non-cash movements. 	
2	273,000	<p>Comprehensive Income and Expenditure Account Increase in central services gross expenditure of £273,000.</p> <p>Note 15 officers' Remuneration. Disclosure 4 table on exit packages Adjustments:</p> <ul style="list-style-type: none"> increase in the 'number of compulsory redundancies' (across all bandings) of 11; and increase in the 'total cost of exit packages in each band' (across all bandings) of £273,000. 	To correctly include redundancy payments approved during the 2018-19 financial year.
3	£1,761,000 (net nil impact)	<p>Note 21c Non-current assets (surplus assets) Note 24 Assets Held for Sale Adjustments:</p> <ul style="list-style-type: none"> surplus assets (within Note 21c and the balance sheet) increased by £1,761,000; and assets held for Sale (within Note 24 and the balance sheet) decreased by £1,761,000. 	To correctly classify non-current assets which did not meet the necessary conditions to be classified as Assets Held for Sale as at 31 March 2019.

	Value of correction	Nature of correction	Reason for correction
4	£601,000	<p>Note 21c Non-current assets</p> <p>Adjustments in the column for 'other land and buildings':</p> <ul style="list-style-type: none"> • accumulated depreciation and impairment written out to gross carrying amount (cost or valuation) decreased by £63,000; • revaluation increases/decreases recognised in the revaluation reserve (cost or valuation) decreased by £59,000; • revaluation increases/decreases recognised in the surplus/deficit on the provision of service (cost or valuation) decreased by £542,000; and • accumulated depreciation and impairment written out to gross carrying amount (accumulated depreciation and impairment) decreased by £63,000. 	To correctly include asset revaluations omitted from the draft accounts.
Adjustments identified during the interim audit and amended in the draft financial statements submitted for audit, with no further changes required			
5	£3,358,000	<p>Note 21c Non-current assets valuation</p> <p>Reduction to revaluation increases/ (decreases) within Note 21c and corresponding reductions to revaluation entries within the Revaluation Reserve and Capital Adjustment Account.</p>	<p>To correct the accounting entries in respect of the revaluation of certain non-current assets.</p> <p>Note that this error was identified as part of our interim audit and notified to officers prior to the draft accounts being prepared. The amendments were therefore made in the draft accounts submitted for audit on 29 May 2019.</p>

	Value of correction	Nature of correction	Reason for correction
6	£848,000	<p>Note 21c Non-current assets valuation</p> <p>Adjustments:</p> <ul style="list-style-type: none"> • revaluation increases/(decreases) recognised in the surplus/deficit on the Provision of Service increased by £848,000. • revaluation increases/(decreases) recognised in the Revaluation Reserve decreased by £848,000; • revaluations posted to the Cost of Services in the CIES and the Capital Adjustment Account increased by £848,000; and • revaluations posted to the Revaluation Reserve decreased by £848,000. 	<p>To correct some of the accounting classifications between those revaluation movements affecting the Comprehensive Income and Expenditure and Statement (CIES) and those affecting the Revaluation Reserve.</p> <p>We identified these errors as part of our interim audit testing, and we notified officers prior to the preparation of the draft financial statements. The amendments were therefore made in the draft financial statements submitted for audit on 29 May 2019.</p>
Adjustments to notes to the accounts not affecting the financial position of the Council			
7	£16,724,000 (net nil impact)	<p>Note 6 Expenditure and income Analysed by Nature</p> <p>Adjustments (to comparative prior year figures):</p> <ul style="list-style-type: none"> • Expenditure – Other service expenses decreased by £16,724,000; and • Income – Fees, charges and other service income decreased by £16,724,000. 	<p>To correct the net internal recharges within the comparative figures following a change in the Code accounting requirements for internal recharges.</p> <p>The change had been accounted for correctly in other parts of the financial statements.</p>
8	£98,716,925	<p>Note 9 National Non-Domestic Rates (NNDR)</p> <p>Inclusion in the disclosure of the Council's total rateable value of £98,716,925 as at 31 March 2019, and £98,259,179 as at 31 March 2018.</p>	<p>To disclose the Council's year-end rateable value as required by the Code.</p>
9	£93,903	<p>Note 15, Disclosure 3 – Table of Senior Officer's Remuneration</p> <p>Inclusion of an additional column for 'compensation of loss of office' and the inclusion within this column of the redundancy payment to the 'Corporate Director – Operational and Partnership Services' of £93,903.</p>	<p>Presentational change to distinguish the payment for loss of office from the salary payments.</p>
10	£1,232,000	<p>Note 2 Critical Judgements in Applying Accounting Policies</p> <p>Decrease in the valuation of Maesteg Comprehensive school from £24,100,000 to £22,868,000</p>	<p>To ensure the valuation disclosed agrees with that included in the Balance Sheet.</p>

Appendix 4

Recommendations arising from our 2018-19 financial audit work

Exhibit 3: Matter arising 1

Exit-package payment	
Findings	<p>We reviewed an exit-package payment (referred to in paragraph 14) provided to an officer on departure from the Council, which included an additional amount in respect of a settlement-agreement. We found the documentation in support of the payment to be weak in a number of important areas. For example, there was no formal legal advice to challenge and/or support the handling of the case and the potential decisions being considered.</p> <p>The absence of such documentation makes it more difficult for the Council to demonstrate that it has acted in accordance with the public law principle of taking into account all relevant information, though disregarding irrelevant information.</p>
Recommendation	<p>When necessary the Council's evaluation of a potential exit package should always require comprehensive written advice. An example of when such written advice should be necessary is the consideration of a significant additional payment.</p>
Accepted in full by management	<p>Partly – see below.</p>
Management response	<p>The payment was a settlement payment made in contemplation of court proceedings and was approved in accordance with the Scheme of Delegation. Senior Officers received verbal legal advice on numerous occasions from Employment lawyers within the Authority. Given the nature of litigation negotiation, this was not formalised in a written opinion. It was confirmed in e-mail correspondence and meeting notes. HR advice was similarly provided as shown in the numerous meeting notes. We will review processes to consider how documentation can be improved.</p>
Implementation date	<p>October 2019</p>

Exhibit 4: Matter arising 2

Asset componentisation	
Findings	<p>Councils need to comply with the Code of Practice on Local Authority Accounting (the Code) and follow CIPFA's LAAP Bulletin 86 guidance², which cover the componentisation of non-current assets.</p> <p>Last year we reported that the Council had not applied its componentisation policy, as required, to any of the non-current assets that had been revalued for 2017-18 (see Appendix 5). The Council's policy requires componentisation to be considered by the valuers for all assets with a value greater than £4 million.</p> <p>The Council values its non-current assets on a rolling basis and for 2018-19 it revalued all school buildings. The collective value of all schools is some £283.9 million. The Council has 23 schools with an individual value greater than the £4 million threshold. Of these schools:</p> <ul style="list-style-type: none">• seven (valued at some £94.3 million) had been componentised on an 'element' basis (where an individual structure consists of elements, such as roofs, Internals, Mechanical and Engineering);• eleven (valued at some £94.1 million) had been componentised on a 'block' basis (where many individual buildings, or blocks, make up a single asset); and• five (valued at some £33.1 million) had not been componentised. <p>Componentisation affects the level of depreciation that is charged each year. For 2018-19 we estimated that the failure to obtain the required componentised valuations for the five properties resulted in the 2018-19 depreciation charge being understated by some £393,000. Understatements will also arise in future financial years unless the properties are revalued on a component basis.</p> <p>We also identified that while the Council issues written instructions to its external valuers, no written instructions are issued by the Finance Team to the internal valuers. Clear written instructions to the internal valuers would help to ensure that the basis of valuation is appropriate for all non-current-assets being valued.</p>

² <https://www.cipfa.org/policy-and-guidance/technical-panels-and-boards/local-authority-accounting-panel/laap-bulletins/laap-86-componentisation-of-property-plant-and-equipment>

Asset componentisation	
Recommendation	<p>The Council should:</p> <ul style="list-style-type: none"> • fully apply its componentisation policy to all relevant non-current assets; • formally review its componentisation policy each year to ensure that it remains fit for purpose; and • issue formal instructions to its internal valuers each year to set out which non-current assets are to be valued and the key policies and guidance that must be applied.
Accepted in full by management	Yes
Management response	Fully accept second and third bullet points but in relation to the first point we feel that we have followed our policy in drafting the statement of accounts.
Implementation date	The Council has in place Component Accounting. An updated policy will be reviewed by Audit Committee in November 2019 following discussions with the Wales Audit Office.

Exhibit 5: Matter arising 3

Schools asset revaluations	
Findings	<p>Our testing of the revaluation of the Council's schools found that they had been calculated incorrectly. This error arose because officers had incorrectly input into their calculations the recommended internal and external areas (per square metre) for schools, which are prescribed in the UK Government Department for Education's Building Bulletin. This processing error resulted in an overstatement of £3.358 million in the value of the Council's school assets as at 31 March 2019. The misstatement was corrected in the financial statements, as set out in Appendix 3.</p>
Recommendation	<p>The Council should:</p> <ul style="list-style-type: none"> • strengthen its verification checks to ensure that the correct base-data is input each year; and • each year assess whether training is required for the officer(s) undertaking the processing.
Accepted in full by management	Yes.
Management response	The recommended basis as set out in the bulletin was used, but the Council accepts that human error in relation to secondary schools resulted in some information being incorrectly input. This is accepted and no further training need is identified.
Implementation date	N/A

Exhibit 6: Matter arising 4

Use of incorrect land valuations	
Findings	<p>Last year we reported that our testing of land and buildings found that for ten plots of land Council officers had used 2016 land values (per acre) in their calculations rather than the correct 2017 land values. Appendix 5 refers to this audit issue.</p> <p>This year we have again identified five instances where 2016 land values have been used to calculate valuations rather than the 2018 values. As was the case last year, this has had no impact on the valuation as at 31 March 2019 because the land values had not changed between 2016 and 2018.</p> <p>In future years, similar calculation errors would result in misstatement in the financial statements if the land values do change.</p>
Recommendation	The Council should strengthen its verification checks to ensure that the asset valuations are calculated using the correct base data.
Accepted in full by management	Yes
Management response	The recommendation is accepted and the Council will ensure the correct years' land values are used going forward.
Implementation date	N/A

Exhibit 7: Matter arising 5

Completeness of exit packages	
Findings	<p>Accounting standards require that the costs of exit packages are treated as an expense in the financial year in which they are approved, rather than in the year that they are paid.</p> <p>We identified 11 exit packages with a value of £273,000, which had been approved during 2018-19 but had not been accounted for in the 2018-19 financial statements. The misstatement was corrected in the financial statements, as set out in Appendix 3.</p>
Recommendation	<p>The Council should strengthen its process to identify all relevant exit packages, ensuring that:</p> <ul style="list-style-type: none"> the HR Department is aware of the nature of the information requested by the Finance Team; and on receipt of the HR information, the Finance Team reviews it thoroughly.
Accepted in full by management	Yes

Completeness of exit packages	
Management response	Processes have been strengthened to ensure that all exit packages are reported in line with the Code requirements.
Implementation date	Implemented.

Exhibit 8: Matter arising 6

Annual closedown of the council tax system	
Findings	<p>To enable the Council to issue its annual council-tax bills prior to the start of a financial year, at the start of March each year the council tax system is closed and rolled forward to the next financial year that is due to start from 1 April.</p> <p>As income is still received from some council-tax payers between the closure date and the closedown of the ledger (at 31 March), discrepancies are created between the closing balances for debtors, and creditors, on the council tax system and in the ledger.</p> <p>Any such income received during this period is posted in the ledger against the council tax debtor, thus reducing this balance. While this results in the overall net balance of the council tax debtor and creditor being correct, it incorrectly nets any income for future years (income in advance) against the debtor balance. The correct treatment would be to show any 'income in advance' as a year-end liability within creditors.</p> <p>The total income received during this interim period was approximately £400,000 for 2018-19, and we can therefore confirm that this classification error has not had a material impact in the 2018-19 financial statements.</p>
Recommendation	The Council should ascertain the reports that are available from the council tax system, which would enable its officers to establish the relevant financial year for all council tax income received while the council tax system is closed in March each year.
Accepted in full by management	Yes
Management response	A number of reports are produced that enable the closing of accounts and allocation of material amounts to debtors and creditors. However, we will look to further strengthen our processes to enable a much greater level of accuracy where possible. To this end we will also review processes and reports in other local authorities.
Implementation date	31 March 2020

Exhibit 9: Matter arising 7

Allocation of asset revaluations	
Findings	<p>Accounting standards require any gains or losses arising from an asset's revaluation to be netted against previous gains and losses on that asset.</p> <p>Our sample-based testing of asset revaluations identified an asset for which a revaluation gain had been posted to the revaluation reserve, rather than to that asset's existing revaluation loss. This error arose because the relevant box had not been ticked within the fixed asset register system, to indicate that there was a previous revaluation loss against the asset.</p> <p>Our extended audit testing of all the 2018-19 asset revaluations identified an additional four assets where the same error had arisen.</p> <p>The adjustment for the five assets of £848,578 affected the Revaluation Reserve and the cost of service within the Comprehensive Income and Expenditure Account.</p> <p>The misstatement was corrected in the financial statements, as set out in Appendix 3.</p>
Recommendation	The Council should strengthen its processes to ensure that the fixed asset register is fully and accurately updated for asset revaluations and other asset movements.
Accepted in full by management	Yes
Management response	Processes have been strengthened such that the requirement within the Asset Register to apply losses to previous revaluation gains is in place.
Implementation date	Implemented

Exhibit 10: Matter arising 8

Incorrect classification of Assets Held for Sale	
Findings	<p>For a non-current asset to be classified as an 'asset held for sale', it must meet certain criteria. The criteria include that the asset is being actively marketed and a sale is expected to be completed within one year.</p> <p>Our review of the four assets classified as 'assets held for sale' concluded that three were incorrectly classified because:</p> <ul style="list-style-type: none"> • for two assets the sales had fallen through before the year-end; and • for one asset, due to complications with the sale, it was deemed unlikely that the sale would complete during 2019-20. <p>An audit adjustment was made so that the three assets (with a value of £1,761,000) were reclassified from 'assets held for sale' to 'surplus assets'.</p>
Recommendation	<p>To ensure the correct classification of assets at the year-end, the Council should ensure that:</p> <ul style="list-style-type: none"> • the Finance Team informs the Property Section of the key criteria for assets to be classified as an 'asset held for sale'; and • the Property Section regularly updates the Finance Team on any change in circumstances that has affected the potential sale of an asset.
Accepted in full by management	Yes
Management response	Assets categorised as Held for Sale will be reviewed at the balance sheet date to assess their likely sale completion in line with the Code. The Council will ensure assets are categorised in line with accounting definitions.
Implementation date	31 March 2020

Exhibit 11: Matter arising 9

Funded nursing care debtors	
Findings	<p>Our sample testing of debtors included one item relating to the recharging of funded nursing care costs to the relevant health boards.</p> <p>To support the debtor balance we were provided with a reconciliation of expenditure incurred and income reimbursed. However, as at the end of June 2019 the invoice to recharge the health boards for 'income due to the Council for the quarter to 31 March 2019' had not been generated. Officers told us that the debt had not been invoiced due to staff absence within the relevant department.</p>
Recommendation	The Council should ensure that processes are put in place to provide staff cover so that the billing of debt proceeds on time.
Accepted in full by management	Yes
Management response	The Health Board were notified of the likely debt level at year-end and whilst there have been delays due to reasons noted above, finalisation of the quarter 4 invoice reconciliation was concluded 18 July, which the Health Board have agreed, and an invoice raised 23 July. The process will be reviewed to assess whether invoices can be issued on a more regular basis.
Implementation date	30 September 2019

Appendix 5

Update on last year's recommendations

Exhibit 12 sets out last year's recommendations and our follow-up review of the Council's actions. The full detail in respect of our reported findings, together with the comments by the Council's management, can be found in Appendix 4 of the document on the Council's website at:

<https://democratic.bridgend.gov.uk/documents/s16998/Appendix%20C%20BCBC%20Audit%20of%20Financial%20Statements%20Report%20Final%2020%2008%2018.pdf?LLL=0>

Exhibit 12: an update on last year's audit recommendations

Recommendation	Follow-up comments
<p>Council tax creditor balances</p> <p>The Council should identify, and make every effort to repay, all amounts overpaid by council-tax payers for the years to 31 March 2018.</p> <p>The Council should strengthen its identification and routine repayment of any overpayments by council-tax payers after 31 March 2018.</p>	<p>The Council has strengthened its processes for identifying and repaying overpayments of Council tax in 2018-19.</p> <p>Our review of the processes confirmed that appropriate action is being taken to identify and seek to repay such overpayments.</p>
<p>Asset componentisation</p> <p>The Council should reintroduce component accounting in its 2018-19 financial statements and thereafter.</p>	<p>For 2018-19 we have again found issues with the Council's componentisation policy in relation to the consistency of application across the asset base and the non-application on some assets. We have reported this again at Exhibit 4.</p>
<p>Use of incorrect land values</p> <p>The Council should consider strengthening its checks to ensure that the asset valuations are calculated using the correct base data.</p>	<p>For 2018-19 we have again found issues in the calculation of asset valuations.</p> <p>Errors have been identified again in land values (the same issue as last year) and also within the areas used to value school buildings. We have reported these issues at Exhibits 5, 6 and 9.</p>
<p>Accuracy and integrity of the fixed asset register</p> <p>The Council should review the errors identified, correct the asset register, and strengthen its processes to help avoid any repetition of these type of errors.</p>	<p>Our review of the errors identified in 2017-18 has confirmed that the Council has reviewed and corrected the errors identified. However, we have identified other errors in relation to the inputting of data into the fixed asset register, which are set out at Exhibits 5, 6 and 9.</p>

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Date / Dyddiad: 08 August 2019

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Representations regarding the 2018-19 financial statements

This letter is provided in connection with your audit of the financial statements of Bridgend County Borough Council (the Council) for the year ended 31 March 2019 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

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

Management representations

Responsibilities

We have fulfilled our responsibilities for:

- the preparation of the financial statements in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19; in particular the financial statements give a true and fair view in accordance therewith; and
- the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

- Full access to:
 - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.

- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- Our knowledge of fraud or suspected fraud that we are aware of and that affects the Council and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others;
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements;
- The identity of all related parties and all the related party relationships and transactions of which we are aware;

Financial statement representations

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

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

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

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

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

The financial statements are free of material misstatements, including omissions.

Representations by the Council

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

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Council's Audit Committee on 08 August 2019.

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

Signed by:

Signed by:

Section 151 Officer
Date: 08 August 2019

Chair of Audit Committee
Date: 08 August 2019

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

8 AUGUST 2019

REPORT OF THE INTERIM HEAD OF FINANCE

CORPORATE RISK ASSESSMENT

1. Purpose of Report.

- 1.1 The purpose of the report is to provide the Audit Committee with an update on the changes to the Corporate Risk Assessment, in accordance with the Council's risk management timeline that is contained in Appendix 2 of the Council's Risk Management Policy.

2. Connection to Corporate Plan / Other Corporate Priority.

- 2.1 This report assists in the achievement of the following corporate priority/priorities:
- Smarter use of resources – ensuring that all its resources (financial, physical, human and technological) are used as effectively and efficiently as possible and support the development of resources throughout the community that can help deliver the Council's priorities.

3. Background.

- 3.1 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 requires 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 the Corporate Management Board, Senior Management Team and 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 2019-20 Corporate Risk Assessment is aligned with the Council's Medium Term Financial Strategy and Corporate Plan.
- 3.5 The 2019-20 Corporate Risk Assessment was reported to Audit Committee on 17 January 2019.

4. Current situation / proposal.

- 4.1 The risk assessment at **Appendix 1** has been reviewed in consultation with Corporate Management Board and the Senior Management Team. It identifies the

main risks facing the Council, their link 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 who is responsible for the Council's response. The changes are as follows:

- **Risk 1 - There is a risk that the Council is unable to make robust medium to long term decisions requiring service change**

Cabinet and Corporate Management Board have met regularly as part of the budget planning process for 2020-21 and beyond. This has focused not only on the immediate requirement for an estimated £10 million savings for 2020-21 but also on discussion to begin to shape a long-term strategy based on projected savings over the next 3-4 years.

The likelihood score has reduced from 3 to 2 giving a revised risk score of 10.

- **Risk 2 - There is a risk that the Council is unable to deliver transformation including agreed financial savings**

Further development of a "One Council" culture and transformational change has progressed. A review of Council processes has meant that some deemed unnecessary and bureaucratic have ceased whilst full compliance with those that remain is required. The Chief Executive's Directorate is being embedded to provide a coordinated and efficient corporate support service. The human resources / organisational development review will ensure that managers are given the correct training to meet current challenges.

The likelihood score has reduced from 3 to 2 and the impact score has also reduced from 3 to 2 giving a revised risk score of 4.

- **Risk 3 – There is a risk that the Council is unable to respond to legislative change**

There are no changes to this risk.

- **Risk 4 - There is a risk that the Council is unable to identify and deliver infrastructure required in the medium to long term**

Council agreed a revised Capital Strategy 2019-20 to 2028-29 on 20 February 2019. This sets out agreed capital spending plans for the next 10 years.

The likelihood score has reduced from 3 to 2 giving a revised risk score of 10.

- **Risk 5 - There is a risk that the Council is unable to meaningfully engage with Health Board and potential LGR boundary changes to ensure that the needs of the Bridgend community are fairly recognised in any subsequent changes**

The risk description has been changed to "there is a risk that the Council is unable to manage the transitional year of Health Board and LGR boundary changes to ensure that the Bridgend community is fairly recognised in any subsequent changes".

- **Risk 6 - There is a risk that the Council fails to safeguard vulnerable individuals e.g. children, adults in need of social care, homeless etc**

The full range of Safeguarding activities was reported to Overview and Scrutiny Committee on 3 July 2019.

Cabinet and Corporate Management Board have agreed a Youth Offending Service action plan. Rapid improvement will be made before an anticipated inspection in six months time.

The likelihood score has reduced from 3 to 2 giving a revised risk score of 10.

- **Risk 7 - The Council is unable to plan for and recover from major threats to service continuity such as civil emergencies, school failure, cyber-attack and discontinuation of funding streams and major contracts**

These threats are being monitored on an ongoing basis.

The likelihood score has reduced from 4 to 3 and the impact score has also reduced from 4 to 3 giving a revised risk score of 9.

- **Risk 8 - There is a risk that the Council is unable to attract or retain a workforce with the necessary skills to meet the demands placed upon the authority and its services**

Following the staff survey, a range of actions has been implemented to improve staff engagement, receive feedback and shape learning and development programmes.

The likelihood score has reduced from 3 to 2 giving a revised risk score of 8.

- **Risk 9 - There is a risk that important Council services are compromised due to the failure of a key service**

The situation continues to be monitored on an ongoing basis. Dialogue with some major suppliers e.g. Kier is required and contingency planning has been progressed.

The likelihood score has increased from 2 to 3 whilst the impact score has reduced from 4 to 3 giving a revised risk score of 9.

5. Effect upon Policy Framework & Procedure Rules.

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

6. Equality Impact Assessment

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

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

7.1 The well-being goals identified in the Act were considered in the preparation of this report. It is considered that there will be no significant or unacceptable impacts upon the achievement of well-being goals/objectives because of this report.

8. Financial Implications.

8.1 There are no financial implications directly associated with the Corporate Risk Assessment. Implementation actions will be progressed within approved budgets.

9. Recommendation.

9.1 That Members consider the changes to the Corporate Risk Assessment and receive a further report in January 2020 concerning the 2020-21 Corporate Risk Assessment and review of the Corporate Risk Management Policy.

Gill Lewis
Interim Head of Finance
8 August 2019

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Risk Management & Insurance Officer

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Background documents

None

IDENTIFIED RISK						ACTION PLAN							Corporate Priority		
No.	There is a risk that..	Consequences of risk	Raw risk score			Control method	How is the council addressing this risk	Key actions to be established - NB business as usual activity not reflected here	who	Reviewed by when	Action completed by when	Residual risk score			
			Li	Im	Total							Li		Im	Total
1	The council is unable to make robust medium to long term decisions requiring service change	It is harder each year to make ongoing budget reductions as easier decisions have already been made. If more difficult decisions about cutting or reducing service levels against a background of declining budgets are not made, then the council will not deliver the changes necessary to achieve a balanced budget which will result in it being in breach of its legal responsibilities.	4	5	20	Treat	The council manages this risk through existing budget and business planning processes which include early identification of savings targets and development of options for cabinet, challenge from BREP, scrutiny and formal and informal briefings of members and political groupings.	Develop proposals for a stronger focus on future and multiple year financial planning including scrutiny and outline budget decisions by elected members for multiple years. Cabinet and Corporate Management Board have met regularly as part of the budget planning process for 2020-21 and beyond. This has focussed not only on the immediate requirement for an estimated £10 million savings for 2020-21 but also discussion to begin to shape a longer term strategy for the Council based on projected savings over the next 3-4 years.	CMB	Oct-2019	Feb-2019 Then ongoing quarterly review	2	5	10	Smarter use of resources

IDENTIFIED RISK						ACTION PLAN							Corporate Priority		
No.	There is a risk that..	Consequences of risk	Raw risk score			Control method	How is the council addressing this risk	Key actions to be established - NB business as usual activity not reflected here	who	Reviewed by when	Action completed by when	Residual risk score			
			Li	Im	Total							Li		Im	Total
2	The council is unable to deliver transformation including agreed financial savings	If the council is unable to change the way that staff work, including new roles, collaborations and the acquisition of new skills, it will be unsuccessful in delivering service transformation which will lead to it not meeting its commitments within available budgets.	4	4	16	Treat	The council has a number of transformations in place that either directly support specific proposals for service improvement and /or financial savings. Further transformations have been identified that are intended to support a "One council culture" and support staff and managers through transformation.	Review and rationalisation of management activity. Further development of a 'One Council' culture and transformational change has progressed since the appointment of a new Chief Executive, initially on an interim basis in January 2019 and then on a permanent basis in May 2019. A review of Council processes has meant that some deemed unnecessary and bureaucratic have ceased but full compliance with those that remain is required. The Chief Executive's Directorate is being embedded to provide a coordinated and efficient corporate support service. The Human Resource/Occupational Development review will ensure, among other things, that managers are given the right training to meet current challenges and that a more balanced approach to promoting and enhancing the wellbeing of those staff in work is developed, as well as teaming with those who unfortunately are absent from work through sickness.	CMB	Oct-2019	Oct-2019 Ongoing	2	2	4	All corporate priorities

IDENTIFIED RISK						ACTION PLAN							Corporate Priority		
No.	There is a risk that..	Consequences of risk	Raw risk score			Control method	How is the council addressing this risk	Key actions to be established - NB business as usual activity not reflected here	who	Reviewed by when	Action completed by when	Residual risk score			
			Li	Im	Total							Li		Im	Total
3	The council is unable to respond to legislative change	If reducing budgets and a reducing workforce decreases the council's ability to ensure compliance with statutory requirements and to adapt successfully to an ever changing legislative landscape there is a risk that the council will be in breach of its legal responsibilities and may receive adverse regulatory reports, adverse publicity, fines and ultimately the threat of prosecution.	5	4	20	Treat or Transfer	The council manages this risk in a number of ways that are contingent on the particular service area affected. This might include reducing service quality or reprioritising a response to a legislative change over other activity or transferring risk - for example, where legally possible, by transferring responsibility to another provider. However, some service areas are subject to a non delegable duty of care. Examples of where the council has shared risk are Leisure and Waste.	No further actions to be commissioned at this stage.	CMB	Oct-2019		3	4	12	All corporate priorities
4	The council is unable to identify and deliver infrastructure required in the medium to longer term	If the council does not raise sufficient capital to maintain its infrastructure, including roads, street lights, buildings and technology then it may deteriorate bringing financial and safety risks which could lead to adverse incidents, reports, publicity, fines and ultimately prosecution.	4	5	20	Treat	The council has a ten year capital programme. The development of this programme and arrangements for its review and updating are well established. However the council has identified scope to improve upon this to ensure that these needs are balanced with other demands for capital (such as new schools).	A revised capital strategy has been prepared and agreed by Council setting out capital spending plans and priorities for the next 10 years.	CMB	Oct-2019	Complete with ongoing review	2	5	10	Supporting a successful economy and smarter use of resources

IDENTIFIED RISK						ACTION PLAN							Corporate Priority		
No.	There is a risk that..	Consequences of risk	Raw risk score			Control method	How is the council addressing this risk	Key actions to be established - NB business as usual activity not reflected here	who	Reviewed by when	Action completed by when	Residual risk score			
			Li	Im	Total							Li		Im	Total
5	The council is unable to manage the transitional year of Health Board and LGR boundary changes to ensure that the needs of the Bridgend community are fairly recognised in any changes	If the council is unable to successfully manage the transitional year with Health Board and local government partners, there is a risk that appropriate care to citizens through new service models and relationships will not be delivered resulting in citizens receiving a less satisfactory service or even no service at all.	4	4	16	Treat	The council has the ability to influence the transition programme through appropriate membership on the Transition Board. The council led the partnership work stream within the overall transition programme. Effective and good relationships have been established at political and senior managerial levels with the new Cwm Taf Morgannwg University Health Board.	Continue to work with Health Board and local government partners to ensure strong integration of services during the transition period.	CMB	Oct-2019	Apr-2020	2	4	8	Helping people be more self reliant and smarter use of resources
6	The council fails to safeguard vulnerable individuals e.g. children, adults in need of social care, homeless etc.	If budgets and the workforce continue to decline there is a risk that the council will be unable to provide the necessary services to vulnerable people resulting in the possibility that vulnerable people will not be kept safe and be encouraged to greater safe self-reliance.	3	5	15	Treat	The council has well established mechanisms to ensure compliance with statutory responsibilities. This includes its own operational safeguarding board and active management of demand and caseloads. All meetings of CMB and of Cabinet/CMB have a standing item to consider safeguarding matters and allow for appropriate management actions to be taken quickly.	<p>The review by internal audit identified gaps in completion of mandatory training through e learning. These gaps are identified, reported on and monitored by Human Resources Department.</p> <p>The full range of Safeguarding activities was reported to Overview and Scrutiny Committee on 3 July 2019.</p> <p>The internal audit review and the inspection of Youth Offending has identified the need to ensure that all links between Youth Offending Services and other early help or social care services are effective and effectively documented. An action plan has been agreed by Cabinet and Corporate Management Board and rapid improvement will be made before an anticipated inspection in six months time.</p>	CMB	Nov-2019	Completed with ongoing monitoring	2	5	10	Helping people be more self reliant and smarter use of resources
										Jan-2020					

IDENTIFIED RISK						ACTION PLAN							Corporate Priority		
No.	There is a risk that..	Consequences of risk	Raw risk score			Control method	How is the council addressing this risk	Key actions to be established - NB business as usual activity not reflected here	who	Reviewed by when	Action completed by when	Residual risk score			
			Li	Im	Total							Li		Im	Total
7	The council is unable to plan for and recover from major threats to service continuity such as civil emergencies, school failure, cyber attack and discontinuation of funding streams and major contracts	If the council does not have the capacity and expertise to plan for and protect itself against major threats such as cyber-attack, civil emergencies and significant financial variations there is a risk that there may be a failure to deliver services and a balanced financial position which could harm citizens who rely on council services.	4	4	16	Treat	The council has anti virus installed which is regularly updated. All critical data is backed up and located offsite. Software update processes exist that includes the installation of patches. Security awareness training is provided to all employees. The council has established emergency planning arrangements including a Major Incident Plan and contributes to the SWLRF and SWRT.	Cyber resilience training. The council responds appropriately to WLGA/WG/UK Government Brexit consultations and seeks to influence the development of any future regional investment programme, via informed discussions with WG/Wales Office. The situation is being monitored on an ongoing basis.	CMB	Oct-2019	TBC Ongoing	3	3	9	All corporate priorities
8	The council is unable to attract or retain a workforce with the necessary skills to meet the demands placed upon the authority and its services	If there is a continual decreasing number of suitably skilled and experienced staff then there may not be the expertise required to deliver services and protect the interests of the council. This could lead to the wellbeing of citizens suffering and a loss of moral amongst the remaining staff if they feel unsupported and are seeking to work elsewhere.	4	4	16	Treat	The council has workforce planning in place (through directorate level service planning) and is prioritising finite training budget to ensure that key skills and qualifications are targeted. In addition the council is using apprenticeships to actively bring in or develop key skills (such as Welsh language skills or ICT capability). In specific service areas the council is actively seeking opportunities to collaborate where this will enhance capacity or resilience.	The council will continue to monitor the profile of the workforce and identify challenges through the business planning process. Appropriate action plans will be developed. The staff survey has been completed and a range of actions implemented. These will improve engagement and feedback and shape the learning and development programme. The council will prioritise role specific training to enable staff to do what is expected of them, it will promote good practice examples of staff development and maximise access to funded learning and development programmes. e.g. WG and TUC.	CMB	Oct-2019	Ongoing Ongoing	2	4	8	All corporate priorities

IDENTIFIED RISK						ACTION PLAN							Corporate Priority		
No.	There is a risk that..	Consequences of risk	Raw risk score			Control method	How is the council addressing this risk	Key actions to be established - NB business as usual activity not reflected here	who	Reviewed by when	Action completed by when	Residual risk score			
			Li	Im	Total							Li		Im	Total
9	Important council services are compromised due to the failure of a key supplier	If the suppliers of council services are not resilient there is a risk that they may fail to deliver those services leading to disruption for citizens and the council, which will be impacted as it seeks to restore provision and suffers a loss of reputation.	3	4	12	Treat or Transfer	The council's strongest defence against this is through its procurement strategy and procurement processes. When tendering for services the council requires contingency arrangements to be in place to allow for the eventuality of supplier failure (for example in the case of refuse and recycling collection contracts). The council also seeks to shape the market where possible to avoid over reliance on single suppliers (for example in social care).	Social Services have quarterly forum meetings with providers where risks, issues and pressures are identified. There are regular contract monitoring visits to monitor performance and quality. Directorates to monitor the financial performance and stability of contractors on an ongoing basis. Dialogue with some major suppliers e.g. Kier is required and contingency planning has been progressed.	CMB	Oct-2019	Ongoing Ongoing	3	3	9	Helping people be more self reliant and smarter use of resources

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

8 AUGUST 2019

REPORT OF THE HEAD OF THE REGIONAL INTERNAL AUDIT SERVICE

CORPORATE FRAUD REVIEW 2018-19 & NATIONAL FRAUD INITIATIVE UPDATE

1. Purpose of report

- 1.1 To provide Members with a summary of how the Council manages the risk of fraud with an aim of prevention, detection and subsequent investigation and reporting of fraud. In addition to provide Members with an update to the latest National Fraud Initiative (NFI) Exercise.

2. Connection to corporate improvement objectives/other corporate priorities

- 2.1 This report assists in the achievement of the following corporate priority/priorities:
- Smarter use of resources – ensuring that all its resources (financial, physical, human and technological) are used as effectively and efficiently as possible and support the development of resources throughout the community that can help deliver the Council's priorities.

3. Background

- 3.1 One of the Core functions of an effective Audit Committee is:
- To consider the effectiveness of the Council's Risk Management arrangements, the control environment and associated anti-fraud and corruption arrangements.
- 3.2 Therefore, this report is focused on updating the Committee on the arrangements in place for Corporate Fraud.
- 3.3 The challenge presented to Councils by fraud is significant. As stated in the "The Local Government Counter Fraud and Corruption Strategy 2016-19" (usually known as Fighting Fraud and Corruption Locally), it is estimated that fraud cost councils around £2.1 billion each year and some reports produced by other organisations suggest that this figure could actually be higher.
- 3.4 The impact of fraud should never be underestimated. Fraud leaves the Council with less to spend on services for residents and costs taxpayers money. Fraud against a local council is not a victimless crime. There is not only the lost/stolen money to consider but also the loss of working time investigating and correcting issues, liaising with police and lawyers, any subsequent court costs, increased insurance premiums, reputational damage for individuals or the Council as a whole and poor staff morale.
- 3.5 The Council sets high standards for both Members and Officers in the operation and administration of the Council's affairs and has always dealt with any allegations or

suspicious of fraud, bribery and corruption promptly. It has in place policies, procedures and reporting mechanisms to prevent, detect and report on fraud, bribery and corruption. These include the Fraud Strategy and Framework, a Whistleblowing Policy, ICT Code of Conduct and the Anti-Fraud and Bribery Policy.

- 3.6 The Fraud Strategy and Framework 2018/19 to 2020/21 was reviewed and reported to Audit Committee in January 2019 and it continues to underpin the Council's commitment to prevent all forms of fraud, bribery and corruption, whether it be attempted externally or from within. There has been no new guidance since this date and therefore no changes are proposed to the existing strategy.

4. Current situation/proposal

4.1 Action Plan - Proactive Work

The Fraud Strategy and Framework includes reactive and proactive work and the proactive work was presented in an action plan which sets out the developments the Council proposes over the medium term future to further improve its resilience to fraud and corruption. The Action Plan is attached at **Appendix A** and has been updated to illustrate the progress being made.

- 4.2 It can be seen that initial work has commenced to create a Fraud Risk Register template and an NFI awareness and training session has been held for key officers across the Council. A schools anti-fraud toolkit is being compiled together with a supporting self-assessment health check with a view to them being rolled out to schools.

4.3 National Fraud Initiative - 2016 & 2018 Exercises

One activity included on the Action Plan is the National Fraud Initiative (NFI). This is a biennial exercise coordinated in Wales by the Wales Audit Office whereby data is extracted from the Council's systems and reports. These are matched against data submitted from other bodies such as other Local Authorities, DWP, NHS & Trusts, Police and Housing Associations etc. It is important to note that where a match is found, it is not in itself evidence of a fraud, it may be an error or an inconsistency that requires further investigation.

- 4.4 The 2016 data matching exercise has now been concluded. Of significance for Bridgend County Borough Council were the results of the NFI matches showing individuals in receipt of Single Person Discount (SPD). This match identified discrepancies between the electoral register and council tax records, highlighting where single person discount has been incorrectly claimed and paid. Investigations into the matches identified 435 claims where claimants had not or were no longer entitled to a discount. The amount overclaimed amounted to £245,175 of which £89,931 is being recovered. The cancellation of these claims has also increased the council-tax revenue being collected going forward. This result has been used nationally by the WAO as an example of success.

- 4.5 The most recent data matching exercise was undertaken in September 2018 and the matches were released in January 2019. A total of 2,034 matches across areas including housing benefit, payroll, blue badges, personal budgets, care homes, licencing have been identified, of these, approximately 1,000 have been categorised as high or medium risk. In addition another 6,160 creditor and council tax to single

person discount matches have been issued. The review of these 2018 data matches is on-going and so far 729 have been reviewed with a total value of £39,576 being identified as potential fraud or error with £15,522 having been recovered.

4.6 NFI also provides access to AppCheck which has been designed as a fraud prevention tool, enabling public bodies to undertake real time checks for potential fraud within applications for benefits and services. AppCheck helps prevent fraud entering the system, thereby avoiding costly investigations and recovery action which is needed once fraudulent claims are in payment. It is intended to roll out this tool across service areas of the Council.

4.7 Internal Fraud & Corruption Work

During the financial year 2018/19, 5 reviews of this nature were undertaken as illustrated in Table 1.

Table 1 – Internal Fraud & Corruption Work Undertaken by Internal Audit 2018/19

Potential Fraud	Resulting Action
Potential Misuse of PCard	Limited Assurance – matter referred to the Police - ongoing
Bank Account – Standing Order	Prevented due to adequate controls already in place and operational
Grievance NI underpayment	This matter was undertaken under the Council’s Grievance Policy on behalf of HR and is now complete
Management oversight	This matter is now complete and dealt with internally.
Grievance Appeal	This matter is now completed and upheld
Total Cases (5)	

4.8 This work was generated in a number of ways, by whistleblowing referrals whereby a fact finding exercise was undertaken to verify the information provided to determine if there are issues; by Managers who may have concerns over a certain issue or individual or as a result of an audit review. Some of these reviews resulted in an assurance opinion being provided whereas others were of a fact finding nature and findings are passed onto a Determining Officer acting under the Council's disciplinary or grievance policy. One instance has been referred to the police and is an ongoing police investigation.

5. Effect upon policy framework and procedure rules

5.1 There is no effect upon the policy framework and procedure rules.

6. Equality Impact Assessment

6.1 There are no equality implications arising from this report.

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

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

8. Financial implications

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

9. Recommendation

- 9.1 Members are asked to note this report, the measures in place and the work being undertaken to prevent and detect fraud and error.

Mark Thomas
Head of Audit
8th August 2019

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Bridgend County Borough Council
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CF31 3NA

Background Documents

None

Fraud Strategy and Framework Action Plan

Activity	Scope	Responsible	Progress	Due
Fraud Risk Registers	To develop Fraud Risk Register(s) and align to complement the existing risk management approach.	Internal Audit	Template of a Fraud/Incident Register produced, along with supporting Standard Operating Procedures (SOP's).	April 2019
	Maintain the fraud risk register and regularly monitoring trends to identify areas of high risk			Ongoing to 2020/21
National Fraud Initiative (NFI)	To facilitate the timely delivery of NFI 2018 /19 data matches.	Internal Audit	All data been extracted, and the matches been returned	Completed
	Undertake integrity checks on a sample of cleared matches to ensure robustness / quality of review and select of sample of high-risk matches across the spectrum to investigate.		This activity is currently in progress	October 2019
	Regularly monitor progress against recommended matches throughout the duration of the exercise.		On-going exercise	Ongoing to 2020/21
Develop devoted fraud internet / intranet pages	To enable a clear and concise point of reference for necessary information on fraud and irregularity maximising the potential of digital technology to enhance the user experience.	Internal Audit	Due to commence	December 2019
	Maintain the fraud internet / intranet pages to ensure they are kept up to date.			Ongoing to 2020/21
Training & Awareness	Develop an effective fraud awareness-training programme for Members and Officers.	Internal Audit	Module and a suite of questions are being developed, awaiting sign-off to launch. Training and PowerPoint Presentations awaiting approval prior to rollout.	August 2019
	Provide ongoing training as required for the duration of the action plan		A training and awareness session for NFI was undertaken for Key Officers, and additional training will be implemented during 2019 in relation to NFI/AppCheck	Ongoing to 2020/21

Activity	Scope	Responsible	Progress	Due
Data Analytics	To maximise the use of data analytics and data matching to match electronic data to detect and prevent fraud.	Internal Audit	Some data extraction and analysis undertaken using data within the financial system	March 2020
Develop alerts and newsletters to raise awareness and notify readers of new and potential fraud risks.	Develop alerts and newsletter across the Council.	Internal Audit	Mock newsletter is being produced awaiting development of web site.	December 2019
	Produce Newsletters at regular intervals throughout the duration of the action plan.			Ongoing to 2020/21
No Recourse to Public Funds	With a national increase in applications, there has been a consequent increase in attempts by fraudsters to obtain public funds via false applications. In addition, a developing trend for individuals to make multiple applications across different authorities. This can be linked to the NFI 2018 data matching exercise.	Internal Audit	An implementation programme of the Appcheck Suite via the NFI Site is being considered with a potential phased roll out	On-going
Annual Report on Fraud & Irregularity	To produce an end of year report to those charged with governance covering all reactive and proactive fraud initiatives.	Head of Audit	Report produced	Annually
Schools	Conduct a "Fraud Health Check" across school establishments to attain assurance over the controls and governance in place to mitigate the potential for fraud.	Internal Audit	A schools anti-fraud toolkit has been drafted with a supporting self-assessment health check	March 21

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

8 AUGUST 2019

REPORT OF THE HEAD OF THE REGIONAL INTERNAL AUDIT SERVICE

UPDATED FORWARD WORK PROGRAMME 2019/20

1. Purpose of report

1.1 The purpose of this report is to provide Members with an update on the Forward Work Programme for 2019/20.

2. Connection to corporate improvement objectives/other corporate priorities

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

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

3. Background

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

- To consider the effectiveness of the Council's Risk Management arrangements, the control environment and associated anti-fraud and corruption arrangements.
- Seek assurances that action is being taken on risk-related issues identified by auditors and inspectors.
- Be satisfied that the Council's assurance statements properly reflect the risk environment and any actions required to improve it.
- Oversee the work of internal audit (including the annual plan and strategy) and monitor performance.
- Review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary.
- Receive the annual report of the 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 2019/20 is attached **at Appendix A.**
- 4.2 As shown below are the items scheduled to be presented at the Committee's next meeting on 14th November 2019. Committee Members are asked to endorse this schedule, confirm the list of people they would like to invite for each item (if appropriate), and indicate whether any additional information or research is required.

Provisional Date of Meeting	Agenda Items
14 th November 2019	Updated Forward Work Programme
	Compliance with the Public Sector Internal Audit Standards
	Progress report on the Regional Internal Audit Service
	Audit Committee Terms of Reference
	Treasury Management Half Year monitoring report 2018-19
	Review of Annual Governance Statement 2018-19 Action Plan progress
	Review and approval of Council's Asset Componentisation Policy
	Internal Audit Half Year Outturn Report – April 2019 to September 2019.
	External Auditors / Inspection Reports (where applicable).

5. Effect upon policy framework and procedure rules

- 5.1 There is no effect upon the policy framework and procedure rules.

6. Equality Impact Assessment

- 6.1 There are no equality implications arising from this report.

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

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

8. Financial implications

- 8.1 There are no financial implications arising from this report.

9. Recommendation

- 9.1 That Members consider and note the updated Forward Work Programme for 2019/20.

Mark Thomas
Head of Audit
13th June 2019

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Background Documents

None

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**AUDIT COMMITTEE
PROPOSED SCHEDULE OF MEETINGS AND FORWARD WORK PROGRAMME
2019 - 2020**

PROVISIONAL DATE OF MEETING	FORWARD WORK PROGRAMME	OFFICER RESPONSIBLE	UPDATE
2019			
13th June	Election of Chair & Vice-Chair	Democratic Services Officer	
	Draft Annual Governance Statement 2018-19	Head of Finance	Submitted
	Pre-audited Statement of Accounts 2018/19.	Head of Finance	Submitted
	Treasury Management Outturn 2018/19	Head of Finance	Submitted
	Council Tax Reduction fraud investigations: April 2018 to March 2019	Head of Finance / Benefit's Manager.	Submitted
	Housing Benefit Claim action plan	Head of Finance / Benefit's Manager.	Submitted
	Corporate Fraud Report 2018/19	HOA / Audit Client Manager	Combined with NFI report to be presented in August 2019
	External Auditors / Inspection Reports (where applicable).	Head of Finance / WAO	Submitted
	IASS Outturn Report April and May 2019. Together with progress against Plan.	HOA	Submitted
	Updated Forward Work Programme 2019/20.	Head of Audit (HOA)	Submitted
8th August	Updated Forward Work Programme	HOA	Submitted
	Final Statement of Accounts 2018-19 and External Audit Report	Head of Finance	
	Corporate Risk Register Update	Head of Finance	
	Counter Fraud Report 2018/19 Including an NFI Update	HOA / Audit Client Manager	Submitted
	External Auditors / Inspection Reports (where applicable).	Head of Finance / WAO	
14th November	Updated Forward Work Programme	HOA	
	Compliance with the Public Sector Internal Audit Standards	HOA	
	Progress report on the Regional Internal Audit Service	HOA	
	Audit Committee Terms of Reference	HOA	
	Treasury Management Half Year monitoring report 2018-19	Head of Finance	
	Review of the Annual Governance Statement 2018-19 Action Plan	Head of Finance	
	Approval of Council's Asset Componentisation Policy	Head of Finance	
	Internal Audit Half Year Outturn Report – April 2019 to September 2019.	HOA	
	External Auditors / Inspection Reports (where applicable).	Head of Finance / WAO	

APPENDIX A

2020			
23rd January	Updated Forward Work Programme	HOA	
	Internal Audit Progress Report April – November 2019	HOA	
	Audit Committee Terms of Reference	HOA	
	Audit Committee Self-Assessment	HOA	
	Corporate Risk Assessment, Corporate Risk Management Policy and Near Miss Procedure 2020-21	Head of Finance	
	Fraud Update	Head of Finance / Benefits Manager.	
	Corporate Fraud Framework	HOA	
	Whistleblowing Policy	tbc	
	Treasury Management Strategy 2020-21	Head of Finance	
	External Auditors / Inspection Reports (where applicable).	Head of Finance / WAO	
16th April	Updated Forward Work Programme and proposed programme for-2020-21	HOA	
	Internal Audit proposed Annual Strategy and Audit Plan 2020-21	HOA	
	Internal Audit Shared Service Charter 2020-21	HOA	
	Draft Head of Audit's Annual Opinion Report and outturn for the Year 2019-20	HOA	
	Fraud Update	Head of Finance / Benefits Manager	
	External Auditors / Inspection Reports (if applicable): -	Head of Finance / WAO	