

Public Document Pack

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 LLYWODRAETHU AC ARCHWILIO

Cynhelir Cyfarfod Pwyllgor Llywodraethu ac Archwilio o bell trwy Skype For Business ar **Dydd Iau, 12 Tachwedd 2020** am **14:00**.

AGENDA

1. Ethol Cadeirydd
2. Ethol is-Gadeirydd
3. Ymddiheuriadau am absenoldeb
Derbyn ymddiheuriadau am absenoldeb gan Aelodau.
4. 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.
5. Cymeradwyaeth Cofnodion 3 - 14
I dderbyn am gymeradwyaeth y Cofnodion cyfarfod y 10/09/2020
6. Cofnod Gweithredoedd Y Pwyllgor Llywodraethu Ac Archwilio 15 - 20
7. Diweddariad Pwyllgor Llywodraethu An Archwilio, Archwilio Cymru 21 - 28
8. Datganiad Sefyllfa - 'Codi Ein Gêm Gamem - Cyflwyno Twyllo Mewn Cymru 29 - 90
9. Cynnydd Yn Erbyn Y Cynllun Yn Seiliedig Risg Archwilio Mewnol (1af Ebrill 2020 I 31 Hydref 2020) 91 - 98
10. Adolygiad O'r Datganiad Llywodraethu Blynyddol 2020-21 99 - 130
11. Rheoli'r Trysorlys - Adroddiad Blwyddyn Hanner 2020-21 131 - 176

Ffôn/Tel: 01656 643643

Negeseuon SMS/ SMS Messaging: 07581 157014

Facs/Fax: 01656 668126

Twitter@bridgendCBC

Ebost/Email: talktous@bridgend.gov.uk

Gwefan/Website: www.bridgend.gov.uk

Cyfnwyd testun: Rhowch 18001 o flaen unrhyw un o'n rhifau ffon ar gyfer y gwasanaeth trosglwyddo testun

Text relay: Put 18001 before any of our phone numbers for the text relay service

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

12. Grantiau Cyfleusterau i'r Anabl 2020/21 - Adroddiad Cynnydd a Datganiad Sefyllfa 177 - 180
13. Rhaglen Waith Ymlaen wedi'i Diweddarau 2020-21 181 - 184
14. Materion Brys
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 pharagraff 2.4 (e) o'r Rheolau Trefn y Cabinet yn y Cyfansoddiad.

Nodyn: Sylwch: Yn sgil yr angen i gadw pellter cymdeithasol, ni fydd y cyfarfod hwn yn cael ei gynnal yn ei leoliad arferol. Yn hytrach, bydd hwn yn gyfarfod rhithwir a bydd Aelodau a Swyddogion yn mynychu o bell. Bydd y cyfarfod yn cael ei recordio i'w ddarlledu ar wefan y Cyngor cyn gynted ag sy'n ymarferol ar ôl y cyfarfod. Os oes gennych unrhyw gwestiwn am hyn, cysylltwch â cabinet_committee@bridgend.gov.uk neu ffoniwch 01656 643147 / 643148.

Yn ddiffuant

K Watson

Prif Swyddog – Gwasanaethau Cyfreithiol, Adnoddau Dynol a Rheoleiddio

Dosbarthiad:

Cynghowrwyr

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

Presennol

Y Cyngorydd LM Walters – Cadeirydd

CA Green
A Williams
TH Beedle

JE Lewis
AJ Williams
A Hussain

MJ Kearm
PA Davies

RM Granville
P Davies

Ymddiheuriadau am Absenoldeb

Mark Thomas

Swyddogion:

Mark Jones	Rheolwr Archwilio Ariannol, Swyddfa Archwilio Cymru
Andrew Rees	Rheolwr Gwasanaethau Democrataidd
Gill Lewis	Pennaeth Cyllid a Swyddog 151 Dros Dro
Michael Pitman	Swyddog Gwasanaethau Democrataidd – Pwyllgorau
Nigel Smith	Rheolwr Cyllid
Deborah Exton	Dirprwy Bennaeth Cyllid dros dro
Joan Davies	Rheolwr Cleient Archwilio

Aelod Lleyg:

Josephine Williams

197. DATGANIADAU O FUDDIANT

Dim

198. DERBYN Y COFNODION

PENDERFYNWYD: Derbyn cofnodion y cyfarfod a gynhaliwyd ar 16/07/2020 fel rhai cywir yn amodol ar ychwanegu'r mynychwyr canlynol: Gill Lewis, Josephine Williams, John Llewellyn

199. COFNOD GWEITHREDOEDD Y PWYLLGOR ARCHWILIO

Cyflwynodd y Rheolwr Gwasanaethau Democrataidd adroddiad a oedd yn diweddarau Aelodau am Gofnod Gweithredoedd y Pwyllgor Archwilio.

Dywedodd fod y cofnod gweithredoedd wedi'i greu i gynorthwyo'r Pwyllgor i olrhain penderfyniadau a wnaed gan y Pwyllgor wrth gyflawni ei swyddogaethau. Cyflwynwyd y cofnod gweithredoedd i'r pwyllgor ym mhob cyfarfod. Atodwyd cofnod gweithredoedd wedi'i ddiweddarau yn Atodiad A yr adroddiad.

PENDERFYNWYD: Bod y Pwyllgor wedi nodi'r cofnod gweithredoedd.

200. DIWEDDARIAD PWYLLGOR ARCHWILIO, ARCHWILIO CYMRU

Cyflwynodd cynrychiolydd Archwilio Cymru (AC) adroddiad a oedd yn diweddarau'r Pwyllgor ynglŷn â'r Gwaith Archwilio Ariannol a Pherfformiad yr ymgwymerwyd ag o gan Archwilio Cymru yn ystod 2020-21.

Eglurodd cynrychiolydd AC y rhoddwyd yr eitem hwn gerbron y Pwyllgor Archwilio yng nghyfarfod y mis diwethaf a nododd, oherwydd gwyliau'r haf a gwyliau blynyddol, nad oedd datblygiadau sylweddol wedi bod ers y cyfarfod diwethaf.

Eglurodd y Cynrychiolydd AC bod gwaith archwilio perfformiad 2019-20 yn tynnu at y terfyn erbyn Hydref 2020. Nododd na fyddant yn cyflwyno'r Adroddiad Gwelliant Blynyddol fel y gorffennol, ond byddai cyfuniad o adrodd ar archwiliad perfformiad ac ariannol. Ychwanegodd y byddai'n diweddarau'r pwyllgor ynghylch y dull adrodd pan fydd ganddi'r wybodaeth honno.

Eglurodd y cynrychiolydd AC bod y gwaith Sicrwydd ac Asesiad Risg ar gyfer 2021 yn dal i fynd rhagddo a bod y gwaith Cynllunio Adferiad wedi dechrau, gyda'i chydweithiwr wedi mynychu'r Panel Craffu Adferiad yn ddiweddar. Ychwanegodd fod trafodaethau ar fin cael eu cynnal gyda swyddogion perthnasol a'r Prif Weithredwr a'r Swyddog Adran 151 ynglŷn ag arsylwadau a gwaith maes posibl yn y dyfodol.

Eglurodd y Cynrychiolydd AW mewn perthynas â'r adroddiad Cam 1 Cynaliadwyedd Ariannol, y bydd yr adroddiad cenedlaethol i'w gyhoeddi ar 1 Hydref 2020.

Eglurodd y Cynrychiolydd AW mewn perthynas â'r prosiect Ffocws Digidol ei bod wedi bod mewn cyswllt â Swyddogion ac yn disgwyl ymateb ganddynt i drefnu cyfarfod cwmpasu fel y gellir dechrau ar waith maes a drafftio briff prosiect i'r pwyllgor yr oedd disgwyl iddo fod yn barod erbyn Hydref 2020.

Eglurodd y Cynrychiolydd AC ei bod wedi ychwanegu crynodeb o'r cyhoeddiadau diweddar at yr adroddiad, gyda dolenni gwe.

Gofynnodd y Cadeirydd i'r Prif Weithredwr - Cyllid, Perfformiad a Newid Dros Dro beth oedd y trefniadau ar gyfer mynd i'r afael â'r canfyddiadau ac argymhellion mewn perthynas â'r Adroddiad Twyll Cenedlaethol.

Eglurodd y Prif Weithredwr - Cyllid, Perfformiad a Newid Dros Dro y byddai canfyddiadau'r Adroddiad Twyll Corfforaethol Blynyddol yn hwyrach ymlaen yn yr agenda yn helpu i ffurfio ymateb i'r Adroddiad Twyll Cenedlaethol ac awgrymu y dylid cyflwyno adroddiad i Aelodau yn y Pwyllgor Archwilio nesaf.

Gofynnodd Aelod a oedd adroddiad ynglŷn ag iechyd meddwl yn cael ei gyhoeddi yng ngoleuni pandemig Covid-19. Nododd y Cynrychiolydd AC y byddai'n rhoi diweddariad yn y Pwyllgor Archwilio nesaf.

PENDERFYNWYD: Bod y Pwyllgor wedi nodi Diweddariad Pwyllgor Archwilio, Archwilio Cymru yn Atodiad A yr adroddiad.

201. **ASESIAD RISG CORFFORAETHOL 2020-2021**

Cyflwynodd y Prif Weithredwr - Cyllid, Perfformiad a Newid Dros Dro adroddiad a oedd yn diweddarau'r Pwyllgor Archwilio ynglŷn â'r newidiadau i'r Asesiad Risg Corfforaethol.

Eglurodd fod llawer wedi newid ers y cyflwynwyd yr asesiad risg diwethaf i'r Pwyllgor Archwilio ym mis Ionawr. Rhestrwyd yr asesiad risg wedi'i ddiweddarau yn Atodiad A yr adroddiad ac fe gafodd ei adolygu mewn ymgynghoriad â'r Bwrdd Rheoli Corfforaethol a'r Uwch Dîm Rheoli. Ychwanegodd ei fod yn adnabod y prif risgiau sy'n wynebu'r

Cyngor, eu cysylltiad â'r themâu blaenoriaeth, yr effaith mae'r rhain yn debygol o'i chael ar wasanaethau'r Cyngor a'r Fwrdeistref Sirol ehangach, adnabod beth sy'n cael ei wneud i reoli'r risgiau a phwy sy'n gyfrifol am ymateb y Cyngor.

Cyfeiriodd y Prif Weithredwr - Cyllid, Perfformiad a Newid Dros Dro rai enghreifftiau yn Atodiad A lle byddai angen newid sawl dyddiad:

- Roedd teitl Atodiad A yn anghywir a dylai nodi Awst 2020.
- Dylai'r dyddiad adolygu ar gyfer Risg 2, 4 a 6 nodi Hyd 2020.

Eglurodd y Prif Weithredwr - Cyllid, Perfformiad a Newid Dros Dro y cafwyd cyfarfodydd rheoli dyddiol yn ystod anterth y pandemig Covid-19, lle'r oedd risgiau yn ymwneud â Covid-19 yn cael eu hadnabod a'u trin yn ddyddiol, ac felly ni chafwyd eu hychwanegu at y gofrestr risgiau. Eglurodd fod y rhain wedi'u cynnwys yn yr adroddiadau wythnosol i'r cyfarfodydd Aur a bod hynny'n cael ei ystyried yn adroddiad digonol ynglŷn â'r risgiau sydd ynghlwm â Covid-19.

Eglurodd y Prif Weithredwr - Cyllid, Perfformiad a Newid Dros Dro yr ychwanegwyd rhagor o risgiau i'r gofrestr risgiau yn sgil Covid-19 er mwyn sicrhau eu bod yn cael eu rheoli'n fanwl drwy gydol y pandemig gyda'r gobaith y byddant yn cael eu tynnu i ffwrdd yn fuan. Er enghraifft, roedd risg 11, risg 12 a risg 13 yn risgiau parhaus mewn cysylltiad â Covid-19 a byddant, gyda gobaith, yn cael eu tynnu oddi ar y gofrestr risgiau yn fuan. Ychwanegodd nad oedd hyn yn cynnwys unrhyw risgiau newydd posibl nad oeddem yn ymwybodol ohonynt eto wrth i amgylchiadau newidiol barhau i ddod i'r amlwg.

Diolchodd y Cadeirydd i'r Prif Weithredwr - Cyllid, Perfformiad a Newid Dros Dro a'i thîm am yr holl waith caled yn rheoli'r sefyllfa.

Gofynnodd aelod am ddiweddariad ynghylch y llif arian a'r risgiau cysylltiedig a pha mor gyflym oedd Llywodraeth Cymru wedi bod yn darparu arian yn ystod pandemig Covid-19.

Eglurodd y Prif Weithredwr - Cyllid, Perfformiad a Newid Dros Dro mewn perthynas ag incwm, ei fod yn dod o wahanol ffynonellau a bod y Cyngor wedi bod yn hawlio am gostau ychwanegol yn sgil Covid gan Lywodraeth Cymru yn fisol a bod bron i dri chwarter hwnnw eisoes wedi'i ad-dalu. Ychwanegodd na chafwyd problemau llif arian.

Gwnaeth Ddirprwy Bennaeth Dros Dro yr Adran Gyllid sylw ar y risg llif arian gan nodi bod taliadau heb eu talu yn dal i fodoli o ran y Grantiau Busnes ac er bod y cynllun wedi cau bellach, bod hawliau heb eu talu a oedd angen gwybodaeth gan y swyddfa werthuso cyn y gallem eu cau.

Gofynnodd aelod am dderbyn ad-daliadau am gostau sy'n gysylltiedig â Covid-19, a oedd y Cyngor yn cael arian yn ôl am lanhau ysgolion? Cyfeiriodd at enghraifft o grŵp blwyddyn yn cau yn Ysgol Gyfun Bryntirion, a'r angen i lanhau'r ysgol yn drylwyr, a phetai hyn yn parhau i ddigwydd, a fyddem yn wynebu'r costau hynny ein hunain fel awdurdod?

Eglurodd y Prif Weithredwr - Cyllid, Perfformiad a Newid Dros Dro bod y Cyngor wedi derbyn arian grant ar gyfer yr achosion cyntaf lle byddai angen glanhau ysgolion yn drylwyr. Fodd bynnag, gyda'r sefyllfa yn symud mor gyflym a'r ansicrwydd o ran pa grwpiau blwyddyn/ysgolion fyddai'n cau, nid oedd ateb pendant ar hyn o bryd. Nid oedd Llywodraeth Cymru wedi dweud beth fyddai'n ei wneud yn y sefyllfa hon.

Ychwanegodd Bennaeth Dros Dro yr Adran Gyllid bod Llywodraeth Cymru wedi darparu cyllid i'r holl ysgolion i brynu cyfarpar diogelu personol, offer glanhau etc. a fyddai'n

ddigon i'r ysgolion ar gyfer gweddi y tymor. Ychwanegodd fod awgrym wedi bod y byddai rhagor o gyllid yn cael ei gyhoeddi ond nad oes manylion penodol ynghylch hynny hyd yn hyn.

Gofynnodd yr Aelod Lleyg a oedd y risgiau sy'n gysylltiedig â Covid-19 yn perthyn i'r gofrestr risgiau ai peidio.

Eglurodd y Prif Weithredwr - Cyllid, Perfformiad a Newid Dros Dro bod y risgiau llif arian yn gysylltiedig â Risg 1 sy'n ymdrin â chynaliadwyedd ariannol y Cyngor, sydd wastad wedi bod yn risg ond wedi'i amlygu'n fwy gan effeithiau Covid-19. Ychwanegodd fod y risgiau eraill yn ymwneud ag adnewyddu ac adfer gwasanaethau ac y teimlir bod categoreiddio'r risgiau yn well er mwyn caniatáu i'r Cyngor ganolbwyntio arnynt.

Gofynnodd yr Aelod Lleyg am fanylion penodol mewn perthynas â'r sylwadau ynglŷn â Risg 2 - 'Mae adolygiad o brosesau'r Cyngor wedi golygu bod rhai sy'n cael eu hystyried yn ddianghenraid a biwrocratig wedi peidio ond bod angen cydymffurfiaeth lwyr â'r rheiny sy'n parhau.' Cynghorodd y Prif Swyddog - Cyllid, Perfformiad a Newid dros dro y byddai ymateb ffurfiol i hyn yn cael ei ddarparu yn y cyfarfod nesaf.

Gofynnodd Aelod beth oedd yn cael ei wneud i helpu staff gofal ym Mwrdeistref Sirol Pen-y-bont ar Ogwr gan yr adroddwyd ar y newyddion y byddai swm o £500 yn cael ei dalu iddynt. Gofynnodd a yw hyn wedi'i drefnu hyd yn hyn.

Eglurodd y Prif Weithredwr - Cyllid, Perfformiad a Newid dros dro bod logisteg hyn wedi bod yn anodd ond bod y Cyngor yn y broses o wneud y taliadau hynny. Eglurodd fod y taliadau yn ddarostyngedig i dreth ac YG a byddai angen i bob gofalwr hawlio'r arian yn weithredol gan nad yw'n cael ei dalu'n awtomatig.

Mynegodd y Cadeirydd ei phryderon mewn perthynas â risg rhif 8 a'r gallu i recriwtio staff newydd a chadw staff cyfredol. Crybwyllodd fod datblygiad staff cyfredol, yn benodol staff newydd ac ieuengach, yn bwysig a'i bod yn pryderu nad oedd hyn wedi'i ymgorffori yn y risg.

Cytunodd y Prif Swyddog - Cyllid, Perfformiad a Newid dros dro bod recriwtio staff newydd wedi cyflwyno her, yn enwedig yn rôl y Prif Swyddog - Cyllid, Perfformiad a Newid. Cydnabu bwysigrwydd cadw staff cyfredol a rhoi'r cyfle iddynt ddysgu a datblygu a nododd y byddai'n cyflwyno'r pwynt hwn i'r Bwrdd Rheoli Cyffredinol am ragor o drafod.

Mynegodd y Cadeirydd ei phryderon mewn perthynas â risg 10 a'r sefyllfa gyfredol gyda gweithio gartref. Gofynnodd a ellir cael trafodaethau gyda'r Bwrdd Rheoli Corfforaethol i ymgorffori'r risgiau GDPR posibl gydag argraffu, storio a chael gwared ar ddogfennau cyfrinachol. Cytunodd y Prif Weithredwr - Cyllid, Perfformiad a Newid dros dro y gellir cynhyrchu rhagor o ganllawiau i staff sy'n gweithio gartref i sicrhau bod y risg yn cael ei rheoli.

Crybwyllodd y Cadeirydd bod Panel Adfer wedi Covid-19 wedi'i sefydlu ac nad oedd hyn wedi'i ymgorffori yn risg 11 fel dull o fynd i'r afael â'r risg. Dywedodd y Prif Weithredwr - Cyllid, Perfformiad a Newid dros dro y byddai'n cyflwyno hyn i'r Bwrdd Rheoli Corfforaethol.

PENDERFYNWYD: Aelodau wedi ystyried newidiadau i'r Aseiad Risg Corfforaethol ac wedi cytuno i dderbyn adroddiad arall ym mis Ionawr 2021 ynghylch Aseiad Risg Corfforaethol 2021-22 ac adolygiad o'r Polisi Rheoli Risg Corfforaethol.

202. ADRODDIAD ALLDRO RHEOLI'R TRYSORLYS BLYNYDDOL 2019-20

Cyflwynodd Prif Gyfrifydd Rheolwr y Grŵp Dros Dro adroddiad a oedd yn diweddarau'r Pwyllgor Archwilio ynghylch sefyllfa'r alldro ar gyfer gweithgareddau rheoli'r trysorlys, Dangosyddion Rheoli'r Trysorlys ar gyfer 2019-20 a phwysleisio cydymffurfiaeth â pholisïau ac arferion y Cyngor cyn eu hadrodd i'r Cabinet a'r Cyngor.

Eglurodd Rheolwr y Grŵp - Prif Gyfrifydd Dros Dro bod y Pwyllgor Archwilio wedi'i enwebu i fod yn gyfrifol am sicrhau gweithgareddau craffu effeithiol o Strategaeth Rheoli'r Trysorlys a gweithgareddau. Yn ystod blwyddyn ariannol 2019-20, derbyniodd y Pwyllgor Archwilio Adroddiad Alldro Rheoli'r Trysorlys Blynyddol 2018-19 ym mis Mehefin 2019, yr Adroddiad Rheoli'r Trysorlys Hanner Blwyddyn 2019-20 ym mis Tachwedd 2019 a'r Strategaeth Rheoli'r Trysorlys 2020-21 ym mis Ionawr 2020. Rhestrir rhagor o gefndir yn adran 3 yr adroddiad.

Eglurodd Rheolwr y Grŵp - Prif Gyfrifydd Dros Dro mai ymgynghorwyr rheoli'r trysorlys y Cyngor oedd Arlingclose. Mae'r gwasanaethau cyfredol a ddarperir i'r Cyngor yn cynnwys:

- cyngor ac arweiniad ar bolisïau, strategaethau ac adroddiadau perthnasol
- cyngor ar benderfyniadau buddsoddi
- hysbysu statws credyd a newidiadau
- gwybodaeth arall ynglŷn ag ansawdd credydau
- cyngor ar benderfyniadau rheoli dyledion
- cyngor ar gyfrifyddu
- adroddiadau ar berfformiad y trysorlys
- rhagolygon cyfraddau llog
- cyrsiau hyfforddi

Yn dilyn proses dendro diweddar, adnewyddwyd y contract ar gyfer Arlingclose am gyfnod o 4 blynedd, hyd at fis Awst 2024, a oedd yn ein caniatáu i gael perthynas gadarnhaol barhaus gyda nhw ac elwa ar eu gwybodaeth o'r Cyngor a'r sefyllfa ariannol.

Eglurodd Prif Gyfrifydd Rheolwr y Grŵp Dros Dro bod 2019-20 wedi bod yn flwyddyn heriol gyda Brexit a'r pandemig Covid-19 yn fwy diweddar. Yn sgil hyn cafwyd newidiadau yng nghyfraddau llog a chyfraddau chwyddiant. Darparwyd rhagor o gyd-destun economaidd yn 4.1 yr adroddiad.

Eglurodd Prif Gyfrifydd Rheolwr y Grŵp Dros Dro bod crynodeb o weithgareddau rheoli'r trysorlys ar gyfer 2019-20 i'w weld yn Atodiad A yr adroddiad. Dangoswyd sefyllfa ddyledion a buddsoddiadau allanol y Cyngor ar gyfer 1 Ebrill 2019 hyd at 31 Mawrth 2020 yn Nhabl 1 a darparwyd rhagor o fanylion yn adran 3, Strategaeth Benthycia ac Alldro, ac adran 4, Strategaeth Buddsoddi ac Alldro.

Adroddodd na ymgwymerwyd â benthyciadau hirdymor yn 2019-20 ac na ymgwymerwyd ag ail-drefnu dyled gan nad oedd arbedion sylweddol i'w gwneud, fodd bynnag, bydd y portffolio benthyciadau yn cael ei adolygu yn ystod 2020-21.

Mae llifoedd arian ffafriol wedi darparu mwy o gyllid i'w buddsoddi a balans y buddsoddiadau ar 31 Mawrth 2020 oedd £30 miliwn, gyda chyfradd llog cyfartaledd o 0.82%. Roedd hwn yn gynnydd yn y buddsoddiadau taladwy o ddechrau'r flwyddyn ariannol lle'r oedd buddsoddiadau yn £27.4 miliwn (cyfradd llog cyfartaledd o 0.94%). Mae Tabl 2 yn Atodiad A yn manylu symudiad y buddsoddiadau yn ôl mathau parti i gontract ac mae'n dangos y balansau cyfartalog, y llog a gafwyd, hyd gwreiddiol a'r cyfraddau llog ar gyfer 2019-20.

Amlinellodd Rheolwr y Grŵp - Prif Gyfrifydd Dros Dro bwyntiau allweddol yn Atodiad A yr adroddiad a oedd yn cynnwys:

- Sefyllfa Ddyledion a Buddsoddiadau Allanol
- Strategaeth Benthycu ac Alldro ar gyfer 1 Ebrill 2019 hyd at 31 Mawrth 2020
- Strategaeth Buddsoddi ac Alldro ar gyfer 1 Ebrill 2019 hyd at 31 Mawrth 2020

Eglurodd mai'r prif amcanion yn ystod 2019-20 oedd:

- Cynnal diogelwch cyfalaf
- Cynnal hylifedd fel bod cyllid ar gael pan mae angen gwario
- Cyflawni'r arenillion ar fuddsoddiadau yn gymesur â'r lefelau diogelwch a hylifedd priodol

Ychwanegodd fod llifoedd arian ffafriol wedi darparu balansau arian cadarnhaol ar gyfer buddsoddi a balans y buddsoddiadau ar 31 Mawrth 2020 oedd £30 miliwn. Dangosir rhagor o fanylion yn Nhabl 2 sy'n manylu'r buddsoddiadau hyn yn ôl math parti i gontract.

Eglurodd Prif Gyfrifydd Rheolwr y Grŵp Dros Dro bod dau fuddsoddiad hirdymor gyda chyfanswm o £4 miliwn (hyd gwreiddiol o 12 mis neu fwy) yn daladwy yn 31 Mawrth 2020 gydag Awdurdodau Lleol a gynhwysir yn Nhabl 3, a fydd yn aeddfedu yn 2020-21. Roedd yr holl fuddsoddiadau eraill ar 31 Mawrth 2020 yn flaendaliadau tymor byr (gan gynnwys mynediad uniongyrchol a chyfrifon hysbysu). Roedd rhagor o fanylion yn Nhabl 3.

Gofynnodd Aelod a oedd y Cyngor yn ystyried effeithiau Brexit ar ei strategaeth rheoli'r trysorlys.

Dyweddodd Rheolwr y Grŵp - Prif Gyfrifydd ei fod ynghlwm â grŵp Brexit a oedd yn ystyried effeithiau Brexit ar feysydd megis cyfraddau llog etc. Eglurodd nad oedd manylion Brexit yn ddigon clir i allu darparu ymateb manwl hyd yn hyn.

PENDERFYNWYD: Bod y Pwyllgor Archwilio wedi nodi'r gweithgareddau rheoli'r trysorlys blyneddol ar gyfer 2019-20.

203. DATGANIAD O GYFRIFON 2019-20

Cyflwynodd Prif Gyfrifydd y Rheolwr Grŵp Dros Dro Ddatganiad o Gyfrifon terfynol ar gyfer 2019-20, a fydd bellach yn cael ei ardystio gan archwilyr allanol, Archwilio Cymru, a Llythyr Sylwadau cysylltiedig y Cyngor. Dywedodd y bydd Archwilio Cymru yn diweddarau'r Pwyllgor am eu prif ganfyddiadau o'r archwiliad, yn crynhoi'r gwaith archwilio a gynhaliwyd ar gyfer blwyddyn ariannol 2019-20, ac yn cyflwyno eu Hadroddiad Archwilio Datganiadau Ariannol, sy'n mynnu bod yr archwilydd penodedig yn adrodd y canfyddiadau allweddol hynny i'r rhai hynny sy'n gyfrifol am lywodraethu.

Adroddodd fod y Datganiad o Gyfrifon 2019-20 heb eu harchwilio wedi'i lofnodi gan y swyddog ariannol cyfrifol ar 30 Mehefin 2020 a'i gyflwyno i'r Pwyllgor Archwilio ar 16 Gorffennaf 2020 i'w nodi. Dywedodd fod yr archwiliad allanol wedi'i gynnal yn ystod y cyfnod cyfamserol, gan arwain at newidiadau i'r datganiadau ariannol a nodir isod:

- Datganiad Incwm a Gwariant Cynhwysfawr - cywiro triniaeth gwaredu ased rhwng Cost Gwasanaethau a Gwariant Gweithredu Arall.

- Taflen Balansau - cynnydd yn yr asedau i gynrychioli dychweliad cartref gofal i berchnogaeth y Cyngor.

Ni chafodd yr un o'r addasiadau hyn effaith ar Gronfa'r Cyngor.

Adroddodd fod nifer o'r nodiadau wedi'u haddasu na effeithiodd ar sefyllfa ariannol y Cyngor, ac maent wedi'u manylu yn Adroddiad yr Archwiliwr. Nododd fod angen i'r Prif Swyddog Ariannol a Chadeirydd y Pwyllgor Archwilio lofnodi'r Datganiad o Gyfrifon 2019-20 erbyn 15 Medi, fel 'adlewyrchiad gwir a theg' o sefyllfa ariannol y Cyngor ar 31 Mawrth 2020.

Nododd hefyd fod Archwilio Cymru wedi cwblhau rhan sylweddol o'u gwaith archwilio a bydd y Datganiad o Gyfrifon yn cael ei lofnodi gan Archwilydd Cyffredinol Cymru ar 14 Medi 2020, yn amodol ar y Pwyllgor Archwilio yn cymeradwyo'r cyfrifon. Nid oes newid i falansau Cronfa'r Cyngor a Chronfeydd wedi'u Clustnodi ar 31 Mawrth 2020, fel y cyflwynir i'r Pwyllgor Archwilio ym mis Mehefin 2020. Nododd fod un argymhelliad wedi'i godi ar ôl yr archwiliad, mewn cymhariaeth â naw y flwyddyn flaenorol. Mae'r argymhelliad yn ymwneud â goruchwyllo Cofrestr Asedau Sefydlog y Cyngor, ac yn nodi y dylai'r Cyngor gryfhau ei reolyddion mewn perthynas â'r Gofrestr Asedau drwy ymgymryd ag adolygon rheolaidd o fynediad a defnydd y system. Sicrhaodd y Pwyllgor bod gwiriadau blynyddol yn cael eu cynnal drwy sicrhau bod balansau agoriadol yn y flwyddyn gyfredol yn cyd-fynd â balansau terfynol y flwyddyn flaenorol fel rhan o broses Datganiad o Gyfrifon Terfynol flynyddol, a bod ychwanegiadau a gwarediadau yn cyd-fynd â thrafodion yn y system gyfrifeg graidd. Nododd y bydd adolygiadau yn cael eu cynnal yn ystod y flwyddyn i sicrhau gonestrwydd parhaus y data a gedwir yn y Gofrestr Asedau i ddarparu sicrwydd ychwanegol yn unol â'r argymhelliad.

Hysbysodd cynrychiolydd Archwilio Cymru y Pwyllgor ei fod wedi rhyddhau ei ofynion ac yn bwriadu cyhoeddi tystysgrif archwilio anghymwys, yn cadarnhau eu bod yn cyflwyno safbwynt gwir a theg ac wedi'u paratoi'n gywir. Diolchodd y staff am eu proffesiynoldeb a hysbysu'r Pwyllgor y bydd yr Archwilydd Cyffredinol yn ardystio'r cyfrifon ar 14 Medi 2020.

Rhoddodd Prif Gyfrifydd Rheolwr y Grŵp Dros Dro sylw ynglŷn â natur gadarnhaol yr adroddiad a oedd wedi'i gyflawni mewn cyfnod heriol gyda sawl aelod newydd o staff yn ymuno â'r Tîm. Diolchodd y tîm Archwilio am eu cefnogaeth.

Diolchodd y Prif Weithredwr Cyllid, Perfformiad a Newid Dros Dro a Chadeirydd i'r Tîm Cyllid a'r archwilwyr allanol am eu gwaith ar y Datganiad o Gyfrifon.

PENDERFYNWYD:

Bod y Pwyllgor:

- wedi cymeradwyo'r Datganiad o Gyfrifon 2019-20 a archwiliwyd fel y diwygiwyd (Atodiad A)
- wedi nodi Adroddiad Archwilio Datganiadau Ariannol yr archwilwyr penodedig (Atodiad B)
- wedi nodi a chytuno'r Llythyr Sylwadau Terfynol at Swyddfa Archwilio Cymru (Atodiad C).

204. LLYTHYR ARCHWILIO HARBWR PORTHCRAWL

Cyflwynodd Prif Gyfrifydd Rheolwr y Grŵp Dros Dro Lythyr Archwilio Blynyddol 2019-20 yr Archwiliwr Penodedig ar gyfer Harbwr Porthcawl.

Adroddodd fod yr Archwiliwr Penodedig yn bwriadu cyhoeddi tystysgrif archwilio anghymwys, yn cadarnhau eu bod yn cyflwyno safbwynt gwir a theg o sefyllfa ariannol a

thrafodion yr Harbwr. Nododd fod y llythyr hefyd yn cadarnhau bod yr Archwiliwr Penodedig yn fodlon na chanfuwyd unrhyw gamddatganiadau yn y Datganiad Blynyddol a dim materion eraill sy'n effeithio ar eu barn archwilio. Dywedodd wrth y Pwyllgor y bydd disgwyl i'r Archwiliwr Penodedig ardystio'n ffurfiol bod archwiliad o'r cyfrifon wedi'i gwblhau, ar 14 Medi 2020.

PENDERFYNWYD: Bod y Pwyllgor wedi nodi'r Llythyr Archwilio Blynyddol 2019-20.

205. CYNLLUN ARCHWILIO MEWNOL BLYNYDDOL

Cyflwynodd Rheolwr Cleientiaid Archwilio yr Archwiliad Mewnol y Cynllun yr Archwiliad Mewnol Blynyddol yn Seiliedig ar Risgiau ar gyfer 2020-21.

Adroddodd mai yn unol â Safonau Archwiliad Mewnol y Sector Cyhoeddus, rhaid i'r Pennaeth Archwilio Mewnol sefydlu cynlluniau yn seiliedig ar risgiau i bennu blaenoriaethau'r gweithgarwch archwilio mewnol, yn unol â nodau'r sefydliad. Nododd mai er mwyn datblygu'r cynllun yn seiliedig ar risgiau, bydd y Pennaeth Archwilio Mewnol yn ymgynghori â'r uwch reolwyr a'r bwrdd ac yn ennill dealltwriaeth o strategaethau'r sefydliad, amcanion busnes allweddol, risgiau cysylltiedig a phrosesau rheoli risg. Rhaid i'r Pennaeth Archwilio Mewnol adolygu ac addasu'r cynllun, fel sy'n angenrheidiol, i ymateb i newidiadau ym musnes, risgiau, gweithredoedd, rhaglenni, systemau a rheolyddion y sefydliad.

Adroddodd y Rheolwr Cleientiaid Archwilio y bydd y cynllun archwilio drafft ar gyfer 2020-21 yn cael ei gyflwyno i'r Pwyllgor Archwilio fis Ebrill 2020 ond bod yr argyfwng COVID19 wedi oedi'r broses gan fod angen ystyried risgiau sylweddol newydd a ffyrdd newydd o weithio i fod yn sail i'r Cynllun. Rhoddodd wybod i'r Pwyllgor bod penderfyniadau brys ym mis Mawrth 2020 mewn perthynas â sut fyddai angen gweithredu gwasanaethau'r Cyngor yng ngoleuni'r pandemig a rhoddwyd trefniadau brys mewn lle ynglŷn â gwneud penderfyniadau a llywodraethiant rhag ofn y byddai eu hangen a byddai cyfarfodydd y Cyngor a'r Pwyllgor yn cael eu gwahardd dros dro. Nododd mai er mwyn cynnal gwasanaeth parhaus lle bynnag sy'n bosibl, bod y Cyngor wedi symud yn arbennig o gyflym i gyfarparu cymaint â phosibl o'i staff swyddfa gyda thechnoleg symudol i alluogi iddynt weithio gartref o fewn amserlen hynod fer. Ble'r oedd rolau staff yn lleihau oherwydd llai o waith neu wasanaethau ddim yn cael eu darparu, ceisiwyd yn weithredol a gweithredwyd cyfleoedd ar gyfer adleoliad dros dro.

Nododd y Rheolwr Cleientiaid Archwilio mai oherwydd y newidiadau sylweddol i'r ffordd yr oedd y Cyngor yn gweithredu ac yn gweithredu ar hyn o bryd, roedd cynnal ail-werthusiad o'r cynllun drafft gwreiddiol i ddatblygu Cynllun yn Seiliedig ar Risgiau ar gyfer 2020-21 yn angenrheidiol. Nododd fod yr eitemau sydd wedi'u nodi yn y cynllun gwreiddiol yn dilyn yr amryw gyfarfodydd ymgynghori a gynhaliwyd rhwng mis Ionawr a Mawrth 2020 (cyn COVID 19) wedi'u cynnwys fel sylfaen i'r cynllun diwygiedig hwn ochr yn ochr ag asesiad risg ar y bryd. Cynhaliwyd asesiad risg wedi'i ddiweddarau hefyd oherwydd COVID 19.

Rhoddodd y Rheolwr Cleientiaid Archwilio wybod i'r Pwyllgor y bydd pwyslais gwahanol oherwydd effaith COVID; risgiau sy'n codi yn sgil COVID, argaeledd staff archwilio a gwasanaeth a heriau yn codi yn sgil gweithio o bell. Nododd fod y cynllun wedi'i ddiweddarau yn fwy hyblyg na'r arfer er mwyn gallu ymateb i amgylchiadau newidiol a digwyddiadau a all ddigwydd megis ail don/argyfyngau, gallu i gael staff a thystiolaeth neu geisiadau i ymateb i faterion newydd a all amlygu eu hunain. Bydd y gwaith Archwilio Mewnol yn cael ei gynnal o bell gan ddefnyddio fideo-gynadledda a datrysiaid digidol fel sylfaen ar gyfer cyfarfodydd a rhannu dogfennau a data.

Adroddodd y Rheolwr Cleientiaid Archwilio y bydd y cynllun arfaethedig yn cwmpasu digon i allu darparu barn ar ddiwedd 2020/21 gan roi ystyriaeth i'r effaith nad ydym wedi gweld ei thebyg o'r blaen yn sgil y pandemig COVID a bydd y Pwyllgor yn cael diweddariadau ynglŷn â sut mae'r cynllun yn cael ei ddarparu ac unrhyw newidiadau a fydd o bosibl eu hangen yng ngoleuni'r profiadau o weithio dan amgylchiadau ac mewn amgylchedd hollol wahanol.

Cwestiynodd aelod o'r Pwyllgor y rheswm pam nad oes awgrym o'r blaenoriaethu a'r rheswm dros amserlennu gwaith. Rhoddodd y Rheolwr Cleientiaid Archwilio wybod i'r Pwyllgor nad oedd blaenoriaethau wedi'u neilltuo yn y cynllun, roedd y cwbl yn cael eu hystyried yn risg uchel neu ganolig ac roedd yn hyderus bod yr holl eitemau ar y cynllun yn gyraeddadwy. Mae gwaith eisoes wedi dechrau gyda'r gwaith dilysu grantiau yn mynd rhagddo. Yn ogystal, rhoddodd y Rheolwr Cleientiaid Archwilio wybod i'r Pwyllgor y bydd adroddiad yn cael ei gyflwyno yn y Pwyllgor nesaf yn ymwneud â'r cynnydd a wnaed yn erbyn y cynllun hwn hyd yn hyn a nododd nad oedd meysydd yn peri pryder.

Gofynnodd y Pwyllgor am fanylion y 12 eitem sydd wedi'u gohirio ac a fyddant yn cael eu hystyried yn y flwyddyn nesaf neu a fydd sicrwydd i'w gael yn rhywle arall. Ymgwymerodd y Rheolwr Cleientiaid Archwilio â'r gwaith i ddarparu'r Pwyllgor â manylion y gwaith a oedd wedi'i ohirio.

Cyfeiriodd y Pwyllgor at y nifer o swyddi gwag yn y Tîm Archwilio Mewnol a bod Gwasanaethau Archwilio Mewnol SWAP wedi'u defnyddio i ymgymryd â gwaith archwilio dros y 2 flynedd ddiwethaf ac a fyddai darparwyr eraill yn cael eu hystyried. Dywedodd y Rheolwr Cleientiaid Archwilio wrth y Pwyllgor mai'r bwriad oedd cynnal ymarfer tendro.

PENDERFYNWYD:

Bod:

- Y Pwyllgor wedi ystyried a chymeradwyo'r Cynllun Archwilio Mewnol yn Seiliedig ar Risg Blynyddol a gynigiwyd ar gyfer 2020/21 yn unol â'i Gylch Gorchwyl.
- Adroddiad yn cael ei gyflwyno i'r Pwyllgor nesaf ar gynnydd gyda'r Cynllun Archwilio Mewnol hyd yn hyn.
- Aelodau yn cael manylion y 12 eitem sydd wedi'u gohirio a'r ffordd y bwriedir ymdrin â nhw yn y dyfodol.

206. ADRODDIAD TWYLL CORFFORAETHOL BLYNYDDOL 2019/20

Cyflwynodd y Rheolwr Cleientiaid Archwilio adroddiad ar y cyd rhwng y Prif Swyddog - Cyllid, Perfformiad a Newid Dros Dro a Phennaeth y Gwasanaeth Archwilio Mewnol Rhanbarthol ynglŷn ag Adroddiad Twyll Corfforaethol Blynyddol 2019-20. Rhoddodd yr adroddiad fanylion i'r Pwyllgor o'r gweithredoedd a wnaethpwyd mewn perthynas â gwrth-dwyll yn ystod 2019/20 gan gynnwys diweddariad ar Ymarfer y Fenter Twyll Cenedlaethol.

Adroddodd y Rheolwr Cleientiaid Archwilio ar y trefniadau sydd mewn lle i reoli'r risg o dwyll gyda'r nod o atal, canfod ac ymchwilio i dwyll ac adrodd amdano. Dywedodd fod y Cyngor yn gosod safonau uchel i Aelodau a Swyddogion wrth weithredu a gweinyddu materion y Cyngor, a'i fod bob amser wedi ymdrin ag unrhyw honiadau neu amheuan o dwyll, llwgrwobrwyath a llygredigaeth yn brydlon. Mae gan y Cyngor bolisiâu, gweithdrefnau, a mecanweithiau adrodd yn eu lle i atal, canfod ac adrodd ar dwyll, llwgrwobrwyath a llygredigaeth, sy'n cynnwys y Strategaeth a Fframwaith Twyll, Polisi Chwythu'r Chwiban, Cod Ymddygiad TGCh a'r Polisi Gwrth-dwyll a Llwgrwobrwyath. Mae Strategaeth a Fframwaith Twyll rhwng 2018/19 a 2020/21 yn parhau i fod yn sail i ymrwymiad y Cyngor i atal bob ffurf ar dwyll, llwgrwobrwyath a llygredigaeth, p'un a geisir gwneud hynny'n allanol neu'n fewnol.

Bu i'r Rheolwr Cleientiaid Archwilio grynhoi'r gwaith gwrth-dwyll a wnaed yn yr Awdurdod yn ystod 2019/20. Nododd fod Strategaeth a Fframwaith Twyll y Cyngor yn cynnwys gwaith ymatebol a rhagweithiol gyda'r gwaith rhagweithiol sydd wedi'i gynnwys mewn cynllun gweithredu sy'n nodi'r datblygiadau mae'r Cyngor yn ymgymryd â nhw i wella ei wytnwch i dwyll a llygredigaeth ac amlinellodd y cynnydd a wnaed yn erbyn y cynllun gweithredu. Mae modiwl e-ddysgu Atal Twyll wedi'i ddatblygu a'i gyflwyno i staff, mae gwybodaeth ynghylch twyll yn cael ei diweddarau a'i chyhoeddi i staff ar y fewnwyd ac mae proses asesu risg fwy manwl o dwyll yn cael ei datblygu a fydd yn cysylltu â'r broses rheoli risgiau corfforaethol.

Yn ogystal, adroddodd y Rheolwr Cleientiaid Archwilio ar fanylion yr ymarfer paru data diwethaf a oedd yn seiliedig ar ddata a gafwyd ym mis Medi 2018, lle'r oedd cyfanswm o 484 o achosion o dwyll neu gamgymeriadau wedi'u canfod yn cyfartalu i £41,700 o gronfeydd adferadwy sydd ar y cyfan yn gysylltiedig â'r dreth gyngor neu fudd-dal tai. Nododd y bydd yr ymarfer paru data nesaf yn dechrau yn 2020/21, bydd y data yn cael ei godi fis Hydref 2020 a bydd y parau newydd yn cael eu datgan fis Ionawr 2021. Darparodd y Pwyllgor hefyd gyda manylion y gwaith gwrth-dwyll mewnol a wnaethpwyd gan yr Archwiliad Mewnol ac Ymchwilydd Twyll y Cyngor gan gynnwys ymchwiliadau mewnol ac ymchwiliadau i ostyngiadau yn y dreth gyngor. Nododd hefyd yr ymgymerwyd â gwaith ar y cyd yn ystod 2019/20 gyda Chyngor Bwrdeistref Sirol Pen-y-bont ar Ogwr yn gweithio gyda'r Gwasanaeth Ymchwilio Twyll Sengl ar unrhyw ymchwiliadau priodol i fudd-daliadau a gwaith mewn partneriaeth â Chyngor Dinas Portsmouth i ymgymryd â gweithred gorfodi'r bathodyn glas. Mae rhwydweithio lleol hefyd mewn lle sydd wedi galluogi rhannu deallusrwydd yn enwedig mewn perthynas â sgamiau newydd ers yr argyfwng COVID-19.

Rhoddodd aelod o'r Pwyllgor sylw ynglŷn â'r angen i adnewyddu'r fframwaith a gafodd ei ystyried ddiwethaf gan y Pwyllgor ym mis Ionawr 2019. Dywedodd y Prif Swyddog Cyllid, Perfformiad a Newid Dros Dro wrth y Pwyllgor y bydd strategaeth wedi'i hadnewyddu yn cael ei chyflwyno i'r Pwyllgor fis Tachwedd. Rhoddodd wybod i'r Pwyllgor bod y pwyslais ar yr Adroddiad Twyll Corfforaethol Blyneddol wedi'i newid i waith twyll a llygredigaeth prif ffrwd. Yn ogystal, rhoddodd wybod i'r Pwyllgor bod yr Uwch Swyddog Twyll newydd ei benodi yn mynychu'r Pwyllgor heddiw.

PENDERFYNWYD: Bod:

- Y Pwyllgor wedi nodi'r adroddiad, y mesurau ar waith a'r gwaith a wneir i atal a chanfod twyll a chamgymeriadau.
- Strategaeth Twyll wedi'i hadnewyddu yn cael ei chyflwyno i'r Pwyllgor nesaf.

207. BLAENRAGLEN WAITH 2020-21 WEDI'I DIWEDDARU

Ceisiodd Dirprwy Bennaeth Dros Dro yr Adran Gyllid gymeradwyaeth am y Blaenraglen Waith wedi'i Diweddarau ar gyfer 2020-21 a phwysleisiodd swyddogaethau craidd Pwyllgor Archwilio effeithiol.

Pwysleisiodd yr eitemau sydd wedi'u rhestru i'w cyflwyno yng nghyfarfod nesaf y Pwyllgor ar 12 Tachwedd 2020 a gofynnodd i'r Pwyllgor gadarnhau'r amserlen hon, cadarnhau rhestr o'r bobl yr hoffent wahodd ar gyfer pob eitem (os yn briodol), a nodi a oes angen unrhyw wybodaeth neu ymchwil ychwanegol.

PENDERFYNWYD: Bod Aelodau wedi ystyried a chymeradwyo'r Blaenraglen Waith a gynigiwyd ar gyfer 2020-21.

208. EITEMAU BRYD

Nid oedd yna unrhyw eitemau brys.
Daeth y cyfarfod i ben am 15:40

This page is intentionally left blank

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO THE GOVERNANCE AND AUDIT COMMITTEE

12 NOVEMBER 2020

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

GOVERNANCE AND AUDIT COMMITTEE ACTION RECORD

1. Purpose of report

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

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

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

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

3. Background

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

4. Current situation/proposal

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

5. Effect upon policy framework and procedure rules

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

6. Equality Impact Assessment

6.1 There are no equality implications arising from this report.

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

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

8. Financial implications

8.1 There are no financial implications arising from this report.

9. Recommendation

9.1 The Committee is recommended to Committee note the Action Record.

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

Contact Officer: **Andrew Rees**
Democratic Services Manager

Telephone: (01656) 643147

E-mail: Andrew.rees@bridgend.gov.uk

Postal Address
Bridgend County Borough Council
Civic Offices
Angel Street,
Bridgend
CF31 4WB

Background Documents

None

Governance and Audit Committee Tracker

Date of Committee / Minute Number	Agreed Action	Lead	Target Date	Progress/ Completed
26 April 2018 / 47	<p>External Audit Annual Audit Plan 2017-18. An audit to be undertaken by the Internal Shared Service, in addition to one carried out by lead authority of Cardiff City Council and/or Cardiff City Deal Joint Committee, to ensure accountability was shown by BCBC as a participating authority.</p>	Head of Internal Audit	November 2020	Awaiting new City Deal projects to be approved as currently only one project is live and then an Internal Audit review can be scoped.
18 April 2019 / 125	<p>Regional Internal Audit Shared Service Charter 2019/20</p> <ul style="list-style-type: none"> • 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. 	<p>Head of Internal Audit</p> <p>Head of Internal Audit</p>	January 2021	<p>Harmonisation of the Audit Committees Terms of Reference with neighbouring authorities is in the Forward Work Programme for January 2021 depending on Local Government Bill being published by Welsh Government.</p> <p>All Wales Session for Audit Committee Chair took place on 11th October 2019 - Completed.</p>

Date of Committee / Minute Number	Agreed Action	Lead	Target Date	Progress/ Completed
14 November 2019 / 156	Disabled Facilities Grant (DFG) - Response To WAO Recommendations Head of Performance and Partnership Services to embed new ways of working, and carry out two procurement exercises and also start to recruit staff.	Head of Performance and Partnership Services	November 2020	Head of Partnership Services to report back to a future Committee on improvements made in the performance of DFGs.
30 January 2020 / 177	Wales Audit Office – Overview And Scrutiny – Fit For The Future? Wales Audit Office to provide report on innovative practices within Scrutiny.	Wales Audit Office	September 2020	Audit Wales has presented the interactive tool on innovative practices to the Recovery Panel and the action is now complete.
16 July 2020 / 193	Annual Internal Audit Report 2019-20	Head of Internal Audit	September 2020	The Head of Internal Audit provided details to the Members in relation to the Contract Management report and the action is now complete.
10 September 2020 / 200	Audit Wales Audit Committee Update Audit Wales present an update to the next Committee on whether it was undertaking a piece of work on mental health associated with Covid-19.	Audit Wales	November 2020	Information has been provided to the Committee by Audit Wales and the action is now complete.
10 September 2020 / 201	Corporate Risk Assessment 2020-21	Chief Officer – Finance, Performance and Change	November 2020	Members be provided with details of unnecessary bureaucratic processes that had ceased as per the CRR.
10 September 2020 / 205	Annual Internal Audit Plan 2020-21	Head of Internal Audit	November 2020	A report be presented to the next Committee on progress with the Internal Audit Plan to date.

Date of Committee / Minute Number	Agreed Action	Lead	Target Date	Progress/ Completed
		Head of Internal Audit	November 2020	Members be provided with details of the 12 items which have been deferred and the intended treatment moving forward. Information has been provided to the Committee by Internal Audit and the action is now complete.
10 September 2020 / 206	Annual Corporate Fraud Report 2019-20	Chief Officer – Finance, Performance and Change & Head of Internal Audit	November 2020	A refreshed fraud strategy be presented to the next Committee.

This page is intentionally left blank

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO THE GOVERNANCE AND AUDIT COMMITTEE

12 NOVEMBER 2020

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

AUDIT WALES GOVERNANCE AND AUDIT COMMITTEE UPDATE

1 Purpose of report

- 1.1 The purpose of this report is to submit an update on the financial and performance audit work undertaken, and due to be undertaken, by Audit Wales, during 2020-21.

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

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

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

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

3 Background

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

- A review of the Council's arrangements to secure continuous improvement;
- Improvement studies of areas which may hinder improvement or transformation or give rise to inefficiencies;
- Bespoke pieces of work related to the Council's improvement objectives and arrangements; and
- An audit of the Council's published improvement plans and its self-assessment of performance.

4 Current situation / proposal

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

5 Effect upon policy framework & procedure rules

5.1 There is no impact on the Policy framework and Procedure rules.

6 Equality Impact Assessment

6.1 There are no equality implications arising from this report.

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

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

8 Financial implications

8.1 There are no financial implications arising from this report.

9 Recommendation

9.1 That Committee note the Audit Wales Governance and Audit Committee Update at Appendix A.

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

Contact Officer: Deborah Exton
Deputy Head of Finance

Telephone: (01656) 643604

E-mail: deborah.exton@bridgend.gov.uk

Postal Address: Bridgend County Borough Council
Raven's Court
Brewery Field
Bridgend
CF31 4AP

Background Documents: None

Bridgend County Borough Council – Governance and Audit Committee Update 12th November 2020

Financial Audit work

Description	Scope	Status
Audit of the Council's 2019-20 Grants and Returns	The audit of Housing Benefit, Teachers Pension, Non-Domestic Rates and two pooled budgets.	We have commenced these audits.
Audit of the Council's 2020-21 statement of accounts	We are scheduled to start our audit planning in December.	Not yet started.

Performance Audit work

2019-20 Performance Audit Work	Scope	Status
Well-being of Future Generations Act (Wales) 2015 (WFG Act) examinations	Examination of the extent to which the Council has acted in accordance with the sustainable development principle when delivering the key programme 'Active Bridgend Plan 2017-21' to meet the Council's well-being objective: Helping people to be more self-reliant.	Final report issued 18th February 2020.
Financial Sustainability	A project common to all local councils that will assess financial sustainability in light of current and anticipated future challenges.	Presented Audit Committee 16 th July 2020.
Transitioning to new Health and Social Care Partnership	A project to assess the Council's progress in transitioning to a new Health and Social Care Partnership with Cwm Taf Morgannwg Health Board.	Planning
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'.	Autumn 2020

2020-21 Performance audit work	Scope	Status
<p>Improvement Plan audit</p> <p>Performance 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 19th May 2020 Due October 2020</p>
<p>Annual Improvement Report (AIR)</p>	<p>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'.</p>	<p>June/July 2021</p>
<p>Assurance and risk assessment</p>	<p>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.</p>	<p>Underway</p>
<p>Recovery Planning</p>	<p>We intend to support and challenge recovery planning in real-time. Collectively we need assurance that recovery takes due account of the multitude of risks, but also that it grasps the opportunities for a different and sustainable future. We have taken the decision to replace the 'prevention' themed work that we set out in audit plans with this work on recovery planning.</p>	<p>Underway</p>
<p>Financial Sustainability</p>	<ul style="list-style-type: none"> • Phase 1 will be a baseline assessment of the initial impact of Covid-19 on local authorities' financial position that will draw on the year-end position for 2019-20 as well as the position at the end of quarter 1 for 2020-21. The output from phase 1 will be a short national summary report that will include comparative data for year-end 2019-20 as well as a summary of common themes and issues identified by local authorities. • Phase 2 will be undertaken over the remainder of 2020-21. This work will draw on the position and themes identified during phase 1 	<p>Phase 1 – complete</p> <p>Phase 2 - scoping</p>

	<p>to enable a focus on financial recovery planning. At the conclusion of Phase 2 we will produce a local output for each council and a national summary report.</p>	
<p>Project with a digital focus</p>	<p>As a result of our 2019-20 Assurance and Risk Assessment, we agreed with the Council that we would do a piece of work relating to digital.</p>	<p>Draft Project Brief sent 22nd October 2020.</p>
<p>Covid 19 learning project</p>	<p>To help public bodies capture and share the lessons they are learning, we have established the 'COVID-19 learning project'. Rather than the traditional audit approach of examining actions after the event, our aim here is to get alongside public services to capture and share learning in real time.</p> <p>We have released blogs which can be found on our Wordpress site. We have also put out a series of Tweets under #COVID19learning / #DysguCOVID19. Under this general hashtag, you will find information from various bodies, as well as some Audit Wales have come across. You will find the ones we have shared on our Good Practice team Twitter feed - https://twitter.com/AuditWales_GPX</p>	<p>Ongoing</p>

National Studies

Welsh Community Care Information System	Published 15 th October 2020 Link is found HERE
The National Fraud Initiative in Wales 2018-20	Published 13 th October 2020 Link is found HERE
Financial Sustainability of Local Government as a Result of the COVID-19 Pandemic	Published 6 th October 2020 Link is found HERE
Commercialisation in Local Government	Published 6 th October 2020 Link is found HERE
Better law making: the implementation challenge	Published 24 th September 2020 Link is found HERE
‘Raising our Game’ Tackling Fraud in Wales	Published 30 th July 2020 link is found HERE
Rough Sleeping in Wales – Everyone’s Problem; No One’s Responsibility	Published 23 rd July 2020 link is found HERE
Findings from the Auditor General’s Sustainable Development Principle Examinations	Published 5 th May 2020 link is found HERE
Financial management and governance - Community and town councils 2018-19	Published 5 th February 2020 link is found HERE

This page is intentionally left blank

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO THE GOVERNANCE AND AUDIT COMMITTEE

12 NOVEMBER 2020

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

POSITION STATEMENT - 'RAISING OUR GAME – TACKLING FRAUD IN WALES' REPORT

1. Purpose of report

- 1.1 The purpose of this report is to submit the position statement, for Bridgend County Borough Council in respect of the recommendations made by Audit Wales in their recent report 'Raising Our Game - Tackling Fraud in Wales'. The report also sets out the Council's plans moving forward.

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

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

3. Background

- 3.1 In July 2020 Audit Wales produced a report entitled 'Raising Our Game – Tackling Fraud in Wales'. The report identifies seven key themes that all public bodies needed to focus on in raising their game to tackle fraud more effectively. It paints a picture of the current arrangements for preventing and detecting fraud across Wales and made 15 recommendations across the themes.
- 3.2 The key themes are :
- leadership and culture;
 - risk management and control frameworks;
 - policies and training;
 - capacity and expertise;
 - tools and data;
 - collaboration; and
 - reporting and scrutiny.

4. Current situation/proposal

- 4.1 An exercise has been undertaken to map the current position within the authority against the recommendations made in the Audit Wales report. This position statement is at **Appendix A** and the Audit Wales report is at **Appendix B**.
- 4.2 It can be seen from **Appendix A** that there are many positive aspects identified across all of the themes. High standards for both Members and Officers are set and the authority has always dealt with any allegations or suspicions of fraud, bribery and corruption promptly. This is demonstrated by the current policies in place. Fraud training has recently been improved and an e-learning module is now in place which is being rolled out to Officers and Members. The fraud resource is being increased with an additional post being established within the team. This will increase capacity to assist in making continued progress against the themes.
- 4.3 The next stage is to develop an action plan to strengthen the measures already in place to establish best practice in respect of fraud prevention, investigation and detection in line with the themes and recommendations within the Audit Wales report. The action plan, together with developments and progress made, will be reported to this Committee via the annual fraud report.

5. Effect upon policy framework and procedure rules

- 5.1 There is no impact on the Policy.

6. Equality Impact Assessment

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

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

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

8. Financial implications

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

9. Recommendation(s)

- 9.1 The Committee is recommended to note the position statement at Appendix A and the Audit Wales 'Raising Our Game - Tackling Fraud in Wales' report, attached at Appendix B.

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

Contact officers: Joan Davies – Audit Client Manager
Simon Roberts – Senior Fraud Investigator

Telephone: (01446) 709794
(01656) 643376

Email: joan.davies@bridgend.gov.uk
Simon.roberts@bridgend.gov.uk

Postal address: Bridgend County Borough Council
Raven's Court
Brewery Field
Bridgend
CF31 4AP

Background documents: None

This page is intentionally left blank



RAISING OUR GAME “TACKLING FRAUD IN WALES”

Position Statement

Theme		What Needs to Happen Next ?	Bridgend County Borough Council (BCBC) Position
Leadership & Culture	R1	The Welsh Government should enhance its strategic leadership of counter-fraud across the public service in Wales, playing a coordinating role where it can, while recognising that individual bodies remain responsible for their own counter-fraud activities.	Individual bodies remain responsible for their own counter-fraud activities.
	R2	All public bodies should champion the importance of a good anti-fraud culture and actively promote its importance to give confidence to staff and members of the public that fraud is not tolerated.	<p>BCBC consistently sets high standards for both Members and Officers and has always dealt with any allegations or suspicions of fraud, bribery and corruption promptly.</p> <p>Policies, procedures and reporting mechanisms are in place to prevent, detect and report on fraud, bribery and corruption. These include:-</p> <ul style="list-style-type: none"> • Fraud Strategy & Framework 2018/19 – 2020/21 • Whistleblowing Policy • ICT Code of Conduct • Anti-Fraud & Bribery Policy • Disciplinary Policy

Theme		What Needs to Happen Next ?	Bridgend County Borough Council (BCBC) Position
			The Fraud Strategy and Framework underpins the Council's commitment to prevent all forms of fraud, bribery and corruption, whether it be attempted externally or from within.
Risk Management & Control Framework	R3	All public bodies should undertake comprehensive fraud risk assessments, using appropriately skilled staff and considering national intelligence as well as organisation-specific intelligence.	<p>The Council acknowledges the risk of fraud and undertakes an assessment on how it prevents, detects, and pursues monies or assets obtained fraudulently and considers how services that are more susceptible manage that risk.</p> <p>Fraud is included in the Chief Executive's Risk Register which is currently being reviewed and updated.</p> <p>Work is ongoing to develop a detailed fraud risk assessment process that links with the corporate risk management process and it is envisaged that this will provide a robust tool to assist in ensuring resources are targeted correctly.</p> <p>It is the intention of the fraud investigator to promote the fact that when new systems and processes are established within the Council contact is made with the Fraud department and/or Internal Audit to try and design fraud out of the system from the start.</p>
	R4	Fraud risk assessments should be used as a live resource and integrated within the general risk management framework to ensure that these risks are appropriately managed and escalated as necessary.	<p>Once fraud risk assessments are developed a suitable process will be established to ensure they are utilised.</p> <p>Internal Audit prepare a risk based annual audit plan and the fraud risk assessment will assist in formulating the plan.</p>
Policies & Training	R5	All public bodies need to have a comprehensive and up-to-date set of policies and procedures, which together represent a cohesive strategy for identifying, managing and responding to fraud risks.	<p>BCBC has policies, procedures and reporting mechanisms to prevent, detect and report on fraud, bribery and corruption. These include:-</p> <ul style="list-style-type: none"> • Fraud Strategy & Framework 2018/19 – 2020/21 • Whistleblowing Policy

Theme		What Needs to Happen Next ?	Bridgend County Borough Council (BCBC) Position
			<ul style="list-style-type: none"> • ICT Code of Conduct • Anti-Fraud & Bribery Policy • Disciplinary Policy <p>An Anti-Tax Evasion Policy is also being drafted</p>
	R6	Staff working across the Welsh public sector should receive fraud awareness training as appropriate to their role in order to increase organisational effectiveness in preventing, detecting and responding to fraud.	<ul style="list-style-type: none"> • The Bridgend intranet has recently been improved and fraud information is being reviewed and updated prior to it being made available to staff. • Fraud information will be made available on the external web page where clear guidance will be provided on how and to who fraud should be reported. • Alerts and newsletters will be developed to raise awareness and notify readers of new and potential fraud risks. This information will also be made available on the fraud pages as they develop. • All service areas including schools will have access to this information. • Fraud awareness training continues to be undertaken by Benefit, Housing Options, Council Tax and Customer Service staff. Fraud awareness also forms part of the induction process for all new Benefits staff. • A new and updated fraud awareness-training package is under development, which can be adapted to meet the needs of different departments across the Council. • Consideration is also underway for the development of bespoke updated/refresher training for Council members. • A Fraud Prevention E-Learning training module has been developed and rolled out providing effective fraud awareness training for Officers and Members. The module is a mandatory requirement for certain staff and teams • Fraud prevention awareness is included in all Corporate inductions going forward with the aim of reducing the

Theme		What Needs to Happen Next ?	Bridgend County Borough Council (BCBC) Position
			<p>instances of fraud by raising awareness and builds on the culture of zero tolerance towards fraud.</p> <ul style="list-style-type: none"> The Finance team has liaised with Tarian (The Regional Organised Crime Unit) to undertake an email phishing exercise and the results were fed back as part of a training session which included raising awareness of the types of fraud being encountered by organisations within the UK. Plans are in place to organise a further, similar session in the new year.
	R7	Cases where fraud is identified and successfully addressed should be publicised to re-enforce a robust message from the top that fraud will not be tolerated.	<p>BCBC actively promotes the fact that fraud will not be tolerated in the workplace or public environment and offenders are advised that any successful prosecutions may be publicised.</p> <ul style="list-style-type: none"> A recent fraud drive into Blue Badge misuse was published in both local and national media. An article about the enforcement operation was also published in 'Parking News' which is distributed across the whole of the UK. Local media channels are advised of successful prosecutions for blue badge offences and Council Tax Reduction fraud. The investigation and prosecution surrounding the fraudulent misuse of a purchasing card was published in the media.
Capacity & Expertise	R8	All public bodies need to build sufficient capacity to ensure that counter-fraud work is resourced effectively, so that investigations are undertaken professionally and in a manner that results in successful sanctions against the perpetrators and the recovery of losses.	<p>BCBC currently employs one full time Senior Fraud Investigator. A new full time Fraud Officer post will be advertised this month.</p> <p>Internal Audit are also involved in fraud including internal investigations and NFI.</p>
	R9	All public bodies should have access to trained counter-fraud staff that meet recognised professional standards.	The Senior Fraud Investigator is qualified as a certified counter fraud specialist holding a Professionalism in Security (PINS) qualification. He is also an Authorised Officer in accordance with

Theme		What Needs to Happen Next ?	Bridgend County Borough Council (BCBC) Position
			<p>the Council Tax Reduction Schemes (Detection of Fraud and Enforcement)(Wales) Regulations 2013 and authorised to enforce or otherwise act for the detection and prevention of Disabled Badge Misuse/Abuse or Fraud on behalf of the Local Authority.</p> <p>Refresher training and new qualifications are considered to ensure skills are maintained. Most recent training undertaken surrounded the emergency grants paid because of the Covid-19 pandemic and covered how to prevent fraud entering the system.</p> <p>In addition, Internal Audit's Audit Client Manager is experienced in all aspects of fraud including internal investigations and is PINS qualified.</p>
	R10	All public bodies should consider models adopted elsewhere in the UK relating to the pooling /sharing of resources in order to maximise the availability of appropriately skilled staff.	<p>The authority is an active member of the Wales wide network of Local Authority Fraud investigators, which provides the opportunity to share knowledge/intelligence/good practice. It also provides the ability to share training and invite specialist guest speakers. It has recently started to discuss the possibility of sharing skills across boundaries.</p> <p>Internal Audit are part of a regional service so knowledge and expertise can also be shared across all 4 participating authorities.</p>
Tools & Data	R11	All public bodies need to develop and maintain dynamic and agile counter-fraud responses, which maximise the likelihood of a successful enforcement action and re-enforces the tone from the top that the organisation does not tolerate fraud.	All counter fraud work including the risk assessment is taken to CMB on a regular basis. There is a commitment to tackle any transgressions, and an ambition to further promote awareness throughout the organisation. The blue badge initiative was endorsed by both CMB and Cabinet and NFI is reported throughout the Council.
	R12	All public bodies should explore and embrace opportunities to innovate with data analytics in order to strengthen both the prevention and	BCBC participates in the biannual National Fraud Initiative co-ordinated by Audit Wales and the Cabinet Office.

Theme		What Needs to Happen Next ?	Bridgend County Borough Council (BCBC) Position
		detection of fraud.	Internal Audit use software to analyse data extracted from Council systems to identify any trends or causes of concern which are then investigated.
Collaboration	R13	Public bodies should work together, under the Digital Economy Act and using developments in data analytics, to share data and information to help find and fight fraud.	<p>The Fraud Investigator is a member of the Wales Fraud Officers Group. This group often shares data and tips on current fraud trends and detection developments. Information exchanged during Covid 19 has been very constructive alerting neighbouring authorities of fraud attempts locally.</p> <p>The Council is a member of the National Anti-Fraud Network (NAFN) where data and information is shared across the UK to help find and fight fraud.</p> <p>BCBC participates in NFI (The National Anti-Fraud Network), has links to CIPFA (Chartered Institute of Public Finance and Accountancy) and has constructive dialogue with Audit Wales</p> <p>The Council always responds promptly to information requests from other agencies and public bodies such as the Police where intelligence and data is often shared under schedule 2 part 1 paragraph 2 of the Data Protection Act 2018 (prevention and detection of crime).</p> <p>Joint working is undertaken with the Department for Work and Pension (DWP) Single Fraud Investigation Service into matters of benefit fraud where Council Tax Reduction is also in payment.</p> <p>BCBC is a member of the Blue Badge Working Group, organised and run by Welsh Government where best practice is shared amongst other Local Authorities in Wales.</p> <p>When fraud is found, it is often shared with other departments</p>

Theme		What Needs to Happen Next ?	Bridgend County Borough Council (BCBC) Position
			within the Council or with other Authorities as necessary.
Reporting & Scrutiny	R14	Public bodies need to collate information about losses and recoveries and share fraud intelligence with each other to establish a more accurate national picture, strengthen controls, and enhance monitoring and support targeted action.	<p>The fraud investigation department records information in respect of Council Tax Reduction Scheme (CTRS) and housing benefit related cases as follows:</p> <ul style="list-style-type: none"> • The number of fraud referrals received • The number of fraud referrals by type • The number of fraud referrals accepted for investigation • The number of referrals not accepted for investigation • Outcomes such as Overpayments/additional liability raised/recovered, CTRS Administrative Penalties, Prosecutions <p>Any system weaknesses identified during the investigation, are considered and remedied if necessary. Feedback is provided to relevant teams so they can further 'fraud proof' their systems.</p> <p>Fraud intelligence is regularly shared with neighbouring Authorities and where necessary the police, HM Revenues & Customs (HMRC) and the DWP.</p> <p>A record of any internal frauds is maintained and is used to identify control weaknesses across service areas or functions.</p>
	R15	Audit committees must become fully engaged with counter-fraud, providing support and direction, monitoring and holding officials to account.	One of the Governance & Audit Committee core functions is to consider the effectiveness of the Council's risk management arrangements, the control environment and associated anti-fraud and corruption arrangements. Regular reports are provided and issues raised to keep Members informed.

This page is intentionally left blank

'Raising Our Game' Tackling Fraud in Wales

Report of the Auditor General for Wales

July 2020



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

The Audit Wales study team comprised Rachel Davies, Christine Nash and Ian Hughes, under the direction of Mike Usher.

The Auditor General is independent of the Senedd and government. He examines and certifies the accounts of the Welsh Government and its sponsored and related public bodies, including NHS bodies. He also has the power to report to the Senedd on the economy, efficiency and effectiveness with which those organisations have used, and may improve the use of, their resources in discharging their functions.

The Auditor General also audits local government bodies in Wales, conducts local government value for money studies and inspects for compliance with the requirements of the Local Government (Wales) Measure 2009.

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.

© Auditor General for Wales 2020

Audit Wales is the umbrella brand of the Auditor General for Wales and the Wales Audit Office, which are each separate legal entities with their own legal functions. Audit Wales is not itself a legal entity. While the Auditor General has the auditing and reporting functions described above, the Wales Audit Office's main functions are to providing staff and other resources for the exercise of the Auditor General's functions, and to monitoring and advise the Auditor General.

You may re-use this publication (not including logos) free of charge in any format or medium. If you re-use it, your re-use must be accurate and must not be in a misleading context. The material must be acknowledged as Auditor General for Wales copyright and you must give the title of this publication. Where we have identified any third party copyright material you will need to obtain permission from the copyright holders concerned before re-use.

For further information, or if you require any of our publications in an alternative format and/or language, please contact us by telephone on 029 2032 0500, or email info@audit.wales. We welcome telephone calls in Welsh and English. You can also write to us in either Welsh or English and we will respond in the language you have used. Corresponding in Welsh will not lead to a delay.

Mae'r ddogfen hon hefyd ar gael yn Gymraeg.

Contents

Foreword by the Auditor General	4
Summary Report	
Summary and recommendations	7
The COVID-19 pandemic: a case study	10
Main Report	
1 Culture and leadership across the Welsh public sector	14
2 Risk management and control frameworks	19
3 Policies and training	23
4 Capacity and expertise	27
5 Tools and data	32
6 Collaboration	36
7 Reporting and scrutiny	40
Appendices	
1 Audit Methods	45
2 The Welsh Government's response to the July 2019 recommendations of the Public Accounts Committee	48



Foreword by the Auditor General

- 1 In June 2019, I published a report giving an overview of the scale of fraud in the Welsh public sector, together with a description of counter-fraud arrangements across the Welsh Government, the NHS and Local Government. I noted that the sums lost annually in Wales to fraud and error are significant – and could be anywhere between £100 million and £1 billion. The Crime Survey for England and Wales recognises fraud as being one of the most prevalent crimes in society today.
- 2 However, some senior public sector leaders are sceptical about the levels of fraud within their organisations. As a result, they are reluctant to invest in counter-fraud arrangements and assign a low priority to investigating cases of potential fraud identified to them by the National Fraud Initiative, even though there are many examples of a good return on investment in this area. Their stance runs contrary to all the research being done by recognised leaders in the field such as CIPFA and the UK Government's Counter Fraud Function. This latest report, which examines the effectiveness of counter-fraud arrangements at over 40 public-sector bodies in Wales, has found that where such scepticism arises, it is not based on any significant local counter-fraud work or robust fraud risk assessments.
- 3 But we also know that fraudsters appear the very instant that an opportunity presents itself. Fifteen individuals have to date been jailed for fraud in the light of the Grenfell fire tragedy. Fraudsters and scammers were quickly on the scene earlier this year whilst the flooding in South Wales was ruining the homes and lives of local people. There has been an explosion in fraudulent activity, and especially in cyber crime, during the current COVID-19 pandemic. I welcome the proactive steps which the Welsh Government has taken to raise awareness across the public sector in Wales about this risk.

- 4 Public sector bodies can mitigate these risks by having the right organisational culture supported by strong counter-fraud arrangements. Many local authorities have invested so little in counter-fraud arrangements that they have only a few of the key components in place. Whilst the position is generally much more robust across the NHS in Wales, there is still a challenging agenda to make counter-fraud fit for the next decade where globalisation and the advent of digital technology have created new risks, and opportunities, for the fraudsters.
- 5 I was heartened to see the Welsh Government's positive response to my 2019 report and, following the one-day conference organised by the Public Accounts Committee in July 2019, the Permanent Secretary's commitment (see **Appendix 2**) to provide Wales-wide leadership in raising the profile of counter-fraud activity.
- 6 In this latest report, based on a more extensive programme of field work, we identify a significant range of further opportunities to improve on the current national position, including:
 - a strengthening strategic leadership, coordination and oversight for counter-fraud across the Welsh public sector;
 - b increasing counter-fraud capacity and capabilities, especially across local government, and exploring the potential for sharing resources and expertise across public bodies;
 - c getting the right balance between proactive and reactive counter-fraud activities;
 - d improving awareness-raising and staff training in counter-fraud; and
 - e better evaluation of fraud risks and sharing of fraud information, both within and across sectors.
- 7 There is also significant potential for Wales to take advantage, where appropriate, of many of the counter-fraud initiatives underway across the wider UK public sector. These include the recent establishment of a recognised government counter-fraud profession, with defined competencies and career paths, and the increasing focus on tackling fraud by smarter use of data analytics.

- 8 As I publish this report, Wales continues to grapple with the effects of the COVID-19 pandemic. This report contains a timely illustration of some of the ways in which fraudsters have moved rapidly in recent months to exploit the pandemic for criminal gain. I have already taken steps to extend the scope of our National Fraud Initiative (NFI) to enable local authorities in Wales to undertake eligibility checks on applications for COVID-19 support grants. I am also proposing to mandate that all local authorities, together with the Welsh Government, should submit COVID-19 grant and payment data to the NFI, to help identify fraudulent applications.



Adrian Crompton

Auditor General for Wales

Summary and recommendations

Ensuring that the arrangements for preventing and detecting fraud in the Welsh public sector are effective

This report examines seven '**key themes**' that all public bodies need to focus on in raising their game to tackle fraud more effectively:

- leadership and culture;
- risk management and control frameworks;
- policies and training;
- capacity and expertise;
- tools and data;
- collaboration; and
- reporting and scrutiny.

For each theme in turn, the report examines:

- why it is important;
- what our audit fieldwork identified in terms of current working practices and their effectiveness across the 40 Welsh public sector bodies that we examined (listed in **Appendix 1**); and
- what needs to happen next to generate improvement.

Our **recommendations for improvement** which are addressed to all public bodies in Wales within the Auditor General's remit, are as follows:

Theme

What needs to happen next?

Leadership and Culture



R1 The Welsh Government should enhance its strategic leadership of counter-fraud across the public service in Wales, playing a coordinating role where it can, while recognising that individual bodies remain responsible for their own counter-fraud activities.

R2 All public bodies should champion the importance of a good anti-fraud culture and actively promote its importance to give confidence to staff and members of the public that fraud is not tolerated.

Risk management and Control framework



R3 All public bodies should undertake comprehensive fraud risk assessments, using appropriately skilled staff and considering national intelligence as well as organisation-specific intelligence.

R4 Fraud risk assessments should be used as a live resource and integrated within the general risk management framework to ensure that these risks are appropriately managed and escalated as necessary.

Policies and Training



R5 All public bodies need to have a comprehensive and up-to-date set of policies and procedures which together represent a cohesive strategy for identifying, managing and responding to fraud risks.

R6 Staff working across the Welsh public sector should receive fraud awareness training as appropriate to their role in order to increase organisational effectiveness in preventing, detecting and responding to fraud.

R7 Cases where fraud is identified and successfully addressed should be publicised to re-enforce a robust message from the top that fraud will not be tolerated.

Theme

Capacity and Expertise



What needs to happen next?

- R8** All public bodies need to build sufficient capacity to ensure that counter-fraud work is resourced effectively, so that investigations are undertaken professionally and in a manner that results in successful sanctions against the perpetrators and the recovery of losses.
- R9** All public bodies should have access to trained counter-fraud staff that meet recognised professional standards.
- R10** All public bodies should consider models adopted elsewhere in the UK relating to the pooling /sharing of resources in order to maximise the availability of appropriately skilled staff.

Tools and Data



- R11** All public bodies need to develop and maintain dynamic and agile counter-fraud responses which maximise the likelihood of a successful enforcement action and re-enforces the tone from the top that the organisation does not tolerate fraud.
- R12** All public bodies should explore and embrace opportunities to innovate with data analytics in order to strengthen both the prevention and detection of fraud.

Collaboration

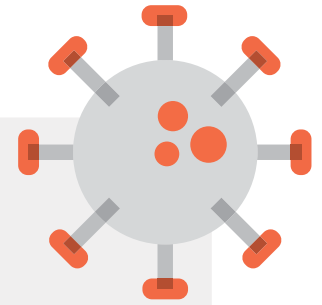


- R13** Public bodies should work together, under the Digital Economy Act and using developments in data analytics, to share data and information to help find and fight fraud.

Reporting and Scrutiny



- R14** Public bodies need to collate information about losses and recoveries and share fraud intelligence with each other to establish a more accurate national picture, strengthen controls, and enhance monitoring and support targeted action.
- R15** Audit committees must become fully engaged with counter-fraud, providing support and direction, monitoring and holding officials to account.



The COVID-19 pandemic: a case study in how scammers and fraudsters are ready to exploit a crisis

We know from experience that fraudsters appear the very instant that an opportunity presents itself. Fifteen individuals have to date been jailed for fraud in the light of the Grenfell fire tragedy. Fraudsters and scammers were quickly on the scene earlier this year whilst the flooding in South Wales was ruining the homes and lives of local people.

Predictably, there has been an explosion in fraudulent activity, and especially in cyber crime, during the current COVID-19 pandemic.

The first reported positive cases of COVID-19 were reported in the UK on 31 January 2020. By this time the fraudsters and scammers had mobilised and were already hard at work.

The first fraud report relating to COVID-19 was received on February 9 by Action Fraud, the UK's fraud reporting centre. Since that time, the number of reports has increased significantly across the UK – the media reporting an unprecedented number of scams linked to the virus.

We have seen examples of good practice by some public bodies and organisations in Wales in identifying the fraud risks and sharing them with other bodies and citizens. The Welsh Government is liaising with the UK Cabinet Office and is sharing its guidance and learning on counter-fraud with the rest of the public service in Wales, including Local Authority Counter Fraud leads. Welsh Government officials have agreed to maintain and develop this group post-COVID. The intelligence obtained from these meetings has also assisted the Head of Counter Fraud with fraud intelligence sharing with Cabinet Office and the three other devolved administration fraud leads.

But has the Welsh public sector response been more reactive than proactive? What can we do better? Whilst globalisation has benefited the fraudsters it can also be to the advantage of counter-fraud specialists; we had early notice of scams from thousands of miles away a few weeks before the first case of COVID-19 was identified in the UK.

The COVID-19 pandemic: a case study in how scammers and fraudsters are ready to exploit a crisis

We believe that the COVID-19 pandemic provides an important opportunity for the Welsh counter-fraud community to come together (by appropriate means) and reflect on the speed and effectiveness of its response to the scammers and fraudsters.

The key issues and recommendations set out in this report could help set an agenda or framework for such an event. There has never been a timelier opportunity for Welsh public sector leaders and counter-fraud specialists to consider how to:

- create stronger strategic leadership, coordination and oversight for counter-fraud across the Welsh public sector;
- make best use of counter-fraud capacity and capabilities and explore the potential for shared arrangements, resources and expertise;
- get a better balance between proactive and reactive counter-fraud activities;
- raise awareness amongst employees and provide the necessary training to those most likely to come across a fraud; and
- evaluate fraud risks more effectively and share fraud information both within and across sectors.

So, what do we already know about the fraudsters' response to the pandemic?

The mobilisation of fraudsters has benefited from a number of factors, for example:

- more people are spending time online to shop and socially interact. Elderly people are seen as particularly vulnerable, being generally less computer literate and more susceptible to scams such as phishing emails and ordering fake products such as face masks and sanitisers.
- working patterns have changed at short notice which can leave weaknesses in processes and procedures.
- an unprecedented amount of public money has been put into a range of new and innovative financial support schemes to businesses and individuals.

The COVID-19 pandemic: a case study in how scammers and fraudsters are ready to exploit a crisis

Fraudsters and scammers mobilised quickly for a number of reasons:

- they are very good at evaluating risks and exploiting vulnerabilities which can be at a process or at an individual level;
- they have well-established tools and methodologies and can adapt them at short notice to a new opportunity; and
- they do not recognise geographical boundaries and can be effective individually and by collaborating with like-minded individuals.

There are more examples of COVID-19 frauds and scams coming to light than can be mentioned here. There are, however, a number of themes emerging:

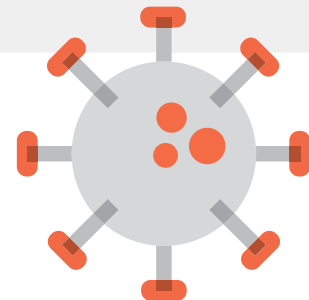
- the early reports related to the sale of Personal Protective Equipment such as face masks and hand sanitiser and testing kits. Typically, the items were fake or often failed to arrive after payment had been made¹.
- the next to emerge were phishing emails. For example, one claiming to be from the Department for Work and Pensions (DWP) asking the individual for debit or credit card details by saying that they are entitled to a council tax refund.
- as the attentions and resources of organisations were diverted to new ways of working and many staff were laid off, the incidence of cyber security attacks to steal business-sensitive and personal data increased.
- with more people working from home following the UK-wide lockdown, phishing campaigns then targeted applications that are being relied upon during remote working, in particular popular conference calling applications and parcel delivery firms.

¹ NHS in Wales introduced arrangements to mitigate against this fraud risk and it did not become an issue.

The COVID-19 pandemic: a case study in how scammers and fraudsters are ready to exploit a crisis

- as the national focus turned to test and track, the fraudster's net became wide and indiscriminate, as shown by a fake text message attempting to dupe people into believing they have been in contact with someone who has tested positive for the virus, directing recipients to a website for more information. The link is then used to harvest personal and financial data.

A world-leading counter-fraud response would mean that counter-fraud specialists had identified the risks at least at the same pace as the fraudsters, if not sooner. It would also mean they had the right tools to prevent and detect fraudsters exploiting any new opportunities; and that the counter-fraud response was mobilised rapidly through effective collaboration and information sharing.





Culture and leadership across the Welsh public sector

01

Why is it important?

- 1.1 The Crime Survey for England and Wales recognises fraud as one of the most prevalent crimes in society today. Every pound stolen from the public sector means that there is less to spend on key services such as health, education and social services. Public sector bodies can mitigate the risks from fraud by having the right organisational culture supported by effective counter-fraud arrangements.
- 1.2 Strong leadership sets the appropriate tone from the top of an organisation and plays a crucial part in fostering a culture of high ethical standards. It is important that senior management leads by example and sends a clear message that fraud will not be tolerated either from inside or outside of the organisation. A strong tone at the top can raise the profile of fraud risks and promote the best standards and approaches in counter-fraud work.

What did we find?

- 1.3 Other than in the NHS there is an absence of any overarching strategic approach, guidance, coordination and oversight.
- 1.4 In NHS Wales, the NHS Counter Fraud Service² provides leadership, specialist investigation skills, support and guidance to the sector and a Counter Fraud Steering Group³ provides strategic direction and oversight. This leadership model delivers a coordinated approach to counter-fraud across the NHS in Wales and a good counter-fraud culture complemented by inbuilt scrutiny of the arrangements. The legal framework specific to the NHS Wales and the levels of investment give counter-fraud a high profile and robust enforcement and recovery mechanisms. At a local level, strategic leadership was evident within Health Boards through the dissemination of a consistent message, both internally and externally, that fraud is not tolerated.

2 Which is hosted by the NHS Wales Shared Services Partnership

3 A sub-group of the All Wales Directors of Finance Forum

- 1.5 Across local authorities there is an absence of sector-wide strategic leadership, guidance, coordination and oversight of counter fraud. Within the individual authorities we found statements espousing a zero tolerance of fraud in policies and strategic documents. But there is much more that can be done to re-enforce the tone from the top at a practical level. We found examples where the leadership team actively promotes the importance of a good anti-fraud culture through awareness campaigns, newsletters to staff and active engagement with counter-fraud teams. But we also found in many authorities that there was little evidence that the message is driven down from the top and little priority is given to counter-fraud work. There were often competing priorities and, as a result, little time was given to counter-fraud and it often had a low profile.
- 1.6 In Central Government, the position is mixed. Within Welsh Government, we found evidence that counter-fraud is taken seriously, and a small team has achieved many successful outcomes, albeit its emphasis leans towards reactive rather than proactive work. We have been encouraged to see that the Welsh Government has accepted both of the recommendations made by the Public Accounts Committee following our first report. However, there remains a leadership gap that still needs to be addressed.
- 1.7 Across the other central government bodies that we examined, counter-fraud is not always given such a high priority. One reason for this appears to be the very low incidence of fraud being identified and reported; this poses the difficult question of whether this is due to a lack of investment in counter-fraud or a genuine low incidence of crime taking place. However, this latter explanation runs contrary to all the research being done by recognised leaders in the field such as CIPFA and the National Crime Agency.

- 1.8 The threat posed by fraud is also getting greater recognition within the UK. The UK government, for example, is working to make central government, and the public sector more widely, a place where fraud is actively found and robustly dealt with. It is transforming its whole approach to counter-fraud by:
- a establishing a counter-fraud function;
 - b developing and launching a Government Functional Standard (GovS013);
 - c establishing a 'Government Counter Fraud Profession' to develop people and increase capability;
 - d providing expert advice to the rest of government on how to deal with fraud;
 - e delivering specialist services to assist public bodies; and
 - f collaborating with overseas governments to bring further expertise to the UK.

What can the Welsh public sector do to improve?

Recommendations

- R1** The Welsh Government should enhance its strategic leadership of counter-fraud across the public service in Wales, playing a co-ordinating role where it can, while recognising that individual bodies remain responsible for their own counter-fraud activities. In doing so it could consider:
- forming strategic partnerships with the key players nationally and internationally;
 - developing and delivering an all Wales counter-fraud strategy and vision;
 - advocating/promoting minimum standards in terms of public sector counter-fraud arrangements similar to those established by the UK Government;
 - elevating the status of counter-fraud staff by recognising counter fraud as a profession with essential competencies;
 - supporting the other sectors by, for example, providing invest-to-save funding opportunities, and supporting the development of professional competencies across the Welsh public sector; and
 - providing timely advice and guidance on 'hot' issues by gathering and disseminating important information and analysing trends.
- R2** All public bodies should champion the importance of a good anti-fraud culture and actively promote its importance to give confidence to staff and members of the public that fraud is not tolerated.



Risk management and control frameworks

02

Why is it important?

- 2.1 Fraudsters are becoming more sophisticated and are evaluating opportunities and risks on a real-time basis. The management and mitigation of risk in public bodies often fails to keep up with changes in the nature and impact of potential fraud. The recent flooding in South Wales created opportunities for scams within days of the floods. Security experts have reported an explosion in fraudulent activity during the COVID-19 outbreak as the pandemic has created a myriad of opportunities for fraudsters (see **Case Study on page 10**).
- 2.2 A fraud risk assessment should be an honest appraisal of risks using a range of sources such as national intelligence, local intelligence, audit reports, brainstorming exercises and data-matching results. Risk assessments should be live documents and kept under constant review. Having identified the risks, bodies can then evaluate them, assessing their likelihood and the impact if the fraud were to occur. It is only when risks are properly identified and evaluated that public bodies can tackle the risks in a prioritised and proportionate way and put appropriate actions and controls in place to manage or mitigate these risks.
- 2.3 It is important that organisations have an effective control framework to help mitigate the risks identified. A strong internal control environment can help to prevent fraud from happening in the first place and detect fraud if an instance has occurred. Fraudsters will try to circumvent established controls and it is important that controls are regularly reviewed. A strong control programme whereby fraudsters are faced with a real prospect of detection helps mitigate the risk. When frauds are discovered, controls should be reviewed to identify weaknesses and introduce improvements. Internal Audit have expertise in designing and testing controls and they should undertake work on key systems on a risk-based approach.

What did we find?

- 2.4 The quality of counter-fraud risk assessment and mitigation varies significantly in the Welsh public sector and there is generally scope to improve their quality and timeliness.
- 2.5 In the NHS, National Fraud Risk Alerts are produced by the NHS Counter Fraud Authority. These are routinely circulated to all Local Counter Fraud Specialists (LCFS) and Directors of Finance across NHS Wales. The LCFS are also required to conduct their own local risk assessments. This is a relatively new requirement and we found that these assessments are still being developed and embedded. The NHS Fighting Fraud Strategy recognises that a key challenge for the sector is the need to develop a comprehensive analysis of specific fraud risks to ensure counter-fraud resources are being directed to the most appropriate areas within the sector. The Counter Fraud Steering group has undertaken an overall risk assessment and produced assurance maps in respect of each main area of fraud. These maps will be used to target area of proactive work.
- 2.6 Our work identified that while some local authorities and central government bodies have undertaken fraud risk assessments, there were many who had not prepared a fraud risk assessment for several years. Some bodies in these sectors did not have a fraud risk assessment and therefore had not properly assessed the likelihood or impact of the risk. Without this key component, bodies cannot direct resources appropriately or adequately mitigate the risks of losses due to fraud. As a result, fraud strategies and work programmes are not particularly useful or relevant as they are not targeting the key areas of risk.
- 2.7 Our work also identified that, even where risk assessments were undertaken, they may not be integrated within the wider risk management framework. Fraud is not commonly reflected in corporate risk registers. We did not find many coordinated mechanisms for ensuring that fraud risks are appropriately communicated, owned and monitored within the audited body. Instead, fraud risk assessments are often held as standalone documents without any corporate ownership or active management of the risk. As a result of this approach, fraud risks are not adequately shared across departments.

- 2.8 We did identify some good practice in the sharing of fraud risks. In response to the Coronavirus pandemic, the Welsh Government issued a fraud risk bulletin early in April 2020, highlighting the emerging risks to the Welsh public sector. Ahead of the Welsh Government's bulletin, the UK Government Counter Fraud Function published its own guide: [Fraud Control in Emergency Management – COVID-19 UK Government Guidance](#). The guide highlights the importance of risk assessment, effective payment verification and due diligence arrangements and the need for robust claw-back arrangements to recover funds that are paid out incorrectly. There were also good examples in local authorities of raising awareness of scams with local residents.
- 2.9 We found that, in general, public bodies across all sectors have internal control frameworks that are well established and internal audit teams test controls as part of their annual programmes of assurance work. However, we found that internal audit teams do not always consider the fraud risks associated with systems as part of their work programmes. Furthermore, where new systems and processes are established, we found that organisations are not always using counter-fraud contacts and internal audit teams to try to design fraud out of systems.

What can the Welsh public sector do to improve?

Recommendations

- R3** All public bodies should undertake comprehensive fraud risk assessments, using appropriately skilled staff and considering national intelligence as well as organisation-specific intelligence.
- R4** Fraud risk assessments should be used as a live resource and integrated within the general risk management framework to ensure that these risks are appropriately managed and escalated as necessary.



Policies and training



Why is it important?

- 3.1 A sound policy framework enables organisations to direct their approach to counter-fraud and to promote good ethical behaviour. There should be a suite of policies and procedures in place that set out what is expected and what the consequences are for breaking the rules. Codes of conduct should set out the standards expected of employees and highlight the importance of declaring conflicts of interest and establish rules around gifts and hospitality.
- 3.2 Publicising frauds and the recovery action undertaken, helps to re-enforce the message from the top that fraud will not be tolerated. Publicity can help to discourage wrongdoing by others as it can highlight the damaging repercussions of their actions.
- 3.3 Staff are often the first to notice something irregular or potentially fraudulent and are often the first line of defence in the fight against fraud. These staff need easy access to a good counter-fraud policy and whistleblowing policy so they can be clear about their roles and responsibilities and the process they must follow if they suspect a fraud.
- 3.4 Effective training helps staff interpret policies and codes of conduct, giving them the confidence and skills to report suspected fraud. However, training and awareness-raising campaigns should be kept under continual review and must be linked to the live risk assessments so that new frauds or risks facing public bodies are quickly shared amongst staff and contractors if appropriate.

What did we find?

- 3.5 Generally, we found that public bodies have prepared and approved a range of policies setting out the processes to follow if staff suspect that they have uncovered a fraud. However, we identified that some policies were outdated, some were still in draft form and some were not easily accessible to staff.
- 3.6 Whilst NHS bodies have each developed comprehensive counter-fraud strategies (informed by an over-arching national strategy), we found that only a few other public sector bodies had done so. Such strategies set out clear approaches to managing fraud risks along with responses and actions, they define roles and responsibilities and are cross-referenced to other policies so that they can be readily understood by staff.

- 3.7 The NHS has a policy of proactively publicising successful fraud cases. The NHS Counter Fraud Service does this by issuing press releases and engaging with local media for interviews and promotional opportunities. Publicity helps raise awareness of fraud risks and also deters staff and contractors from committing fraud. By publicising counter-fraud work and raising awareness of the effects of fraud, the NHS involves staff, key stakeholders and the public in the fight against fraud.
- 3.8 We did not identify the same level of proactive publicity work in other sectors. Some local authorities take the view that publicising cases can be reputationally damaging and are therefore reluctant to publish such information. The Welsh Government recognises that more can be done to publicise fraud cases. The very low levels of fraud identified at central government bodies also means there is little publicity that can act as a further deterrent.
- 3.9 Our audit work also identified wide variation in levels of training and awareness-raising specifically relating to counter-fraud across the Welsh public sector. We found that a few public bodies provide fraud awareness training to all their staff. Some others provide training as part of the induction of new staff but do not provide this training for longstanding staff. We found some examples of refresher training sessions and e-learning modules provided for staff, but these are not widespread. There are many bodies that do not provide any counter-fraud training or awareness-raising events.
- 3.10 These findings suggest that there could be a significant proportion of the public sector workforce in Wales who have either received no fraud-awareness training at all or have not received training for several years.
- 3.11 There are good examples of awareness-raising in the NHS where the LCFS has an ongoing work programme to develop and maintain an anti-fraud culture within their health board. These programmes include the preparation of presentations and publications to raise awareness of fraud. There are also examples of LCFS undertaking staff surveys to capture the levels of staff awareness of fraud in order to act if necessary. In addition, the NHS has developed a fraud awareness e learning package for all staff and levels of compliance across organisations is reported the Directors of Finance on a quarterly basis. However, even in the NHS sector, counter-fraud training for new staff is generally not a mandatory requirement.

What can the Welsh public sector do to improve?

Recommendations

- R5** All public bodies need to have a comprehensive and up-to-date set of policies and procedures which together represent a cohesive strategy for identifying, managing and responding to fraud risks.
- R6** Staff working across the Welsh public sector should receive fraud-awareness training as appropriate to their role in order to increase organisational effectiveness in preventing, detecting and responding to fraud.
- R7** Cases where fraud is identified and successfully addressed should be publicised to re-enforce a robust message from the top that fraud will not be tolerated.



Capacity and expertise



Why is it important?

- 4.1 It is important that public bodies each designate a counter-fraud champion who understands fraud and leads the organisation's approach and response. Public bodies need access to sufficient appropriately skilled counter-fraud specialists to prevent, detect and investigate suspected fraud and protect their assets. As fraud risks change, public bodies should have resources available to provide a response that is appropriate to the threat.
- 4.2 Skilled and experienced staff will also help to ensure investigations are undertaken properly with evidence being obtained and handled lawfully in order to secure successful sanctions and the recovery of losses.
- 4.3 Investigations, whilst crucial, can be time consuming and costly and the low numbers of successful prosecutions mean that public bodies cannot rely on investigations alone to combat fraud. Public bodies need to have the capacity to undertake both proactive counter-fraud work and reactive investigation work. Proactive work includes fraud awareness campaigns, training, designing policies and strategies and strengthening controls to prevent attacks.

What did we find?

- 4.4 Insufficient capacity arose frequently as a key challenge faced by public bodies in their efforts to combat fraud. On the ground, capacity and skills in counter-fraud vary widely across and within public sector bodies in Wales. Most of the capacity is allocated to responsive work and investigations with any spare capacity being used in preventative counter-fraud work.
- 4.5 In local government, some officers are sceptical about the levels of fraud within their organisations and question the need for additional resources. However, these same local authorities allocate little resource to counter-fraud arrangements, do not have robust fraud risk assessments and the following up of matches from the National Fraud Initiative is assigned a low priority. Their assumptions about low levels of fraud run contrary to all the research being done by recognised leaders in the field such as CIPFA and the National Crime Agency.

- 4.6 Local authorities suffered a significant loss in counter-fraud capacity when the independent Single Fraud Investigation Service (SFIS) was created in 2014. SFIS is a partnership between the Department for Work and Pensions, HMRC and local authorities and which covers welfare benefit fraud. Most of the counter-fraud specialists left the sector to work for this new organisation. A small number of authorities have retained experienced and skilled counter-fraud staff, but the workload has mostly fallen on Internal Audit teams.
- 4.7 Our work found that the counter-fraud arrangements were generally more advanced in the local authorities that retained a dedicated and specialist counter-fraud resource. Where Internal Audit teams carry out the counter-fraud work we found a trade-off between counter-fraud work and the general programme of assurance work due to limited resources and competing priorities.
- 4.8 We also found that, within some local authorities, several teams play a role in counter-fraud work; for example, Internal Audit, Council Tax, and Human Resources teams all contribute. Whilst helpful in terms of adding capacity, we found that this can result in a lack of coordination and integration between these teams and a lack of clarity in the overall picture of counter-fraud activity.
- 4.9 Counter-fraud is generally better resourced in the NHS than other public sector bodies and there has been an increase in LCFS resource over recent years. There is a central team within the NHS Counter Fraud Service Wales which investigates complex, large scale frauds and provides a financial investigation resource. The team also provides guidance, intelligence and investigative support to the network of finance directors and LCFS at health bodies in Wales. In addition, Welsh Government Directions require that each health body should appoint at least one LCFS who is an accredited counter-fraud professional. These LCFS are the primary points of contact for counter-fraud work at their respective health bodies and have a key role in fraud prevention and detection. Increasing staffing levels above the minimum number is a matter of local discretion.
- 4.10 The mixture of LCFS and support and guidance from the NHS Counter Fraud Service and the Counter Fraud Steering Group has resulted in improved counter-fraud arrangements within the NHS sector in comparison to the other sectors. However, whilst LCFS staff are often shared between individual health boards, they are not pooled across the entire sector. As a result, the relatively low counter-fraud staff numbers in some health boards can cause issues if staff members are absent from work. Even within the NHS Wales, there is a general recognition that more proactive work should be undertaken.

- 4.11 The Counter Fraud Team at the Welsh Government is skilled and experienced and has secured a number of high-profile prosecutions over recent years. However, a recent Government Internal Audit Agency review of the Welsh Government in 2017 concluded that the counter-fraud function could achieve more with increased resources. The Counter Fraud Team is able to draw on resources from within the Welsh Government to assist with investigations where appropriate and there are plans to increase the resource in the team in the near future.
- 4.12 Our audit also found that public bodies in Wales are generally following traditional counter-fraud approaches with a focus on detection and investigation rather than prevention. Most public bodies recognise that more proactive and preventative work should be done, but they acknowledge that the lack of time, resources and expertise are barriers to making this shift of focus.
- 4.13 We did not find many examples of public bodies in Wales outside the NHS pooling resources to help reduce duplication of effort and improve the efficiency and effectiveness of counter-fraud arrangements across sectors. Pooled resources could also help to improve continuity and add flexibility to adapt to changing needs going forward.
- 4.14 In 2018 the UK government launched the Counter-Fraud Profession to enhance overall counter-fraud capability across government. The profession develops the skills of specialist staff and moves beyond the traditional focus of investigations, placing greater emphasis on fraud prevention and the use of data analytics. Membership across UK Government Departments has been steadily increasing, and the Welsh Government is engaged with this initiative. Organisations joining the profession are required to have learning environments that support their staff to develop and maintain professional standards.

What can the Welsh public sector do to improve?

Recommendations

- R8** All public bodies need to build sufficient capacity to ensure that counter-fraud work is resourced effectively, so that investigations are undertaken professionally and in a manner that results in successful sanctions against the perpetrators and the recovery of losses.
- R9** All public bodies should have access to trained counter-fraud staff that meet recognised professional standards.
- R10** All public bodies should consider models adopted elsewhere in the UK relating to the pooling and/or sharing of resources in order to maximise the availability of appropriately skilled staff.



Tools and data



05

Why is it important?

- 5.1 An effective counter-fraud function will ensure that those responsible for it are equipped with up-to-date methodologies and the right tools for the job. Counter-fraud staff must make best use of data and intelligence in order to:
 - a prevent fraud by 'fraud-proofing' systems and processes; and
 - b mounting an effective response to suspicions of fraud.
- 5.2 New fraud threats are continually emerging, both globally and nationally. It is important that public bodies have flexible, cutting-edge counter-fraud approaches that are fit for a digital age and agile enough to keep up with, or better still, ahead of the fraudsters.
- 5.3 Cyber-attacks are an alternative means of committing traditional frauds such as the theft of assets, cash or intellectual property. PricewaterhouseCoopers' most recent global economic crime survey found that cyber crime is now the most common fraud facing UK businesses, overtaking asset misappropriation for the first time since the survey began. We can see this in the explosion in number of cyber scams linked to the COVID-19 pandemic.
- 5.4 Preventing fraud is always preferable to responding to an instance. Many organisations are now looking to 'fraud-proof' systems at the point of entry using the latest developments in data analytics. For example:
 - a the Cabinet Office has developed on-line tools that can look at 10,000 records in seven seconds to provide due diligence checks on grant applications; and
 - b the Department of Work and Pensions have been trialling an Artificial Intelligence system that detects fraudulent claims by searching for certain behaviour patterns, such as benefit applications that use the same phone number or are written in a similar style. Any suspicious activity is then passed on to specialist investigators.
- 5.5 Data analytics provide an increasingly important tool in preventing fraud as well as in its detection. We look at how public bodies can share data to help find fraud in the next section of this report.
- 5.6 Sophisticated technology and data analytics are of little use if they are not used effectively and this requires adequately trained resource to understand it. Therefore, it is important that public bodies have access to staff adept in data analytics in order to achieve better counter-fraud results.

- 5.7 Knowing what to do in the event of a suspected fraud improves the chances of a successful enforcement action. It also re-enforces the tone from the top that the organisation does not tolerate fraud. Fraud response plans need to provide a clear direction to relevant parties so that bodies are able to respond to allegations quickly and appropriately. A response plan should be reviewed regularly to ensure that responses to fraud keep abreast with changing times and emerging risks. They should outline:
- a the fraud investigation process from receipt of allegation to outcome report;
 - b roles and procedures for securing evidence and undertaking interviews;
 - c details of how and when to contact the police;
 - d a commitment to pursuing a range of sanctions;
 - e reporting arrangements; and
 - f how lessons learned will be used to strengthen system and process controls.

What did we find?

- 5.8 Generally speaking, we found that more work is needed to bring counter-fraud tools and methodologies up to date to reflect the new world of cyber attacks and digitally-facilitated crimes. Many local authorities and central government bodies we looked at as part of our fieldwork did not have information security policies that reflected the risks associated with cyber crime. The situation was more positive in NHS Wales bodies.
- 5.9 Our review identified only a few examples of data analytics being used as a means of preventing fraud. Data analytics are used more widely to detect fraud, in following up on NFI data matches, for example, but our previous audit work⁴ has shown that the level of engagement with the NFI varies considerably across Welsh public bodies.
- 5.10 We found that some local authorities and central government bodies did not have a fraud response plan that was communicated to all staff and which made it clear that all allegations of fraud would be investigated. The Welsh Government had a fraud response plan, but this was in draft form at the time of our audit work and was not, therefore, available to staff. Again, the position was much more positive in NHS Wales.

4 **Our October 2018 NFI report** stated that 'most Welsh public sector bodies participating in the NFI were proactive in reviewing the data matches, but a small number of participants did not review the matches in a timely or effective manner'.

- 5.11 NHS bodies all use the same case management system to record and monitor the progress of potential fraud cases. In other sectors, few bodies have a case management system although some do have a spreadsheet log that records information. The variation in the information collected makes it very difficult to report an all-Wales position on the level of fraud taking place. The reasons that many local authorities and central government bodies do not have a case management system or detailed records was the very low numbers of fraud cases that were being identified and handled.
- 5.12 Most of the public bodies we looked at consider the full range of possible sanctions (disciplinary, regulatory, civil and criminal) against fraudsters and will seek redress including the recovery of assets and money where possible. However, many bodies report such low levels of fraud that it is impossible to substantiate their claims. For any internal frauds identified, most bodies tend to deal with the perpetrators through internal disciplinary procedures.
- 5.13 Most of the public bodies we looked at reflected on the weaknesses revealed by instances of proven fraud and corruption and fed back to departments and teams so that they might fraud-proof their systems. The arrangements at local NHS bodies were particularly robust because fraud cases in their case management system cannot be closed down without providing assurance that any system weaknesses have been considered and remedied if necessary.

What can the Welsh public sector do to improve?

Recommendations

- R11** All public bodies need to develop and maintain dynamic and agile counter-fraud responses which maximise the likelihood of a successful enforcement action and re-enforce the tone from the top that the organisation does not tolerate fraud.
- R12** All public bodies should explore and embrace opportunities to innovate with data analytics in order to strengthen both the prevention and detection of fraud.



Collaboration



06

Why is it important?

- 6.1 Fraudsters do not respect geographical or other boundaries. This means that individual public sector bodies cannot establish effective counter-fraud arrangements by themselves. They must work collaboratively to maximise the effectiveness of their response to fraud.
- 6.2 Collaboration is an increasingly important aspect of public service, particularly in the context of reduced funding and the need to do more with less. Collaboration is also one of the 'five ways of working' as defined in the Welsh Government's 'Well-being of Future Generations (Wales) Act 2015: the essentials'⁵ document. It is therefore essential that collaboration and the sharing of intelligence and good practice take place between public, private and third-sector bodies across the UK and internationally.
- 6.3 Collaboration can mean sharing people or pooling resources and, more commonly these days, in the sharing of information. This information can be shared between departments, between bodies, across different elements of the public sector and with other key stakeholders such as law enforcement authorities and the private sector. The information shared can be about the nature of a fraud or information about the identities of the perpetrators.
- 6.4 The sharing of data to help find fraud is a rapidly evolving area and is being facilitated by changes in the law. In 2017, the Digital Economy Act became law, enabling public authorities to share personal data to prevent, detect, investigate and prosecute public sector fraud. The Act recognises that the wider use of data-sharing could improve the prevention, detection and investigation of fraud in a number of ways, including:
 - a improved targeting and risk-profiling of potentially fraudulent individuals;
 - b streamlining processes, enabling the government to act more quickly; and
 - c simplifying the legislative landscape.

5 Well-being of Future Generations (Wales) Act 2015: the essentials', Welsh Government (2015)

What did we find?

- 6.5 Our field work across forty public sector bodies in Wales found that collaboration was insufficiently developed, reinforcing the findings of our 2019 review.
- 6.6 Within local authorities and central government bodies there are some good examples of bodies working jointly and some regional networks, but these tend to be informal arrangements and there is no consistency in approach. Formalising arrangements can help improve accountability and governance and can influence commitment and results.
- 6.7 The picture is generally more positive across local NHS bodies and the Welsh Government than in local authorities and central government bodies. However, there is scope for all public bodies to work more closely with each other and with other stakeholders to tackle fraud.
- 6.8 Because of the tiered approach to counter-fraud within NHS Wales and established formal partnerships with the NHS Counter Fraud Authority, there is good access to specialist fraud investigation teams such as surveillance, computer forensics, asset recovery and financial investigations. The NHS Counter Fraud Service Wales provide the surveillance, asset recovery and financial investigations services to NHS Wales, while the NHS Counter Fraud Authority provides forensic computing services and other specialist support services to NHS Wales under the terms of their annual agreement with Welsh Government.
- 6.9 The existence of these formal access arrangements is less well established within other sectors, but most organisations told us that they could access specialist services if required. The low level of fraud being identified was one of the reasons given for the absence of formal partnerships between public sector bodies.
- 6.10 We also found wide variations in the amounts of data that are shared. In most bodies, the sharing of data was typically limited to the National Fraud Initiative (NFI), although not all central government bodies currently take part in NFI. We found that some local authorities do not invest much resource into following up NFI matches and these are often the same authorities in which counter-fraud arrangements were limited.
- 6.11 There were very few examples of organisations working frequently across internal and external boundaries and sharing information. Common reasons for this lack of collaboration was lack of time and resources, and concerns about the sharing of data.

What can the Welsh public sector do to improve?

Recommendations

R13 Public bodies should work together, under the Digital Economy Act and using developments in data analytics, to share data and information to help find and fight fraud.



Reporting and scrutiny



Why is it important?

- 7.1 Arriving at a reliable estimate for the cost of fraud is a difficult task. This is particularly so for the Welsh public sector as our 2019 report highlighted. Whilst the UK Government produces annual estimates, there is no breakdown of this estimate to each of the devolved administrations in the UK. CIPFA's most recent analysis estimates that fraud costs the UK public sector £40.3 billion annually. The Cabinet Office⁶ estimates losses due to fraud and error at between 0.5% and 5% of budget. Applying this range to annual public expenditure in Wales of around £20 billion gives a possible estimated value of losses to fraud and error between £100 million and £1 billion per annum. The losses are therefore significant and take valuable funding away from our public services.
- 7.2 Fraud is often under-reported as some suspicious activity identified through NFI matches, for example, is not classified as fraudulent and therefore not reported. Also, some public bodies fail to report fraud as it can attract unwanted publicity and perceived reputational damage. This situation leads to an incomplete national intelligence picture.
- 7.3 The International Public Sector Fraud Forum⁷ has recognised that 'finding fraud is a good thing' and this is one of their 'Key Fraud and Corruption Principles'. The Forum noted that, if bodies do not find fraud, then they are unable to fight it, and that a change of perspective is needed so that the identification of fraud is seen as a positive and proactive achievement.
- 7.4 Reporting fraud to those charged with the governance of public sector organisations is important as it provides managers and audit committees, for example, with the information and intelligence they need to challenge and scrutinise. To facilitate accountability, public bodies should provide copies of counter-fraud reports detailing numbers of cases and outcomes to audit committees so that they are fully informed of any issues of concern and can hold management and counter-fraud teams to account. Audit committees can also promote the message that fraud will not be tolerated, supporting the efforts of counter-fraud teams.

6 Cabinet Office Cross Government Fraud Landscape Report 2018

7 International Public Sector Fraud Forum A Guide to Managing Fraud for Public Bodies in Feb 2019

What did we find?

- 7.5 The arrangements in NHS Wales to record, collate and share information about fraud losses and recoveries are well established. The NHS Counter Fraud Service collates information on the number of fraud cases and recoveries from each health body as a matter of course. There are quarterly and annual Operational Performance Reports which summarise information about resources, referrals and the work of the Counter-Fraud Service and LCFS based at each health body. These reports are reviewed by the Counter Fraud Steering Group and shared with Directors of Finance and the audit committees of each health body, helping to facilitate meaningful comparisons within the sector. The NHS Counter Fraud Authority also reports to the Welsh Government on a quarterly basis.
- 7.6 In other sectors, audit committees are not generally provided with as much information:
- a in the Welsh Government, the Audit and Risk Assurance Committee is not provided with, nor does it request, detailed information about fraud cases, although information about major cases and anti-fraud activity is included in the regular report from the Head of Internal Audit;
 - b in the local government sector, fewer than half the authorities report information about fraud cases, losses and recoveries to their audit committees on a regular basis; and
 - c even fewer central government bodies report on cases of fraud, reflecting a very low incidence of fraud being identified and managed.
- 7.7 The absence of both the reporting of information and arrangements to collate and share this information across the Welsh public sector is troubling for a number of reasons. It does little to help re-enforce a zero-tolerance message from the top of an organisation to both staff and external stakeholders. It may also send the wrong message to fraudsters that Wales does not see fraud as a priority and makes it difficult to assess the level of risk and how best to respond to it by senior public sector officials and politicians.
- 7.8 When frauds are identified, Internal Audit (or, where they exist, counter-fraud specialists) provide audit committees with reports and updates. On balance, however, audit committees outside of the NHS Wales have not been sufficiently proactive in recognising the increasing risk of fraud and in asking the searching questions necessary about the matching of resources to risk or about the lack of information being supplied about fraud risk.

What can the Welsh public sector do to improve?

Recommendations

- R14** Public bodies need to collate information about losses and recoveries and share fraud intelligence with each other to establish a more accurate national picture, strengthen controls, and enhance monitoring and support targeted action.
- R15** Audit committees must become fully engaged with counter-fraud, providing demonstrable support and direction, monitoring and holding officials to account if insufficient information is being provided about counter-fraud activity.



Appendices

- 1 Audit methods
- 2 The Welsh Government's response to the July 2019 recommendations of the Public Accounts Committee

1 Audit methods

Our audit was structured around seven key lines of enquiry to help us answer the overall question: 'Are the arrangements for preventing and detecting fraud in the Welsh public sector effective?':

- Does the top tier demonstrate a commitment to counter-fraud and provide the necessary leadership to fight fraud?
- Does the organisation have a suitable structure and sufficient skilled resources to prevent and detect fraud?
- Does the organisation have a sound policy framework to support effective counter-fraud arrangements?
- Does the organisation have an effective fraud risk assessment together with appropriate responses to emerging issues?
- Does the organisation's internal control environment support effective arrangements for preventing and detecting fraud?
- Does the organisation have an appropriate response to fraud?
- Does the organisation have proper reporting and scrutiny in place to ensure its counter-fraud culture and framework is operating effectively?

The audit fieldwork was carried out by our local audit teams between November 2019 and February 2020. Their fieldwork included:

- structured interviews – interviews with key individuals in order to understand the counter-fraud arrangements in place at each audited body; and
- document reviews – where these existed, they typically included the counter-fraud strategy, risk assessment, work plans, corporate risk register, fraud response plan, Codes of Conduct, whistleblowing policy, guidelines and procedures for local fraud investigators and counter-fraud reports/updates provided to Audit Committee.

Teams also issued a core information request in order to gather some information directly from audited bodies.

The project team collated and reviewed the local findings to distil the key messages for inclusion in this report. Our audit teams have been providing tailored feedback on their local findings to relevant staff at each audited body.

The audited bodies included in this study are:

Local Government bodies:

- Blaenau Gwent County Borough Council
- Bridgend County Borough Council
- Caerphilly County Borough Council
- Cardiff Council
- Carmarthenshire County Council
- Ceredigion County Council
- Conwy County Borough Council
- Denbighshire County Council
- Flintshire County Council
- Gwynedd Council
- Isle of Anglesey County Council
- Merthyr Tydfil County Borough Council
- Monmouthshire County Council
- Neath Port Talbot County Borough Council
- Newport City Council
- Pembrokeshire County Council
- Powys County Council
- Rhondda Cynon Taf County Borough Council
- City and County of Swansea
- The Vale of Glamorgan Council
- Torfaen County Borough Council
- Wrexham County Borough Council

NHS Wales bodies:

- Aneurin Bevan University Health Board
- Betsi Cadwaladr University Health Board
- Cardiff and Vale University Health Board
- Cwm Taf Morgannwg University Health Board
- Hywel Dda University Health Board
- Powys Teaching Health Board
- Swansea Bay University Health Board
- Health Education and Improvement Wales
- Velindre NHS Trust
- Public Health Wales Trust
- Welsh Ambulance Service NHS Trust

Central Government bodies:

- Welsh Government
- Welsh Revenue Authority
- Arts Council for Wales
- Higher Education Funding Council for Wales
- National Museums and Galleries Wales
- Natural Resources Wales
- National Library of Wales
- Sport Wales
- Senedd Commission

2 The Welsh Government's response to the July 2019 recommendations of the Public Accounts Committee

PAC Recommendation

We ask that the Welsh Government consider whether there is scope and potential to support a national counter fraud team to work across Wales to ensure that at least a basic level of counter fraud work is undertaken in each local authority area by suitably trained staff.

We ask that the Welsh Government consider whether there is scope and potential to support a national counter fraud team to work across Wales to ensure that at least a basic level of counter fraud work is undertaken in each local authority area by suitably trained staff.

Response from the Welsh Government's Permanent Secretary

The Welsh Government recognises and fully supports local authorities addressing fraud within the £8 billion of their general revenue expenditure.

As independent democratically led organisations, the prime responsibility for the detection and prevention of fraud is for each of the 22 councils themselves. As such, we would expect all to be fully engaged in this work and for local politicians to understand and provide leadership.

To make sure that the recommendation is understood and given priority, officials will raise the matter with Ministers to secure an item on the Partnership Council agenda as well as its Finance Sub Committee. Subject to Ministers' agreement, we will agenda an item for the next possible meeting.

I am supportive of any move to increase the understanding of fraud and the consistent application of best practice techniques across the Welsh Public Sector and there exists already a vehicle to bring together counter-fraud practitioners and other interested parties and drive forward a common understanding of this important area.

The Welsh Government's Head of Counter-Fraud is Deputy Chair of the Wales Fraud Forum (WFF), which is a not-for-profit company run by a strategic board of volunteers. Its aims are to help prevent fraud in Wales by raising awareness in the public and private sectors and amongst individuals. In particular, its stated objectives include to:

- bring the public and private sectors together to fight fraud and financial crime and to protect the economy of Wales;

PAC Recommendation **Response from the Welsh Government's Permanent Secretary**

- promote fraud awareness amongst its membership, organisations and individuals throughout the region;
- create good practice cultures by encouraging and developing anti-fraud strategies for its membership to utilise;
- establish a best practice between its members for fraud prevention, investigation and detection; and
- promote an open and co-operative environment between the membership in both the public and private sectors.

The Forum is held in high regard; in 2017 the current First Minister gave the keynote address at its annual conference and outlined his support for effective counter-fraud arrangements across Wales. Forum membership includes the Audit Wales as well as a number of public and private sector organisations.

Therefore, I believe the Welsh Government can achieve the outcome desired by identifying strategies to support the work of the Forum, raising its profile within the Welsh Public Sector and seek a high level of commitment to support it. I will ask Officials to engage with the Forum to discuss strategies for strengthening its effectiveness by the end of the calendar year.

We agree there is potential in the use of data sharing between Welsh public bodies to improve the impact of counter-fraud activities. The introduction of the Digital Economy Act gives the Welsh Government and certain scheduled Welsh public bodies useful new powers to share data with each other compliantly to identify potential fraud. Officials are working on setting up the appropriate governance for taking forward the use of these new powers in Wales, and are aiming for a panel to be in place by the end of the financial year to consider potential uses of the powers.



Audit Wales

24 Cathedral Road

Cardiff

CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

We welcome telephone calls in
Welsh and English.

E-mail: info@audit.wales

Website: www.audit.wales

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO THE GOVERNANCE AND AUDIT COMMITTEE

12 NOVEMBER 2020

REPORT OF THE HEAD OF THE REGIONAL INTERNAL AUDIT SERVICE

PROGRESS AGAINST THE INTERNAL AUDIT RISK BASED PLAN (1st APRIL 2020 to 31st OCTOBER 2020)

1. Purpose of report

- 1.1 To provide members of the Committee with a position statement on progress being made against the audit work included and approved within the Internal Audit Risk Based Plan 2020-21.

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

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

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

3. Background

- 3.1 In accordance with the Public Sector Internal Audit Standards, the Head of Internal Audit is responsible for developing a risk-based annual audit plan which takes into account the Council's risk management framework. Within the Standards there is also a requirement for the Head of Internal Audit to review and adjust the plan, as necessary, in response to changes in the Council's business, risks, operations, programmes, systems, controls and resources. The Head of Internal Audit must also ensure that Internal Audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan.
- 3.2 The Internal Audit Plan for 2020-21 was submitted to the Governance and Audit Committee for consideration and approval on 10th September 2020. The Plan outlined the assignments to be carried out which will provide sufficient coverage to provide an opinion at the end of 2020-21 whilst having regard to the unprecedented impact of the pandemic.

4. Current situation/proposal

- 4.1 Progress made against the plan for the period 1st April to 31st October 2020 is attached at **Appendix A**. This details the status of each planned review, the audit opinion and the number of any high or medium recommendations made to improve the control environment. It should be noted that some reviews listed have no audit opinion, for example advice and guidance, Audit Committee and Corporate

Management Board (CMB) reporting. This is because the audit work carried out in respect of these items is planned but the nature of the work does not lead to testing and the formation of an audit opinion.

- 4.2 **Appendix A** illustrates that as at 31st October 2020, 10 items of work have been completed of which 6 audit reviews have resulted in an opinion being provided. A further 2 reviews have been completed and draft reports issued; these are awaiting feedback from Service Departments. Both Internal Audit staff and auditees are now used to the remote ways of working and conducting audits digitally and whilst there are some connection issues periodically it is not causing any significant problems. A further 13 reviews are currently on-going with another 8 having been allocated and should be commencing shortly.
- 4.3 Based on the assessment of the strengths and weaknesses of the areas examined through testing of the effectiveness of the internal control environment an audit opinion of substantial assurance has been given to 1 completed review and an opinion of reasonable assurance to 4 completed reviews.
- 4.4 The remaining completed audit review was given an audit opinion of limited, that is only limited assurance can be placed on the current system of internal control. This is detailed as follows :

Supported Living Missing Money

Internal Audit were advised that £115 was missing from a cash tin held in a supported living establishment. Due to the Covid-19 pandemic Internal Audit staff were unable to visit the establishment but were provided with information by the Service Manager. It was found that regular checks and controls had not taken place and processes had lapsed. As a result of this incident, processes have been reviewed and updated and the importance of following them has been expressed to all staff. A follow up review will be undertaken to ensure that the amended processes are in place and being adhered to.

- 4.5 **Appendix A** illustrates that a total of 7 medium (significant) recommendations have been made to improve the control environment of the areas reviewed. The implementation of these recommendations will be monitored to ensure that improvements are being made.

5. Effect upon policy framework and procedure rules

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

6. Equality Impact Assessment

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

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

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

8. Financial implications

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

9. Recommendation

9.1 That members of the Committee note the content of the report and the progress made against the 2020-21 Internal Audit Annual Risk Based Plan.

Mark Thomas
Head of the Regional Internal Audit Service
November 2020

Contact Officer: Joan Davies – Audit Client Manager.

Telephone: (01446) 709794

E-mail: joan.davies@bridgend.gov.uk

Postal Address

Bridgend County Borough Council
Internal Audit
Ravens Court
Brewery Lane
Bridgend
CF31 4AP

Background Documents :

None

This page is intentionally left blank

Bridgend County Borough Council - Activity Against Audit Plan 1st April 2020 to 31st October 2020

Page 95	Area	Audit Scope / Risk	Status	Opinion			Recommendations	
				Substantial	Reasonable	Limited	High	Medium
	Good Governance	To provide assurance that key Corporate Governance processes are in place and operating effectively to enable them to discharge their responsibilities. Assist in the AGS preparation	completed					
	Safeguarding	An annual assessment of the Council's overall operating model for safeguarding; including reviewing the adequacy of assurances obtained by the Council in respect of safeguarding arrangements in place for vulnerable adults and children particularly having regard to the impact of COVID19.	allocated					
	Grant Certification Work	Under the conditions of the specific grant determination, the Head of Audit must certify that the conditions of the grant have been complied with.						
		Education Improvement Grant 2019/20	completed		√			0
		Housing Support Grant 2019/20	on-going					
	Purchasing Cards	To provide assurance that the Council's guidance for purchasing cards is sufficient and there is compliance to these policies and procedures across the Council	on-going					
	External Funding	To provide assurance that Council's processes and procedures are being complied with whilst also adhering to the specific grant funding terms and conditions.	draft issued					
	Risk Management	Successful risk management relies on a corporate approach to ensure that all risks are identified and managed systematically and consistently across the Council	allocated					
	COVID - Remote Working	Increase in remote working due to COVID19 - impact on governance and internal control arrangements using a questionnaire						
	General Data Protection Regulations	This audit will review whether the Council has an effective control framework in place for ensuring that personal information that is gathered is only used for the purpose for which it was originally intended.						
	Procurement	This audit will review the procurement framework and a sample of individual procurement activities across the Council in order to evaluate the level of compliance with legislation and the Council's Constitution.						
	Material Systems – Key Financial Systems	A rolling programme of audits is adopted for material systems. The work programme for each year may differ, with each audit having varying amounts of system review, testing or a combination of the two to deliver a more cost-effective service. The new arrangements adopted due to COVID19 will be examined to provide assurance that controls are still in place.						
		Income Collection & Cash Control	allocated					
		Free School Meals	allocated					
		Creditors	allocated					
	Payroll	Review starters and leavers, changing records / data	on-going					

Area	Audit Scope / Risk	Status	Opinion			Recommendations	
			Substantial	Reasonable	Limited	High	Medium
Page 96 Code of Conduct	To ensure that the internal processes in place in respect of the Members Code of Conduct are effective	on-going					
	To ensure that the internal processes in place in respect of the Officers Code of Conduct are effective						
ICT Audit	In consultation with ICT, systems reviews will be undertaken across Directorates to ensure robust controls are evident and operating effectively and the ICT business continuity provision is effective						
	Review the control and distribution of ICT equipment since the increase of home working since the outbreak of COVID19	allocated					
Early Retirement / Redundancy	Provide ensure transparency and assurance that Council's policies are adhered to						
Homelessness	Review the effectiveness of the systems in operation for processing applications and monitoring homelessness cases and select a sample of cases to review the application process, to ensure compliance with the guidance, and to establish the level of monitoring undertaken once the decision to accept a homeless case has been made.	on-going					
Coychurch Crematorium	A compliance review to complete the Annual Accounting Statement	completed		√			1
Porthcawl Harbour	A compliance review to complete the Annual Accounting Statement	completed		√			0
Project management / Contract monitoring	A review of the procedures and processes associated with a number of Contracts / Projects / Programme to ensure compliance to the Council's Rules and Regulations and Project Management Methodology associated with high risk contracts. Focus will be on tender and award and any impact COVID19 has had to these processes.	allocated					
Schools	To undertake a number of school based reviews as well as cross cutting thematic reviews in accordance with the Internal Audit risk based assessment.						
School CRSA	To undertake the annual controlled risk self – assessment for schools to enable Head Teachers to review their internal controls and to ensure that they undertake and comply with the requirements of current legislation and the Financial Procedure Rules.	allocated					
School deficits	To review the monitoring processes both within the school and between the school and LA to ensure that deficit balances are sufficiently monitored and the recovery plan is achievable	on-going					
ALN - Out of County Charges	To provide assurance that monitoring of expenditure is adequate						
Looked After Children	Review the monitoring arrangements in place to provide assurance that the Council's interests are protected and agreed rates are paid.						

Area	Audit Scope / Risk	Status	Opinion			Recommendations	
			Substantial	Reasonable	Limited	High	Medium
Page 97 Care Home Contracts Carry Forward from 2019/20	Review the actual financial impact of these contracts against the expectations to ensure efficiency and value for money and determine if COVID19 had had an impact on the financial arrangements in place	on-going					
	Provision for those assignments which are still ongoing at the end of 2019/20.						
	C/F Council Tax Reduction Scheme	completed	√				0
	C/F MasterGov System	completed		√			1
	C/F Capital	on-going					
Closure of Reports from 2019/20	To finalise all draft reports outstanding at the end of 2019/20.	completed					
Follow up Limited Assurance Reports	To ensure that improvements have been made to the control environment since the previous limited assurance review.						
	BACS Follow Up	draft issued					
Recommendation Monitoring	Monitoring the implementation of Internal Audit recommendations in consultation with service areas which have received these recommendations.	on-going					
Annual Opinion Report 2019/20	To prepare and issue the Head of Audit's Annual Opinion Report for 2019/20.	completed					
Annual Opinion Report 2020/21	Preparation for the production of the 2020/21 Annual Opinion Report.						
Audit Planning	To prepare and present the annual risk based audit plan for 2020/21.	completed					
	Preparation for the production of the annual risk based plan 2021/22.						
Audit Committee /Members and CMB Reporting	This allocation covers Member reporting procedures, mainly to the Audit Committee. Regular reporting to, and meeting with, the Section 151 Officer, Corporate Management Board and the IASS Board.						
Advice & Guidance	To allow auditors to facilitate the provision of risk and control advice which is regularly requested by officers within the authority, including maintained school based staff.						
Data Analytics	To align with this objective, Internal Audit is currently developing a data analytics strategy to be implemented during 2019/20. Data Analytics is proving to be a useful internal audit tool as councils become more reliant on electronic data, as data analytics enables a vast amount of data to	on-going					
Quality Assurance / Effectiveness of Internal Audit	To review / ensure compliance with the Accounts and Audit (Wales) Regulations 2014 / Public Sector Internal Audit Standards (PSIAS).	on-going					
External Audit Liaison	To ensure that a "managed audit" approach is followed in relation to the provision of internal and external audit services.						
Fraud / Error / Irregularity	National Fraud Initiative - Collection of data and analysis of matches for the NFI exercise, acting as first point of contact and providing advice and guidance to key contact officers. Matches will include business grants made available due to COVID19	on-going					

Area	Audit Scope / Risk	Status	Opinion			Recommendations	
			Substantial	Reasonable	Limited	High	Medium
Page 68 Fraud / Error / Irregularity	Irregularity Investigations - Reactive work where suspected irregularity has been detected.						
	Supported Living Missing Money	completed			v		5
Fraud / Error / Irregularity	Anti-Fraud & Corruption – Proactive - Proactive counter-fraud work that includes targeted testing of processes with inherent risk of fraud.	on-going					
Emerging Risks / unplanned	To enable Audit Services to respond to provide assurance activity as required.						
	OVERALL TOTALS		1	4	1	0	7

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO GOVERNANCE AND AUDIT COMMITTEE

12 NOVEMBER 2020

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

REVIEW OF THE ANNUAL GOVERNANCE STATEMENT 2020-21

1. Purpose of report

- 1.1 The purpose of this report is to provide an update on the Action Plan that accompanied the final Annual Governance Statement (AGS), included in the Statement of Accounts 2019-20, and the significant issues arising as a result of a review of the AGS for 2020-21 for consideration.

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

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

- 2.2 Effective governance arrangements underpin the delivery of the well-being objectives defined in the Corporate Plan.

3. Background

- 3.1 Regulation 5 (2) of the Accounts and Audit (Wales) Regulations 2014 requires an authority to undertake, as part of its arrangements for corporate governance, an annual review of governance and report on internal control.
- 3.2 The Annual Governance Statement 2019-20 was presented to Audit Committee on 16 July 2020 and was subsequently included within the final Statement of Accounts 2019-20, which was approved by Audit Committee on 10 September 2020.

4. Current situation / proposal

- 4.1 Good corporate governance requires the active participation of Members and Officers across the Council. These arrangements are reviewed on an annual basis and the findings used to update the AGS. This helps to ensure the continuous improvement of the Council's corporate governance culture.
- 4.2 The AGS provides an overall assessment of the Council's corporate governance arrangements and an appraisal of the controls in place to manage the Council's key risks and identifies where improvements need to be made. The final AGS 2019-20 is attached at **Appendix A**.

4.3 In order to begin the process for producing the AGS 2020-21, it is necessary to review the Action Plan that was linked to the AGS 2019-20, and this is included at **Appendix B** together with an update on progress against each significant governance issue.

5. Effect upon policy framework and procedure rules

5.1 The report does not have any impacts on policy framework or 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 wellbeing goals/objectives as a result of this report.

8. Financial implications

8.1 There are no financial implications arising from this report.

9. Recommendations

9.1 It is recommended that the Committee:

- note the final Annual Governance Statement 2019-20 (**Appendix A**)
- consider the Annual Governance Statement 2020-21 Action Plan (**Appendix B**)

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

Contact officer: Nigel Smith
Interim Group Manager – Chief Accountant

Telephone: 01656 643605

Email: nigel.smith@bridgend.gov.uk

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

Background documents: None

Report to Audit Committee 16 July 2020: Annual Governance Statement 2019-20
Statement of Accounts 2019-20



Foreword

“One Council working together to improve lives”

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

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

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

The Council also has a duty to set well-being objectives under the Well-being of Future Generations (Wales) Act 2015 and the Local Government (Wales) Measure 2009 to make arrangements to secure continuous improvement in delivering its functions in terms of strategic effectiveness, service quality, service availability, fairness, sustainability, efficiency and innovation.

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



Mark Shephard
Chief Executive



Cllr Huw David
Leader of the Council



Dunraven Place regeneration

What is Corporate Governance?

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

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

What this Statement tells you

This Statement describes the extent to which the Council has complied with its Code of Corporate Governance and the requirements of the Accounts and Audit (Wales) Regulations 201 and the Accounts and Audit (Wales) (Amendment) Regulations 2018 for the year ended 31 March 2020.

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

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

The Council's Governance Responsibilities

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

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

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

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

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

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

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

Bridgend County Borough Council Code of Governance (2017)

The Council's Governance Principles are based on the following:

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



¹ Local Government (Wales) Measure 2009

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

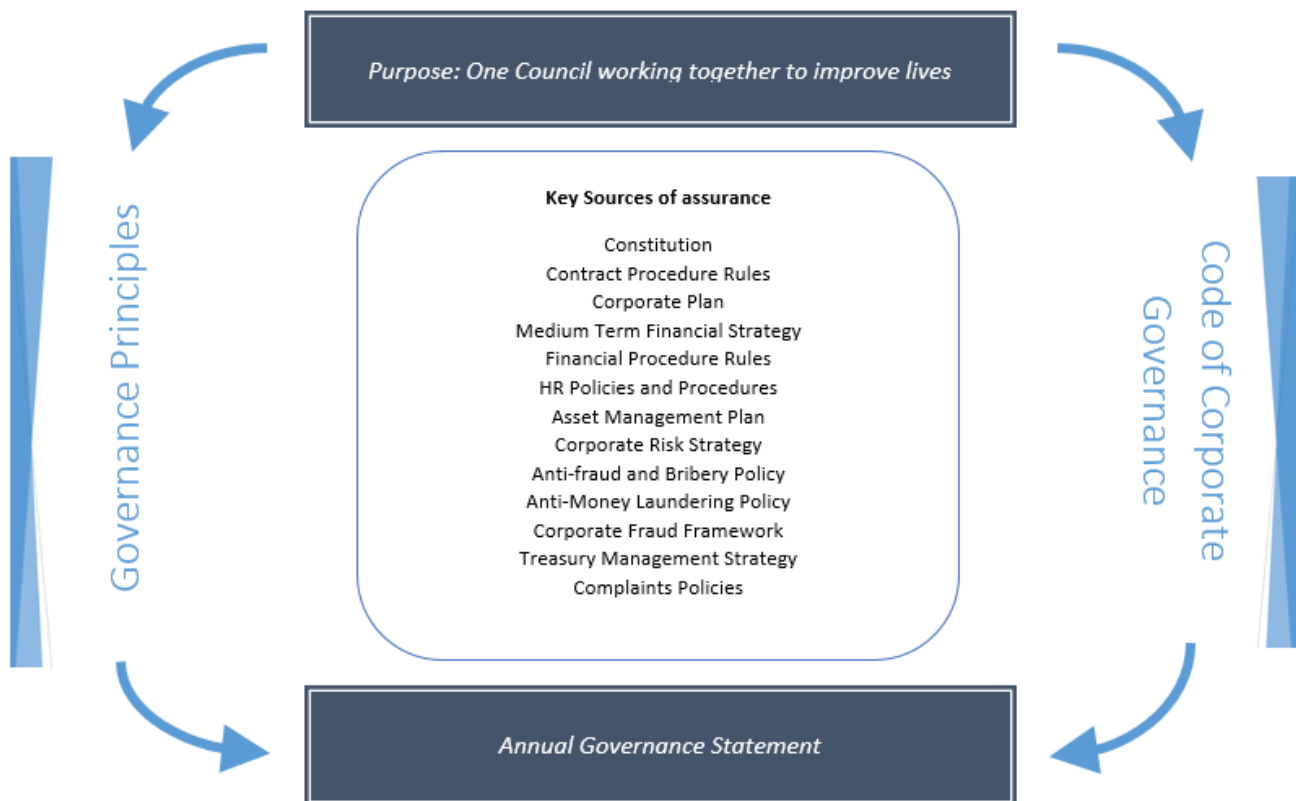
The Governance Framework

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

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

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

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



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

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

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

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

COVID-19

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

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

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

- Schools (as noted above)

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

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

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

As the country moved into lockdown, all formal meetings of Council were immediately cancelled. This was in line with government measures to mitigate the spread of Coronavirus. This extended to Council, Cabinet and all committee and sub-committee meetings including Development Control, Overview and Scrutiny, Audit Committee and Licensing. All other non-essential meetings were also cancelled. Key and urgent decisions continue to be made in accordance with the Council's Scheme of Delegation of Functions and urgent decision-making procedures. Schedules of the use of the Emergency Powers and key decisions exercised during the pandemic are reported to all Elected Members on a weekly basis and published on the Council's website. To ensure appropriate governance procedures are in place during this time, on 17 March 2020, a COVID-19 Group was established with members of the Cabinet and Corporate Management Board (CMB), along with a number of other key officers. Decisions made during these COVID-19 meetings and outside the normal delegation process are recorded in the minutes, and any actions or updates communicated via the Council's daily updates on its website.

Local Authorities have now been given new powers to hold public meetings virtually under the Local Authorities (Meetings) (Wales) Regulations 2020 using video conferencing technology. This was effective from 22 April 2020 and applies in meetings held up until 1 May 2022. There is no longer a requirement to hold such meetings in person during the pandemic. This will enable the Council to make effective and transparent decisions on the delivery of services for residents whilst ensuring that Councillors, staff and the wider public are able to follow government advice by staying at home to stop the spread of Coronavirus. The Council will be required to determine how meetings are conducted, voting procedures will work and how to ensure that the public have access.

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

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

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

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

The Council took on board the guidance and advice set out in Procurement Policy Notice 01/20: Responding to Covid-19, and subsequent notices, and put in place a number of measures to support suppliers, including payments in advance of supply where appropriate, maintaining management fee levels for some of our key providers during the pandemic, and increasing the number of BACS payments made per week to ensure funding reached supplier accounts more quickly. This was done mindful of the Council's Financial Procedure Rules, delegated powers process and the Covid-19 decision making process. Whilst supporting suppliers in this way, to minimise any risk of fraud, those who received funding from the Council were requested to sign up to an open book accounting process so that the Council could verify any funding the organisation received, to ensure no duplicate funding was made.

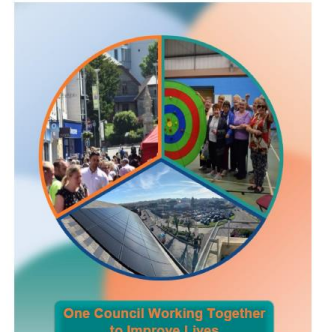
Whilst a number of Council capital schemes have been delayed, the longer term consequences of the coronavirus pandemic are not yet known or have been quantified. However it seems inevitable that a number of businesses will find themselves in financial difficulties and maybe go out of business. There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

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

In July 2020 the Council established a cross-party Recovery Panel whose role is to inform, support and challenge the recovery exercise, and ensure that elected Members and key partners have an opportunity to feed into and shape thinking, and make recommendations back to Cabinet.

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’.



Corporate Plan 2018-2022 reviewed for 2020-2021

Well-being Goal	Well-being Objective		
	Supporting a successful sustainable economy	Helping people and communities to be more healthy and resilient	Smarter use of resources
A prosperous Wales	✓		✓
A resilient Wales			✓
A healthier Wales	✓	✓	✓
A more equal Wales	✓	✓	✓
A Wales of cohesive communities	✓	✓	✓
A Wales of vibrant culture and thriving Welsh language	✓	✓	
A globally responsible Wales	✓		✓

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

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

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

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

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

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

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

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

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



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

Assessing Performance

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

Audit Wales³, our External Auditor, assesses the Council's arrangements for delivering continuous improvement and subsequent performance, the results of which are published in their [Annual Improvement Report](#). In October 2019 they reported that 'the Auditor General believes that the Council is likely to comply with the requirements of the Local Government Measure (2009) during 2019-20'. Whilst there were some proposals for improvements, the Auditor General made no formal recommendations, demonstrating the commitment of the Council to continuous improvement.

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

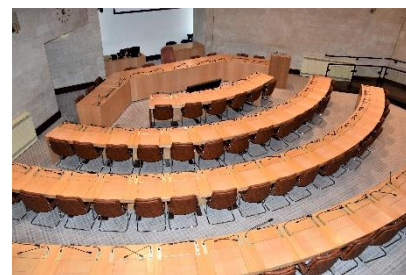
Report	Key outcomes
Savings Planning Follow Up, August 2019	The purpose of the review was to assess the Council's progress in addressing proposals for improvement in the Council's savings planning, and consider the effectiveness of the Council's arrangements for achieving its savings proposals. Overall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

³ Since 1 April 2020 the Wales Audit Office and Auditor General are branded as Audit Wales. The statutory names remain Wales Audit Office and Auditor General for Wales.

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

Decision Making and Responsibilities

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



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

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

issues. The Council also uses social media to promote services and engage with the public and makes information available on a range of formats to maximise the opportunity for information sharing and residents communicating with the Council.

Managing Risk

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

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

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

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

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

Financial Management

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

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



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

detailed budgets for year on of the Strategy with indicative budgets thereafter based on a range of funding scenarios.

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

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

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



Audit and Audit Assurances

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

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

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

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

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

“Reasonable Assurance”

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

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

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

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

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

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

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

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



The Pavilion, Porthcawl

Improving Governance

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

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

	<p>all the schools at the beginning of the academic year to identify and share good practice. There have been a number of activities for more able pupils via the Seren Network to help them work towards the highest grades.</p> <p>One school was taken out of special measures in September 2019, a 2nd is on track to be taken out in a timely manner following the most recent Estyn inspection and the 3rd has had a change of leadership and is now making good progress in improvements.</p> <p>The Council has been working closely with Welsh Government, other local authorities and the national coordinator for the parent's action group (RhAG) to review the composition and function of the Forum to increase its effectiveness in delivering the WESP priorities.</p> <p>The impact of COVID-19 and the closure of schools in March 2020 will mean that further progress will need to be made in the new academic year to fully respond to the recommendations made.</p>
<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 was permanently appointed in May 2019 and the Section 151 post was advertised at the start of 2020. Unfortunately there was not sufficiently qualified applicants to be able to progress to the assessment centre stage. To help strengthen the resilience of the Finance function, a temporary Deputy Head of Finance and Section 151 Officer post was appointed in May 2019.</p>
<p>The impact of the Health Boundary change from the Western Bay Region to the Cwm Taf Region</p>	<p>The Council is now formally part of the new Cwm Taf Morgannwg Regional Partnership Board and the associated groups. The Council has contributed to the planning and review of this new partnership to ensure that the new arrangements reflect the changes made. This was monitored throughout the year and the partnership continues to progress well.</p>
<p>The impact of Brexit on services and finances could place increased pressures on Council resources</p>	<p>The Council has established an internal cross-Directorate Brexit Forum, chaired by the Chief Executive, to assess the potential impact of Brexit on service delivery along with actions to mitigate against risks. A report was presented to Cabinet in March 2019 setting out a Brexit risk register, which has been actively monitored and updated as necessary, and the Council will continue to do so as the UK progresses an exit from the European Union.</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 activity⁴</p>	<p>A system of monitoring recommendations has been implemented to ensure that the impact of scrutiny is properly evaluated and acted upon to improve the function's effectiveness; including following up on proposed actions and examining outcomes. A report is presented to each Overview and Scrutiny Committee to approve the feedback and responses to the comments and recommendations prepared by Members at the previous meeting. Red, Amber and Green (RAG) statuses are allocated to each recommendation where appropriate and action the feedback as needed. The RAG statuses are monitored by Committees on an ongoing basis and actioned as appropriate.</p> <p>Research has been undertaken by the Scrutiny Team to look at best practice elsewhere, particularly how other local authorities get the public involved in the scrutiny process. In pursuance of this, members of the Scrutiny Team attend and participate fully in two Scrutiny Networks, namely the Welsh Local Government Association (WLGA) Scrutiny Officers' Network and the South East Wales Scrutiny</p>

⁴ Audit Wales Annual Improvement Report 2017-18 – September 2018

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

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

<p>Covid-19 will have significant impacts as the infection rate increases. This will impact on workforce, delivery of services, economic and social pressures and disruption for months and possibly years to come.</p>	<p>The Council will need to consider how its front-line services can continue to deliver, taking into account the number of staff self-isolating and those who are ill with the virus. The Council will face increasing cost pressures, such as the provision of personal protective equipment (PPE) to front line staff, equipping office based staff to work remotely via IT solutions – laptops and associated software requirements, and increased needs of communities as people’s personal financial positions change. Following the move back to more normal operating conditions the Council will need to plan to bring back into operation those services temporarily suspended, and the potential impacts on service demand following the pandemic.</p>
<p>The uncertainty regarding the impact of and exit from the European Union may well place continued increasing expectations and demands on public sector organisations and the Council which will need to be factored into the Medium Term Financial Strategy</p>	<p>The Council will continue to monitor external economic and fiscal information to ensure that it can respond as quickly as possible to unexpected events. The COVID-19 pandemic will place increasing pressures on Council resources and budgets, and the Council will need to closely monitor costs and lost income as a result of the pandemic and lockdown arrangements, on its budget and cash-flow requirements.</p>
<p>Changes in Senior Management at Corporate Management Board level</p>	<p>The current coronavirus pandemic means that taking forward any recruitment process will be delayed, until such time as the Council is able to return to more normal operational arrangements. The Corporate Director Social Services and Wellbeing was due to retire at the end of April, but has agreed to continue in the role for a 3 month period during the pandemic. A new Director was appointed in June 2020 and will take up the post in October 2020. A new Corporate Director Communities took up position in March 2020. The Council was unable to recruit to the Chief Officer, Finance, Performance and Change and arrangements will be put in place to take forward this crucial role over the next few months. Although the post has not been filled on a permanent basis, the current interim arrangements are likely to continue until the post is filled</p>
<p>Outcome of the Audit Wales report into Safeguarding and implementing the recommendations made therein</p>	<p>The outcome of the Audit Wales report are noted under ‘Assessing Performance’. The report makes a number of recommendations that the Council will need to put in place to ensure that the Councils’ safeguarding arrangements are robust. The Council’s Audit Committee have requested they have the opportunity to review an action plan and progress report from Officers.</p>
<p>Outcome of the Care Inspectorate Wales – Inspection of Older Adults Services Bridgend County Borough Council (January 2020)</p>	<p>The purpose of the inspection was to explore how well the Council, with its partners, is promoting independence and preventing escalating needs for older adults. The inspection identified a significant number of areas of strength, and some areas for improvements. The council will consider these improvements and put in place processes to address the areas identified over the forthcoming period.</p>
<p>Strengthen the scrutiny and oversight arrangements of environmental health services and work with the Shared Regulatory Services and other providers to explore the opportunities for future improvements</p>	<p>As noted above under ‘Assessing Performance’, a number of recommendations have been made to strengthen the scrutiny and oversight of environmental health services for Bridgend, within the overall Shared Regulatory Services arrangements. The Council will need to ensure that it works with the Shared Regulatory Services and other providers to ensure a robust service with sufficient and appropriate monitoring thereof.</p>

<p>The risk of fraud especially in the current Covid-19 pandemic with significant funding moving around and increased digitalisation of transacting with the Council</p>	<p>The Council is seeking to strengthen arrangements to tackle and minimise fraud including considering the appointment of a Corporate Fraud Officer, updating and strengthening anti-fraud and anti-money laundering policies and mandatory e-learning for all staff, and continued working alongside the UK Government's National Fraud Initiative.</p> <p>In terms of the specific funding being provided for business grants, we are considering alternative options for a post-payment check on grants awarded to provide assurance that grants were not fraudulently obtained. This most likely will be through the National Fraud Initiative.</p>
<p>The increasingly challenging budgets for Schools, with potential for greater deficit school budgets</p>	<p>There have been increasing pressures on school budgets and an increase in schools setting deficit budgets. Whilst schools do set deficit budgets, this must be a licensed deficit and in line with the requirements set out in the Financial Scheme for Schools, which includes the need to have approved deficit recovery plans in place. At the end of 2019-20 school balances overall were a net surplus of £108,000, a reduction of £506,000 for the year.</p> <p>It is difficult to know what impact Covid-19 will have on school budgets during 2020-21 as the majority will have been closed for months, whereas others are set up as hubs. There may be a requirement to re-allocate funding either amongst schools where expenditure was incurred, or even wider outside of school budgets where cost pressures have not been funded elsewhere.</p>

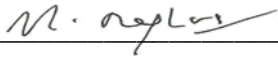
These issues will be monitored via a detailed action plan during 2020-21, with the responsible officer and deadline for implementation identified for each action, and reported to Cabinet/Corporate Management Board and to the Audit Committee.


Assurance

The Council reacted quickly to the Covid-19 pandemic to put in place controls and recording of decisions made to ensure that appropriate governance arrangements were in place. Given these arrangements no significant internal control or governance issues have arisen, and the Council continues to have in place appropriate internal control and governance arrangements.

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: 27 August 2020
(Chief Executive)

Signed:  Date: 27 August 2020
(Leader)



Annual Governance Statement – half-year review of progress against significant issues identified during 2019-20, to be addressed in 2020-21

Issue	Action	Responsible Officer	Update November 2020
<p>Covid-19 will have significant impacts as the infection rate increases. This will impact on workforce, delivery of services, economic and social pressures and disruption for months and possibly years to come.</p>	<p>The Council will need to consider how its front-line services can continue to deliver, taking into account the number of staff self-isolating and those who are ill with the virus. The Council will face increasing cost pressures, such as the provision of personal protective equipment (PPE) to front line staff, equipping office based staff to work remotely via IT solutions – laptops and associated software requirements, and increased needs of communities as people’s personal financial positions change. Following the move back to more normal operating conditions the Council will need to plan to bring back into operation those services temporarily suspended, and the potential impacts on service demand following the pandemic.</p>	<p>Chief Executive</p>	<p>Almost 8 months on from the original Covid-19 outbreak in the UK and the national lockdown, the Council is having to learn to live with the consequences of continuing to deliver effective public services amidst an ongoing global pandemic. A great deal of the Council’s staff continue to work from home and significant investment has been made in ensuring that can be done as effectively as possible . While there continues to be a great deal of focus on delivering services directly related to the pandemic, for example, ensuring adequate PPE, leading on test, trace and protect, and preparing for mass vaccination programmes, priority is now also being given to ‘recovery’. The Council has set an approved recovery plan based on four themes of financial stability for the organisation, economic recovery, service restoration [often adapting services to ensure they are Covid safe] and public health. A cross party recovery panel has been established and made sixteen initial recommendations to Cabinet to inform our detailed recovery planning. In addition a lessons learnt document has been produced to ensure the council is best placed to respond even more</p>

			effectively to any future lockdowns or crisis.
<p>The uncertainty regarding the impact of and exit from the European Union may well place continued increasing expectations and demands on public sector organisations and the Council which will need to be factored into the Medium Term Financial Strategy</p>	<p>The Council will continue to monitor external economic and fiscal information to ensure that it can respond as quickly as possible to unexpected events. The COVID-19 pandemic will place increasing pressures on Council resources and budgets, and the Council will need to closely monitor costs and lost income as a result of the pandemic and lockdown arrangements, on its budget and cash-flow requirements.</p>	<p>Interim Chief Officer - Finance, Performance and Change</p>	<p>Since the start of the Covid-19 pandemic the Council’s finances have been impacted in a number of ways, including increased cost pressures, lost income, reduced council tax collection and increased council tax support, offset partially by small savings in some service areas. WG has provided significant financial support to help to mitigate some of these pressures, but there is no guarantee that this funding will continue into the next financial year, and this is impacting on the likely MTFS position for 2021-22 onwards.</p> <p>In addition, as a result of the large volume and value of grants being paid to individuals and businesses, the Council’s cash flow has had to be managed more closely, and a range of investment opportunities considered on a short term basis.</p> <p>In terms of the MTFS the external fiscal climate is kept under continuous review, with regular information on the economic climate, including interest rates and inflation predictions received from our Treasury Management advisors. Assumptions built into the MTFS are adjusted accordingly.</p>

			<p>In terms of Brexit specifically, the cross Directorate Brexit forum has continued to meet on a regular basis. The risk register has been updated regularly to take account of ongoing changes and the effect of mitigating actions that have been put in place. The main difficulty remains that it is still unclear exactly what the nature of that Brexit will mean in terms of a deal or no deal.</p> <p>The Council has established specific earmarked reserves for Covid-19 and Brexit and they will be reviewed quarterly as part of the Council’s review process.</p>
<p>Changes in Senior Management at Corporate Management Board level</p>	<p>The current coronavirus pandemic means that taking forward any recruitment process will be delayed, until such time as the Council is able to return to more normal operational arrangements. The Corporate Director Social Services and Wellbeing was due to retire at the end of April, but has agreed to continue in the role for a 3 month period during the pandemic. A new Director was appointed in June 2020 and will take up the post in October 2020. A new Corporate Director Communities took up position in March 2020. The Council was unable to recruit to the Chief Officer, Finance, Performance and Change and arrangements will be put in place to take forward this crucial role over the next few months. Although the post has not been filled on a permanent basis, the current interim</p>	<p>Chief Executive</p>	<p>The Council’s new Corporate Director of Social Services and Wellbeing has now started work and the Corporate Director of Communities is also now an established member of the Council’s corporate management team. The risks therefore identified back in March are now largely mitigated and the virtual recruitment exercise to appoint the Corporate Director of Social Services and Wellbeing was shown to work well, with strong demand for the post and an effective recruitment process. There is now therefore greater resilience across the Council’s senior management team.</p> <p>The one outstanding issue remains appointing a permanent replacement for the Council’s interim Chief Officer for</p>

	<p>arrangements are likely to continue until the post is filled.</p>		<p>Finance, Performance and Change. A further unsuccessful attempt to recruit was made in the summer so this matter is currently being considered further. In the meantime the current post holder has agreed to stay until the matter is resolved.</p>
<p>Outcome of the Audit Wales report into Safeguarding and implementing the recommendations made therein</p>	<p>The outcome of the Audit Wales report are noted under ‘Assessing Performance’. The report makes a number of recommendations that the Council will need to put in place to ensure that the Councils’ safeguarding arrangements are robust. The Council’s Audit Committee have requested they have the opportunity to review an action plan and progress report from Officers.</p>	<p>Corporate Director – Social Services & Wellbeing</p>	<p>The Audit Committee held on the 16th July 2020, received the October 2019 WAO report: ‘follow up review of corporate arrangements for the safeguarding of children’. The actions and progress made against the proposals for improvement were noted and the item recorded as resolved.</p>
<p>Outcome of the Care Inspectorate Wales – Inspection of Older Adults Services Bridgend County Borough Council (January 2020)</p>	<p>The purpose of the inspection was to explore how well the Council, with its partners, is promoting independence and preventing escalating needs for older adults. The inspection identified a significant number of areas of strength, and some areas for improvements. The council will consider these improvements and put in place processes to address the areas identified over the forthcoming period.</p>	<p>Corporate Director – Social Services & Wellbeing</p>	<p>Due to the service responding to the current pandemic the areas of improvement have not progressed as originally planned. However progress has been made in a number of areas and the action plan is being updated with new timelines and will be monitored within the directorate’s governance structures and with CIW accordingly.</p>

<p>Strengthen the scrutiny and oversight arrangements of environmental health services and work with the Shared Regulatory Services and other providers to explore the opportunities for future improvements</p>	<p>As noted above under ‘Assessing Performance’, a number of recommendations have been made to strengthen the scrutiny and oversight of environmental health services for Bridgend, within the overall Shared Regulatory Services arrangements. The Council will need to ensure that it works with the Shared Regulatory Services and other providers to ensure a robust service with sufficient and appropriate monitoring thereof.</p>	<p>Chief Officer – Legal, HR and Regulatory Services</p>	<p>Due to the Covid pandemic there has been limited formal scrutiny. Whilst it was anticipated that scrutiny arrangements would be reviewed this is yet to happen. SRS are at the forefront of the Covid response which has given increased visibility of their role. There continues to be SRS committee meetings and regular meetings with the Head of the Service and relevant Cabinet member.</p>
<p>The risk of fraud especially in the current Covid-19 pandemic with significant funding moving around and increased digitalisation of transacting with the Council</p>	<p>The Council is seeking to strengthen arrangements to tackle and minimise fraud including considering the appointment of a Corporate Fraud Officer, updating and strengthening anti-fraud and anti-money laundering policies and mandatory e-learning for all staff, and continued working alongside the UK Government’s National Fraud Initiative.</p> <p>In terms of the specific funding being provided for business grants, we are considering alternative options for a post-payment check on grants awarded to provide assurance that grants were not fraudulently obtained. This most likely will be through the National Fraud Initiative.</p>	<p>Interim Chief Officer - Finance, Performance and Change</p>	<p>The Council has placed a strong emphasis on the prevention of fraud during the Covid-19 pandemic, especially with the large volume and value of grants being paid out to individuals and organisations through various WG support schemes.</p> <p>The Council appointed a Senior Fraud Investigator in August 2020, who is playing a lead role in the detection and investigation of suspected fraudulent activity within the Council, and actively promoting fraud awareness across the Council.</p> <p>The Fraud Prevention e-learning module has been developed and rolled out to staff, fraud information is being updated and being made available to staff on the intranet and a more detailed fraud risk assessment process is being developed that will link to the corporate risk management process. Work is also</p>

			<p>underway on the development of a Corporate Anti-Tax Evasion policy.</p> <p>The Council is currently gathering data to submit as part of the National Fraud Initiative. This will include Covid-19 grants and payments.</p>
<p>The increasingly challenging budgets for Schools, with potential for greater deficit school budgets</p>	<p>There have been increasing pressures on school budgets and an increase in schools setting deficit budgets. Whilst schools do set deficit budgets, this must be a licensed deficit and in line with the requirements set out in the Financial Scheme for Schools, which includes the need to have approved deficit recovery plans in place. At the end of 2019-20 school balances overall were a net surplus of £108,000, a reduction of £506,000 for the year.</p> <p>It is difficult to know what impact Covid-19 will have on school budgets during 2020-21 as the majority will have been closed for months, whereas others are set up as hubs. There may be a requirement to re-allocate funding either amongst schools where expenditure was incurred, or even wider outside of school budgets where cost pressures have not been funded elsewhere.</p>	<p>Interim Chief Officer - Finance, Performance and Change/Corporate Director – Education and Family Support</p>	<p>The impact of Covid-19 on schools has been significant, with schools closed from 20th March 2020, and not reopening until September, although some were used as childcare hubs during the summer months. School budgets were still required to be set for the financial year with deficit recovery plans in place as per the Financial Scheme for Schools. Due to the pandemic and school closures this has been a slower process than usual, but work is continuing on supporting those in deficit, agreeing deficit recovery plans and monitoring balances overall.</p> <p>There have been some savings arising in school budgets as a consequence of the closures, including savings on energy, cleaning, supply cover and some resources. However, since reopening, there have been additional cost pressures, to put systems in place to maintain social distancing, for more regular cleaning, and purchase of ICT equipment to enable continued education for those children that are self-isolating. Some of the funding has been</p>

			<p>met from one-off grants from WG (e.g. cleaning resources) and others are being claimed from the WG Hardship Fund, but not all are eligible. WG has indicated that any claims for costs must be net of any savings made, so work is ongoing to identify these. The likelihood is that any savings e.g. on energy will be mitigated by higher than usual energy bills during the winter period, as windows are kept open to provide more ventilation in classrooms.</p> <p>The current projection for school budgets at quarter 2 is an overall deficit of £848k, but we may receive additional grant funding before year end to mitigate some of this. The position will be closely monitored during the remainder of the financial year and finance officers will work with schools to help to manage any deficits accordingly.</p>
--	--	--	--

This page is intentionally left blank

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO THE GOVERNANCE AND AUDIT COMMITTEE

12 NOVEMBER 2020

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

TREASURY MANAGEMENT – HALF YEAR REPORT 2020-21

1. Purpose of report

1.1 The purpose of this report is to:-

- Update the Governance and Audit Committee on the mid-year review and half year position for treasury management activities and treasury management indicators for 2020-21.
- Highlight compliance with the Council's policies and practices which have been reported to Cabinet and Council.
- Provide an update on the proposed changes to the Treasury Management Strategy 2020-21 to be presented to Council for approval.

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

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

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

2.2 The work of the Governance and Audit Committee supports corporate governance and assists in the achievement of all corporate and service objectives. Prudent treasury management arrangements will ensure that investment and borrowing decisions made by officers on behalf of the Council contribute to smarter use of financial resources and hence assist in the achievement of the Council's well-being objectives.

3. Background

3.1 Governance and Audit Committee has been nominated to be responsible for ensuring effective scrutiny of the Treasury Management Strategy (TMS) and policies. During the 2020-21 financial year to date, in addition to the regular treasury management reports to Cabinet and Council, Audit Committee

received the Annual Treasury Management Outturn Report 2019-20 in September 2020.

- 3.2 The Council's treasury management activities are regulated by the Local Government Act 2003 which provides the powers to borrow and invest as well as providing controls and limits on this activity. The Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 as amended, develops the controls and powers within the Act. This requires the Council to undertake any borrowing activity with regard to the Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code for Capital Finance in Local Authorities and to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services (TM Code). The Council is required to operate the overall treasury function with regard to the TM Code and this was formally adopted by the Council in February 2012. This includes a requirement for the Council to approve a TMS before the start of each financial year which sets out the Council's and Chief Financial Officer's responsibilities, delegation, and reporting arrangements. Council approved the TMS 2020-21 on 26 February 2020.
- 3.3 Treasury investments covers all of the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return. The Council's Capital Strategy includes the Prudential Indicators and the Council's non-Treasury investments. The Capital Strategy and TMS should be read in conjunction with each other as they are interlinked as borrowing and investments are directly impacted upon by capital plans. Both were approved by Council on 26 February 2020.
- 3.4 Following a recent re-tender exercise for the Council's treasury management advisors, Arlingclose were the successful tenderer and will continue to be the Council's advisors for the next 4 years. The services provided to the Council include:-
- advice and guidance on relevant policies, strategies and reports
 - advice on investment decisions
 - notification of credit ratings and changes
 - other information on credit quality
 - advice on debt management decisions
 - accounting advice
 - reports on treasury performance
 - forecasts of interest rates
 - training courses

4. Current Situation/Proposal

- 4.1 The Council has complied with its legislative and regulatory requirements during the first half of 2020-21. The TMS 2020-21 was reported to Council on 26 February 2020 with the Half Year Outturn scheduled to be reported on 18 November 2020. In addition, a quarterly monitoring report was presented to Cabinet in July 2020.

- 4.2 A summary of the treasury management activities for the first half of 2020-21 is shown in Table 1 in **Appendix A**. The Council has not taken long term borrowing since March 2012 and it is not expected that there will be a requirement for any new long term borrowing in 2020-21. Favourable cash flows have provided surplus funds for investment and the balance on investments at 30 September 2020 was £64.29 million with an average rate of interest of 0.24%. This is a significant reduction from the same time last year when the average rate was 0.85%, and shows the impact of the reductions in interest rates during March 2020.
- 4.3 Restructuring of the debt portfolio, and in particular the Lender Option Borrower Option (LOBO) loans has been previously considered. The LOBOs have two trigger points during the year at which point the lender may consider offering the Council the option to repay the loan without penalty. At the current interest rates the lender is not likely to exercise that option. Any renegotiation of the LOBO would result in a premium payable by the Council. At current rates the premium would far outweigh the savings achievable. The Council will continue to review its long term lending and would take the option to repay these loans at no cost if it has the opportunity to do so.
- 4.4 Table 4 in section 4 of **Appendix A** details the movement of the investments by counterparty types and shows the average balances, interest received, original duration and interest rates for the first half of 2020-21.
- 4.5 The TM Code requires the Council to set and report on a number of Treasury Management Indicators. The indicators either summarise the expected activity or introduce limits upon the activity. Details of the estimates for 2020-21 set out in the Council's TMS, against current projections, are shown in **Appendix A** and these show that the Council is operating in line with the approved limits.
- 4.6 The Council defines high credit quality as organisations and securities having a credit rating of A- or higher and **Appendix B** shows the equivalence table for credit ratings for Fitch, Moody's and Standard & Poor's and explains the different investment grades.
- 4.7 CIPFA's Code of Practice for Treasury Management requires all local authorities to conduct a mid-year review of its treasury management policies, practices and activities. The outcome of this review is that there are changes required to investment limits as below:
- Increase the investment limit to Registered Providers from £3 million to £5 million. As the Council has had positive cash balances this will provide the Council with wider scope in making investments at a practical level (Table 6 of the TMS).
 - Increase the total amount that can be invested in Money Market Funds (MMFs) from £20 million to £30 million. This is to enable the Council to increase the number of MMF's available to it thus assisting Treasury Management activities on a practical level, whilst also providing greater diversity of funds available to the Council (Table 9 of the TMS).

The proposed revised TMS is included at **Appendix C** and the proposed amendments highlighted in red. Both these amendments have been discussed with our Treasury Management Advisors.

5. Effect upon policy framework & procedure rules

5.1 As required by Financial Procedure Rule 20.3 within the Council's Constitution, all investments and borrowing transactions have been undertaken in accordance with the TMS 2020-21 as approved by Council with due regard to the requirements of the CIPFA's Code of Practice on Treasury Management in the Public Services.

6. Equality Impact Assessment

6.1 There are no equality implications.

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

7.1 The well-being goals identified in the Act were considered in the preparation of this report. As the report is for information only and is retrospective in nature it is considered that there will be no significant or unacceptable impacts upon the achievement of well-being goals/objectives as a result of this report.

8. Financial implications

8.1 The financial implications are reflected within the report.

9. Recommendations

9.1 It is recommended that the Committee:

- Note the treasury management activities for 2020-21 for the period 1 April 2020 to 30 September 2020 and the projected Treasury Management Indicators for 2020-21.
- Recommend that the proposed changes to the Treasury Management Strategy 2020-21 be presented to Council for approval in November 2020.

Gill Lewis

Interim Chief Officer – Finance, Performance and Change

30 October 2020

Contact Officer: Nigel Smith
Group Manager – Chief Accountant

Telephone: 01656 643605

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

Postal Address: Civic Offices, Angel Street, Bridgend, CF31 4WB

Background documents:

Capital Strategy 2020-21

This page is intentionally left blank

APPENDIX A

SUMMARY OF TREASURY MANAGEMENT ACTIVITIES 2020-21 1 APRIL TO 30 SEPTEMBER 2020

1. External Debt and Investment Position

On 30 September 2020, the Council held £96.87 million of external long term borrowing and £64.29 million of investments. The Council's external debt and investment position for 1 April to 30 September 2020 is shown below in Table 1; more detail is provided in section 3 - Borrowing Strategy and Outturn - and section 4 - Investment Strategy and Outturn:

Table 1: External debt and investment position 1 April 2020 to 30 September 2020

	Principal 01/04/2020 £m	Average Rate 01/04/2020 %	Principal 30/09/2020 £m	Average Rate 30/09/2020 %
External Long Term Borrowing:				
Public Works Loan Board	77.62	4.70	77.62	4.70%
Lender's Option Borrower's Option	19.25	4.65	19.25	4.65%
Total External Borrowing	96.87	4.69	96.87	4.69
Other Long Term Liabilities (LTL):				
Private Finance Initiative (PFI)*	16.30		15.94	
Other LTL	1.10		1.02	
Total Other Long Term Liabilities	17.40		16.96	
Total Gross External Debt	114.27		113.83	
Treasury Investments:				
PWLB	37.00	0.06	15.20	0.01
Local Authorities	18.00	0.97	28.50	0.49
Banks	5.00	0.34	3.59	0.07
Building Societies	2.00	0.78	-	-
Money Market Fund***	-	-	17.00	0.07
Total Treasury Investments	62	0.37	64.29	0.24
Net Debt	52.27		49.54	

* (PFI) arrangement for the provision of a Secondary School in Maesteg 13.75 years remaining term

*** these funds provide instant access

Where a Council finances capital expenditure by debt, it must put aside revenue resources to repay that debt in later years and this amount charged to revenue is called the Minimum Revenue Provision (MRP). The Local Authority (Capital Finance and Accounting) (Amendment) (Wales) Regulations 2008 requires the Council to produce and approve an annual Minimum Revenue Provision (MRP) Statement before the start of the financial year that details the methodology for

the MRP charge and this is detailed in the Council's Capital Strategy. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing. This strategy is prudent as investment returns are low and counterparty risk is relatively high. Whilst the CFR is forecast to remain static over this financial year at £171.78 million, going forward it is expected to increase due to the amount of prudential borrowing in the capital program in future years.

The liability benchmark measures the Council's projected net debt requirement plus a short term liquidity allowance in the form of minimum cash and investment balances. The purpose of the benchmark is to set the level of risk which the Council regards as its balanced or normal position. The forecast liability benchmark, or level of debt as at 31 March 2021 is £103.3 million, which is below the estimate within the TMS. The current level of long-term borrowing is £96.87 million, which is an under-borrowed position as the Council has available reserves it can use to fund capital expenditure in the short term. This is a prudent approach to managing its cash resources. Table 2 below has been produced using estimates of capital spend and forecasts on usable reserves for the current financial year. The Loans CFR ignores cash balances and may be too high if the authority benefits from long term positive cash flows which this Council does benefit from. The benchmark assumes that cash and investment balances are kept to a minimum level of £10 million at each year-end to maintain sufficient liquidity but minimise credit risk.

Table 2: Liability benchmark

	2019-20 Actual	2020-21 Estimate TMS	2020-21 Projection
	£m	£m	£m
Loans Capital Financing Requirement	157.0	157.4	157.0
Less: Usable reserves	(76.0)	(48.1)	(63.7)
Working capital	(7.0)	-	-
Plus: Minimum investments	10.0	10.0	10.0
Liability Benchmark	84.0	119.3	103.3

2. External Context

The interest rate views incorporated in the Council's TMS 2020-21 were based upon officers' views supported by a forecast from Arlingclose. When the TMS 2020-21 was prepared at the beginning of 2020, it was written on the basis of an orderly transition to a deep free trade agreement between the United Kingdom (UK) and the European Union. Consequently Arlingclose forecasted that the Bank Rate would remain at 0.75% until the end of 2022, unless Brexit uncertainty dragged on or global growth failed to recover. To date no trade deal has been agreed and the transition period will end on 31 December 2020.

In addition to the Brexit uncertainty, at the start of the year nobody could have predicted the widespread Covid-19 pandemic, the prolonged period of lockdown across the UK or the devastating impact on the economy in general, UK finances and the Council's own budgets. The Bank Rate was reduced from 0.75% to 0.25% on 11 March 2020 and then lowered again to 0.1% on 19 March 2020. In May 2020 the Bank of England governor suggested that there is a risk that Britain's economy will take longer to recover from the impact of the coronavirus than originally anticipated. He said that the risks were undoubtedly to the downside for the economic recovery to be "longer and harder". He added "It is also possible that the pace at which activity recovers will be limited by continued caution among households and businesses even as official social distancing measures are relaxed". The Bank of England has stated that it is ready to provide further support for the economy and this includes cutting interest rates below zero, but this would need careful consideration. Arlingclose has indicated that any further reduction in the bank rate to zero, or a negative rate, will have an impact on money market and deposit account rates, money market fund returns and borrowing costs. The impact of the pandemic on the Council's financial position will be kept under continuous review during the financial year and any necessary changes reported at the earliest opportunity.

Since the outbreak of the Covid-19 pandemic, the UK and Welsh Governments have announced a wide range of financial support schemes to try and mitigate the impact on the economy, businesses and individuals. These include:

- Job Retention Scheme (furlough) (UK)
- Self Employed Income Support Scheme (UK)
- Business Rates Grants (WG)
- Small Charities Business Rates Grants (WG)
- Local Government Hardship Fund, including £67m for Adult Social Care, £51 million for free school meals and £10 million for homelessness, in addition to £198 million for lost income.
- Lockdown Grants (WG)
- Economic Resilience Fund (WG)

The local authority has administered a number of the Welsh Government Schemes which involved the payment of over 2,400 business and charity grants worth almost £30 million, as well as bearing the upfront costs of additional support required throughout the pandemic in advance of receiving WG funding. This has clearly had an impact on the Council's cash flow during the first quarter of the financial year and measures were put in place to manage the significant sums of money flowing into and out of the Council's bank account, including receiving earlier payments of Revenue Support Grant and interim business grant payments from Welsh Government, making short term deposits until funding is required and increasing our daily BACS limits to enable more payments to be processed quickly. As the year progresses more Welsh Government grants are being announced and paid, so close management of the Council's cash flow is a priority.

3. Borrowing Strategy and Outturn for 1 April to 30 September 2020

At 30 September 2020, the Council held £96.87 million of long-term loans as part of its strategy for funding previous years' capital programmes. The TMS 2020-21 forecast that the Council would need to borrow £16 million in 2020-21. Currently it is forecast that the Council may need to borrow £2.45 million as a result of anticipated slippage of capital schemes following the Covid-19 pandemic. It is likely that this will reduce to zero should there be any further slippage of the Capital Programme in the remainder of the year. More detail on forecast capital spend is provided in the Capital Strategy 2020-21 which was approved by Council on 26 February 2020 and the Capital Monitoring report approved by Council on 21 October 2020.

The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans, should the Council's long-term plans change, is a secondary objective. Therefore the major objectives to be followed in 2020-21 are:

- to minimise the revenue costs of debt
- to manage the Council's debt maturity profile i.e. to leave no one future year with a high level of repayments that could cause problems in re-borrowing
- to effect funding in any one year at the cheapest cost commensurate with future risk
- to monitor and review the level of variable interest rate loans in order to take greater advantage of interest rate movement
- to reschedule debt if appropriate, in order to take advantage of potential savings as interest rates change
- to optimise the use of all capital resources including borrowing, both supported and unsupported, usable capital receipts, revenue contributions to capital and grants and contributions

Given the impact of the Covid-19 pandemic on the economy and public finances in general, as well as on local government funding in particular, and the uncertainty going forward, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. The ever increasing uncertainty over future interest rates increases the risks associated with treasury activity. As a result the Council will take a cautious approach to its treasury strategy. With short-term interest rates currently much lower than long term rates, it is likely to be more cost effective in the short term to either use internal resources or take out short term loans instead.

The Council's primary objective for the management of its debt is to ensure its long term affordability. The majority of its loans have therefore been borrowed from the Public Works Loan Board (PWLb) at long term fixed rates of interest but we will also investigate other sources of finance, such as Welsh

Government and local authority loans and bank loans that may be available at more favourable rates. Following the increase in the numbers of local authorities taking out PWLB loans to buy commercial properties for yield, the UK government undertook a consultation on the PWLB future lending terms. The outcome of this consultation may impact on future borrowing opportunities for the Council.

The last time the Council took out long term borrowing was £5 million from the PWLB in March 2012 and, as detailed above, the current forecast is that there will be no requirement for new long-term borrowing in 2020-21. The Council may take out short term loans (normally for up to one month) to cover unexpected cash flow shortages. Market conditions have meant that there has been no rescheduling of the Council's long term borrowing so far this year however, in conjunction with Arlingclose, the loan portfolio will continue to be reviewed for any potential savings as a result of any loan rescheduling.

The £19.25 million in table 1 above relates to Lender's Option Borrower's Option (LOBO) loans which have a maturity date of 2054, however these may be re-scheduled in advance of this maturity date. The LOBO rate and term may vary in the future depending upon the prevailing market rates, the lender exercising their option to increase rates at one of the bi-annual trigger points (the trigger dates being July and January) and therefore, the Council being given the option to accept the increase or to repay the loan without incurring a penalty. The lender did not exercise their option on 22 July 2020 and the next trigger point is 22 January 2021. The lender is unlikely to exercise their option in the current low interest rate environment, however, an element of refinancing risk remains. The Council would take the option to repay these loans at no cost if it has the opportunity to do so in the future. The current average interest rate for these LOBO's is 4.65% compared to the PWLB Loans average interest rate of 4.70%. The premiums payable to renegotiate the Council's Lender's Option Borrower's Option (LOBO) continues to be cost prohibitive.

The Treasury Management indicator shown in Table 3 below is for the Maturity Structure of Borrowing and is set for the forthcoming financial year to control the Council's exposure to refinancing risk with respect to the maturity of the Council's external borrowing, and has been set to allow for the possible restructuring of long term debt where this is expected to lead to an overall saving or reduction in risk. It is the amount of projected borrowing maturing in each period as a percentage of total projected borrowing. The upper and lower limits on the maturity structure of borrowing set out in the TMS 2020-21 and the projection for 2020-21 are:

Table 3: Treasury Management Indicator Maturity Structure of Borrowing 2020-21

Refinancing rate risk indicator Maturity structure of borrowing 2020-21	TMS 2020-21 Upper limit %	TMS 2020-21 Lower limit %	Projection 31-3-21 %
Under 12 months	50	-	19.87
12 months and within 24 months	25	-	-
24 months and within 5 years	25	-	9.59
5 years and within 10 years	40	-	16.33
10 years and within 20 years	50	-	11.48
20 years and above	60	25	42.73

The 19.87% shown in Table 3 above relates to the £19.25 million LOBO loans which may be re-scheduled in advance of their maturity date of 2054, as detailed in the paragraph above. The CIPFA Code requires the maturity of LOBO loans to be shown as the earliest date on which the lender can require payment, i.e. the option/call dates in 2020-21, so the maturity date is actually uncertain but is shown in the “Under 12 months” category as per the Code.

4. Investment Strategy and Outturn 1 April to 30 September 2020

Both the CIPFA Code and the WG Guidance require the Council to invest its funds prudently and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council’s objective when investing money is to strike an appropriate balance between risk and return, balancing the risk of incurring losses from defaults against receiving unsuitably low investment income.

The major objectives during 2020-21 were:-

To maintain capital **security**

To maintain **liquidity** so funds are available when expenditure is needed

To achieve the **yield** on investments commensurate with the proper levels of security and liquidity

The Annual Investment Strategy incorporated in the Council’s TMS 2020-21 includes the credit ratings defined for each category of investments and the liquidity of investments. The Council’s investments have historically been placed in mainly short term bank and building society unsecured deposits and local and central government. However, investments may be made with any public or private sector organisations that meet the minimum credit criteria and investment limits specified in the Investment Strategy. The majority of the Council’s surplus cash is currently invested in Money Market Funds and with other local authorities but the Council will continue to look at investment options in line with the limits detailed in the Investment Strategy. In the last 6 months Arlingclose has been constantly stress testing the financial institutions on its recommended counterparty list during the pandemic and, as a result, has removed a number from its recommended list for unsecured deposits and revised the credit rating, outlook and recommended deposit period for a number of others. This reflects the revised likely credit worthiness of the institutions from

the economic and financial market implications of coronavirus. The Council takes into account updated advice from its advisors before making any investment decisions.

The Council holds surplus funds representing income received in advance of expenditure plus balances and reserves and as shown in Table 1 above, the balance on investments at 30 September 2020 was £64.29 million. Table 4 below details these investments by counterparty type. The average investment rate in the period 1 April to 30 September 2020 was 0.33% (Table 4) and was 0.24% at 30 September 2020 (Table 1 – Total treasury investments). On 25th September the rates on Government Debt Management Office (DMO) deposits up to 2 weeks dropped below zero percent to -0.03%, 0% for 3-week deposits and 0.01% for maturities over 3 months. As a result of the pandemic there is potential for future average returns to reduce further.

Table 4: Investments Profile 1 April to 30 September 2020

Investment Counterparty Category	Balance 01 April 2020 (A) £m	Investments raised (B) £m	Investments Repaid (C) £m	Balance 30 September 2020 (A+B-C) £m	Investment income received** Apr-Sep 2020 £'000	Average original duration of the Investment Days	Weighted average investment balance Apr-Sept 2020 £m	Weighted average interest rate Apr-Sept 20 %
Government DMO	37.00	573.53	595.33	15.20	13.86	15	28.30	0.04
Local Authorities	18.00	33.50	23.00	28.50	113.48	291	28.07	0.73
Banks (Fixed Maturity)	2.00	2.00	2.00	2.00	13.08	123	2.00	0.49
Banks Instant Access/Notice Period Account*	3.00	8.63	10.04	1.59	-	-	3.55	0.05
Building Societies	2.00		2.00	-	-	182	0.33	0.78
Money Market Fund (Instant Access)*	-	17.00		17.00	11.20	-	13.26	0.20
Total/Average	62.00	634.66	632.37	64.29	151.62	153	75.51	0.33

The Treasury Management indicator shown below in Table 5 is for Principal Sums Invested for periods longer than a year. Where the Council invests, or plans to invest, for periods longer than a year, an upper limit is set for each forward financial year period for the maturing of such investments. The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of long term investments. The limit on the long term principal sum invested to final maturities beyond the period end are set out in the TMS 2020-21.

Table 5: Treasury Management Indicator Principal Sums Invested for periods longer than a year

Price risk indicator	TMS 2020-21 £m	Projection 31-3-21 £m
Limit on principal invested beyond financial year end	15	Nil

All investments longer than 365 days (non-specified) will be made with a cautious approach to cash flow requirements and advice from Arlingclose will be sought as necessary.

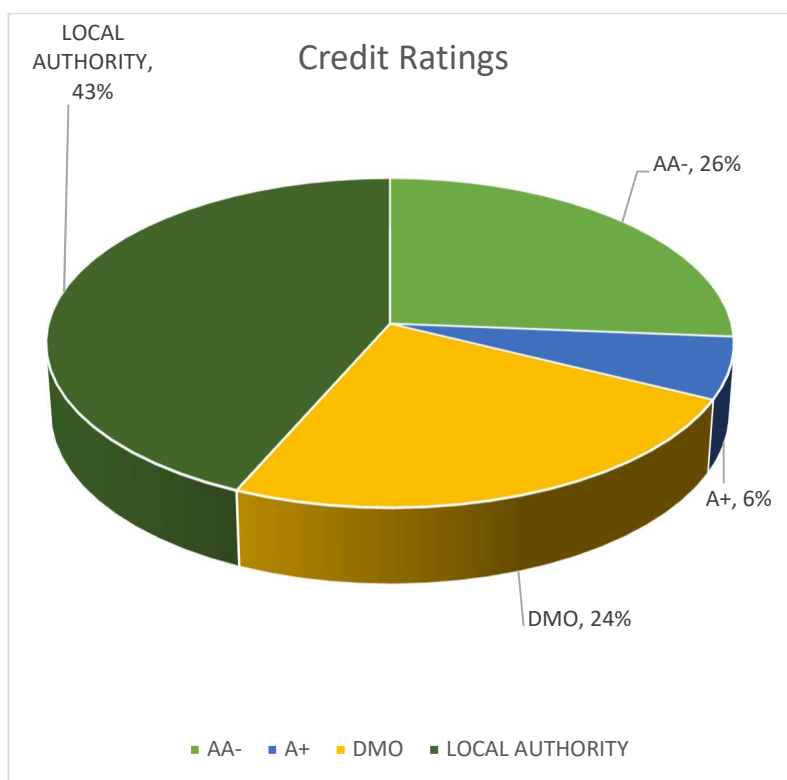
Two investments with Local Authorities whose original duration was 4 years are due to mature within the next 3 months and are therefore no longer classified as long-term. Therefore all investments at 30 September 2020 were short term deposits including Government Debt Management Office, Money Market Funds, Local Authorities, instant access and notice accounts. Table 6 below details these investments by counterparty type based on the remaining maturity period as at 30 September 2020:

Table 6: Investments Outstanding Maturity Profile 30 September 2020

Counterparty Category	Instant Access £m	Deposits Maturing Within 1 Month £m	Deposits Maturing Within 2-3 Months £m	Deposits Maturing Within 4-12 Months £m	Total £m
Government DMO		15.20			15.20
Local Authorities		5.00	18.50	5.00	28.50
Banks	1.59	2.00			3.59
Building Societies					0.00
Money Market Fund	17.00				17.00
Total	18.59	22.20	18.50	5.00	64.29

Investment decisions are made by reference to the lowest published long-term credit rating from a selection of external rating agencies to ensure that this lies within the Council's agreed minimum credit rating. Where available the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account. **Appendix B** shows the equivalence table for credit ratings for three of the main rating agencies Fitch, Moody's and Standard & Poor's and explains the different investment grades. The Council defines high credit quality as organisations and securities having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher.

The pie chart below summarises Table 6 by credit ratings and shows the £64.29 million investments at 30 September 2020 by percentage. Most Local Authorities do not have credit ratings and the £17 million invested with an AA-rated MMF was an approved counterparty by Arlingclose, whilst the remainder of the investments all had a credit rating of A or above.



5. Interest Rate Exposures – Borrowing and Investments

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council depending on how variable and fixed interest rates move across differing financial instrument periods. Short term and variable rate loans expose the Council to the risk of short term interest rate rises and are therefore subject to the Treasury Management indicator in Table 7 below to manage Interest Rate Exposures.

Table 7: Treasury Management Indicator Interest Rate Exposures

Interest rate risk indicator	Indicator £'000	As at 30-09-20 £'000
One year revenue impact of a 1% rise in interest rates	(264)	(427)
One year revenue impact of a 1% fall in interest rates	181	619

This has been set as an **indicator** (not a limit) to measure the net impact over one year on the revenue account of both a 1% rise and a 1% fall in all interest rates for borrowing net of treasury investments. This is calculated at a point in time on the assumption that maturing loans and investments will be replaced at rates 1% higher or lower than they would otherwise have been on their maturity dates and that the treasury investment and borrowing portfolios remain unchanged over the coming year. Interest rates can move by more than 1% over the course of a year, although such instances are rare.

The figures for the 1% fall in interest rates indicator are not the same figures as the 1% rise in interest rates (but reversed) as the borrowing relates to variable LOBO loans where it is assumed that the lender would not exercise their option if there was a fall in interest rates. All other borrowing does not have a rate reset in the next year and is with the PWLB at fixed rates

6. Review of the Treasury Management Strategy 2020-21

CIPFA's Code of Practice for Treasury Management requires all local authorities to conduct a review of its treasury management policies, practices and activities. As a result of the current economic climate and so as to provide greater flexibility with investments it is proposed to increase the Investment Limit for MMF's from £20 million to £30 million in total. In addition it is proposed to increase the approved investment counterparty limit for Registered Providers from £3 million to £5 million.

These changes can be seen in Appendix C and have been highlighted accordingly.

APPENDIX B

Credit Rating Equivalence Table

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

Standard & Poor's (S&P), Moody's and Fitch are the three most significant rating agencies in the world. These agencies rate the creditworthiness of countries and private enterprises.

"AAA" or "Aaa" is the highest rating across all three rating agencies and indicates the highest level of creditworthiness. A "D" rating ("C" rating from Moody's) indicates poor creditworthiness of a company or government. A difference is made between short-term and long-term ratings.

This page is intentionally left blank

Draft Amended Treasury Management Strategy 2020-21

Bridgend County Borough Council

Cyngor Bwrdeistref Sirol



1.0 INTRODUCTION

The Council carries out its treasury management activities in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) *Treasury Management in the Public Services: Code of Practice (2017) (the 'Code')*. These require the Council to set out the policies and objectives of its treasury management activities and to manage its treasury risks in accordance with the Code.

CIPFA has adopted the following as its definition of treasury management activities:

'The management of the organisation's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.'

The definition of 'Investments' above includes:

- Treasury Management investments (held for the prudent management of financial affairs), and
- Non-Treasury Investments, undertaken as part of a Capital Strategy either in the course of provision of services; or made for commercial reasons purely to make a financial gain. These are managed outside of normal treasury management activity

In addition, the Welsh Government (WG) issued revised *Guidance on Local Authority Investments* in November 2019 that requires the Authority to approve an investment strategy before the start of each financial year. This Strategy fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the WG Guidance. In accordance with the WG Guidance Council would be asked to approve a revised Treasury Management Strategy (TMS) should the assumptions on which it is based change significantly. This might be for example a large unexpected change in interest rates, in the Council's Capital Programme, or in the level of its investment balance, or a material loss in the fair value of a non-financial investment identified as part of the year end accounts preparation and audit process, or a change in Accounting Standards.

Local authorities are required to separately approve a Capital Strategy for capital expenditure and financing, treasury management and non-treasury investments. The Council's Capital Strategy includes the Prudential Indicators along with details regarding the Council's non-treasury investments. The CIPFA Code requires the Council to set a number of Treasury Management Indicators which are forward looking parameters and enable the Council to measure and manage its exposure to treasury management risks which are integral to the TMS. The Capital Strategy and TMS should be read in conjunction with each other as borrowing and investments are directly impacted upon by capital plans.

The Council has an integrated TMS where borrowing and investments are managed in accordance with best professional practice, which is assessed either from internal expertise or consultation with our external advisers. The Council borrows money either to meet short term cash flow needs or to fund capital schemes approved within the

capital programme. Therefore any actual loans taken are not generally associated with particular items of expenditure or assets. The Council is exposed to financial risks including the potential loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's TMS. Should these change significantly, a revised TMS will be presented to Council for approval. A half year review of treasury management performance will also be presented to Council for approval as will an annual report for the financial year

The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury management decisions to the Section 151 Officer, who will act in accordance with the organisation's strategy, Treasury Management Practices (TMP) and CIPFA's *Standard of Professional Practice on Treasury Management*. Quarterly reports will be presented to Cabinet. The Council nominates the Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies and regular reports will be presented to Audit Committee for their consideration.

2.0 ECONOMIC CONTEXT

Economic background: The UK's progress negotiating its exit from the European Union, together with its future trading arrangements, will continue to be a major influence on the Council's TMS for 2020-21. The Bank of England maintained Bank Rates at 0.75% in December 2019 following a 7-2 vote by the Monetary Policy Committee (MPC). The Committee's latest projections for activity and inflation were set out in the November Monetary Policy Report and were based on the assumption of an orderly transition to a deep free trade agreement between the United Kingdom and the European Union. Despite keeping rates on hold, MPC members did confirm that if Brexit uncertainty drags on or global growth fails to recover, they are prepared to cut interest rates as required. Moreover, the downward revisions to some of the growth projections in the Monetary Policy Report suggest the Committee may now be less convinced of the need to increase rates even with a Brexit deal.

Credit outlook: Credit conditions for larger UK banks have remained relatively benign over the past year. The UK's departure from the European Union was delayed three times in 2019 and while there remains some concern over a global economic slowdown, this has yet to manifest in any credit issues for banks. Meanwhile, the post financial crises banking reform is now largely complete, with the new ringfenced banks embedded in the market.

Looking forward, the potential for a "no-deal" Brexit and/or a global recession remain the major risks facing banks and building societies in 2020-21 and a cautious approach to bank deposits remains advisable.

Interest rate forecast: The Council's treasury management advisor Arlingclose is forecasting that the Bank Rate will remain at 0.75% until the end of 2022. The risks to this forecast are deemed to be significantly weighted to the downside, particularly given the result of the general election, the need for greater clarity on Brexit and the continuing global economic slowdown. The Bank of England, having previously indicated interest rates may need to rise if a Brexit agreement was reached, stated in

its November Monetary Policy Report and its Bank Rate decision to hold rates that the MPC now believe this is less likely even in the event of a deal.

Gilt yields have risen but remain at low levels and only some very modest upward movement from current levels are expected based on Arlingclose's interest rate projections. The central case is for 10-year and 20-year gilt yields to rise to around 1.00% and 1.40% respectively over the time horizon, with broadly balanced risks to both the upside and downside. However, short-term volatility arising from both economic and political events over the period is a near certainty.

3.0 **EXTERNAL DEBT AND INVESTMENT POSITION**

On 31 December 2019, the Council held £96.87 million of borrowing and £38.95 million of investments. The external debt and investment position is shown in table 1 below and more detail is provided in sections 4.0 Borrowing Strategy and 5.0 Investment Strategy.

Table 1: Council's external debt and investment position as at 31 December 2019

	Principal as at 31 March 19 £m	Average Rate %
External Long Term Borrowing		
Public Works Loan Board	(77.62)	4.70
Lender's Option Borrower's Option	(19.25)	4.65
Total External Long Term Borrowing	(96.87)	4.69
Other Long Term Liabilities		
Private Finance Initiative*	(16.83)	
Llynfi Loan**	(2.25)	
Other Long Term Liabilities	(1.22)	
Total Other Long Term Liabilities	(20.30)	
Total Gross Debt	(117.17)	
Treasury Investments		
Banks	4.90	0.91
Building Societies	2.00	0.78
Local Authorities	22.50	0.91
Money Market Funds***	9.55	0.74
Total Treasury Investments	38.95	0.86
Net Debt	(78.22)	

* (PFI) arrangement for the provision of a Secondary School in Maesteg 14.25 years remaining term

** Loan from the Welsh Government Central Capital Retained Fund for regeneration works within the Llynfi Valley which has not yet commenced

***the funds provide instant access

Table 2 below shows forecast changes borrowing and investments and has been produced using estimates of capital spend and forecasts on useable reserves for the current financial year and the next three years. The Capital Plans highlight that the Loans CFR, which is the Council's need to borrow to fund capital expenditure, is increasing year on year due to additional prudential borrowing.

Table 2: Balance sheet summary and forecast

	31 March 19 Actual £m	31 March 20 Estimate £m	31 March 21 Estimate £m	31 March 22 Estimate £m	31 March 23 Estimate £m
Capital Financing Requirement	170.88	172.08	172.20	178.25	178.50
Less: Other Debt Liabilities	(16.31)	(15.57)	(14.77)	(13.90)	(12.97)
Loans Capital Financing Requirement	154.57	156.52	157.44	164.35	165.53
Less: External Borrowing	(96.87)	(96.87)	(103.09)	(105.39)	(105.39)
Internal Borrowing	57.70	59.65	54.35	58.96	60.14
Less: Usable Reserves	(76.70)	(70.54)	(48.13)	(38.37)	(36.69)
Less: Working Capital	(2.00)	-	-	-	-
Investments	21.00	10.00	10.00	10.00	10.00
New Borrowing - cumulative	0.00	0.00	16.22	30.59	33.45

*The accounting practice followed by the Council requires financial instruments in the accounts (debt and investments) to be measured in a method compliant with International Financial Reporting Standards (IFRS) so these figures will differ from other figures in the TMS which are based on the actual amounts borrowed and invested

Where a Council finances capital expenditure by borrowing it must put aside revenue resources to repay that debt in later years, known as 'Minimum Revenue Provision' or MRP. The *Local Authority (Capital Finance and Accounting) (Amendment) (Wales) Regulations 2008* requires the Council to produce and approve an Annual Minimum Revenue Provision (MRP) Statement before the start of the financial year that details the methodology for the charge as detailed in the Council's Capital Strategy. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing. This strategy is prudent as investment returns are low and counterparty risk is relatively high. The Council is forecasting an increased CFR due to the level of prudential borrowing in the capital programme and the impact of the new MRP policy approved by Council in September 2018. Changes in the accounting treatment for leases under International Financial Reporting Standard (IFRS) 16 - will also have an impact and, once this impact is known, an updated TMS will be presented to Council for approval. As the implementation of the new Standard is for 2020-21, further work is needed before the changes are applied. This requires the Council to 'bring on' to the balance sheet a 'Right of Use Asset' and an equivalent liability, for any assets it leases or is presumed to lease through service contract arrangements

Liability benchmark: To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This forecasts the minimum amount of debt the Council could hold if its internal resources are used in lieu of external borrowing. This assumes the same forecasts as table 2 above, but that cash and investment balances are kept to a minimum level of £10 million at each year-end to maintain sufficient liquidity but minimise credit risk. CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. Table 3 below shows that the Council complied with this in 2018-19 and expects to comply with this recommendation during 2019-20, 2020-21 and the following two years. More detail is provided in the Capital Strategy.

Table 3: Liability benchmark

	31 March 19 Actual £m	31 March 20 Estimate £m	31 March 21 Estimate £m	31 March 22 Estimate £m	31 March 23 Estimate £m
Loans Capital Financing Requirement	154.57	156.52	157.44	164.35	165.53
Less: Usable Reserves	(76.70)	(70.54)	(48.13)	(38.37)	(36.69)
Less: Working Capital	(2.00)	-	-	-	-
Plus: Minimum Investments	21.00	10.00	10.00	10.00	10.00
Liability Benchmark	96.87	95.98	119.31	135.97	138.84

4.0 BORROWING STRATEGY

The Council currently holds £96.87 million of loans as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in table 2 above shows that the Council will have to borrow over the next three years as detailed in table 4 below:

Table 4: New Borrowing

	31 March 19 Actual £m	31 March 20 Estimate £m	31 March 21 Estimate £m	31 March 22 Estimate £m	31 March 23 Estimate £m
New Borrowing	0.00	0.00	16.22	14.37	2.86

The Section 151 Officer will monitor and update the liability benchmark assumptions on an on-going basis and report any significant changes within the treasury management monitoring reports to Cabinet, Audit Committee and Council as appropriate. This could be as a result of changes in the level of useable reserves at year end, slippage within the Capital Programme or changes within the working capital assumptions.

The Council's **primary objective** when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

Therefore the major **objectives** to be followed in 2020-21 are:

- to minimise the revenue costs of debt
- to manage the Council's debt maturity profile i.e. to leave no one future year with a high level of repayments that could cause problems in re-borrowing
- to effect funding in any one year at the cheapest cost commensurate with future risk
- to monitor and review the level of variable interest rate loans in order to take greater advantage of interest rate movement
- to reschedule debt if appropriate, in order to take advantage of potential savings as interest rates change

-
- to optimise the use of all capital resources including borrowing, both supported and unsupported, usable capital receipts, revenue contributions to capital and grants and contributions

Given the significant cuts to public expenditure in recent years and in particular to local government funding, the Council's **borrowing strategy** continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. The uncertainty over future interest rates increases the risks associated with treasury activity. As a result the Council will take a cautious approach to its treasury strategy. With short term interest rates currently much lower than long term rates, it is likely to be more cost effective in the short term to either use internal resources or borrow short term instead.

The Section 151 Officer will take the most appropriate form of borrowing depending on the prevailing interest rates at the time. However, with long term rates forecast to rise modestly in future years, any such short term savings will need to be balanced against the potential longer term costs. The Council's treasury management advisers will assist the Council with this 'cost of carry' and breakeven analysis. The last time the Council took long term borrowing was £5 million from the Public Works Loan Board (PWLB) in March 2012. As detailed above, it is anticipated that there will be a requirement for new long term borrowing in 2020-21, 2021-22 and 2022-23. It is anticipated that this would be from PWLB and for estimate purposes it has been assumed that this will be over 30 years.

Alternatively, the Council may arrange forward starting loans during 2020-21 where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period. In addition, the Council may borrow short term (normally for up to one month) to cover unexpected cash flow shortages.

Sources of borrowing: The approved sources of long term and short term borrowing are:

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

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

- leasing
- hire purchase
- Private Finance Initiative
- sale and leaseback

The Council has previously raised the majority of its long-term borrowing from the PWLB, but the government increased PWLB rates by 1% in October 2019 making it now a more expensive option. The Council will look to borrow any long-term loans from other sources such as Welsh Government and local authority loans and bank loans, which may be available at more favourable rates. Alternatively the Council may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

LOBOs: The £19.25 million shown in table 1 above, relates to Lender’s Option Borrower’s Option (LOBO) loans which have a maturity date of 2054, however these may be re-scheduled in advance of this maturity date. The LOBO rate and term may vary in the future depending upon the prevailing market rates, the lender exercising their option to increase rates at one of the bi-annual trigger points and therefore the Council being given the option to accept the increase or to repay the loan without incurring a penalty. There are two trigger points in 2020-21 and although the Council understands that the lender is unlikely to exercise this option in the current low interest rate environment, an element of refinancing risk remains and the Council would take the option to repay these loans at no cost if it has the opportunity to do so in the future.

Short term and variable rate loans: These loans expose the Council to the risk of short term interest rate rises should interest rates change.

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

Maturity structure of borrowing indicator: This indicator is set for the forthcoming financial year to control the Council’s exposure to refinancing risk with respect to the maturity of the Council’s external borrowing and has been set to allow for the possible restructuring of long term debt where this is expected to lead to an overall saving or reduction in risk. It is the amount of projected borrowing maturing in each period as a percentage of total projected borrowing. The upper and lower limits on the maturity structure of borrowing will be:

Table 5: Treasury Management Indicator Maturity Structure of Borrowing 2020-21

Refinancing rate risk indicator Maturity structure of borrowing 2020-21	Upper limit	lower limit
Under 12 months	50%	0%
12 months and within 24 months	25%	0%
24 months and within 5 years	25%	0%
5 years and within 10 years	40%	0%
10 years and within 20 years	50%	0%
20 years and above	60%	25%

5.0 INVESTMENT STRATEGY

The preparation each year of an Investment Strategy is central to the Welsh Government statutory guidance on Local Authority Investments. It encourages the formulation of policies for the prudent investment of the surplus funds that authorities hold on behalf of their communities. In addition, the need for the Strategy to be approved by full Council ensures that these policies are subject to the scrutiny of elected Members: this is particularly important as since 2004 central government no longer closely regulates local government investment.

The Council holds surplus funds representing income received in advance of expenditure plus balances and reserves and as shown in table 1 above in section 3, the balance at 31 December 2019 was £38.95 million. Investments are estimated to drop to between £10 and £20 million by 31 March 2020. As in previous years this is due partly to increased expenditure expected to be incurred in respect of the capital programme and the reduction in income collected from Council Tax in February and March 2020 as the majority of residents continue to pay Council Tax over 10 months rather than 12. Based on its cash flow forecasts, the Council anticipates its investment balances in 2020-21 to range between £10 million to £55 million with an average investment rate of between 0.75% to 1.00% depending on the Bank Rate and investment types, which will be reviewed at half year and reported to Council. The actual balance varies because of the cash flow during the year as to when income is received (such as specific grant income, housing benefits subsidy and Revenue Support Grant) and payments are made (such as salaries and wages, major capital expenditure and loan repayments).

The Council may also hold investment properties with a view to securing a financial return, such as rental income. The Council will consider such investment opportunities should they arise, in line with CIPFA Treasury Management in the Public Services Code of Practice. As at 31 December 2019, the Council owned £4.635 million of investment properties with an expected return of £0.478 million in 2020/21, representing a rate of return of 10.3%.

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

The major **objectives** are:

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

Negative interest rates: If the UK enters into a recession in 2020-21, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in some other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

Strategy: The Council's investments have historically been placed in mainly short term bank and building society unsecured deposits and local and central government. However, investments may be made with any public or private sector organisations that meet the credit criteria detailed below. Given the increasing risk and very low returns from short-term unsecured bank investments, the Council will consider further diversifying into more secure and/or higher yielding asset classes during 2020-21 as appropriate in consultation with the Council's treasury management advisers. The majority of the Council's surplus cash is currently invested in Money Market Funds (MMF) and with other local authorities but the Council will continue to look at investment options in line with the limits detailed below.

With short term interest rates currently much lower than long-term rates, due consideration will also be given to using surplus funds to make early repayments of long term borrowing if appropriate options become available as referred to in section 4.0 Borrowing Strategy.

Business Models: Under the new IFRS 9, the accounting for certain investments depends on the Council's "business model" for managing them. The Council aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore these investments will continue to be accounted for at amortised cost.

Approved counterparties: The Council may invest its surplus funds with any of the counterparty types shown in table 6 below, subject to the cash limits and the time limits shown. **These cash/time limits are per counterparty and relate to principal only and exclude any accrued interest.**

Table 6: Approved investment counterparties and limits

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

Credit Rating	Banks (including building societies) Unsecured	Banks (including building societies) Secured	Government	Corporates	Registered Providers
UK Central Government	n/a	n/a	£ Unlimited	n/a	n/a
			50 Years		
UK Local Authorities	n/a	n/a	£12,000,000	n/a	n/a
			10 Years		
AAA	£3,000,000	£6,000,000	£6,000,000	£3,000,000	£5,000,000
	5 Years	20 Years	50 Years	20 Years	20 Years
AA+	£3,000,000	£6,000,000	£6,000,000	£3,000,000	£5,000,000
	5 Years	10 Years	25 Years	10 Years	10 Years
AA	£3,000,000	£6,000,000	£6,000,000	£3,000,000	£5,000,000
	4 Years	5 Years	15 Years	5 Years	10 Years
AA-	£3,000,000	£6,000,000	£6,000,000	£3,000,000	£3,000,000
	3 Years	4 Years	10 Years	4 Years	10 Years
A+	£3,000,000	£6,000,000	£3,000,000	£3,000,000	£5,000,000
	2 Years	3 Years	5 Years	3 Years	5 Years
A	£3,000,000	£6,000,000	£3,000,000	£3,000,000	£5,000,000
	13 Months	2 Years	5 Years	2 Years	5 Years
A-	£3,000,000	£6,000,000	£3,000,000	£3,000,000	£5,000,000
	6 Months	13 Months	5 Years	13 Months	5 Years
None	£1,000,000	n/a	see above central government and local authority limit	n/a	£5,000,000
	6 Months				5 Years
Pooled Funds	£6,000,000 per fund				

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

Banks unsecured: Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. Where additional amounts received into our accounts with our own bankers are received too late in the day to make an investment the same day, the limit in table 6 will not apply as this does not count as an investment.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

Specified investments: The *Welsh Government Statutory Guidance on Local Government Investments* defines specified investments as those:

- denominated in pound sterling
- due to be repaid within 12 months of arrangement
- not defined as capital expenditure by legislation, and
- invested with one of:
 - the UK Government
 - a UK local authority
 - a town or community council or
 - body or investment scheme of “high credit quality”

The Council defines “**high credit quality**” organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds “high credit quality” is defined as those having a credit rating of A- or higher.

Non-specified investments: Any investment that does not fall into the criteria detailed above under the Specified investments definition. The Council does not intend to make any investments denominated in foreign currencies nor any defined as capital expenditure. Non-specified investments will therefore be limited to:

- long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement
- investments with bodies and schemes not meeting the definition on high credit quality

The *Welsh Government Statutory Guidance on Local Government Investments* requires the Council’s Investment Strategy to set an overall limit for non-specified investments which is currently set at £20 million. Table 7 below shows the non-specified categories and the relevant limits and although the total of the individual limits exceed £20 million, at any one point in time a **maximum of £20 million** could be invested in these non-specified investments.

Table 7: Non-specified investment limits

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

Principal sums invested for periods longer than a year: All investments longer than 365 days (non-specified) will be made with a cautious approach to cash flow requirements and advice from the Council's treasury management advisers will be sought as necessary.

Where the Council invests, or plans to invest, for periods longer than a year, an upper limit is set for each forward financial year period for the maturing of such investments. The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of long term investments. The limits on the long term principal sum invested to final maturities beyond the period end will be as shown in table 8 below.

Table 8: Treasury Management Indicator Principal sums invested for periods longer than a year

Price risk indicator	2020-21 £m	2021-22 £m	2022-23 £m
Limit on principal invested beyond financial year end	15	10	8

Investment Limits: In addition to the above limits, the combined values of specified and non-specified investments with any one organisation are subject to the approved investment limits detailed in table 9 below.

Table 9: Investments limits

	Category Cash limit
Any single organisation, except the UK Central and Local Government	£6m
UK Central Government	unlimited
UK Local Authorities (per Authority)	£12m
Any group of organisations under the same ownership	£6m per group
Any group of pooled funds under the same management	£6m per manager
Negotiable instruments held in a broker's nominee account	£10m per broker
Foreign countries	£6m per country
Registered providers and registered social landlords	£5m in total
Unsecured investments with Building Societies	£6m in total
Money market funds (MMF)	£30m in total

A group of banks under the same ownership will be treated as a single organisation for limit purposes. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

The combined secured and unsecured investments in any one bank must not exceed the cash limit for secured investments.

Liquidity Management: The Council forecasts on a prudent basis the maximum period for which funds may be committed therefore minimising the risk of the Council

being forced to borrow on unfavourable terms to meet its financial commitments. A limit of £15 million (table 8 above) has been set for 2020-21 for long term investments and this has been set with reference to the Medium Term Financial Strategy and cash flow forecast as shown in the principal sums invested for periods longer than a year indicator in table 7 above. This represents just under 30% of the maximum amount of investments that the Council anticipates to have at any one point in time in 2020-21.

6.0 INTEREST RATE EXPOSURES BORROWING AND INVESTMENTS

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

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

An indicator has been set in table 10 below to measure the net impact over one year on the revenue account of both a 1% rise and a 1% fall in all interest rates for borrowing net of treasury investments. This is calculated on the assumption that maturing loans and investments will be replaced at rates 1% higher or lower than they would otherwise have been on their maturity dates and that the treasury investment and borrowing portfolios remain unchanged over the coming year. Interest rates can move by more than 1% over the course of a year, although such instances are rare.

Table 10: Treasury Management Indicator Interest Rate Exposures

Interest rate risk indicator	£'000
One year revenue impact of a 1% rise in interest rates	(264)
One year revenue impact of a 1% fall in interest rates	181

The figure for the 1% fall in interest rates indicator is not the same figure as the 1% increase (but reversed) as the borrowing relates to variable LOBO loans where it is assumed that the lender would not exercise their option if there was a fall in interest rates. All other borrowing does not have a rate reset in the next year and is with the PWLB at fixed rates.

7.0 PERFORMANCE INDICATORS

Performance indicators are set to assess the adequacy of the treasury function over the year. These are distinct historic indicators as opposed to the treasury management and prudential indicators which are predominantly forward looking.

One debt performance indicator is where the average portfolio rate of interest is compared to an appropriate average available such as the average PWLB Debt for Welsh and UK local authorities. The rate of return on investments can be monitored against the average rate of return on investments against the Bank Rate and the average rate of return on investments as compared to the average rate of Arlingclose's Welsh local authority clients at each relevant quarter/year-end.

8.0 NON-TREASURY INVESTMENTS

The Council recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activities includes loans, investments in subsidiaries and investments in property. Welsh Government Guidance defines a loan as a written or oral agreement where the council temporarily transfers cash to a third party, joint venture, subsidiary or associate who agrees a return according to the terms and conditions of receiving the loan, except where the third party is another local authority. The council can demonstrate that its financial exposure to loans is proportionate by setting the limit as set out in table 11 below.

Table 11: Loan Limits

Loan limit	£'000
Limit on loans to third parties	1,000

A schedule of the Council's existing non-treasury investments (currently limited to owned property) is set out in table 12 below:

Table 12: Non-treasury investments

Non-treasury investments	Fair Value £'000
Bridgend Science Park - Units 1 & 2	3,200
Waterton Cross Land	600
Brynmenyn Industrial Estate Plot 53	220
Village Farm Plots 32,119 & 120	415
Tyrewise Bridgend	200
Total	4,635

The Council considers that the scale of its investment properties is proportionate to the resources of the Council, since such investment represents less than 1% of its total long term assets.

In accordance with Welsh Government Investment Guidance, these will be classified as non-treasury investments.

9.0 IFRS9 – LOCAL AUTHORITY OVERRIDE

The Welsh Government legislated in the Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2020 for a statutory override for fair value gains and losses on most pooled investment funds not to be taken to revenue until 2023-24. The statutory override takes effect for the 2019/20 financial year. This has the effect of allowing any unrealised capital gains or losses arising from qualifying investments to be held on the balance sheet until 31 March 2023: this will enable Councils to initiate an orderly withdrawal of funds if required.

10.0 OTHER ITEMS

In line with the CIPFA Code and Welsh Government guidance the following also forms part of the Council's TMS.

Financial Derivatives: In the absence of any explicit legal power to do so, the Council will not use standalone financial derivatives such as swaps, forwards, futures and options. Derivatives embedded into loans and investments including pooled funds and forward starting transactions may be used and the risks they present will be managed in line with the overall treasury risk management strategy.

Markets in Financial Instruments Directive II (MIFID II): From January 2018, MIFID II changed the classification of local authority investors. It reclassified local and public authorities as retail investors. The Council has opted up to professional client status with its providers of financial services, including treasury management advisers, banks, building societies and brokers, allowing it access to a greater range of services but without the greater regulatory protection afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the Section 151 Officer believed this to be the most appropriate status.

Investment training: The needs of the Council's treasury management staff for training in investment management are assessed every six months as part of the staff appraisal process and also if the responsibilities of individual members of staff change.

Training is received from the Council's treasury management advisers, CIPFA and other bodies in the form of training courses and seminars. The Council also supports personal development so individuals enhance their own knowledge through reading CIPFA guidance, publications and research on the internet.

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

September 2020 a re-tendering exercise will be undertaken during the spring and early summer 2020.

Investment of money borrowed in advance of need: CIPFA's Prudential Code sets out that authorities should never borrow for the explicit purpose of making an investment return. Therefore borrowing in advance of need purely to profit from the investment of the extra sums borrowed is against the principles, however, the Council could potentially borrow in advance of need where this is expected to provide the best long term value for money. Since amounts borrowed will be invested until spent, the Council is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Council's overall management of its treasury risks.

As the Council has an integrated TMS, borrowing is not linked to the financing of specific items of expenditure. The Council's Capital Financing Requirement (CFR) as at 1 January 2020 was in excess of the actual debt of the Council as shown in table 2 above indicating there was no borrowing in advance of need. More detail is provided in the Prudential Indicators in the Council's Capital Strategy.

Schedule A

Credit Rating Equivalence Table

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

GLOSSARY

Annuity	A method of repaying a loan where the cash payment remains constant over the life of the loan, but the proportion of interest reduces and the proportion of principal repayment increases over time. Repayment mortgages and personal loans tend to be repaid by the annuity method.
Asset Management	The stewardship of capital assets, including decisions around on-going maintenance and eventual disposal
Authorised limit	The maximum amount of debt that a local authority may legally hold, set annually in advance by the Council itself. One of the <i>Prudential Indicators</i> .
BACS	Bankers' automated payment system. UK bulk payments system allowing transfers between bank accounts with two days' notice, for a small charge.
Bail-in	A method of rescuing a failing <i>financial institution</i> by cancelling some of its <i>deposits</i> and <i>bonds</i> . Investors may suffer a reduction in their investment, but may be given shares in the bank as part compensation.
Bail-out	A method of rescuing a failing <i>financial institution</i> by the injection of public money. This protects investors at the expense of taxpayers.
Bank	Regulated firm that provides financial services to customers.
Bank of England	The <i>central bank</i> of the UK, based in London, sometimes just called 'the bank'.
Bank Rate	The official interest rate set by the <i>Monetary Policy Committee</i> , and the rate of interest paid by the <i>Bank of England</i> on commercial bank deposits. Colloquially termed the 'base rate'.
Bond	A certificate of <i>long-term</i> debt issued by a company, government, or other institution, which is tradable on financial markets
Borrowing	Usually refers to the stock of outstanding loans owned and <i>bonds</i> issued.
Broker	Regulated firm that matches either borrowers and lenders (a money broker) or buyers and sellers of <i>securities</i> (a stockbroker) with each other in order to facilitate transactions
Brokerage	Fee charged by a <i>broker</i> , normally paid by the borrower
Building Society	A mutual organisation that performs similar functions to a <i>retail bank</i> but is owned by its customers
Capital	(1) Long-term, as in <i>capital expenditure</i> and <i>capital receipts</i> (2) <i>Principal</i> , as in <i>capital gain</i> and <i>capital value</i> (3) <i>Investments in financial institutions that will absorb losses before senior unsecured creditors</i>

Capital Expenditure	Expenditure on the acquisition, creation or enhancement of fixed asset that are expected to provide value for longer than one year, such as property and equipment, plus expenditure defined as capital in legislation such as the purchase of certain investments
Capital Finance	Arranging and managing the cash required to finance <i>capital expenditure</i> , and the associated accounting.
Capital Financing Requirement (CFR)	A local authority's underlying need to hold debt for capital purposes, representing the cumulative capital expenditure that has been incurred but not yet financed. The CFR increases with <i>capital expenditure</i> and decreases with <i>capital finance</i> and <i>MRP</i> .
Capital Receipt	Cash obtained from the sale of an item whose purchase would be <i>capital expenditure</i> . The law only allows local authorities to spend capital receipts on certain items, such as new capital expenditure. They are therefore held in a capital receipts reserve until spent.
Capital strategy	An annual policy document required by the <i>Prudential Code</i> that sets out a local authorities' high-level plans for capital expenditure, debt and investments and its <i>Prudential Indicators</i> for the forthcoming financial year.
CIPFA	The Chartered Institute of Public Finance and Accountancy – the professional body for accountants working in the public sector. CIPFA also sets various standards for local government – eg Treasury Management Code and Prudential Code
Cost of Carry	When a loan is borrowed in advance of need, the difference between the interest payable on the loan and the income earned from investing the cash in the interim
Counterparty	The other party to a loan, investment or other contract
Counterparty limit	The maximum amount an investor is willing to lend to a <i>counterparty</i> , in order to manage <i>credit risk</i> .
Credit rating	Formal opinion by a <i>credit rating agency</i> of a <i>counterparty's</i> future ability to meet its financial obligations. As it is only an opinion, there is no guarantee that a highly rated organisation will not default.
Credit rating agency	An organisation that publishes <i>credit ratings</i> . The three largest agencies are Fitch, Moody's and Standard & Poor's but there are many smaller ones.
Credit risk	The risk that a <i>counterparty</i> will <i>default</i> on its financial obligations.
Debt	(1) A contract where one party owes money to another party, such as a <i>loan</i> , <i>deposit</i> , or <i>bond</i> . (2) In the Prudential Code, the total outstanding borrowing plus other long-term liabilities

Default	Failure to meet an obligation under a debt contract, including the repayment of cash, usually as a result of being in financial difficulty
Deposit	A regulated placing of cash with a <i>financial institution</i> . Deposits are not tradable on financial markets.
DMO	Debt Management Office – an executive agency of HM Treasury that deals with central government’s debt and investments.
Fair value	<i>IFRS</i> term for the price that would be obtained by selling an investment, or paid to transfer debt, in a market transaction.
FCA	Financial Conduct Authority – UK agency responsible for regulating financial markets and the conduct of <i>financial institutions, brokers, custodians, fund managers</i> and <i>treasury management advisors</i> .
Financial institution	A <i>bank, building society or credit union</i> . Sometimes the term also includes insurance companies.
Financial instrument	<i>IFRS</i> term for investments, borrowing and other cash payable and receivable.
Financing costs	In the <i>Prudential Code</i> , interest payable on <i>debt</i> less investment income plus <i>premiums</i> less <i>discounts</i> plus <i>MRP</i> .
Forward deal	An arrangement where a loan or deposit is arranged in advance of the cash being transferred, with the advance period being longer than the standard period (if any) for such a transaction.
GDP	Gross domestic product – the value of the national aggregate production of goods and services in the economy. Increasing GDP is known as economic growth.
General Fund	A local authority reserve that holds the accumulated surplus or deficit on revenue income and expenditure, except on council housing.
Gilt	Bond issued by the UK Government, taking its name from the gilt-edged paper they were originally printed on.
IFRS	International Financial Reporting Standards, the set of accounting rules in use by UK local authorities since 2010.
Impairment	A reduction in the value of an investment caused by the counterparty being in financial difficulty.
Inflation risk	The risk that unexpected changes in inflation rates cause an unplanned loss, for example by costs rising faster than income.
Interest	Compensation for the use of cash paid by borrowers to lenders on debt instruments.
Interest rate risk	The risk that unexpected changes in interest rates cause an unplanned loss, for example by increased payments on borrowing or lower income on investments.

Internal borrowing	A local government term for when actual “external” debt is below the capital financing requirement, indicating that difference has been borrowed from internal resources instead; in reality this is not a form of borrowing.
Investment property	Land and buildings that are held purely for rental income and/or capital growth. Investment properties are not owner-occupied and provide no direct service benefit.
Investment strategy	A document required by investment guidance that sets out a local authority’s investment plans and parameters for the coming year. Sometimes forms part of the authority’s treasury management strategy.
Lease	A contract where one party permits another to make use of an asset in return for a series of payments. It is economically similar to buying the asset and borrowing a loan, and therefore leases are often counted as a type of debt.
Lessee	Party to a lease contract that uses an asset owned by the lessor.
Lessor	Party to a lease contract that own an asset but permits another (the lessee) to use it.
Liability benchmark	Term in CIPFA’s Risk Management Toolkit which refers to the minimum amount of borrowing required to keep investments at a minimum liquidity level. Used to compare against the actual and forecast level of borrowing.
LIBOR	London interbank offer rate - the benchmark interest rate at which banks offer to lend cash to other banks. Published every London working day at 11am for various currencies and terms. Due to be phased out by 2022.
Liquidity risk	The risk that cash will not be available to meet financial obligations, for example when investments cannot be recalled and new loans cannot be borrowed.
Loan	Contract where the lender provides a sum of money (the principal) to a borrower, who agrees to repay it in the future together with interest. Loans are not normally tradable on financial markets. There are specific definitions in government investment guidance.
Loans CFR	The capital financing requirement less the amount met by other long-term liabilities; i.e. the amount to be met by borrowing.
LOBO	Lender’s option borrower’s option – a long-term loan where the lender has the option to propose an increase in the interest rate on pre-determined dates. The borrower then has the option to either accept the new rate or repay the loan without penalty. LOBOs increase the borrower’s interest rate risk and the loan should therefore attract a lower rate of interest initially.
Long-term	Usually means longer than one year.

Market risk	The risk that movements in market variables will have an unexpected impact. Usually split into interest rate risk, price risk and foreign exchange risk.
Maturity	(1) The date when an investment or borrowing is scheduled to be repaid. (2) A type of loan where the principal is only repaid on the maturity date.
MiFID II	The second Markets in Financial Instruments Directive - a legislative framework instituted by the European Union to regulate financial markets in the bloc and improve protections for investors.
Monetary policy	Measures taken by central banks to boost or slow the economy, usually via changes in interest rates. Monetary easing refers to cuts in interest rates, making it cheaper for households and businesses to borrow and hence spend more, boosting the economy, while monetary tightening refers to the opposite. See also fiscal policy and quantitative easing.
Monetary Policy Committee (MPC)	Committee of the Bank of England responsible for implementing monetary policy in the UK by changing Bank Rate and quantitative easing with the aim of keeping CPI inflation at around 2%.
Money market fund (MMF)	A collective investment scheme which invests in a range of short-term assets providing high credit quality and high liquidity. Usually refers to CNAV and LVNAV funds with a WAM under 60 days which offer instant access, but the European Union definition extends to include cash plus funds.
Money markets	The markets for short-term finance, including deposits and T-bills. See also capital markets.
MRP	Minimum revenue provision - an annual amount that local authorities are required to set aside and charge to revenue for the repayment of debt associated with capital expenditure. Local authorities are required by law to have regard to government guidance on MRP.
Net borrowing	Borrowing minus treasury investments.
Net revenue stream	In the Prudential Code, income from general government grants, Council Tax and rates.
Non-specified investments	Government term for investments not meeting the definition of a specified investment or a loan upon which limits must be set. Since 2018, the term does not apply to treasury investments in England. Not applicable in Scotland.
Other long-term liabilities	Prudential Code term for credit arrangements.

Operational boundary	A prudential indicator showing the most likely, prudent, estimated level of external debt, but not the worst-case scenario. Regular breaches of the operational boundary should prompt management action.
Operational risk	The risk that fraud, error or system failure leads to an unexpected loss.
Pension Fund	Ringfenced account for the income, expenditure and investments of the local government pension scheme. Pension fund investments are not considered to be part of treasury management.
Private Finance Initiative (PFI)	A government scheme where a private company designs, builds, finances and operates assets on behalf of the public sector, in exchange for a series of payments, typically over 30 years. Counts as a credit arrangement and debt.
Property fund	A collective investment scheme that mainly invests in property. Due to the costs of buying and selling property, including stamp duty land tax, there is usually a significant fee charged on initial investment, or a significant difference between the bid and offer price.
Prudential borrowing	Another term for unsupported borrowing.
Prudential Code	Developed by CIPFA and introduced in April 2004 as a professional code of practice to support local authority capital investment planning within a clear, affordable, prudent and sustainable framework and in accordance with good professional practice. Local authorities are required by law to have regard to the Prudential Code.
Prudential indicators	Indicators required by the Prudential Code and determined by the local authority to define its capital expenditure and asset management framework. They are designed to support and record local decision making in a manner that is publicly accountable.
PWLB	Public Works Loans Board - a statutory body operating within the DMO that lends money from the National Loans Fund to local authorities and other prescribed bodies and collects the repayments.
Refinancing risk	The risk that maturing loans cannot, be refinanced, or only at higher than expected interest rates leading to an unplanned loss. Managed by maintaining a smooth maturity profile.
Supported borrowing	Borrowing for which the repayment costs are supported by government grant.
T-bill	Treasury bill - a bill issued by a government.
TMS	(1) Treasury management strategy. (2) Treasury management system.
Treasury bill	See T-bill.

Treasury investments	Investments made for treasury management purposes, as opposed to commercial investments and service investments.
Treasury management	The management of an organisation's cash flows, investment and borrowing, with a particular focus on the identification, control and management of risk. Specifically excludes the management of pension fund investments.
Treasury management advisor	Regulated firm providing advice on treasury management, capital finance and related issues.
Treasury Management Code (TM Code)	CIPFA's Code of Practice for Treasury Management in the Public Services and Cross-Sectoral Guidance Notes, to which local authorities are required by law to have regard.
Treasury management indicators	Indicators required by the Treasury Management Code to assist in the management of credit risk, interest rate risk, refinancing risk and price risk.
Treasury management policy statement	Document required by the Treasury Management Code setting out a local authority's definition of and objectives for treasury management.
Treasury management practices (TMPs)	Document required by the Treasury Management Code setting out a local authority's detailed processes and procedures for treasury management.
Treasury management strategy	Annual report required by the Treasury Management Code covering the local authority's treasury management plans for the forthcoming year.
Unsupported borrowing	Borrowing where the cost is self-financed by the local authority. Sometimes called prudential borrowing since it was not permitted until the introduction of the Prudential Code in 2004. See also supported borrowing.
Working capital	The cash surplus or deficit arising from the timing differences between income/expenditure in accounting terms and receipts/payments in cash terms.

This page is intentionally left blank

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO GOVERNANCE AND AUDIT COMMITTEE

12 NOVEMBER 2020

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

DISABLED FACILITIES GRANT – PROGRESS REPORT AND POSITION STATEMENT

1. Purpose of report

- 1.1 The purpose of this report is to update the Governance and Audit Committee on actions taken to progress improvements to the Disabled Facilities Grant (DFG) service and provide information on the position to date.

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

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

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

3. Background

- 3.1 Previous reports to Audit Committee, Cabinet and Cabinet Corporate Management Board (CCMB) have outlined the critical need to re-shape and improve the delivery of the DFG service within Bridgend. The DFG service has, for some time, failed to meet its performance indicator targets and, after consideration of factors raised by Members, Scrutiny, Internal Audit, and research with other local authorities, it has been concluded that a fundamental change in the delivery model is required to the service.
- 3.2 The statutory duty lies with the Council to provide the service but the control on quality and responsiveness is hampered by a lack of control of the whole application process with numerous points of failure existing in the current process. The delivery times for DFGs, particularly for complex children's cases, is not consistent with a person centred approach. The Council is in the bottom quartile for Wales in terms of delivery times.
- 3.3 This report provides an update on the progress made so far in preparation for a decision on the best delivery model for Bridgend.

4. Current situation/proposal

- 4.1 Background research and analysis is being undertaken on a number of levels to progress the changes required to improve the DFG service delivery. This has involved a 'lean thinking' systems approach, learning from other local authorities such as Neath Port Talbot and Rhondda Cynon Taff, and internal discussions and analysis. The aim of this work is to determine the best model of service delivery for the Council. It has been recognised that improvements require a fundamental shift in all aspects of the current service and action has been taken in the following areas to date:
- 4.2 The role of the agent: This is a fundamental part of each DFG application. Currently this function is undertaken by a small number (4-5) of local agents who are independent of the Council over which the Council has limited control. Research and investigation is taking place on the best model which will allow the Council more control over the functions and role of the Agent, operation, monitoring and delivery of the service and a report will be presented to Cabinet regarding the key steps, milestones and support required to take the Council to this position. There are a number of historic practices in place and key areas of exploration are – current administrative and communication systems, policies and procedures in place, and the applicant's journey to identify how the Council can achieve best outcomes and best value.
- 4.3 Discretionary works: In addition to the mandatory DFG service, a range of discretionary minor works are delivered on the Council's behalf by a number of providers. These are small scale works that can be delivered quickly and are valued highly by the recipient. To ensure clarity and economies of scale a joint exercise is currently taking place with the Social Services and Wellbeing Directorate and Finance to determine the scale of investment by the Council in these services. On completion of this, it is intended to consider further how the Council achieves best quality and value for this expenditure. This will ensure that performance is managed, fee levels are consistent and that Council budgets are used effectively without duplication.
- 4.4 Collaboration and support: It is absolutely critical to the delivery of the service in the medium term to identify support to deliver the service whilst the Council develops the final service delivery model it wishes to adopt. The ability to draw on additional support will allow the Council to deal with expressed and latent demand of the service that occurs in normal circumstances and the backlog caused by Covid-19 restrictions. The Covid-19 Pandemic has stalled the flow of referrals for DFG's and the ability to assess and deliver medium and major adaptations has been affected by the initial lockdown in March due primarily to the inability to go into people's homes. Additionally some builders did not work during this period or necessary supplies were unavailable. As the situation eases and workflow increases, focus has initially been given to priority cases but a backlog in referrals will need to be addressed. Support for the DFG team to deal with the demand on the service is being explored. A report on the recommendations to increase support will be presented to Cabinet.
- 4.5 Further analysis is required to finalise future arrangements for Bridgend and determine the best service model to replace what is currently in place. Cabinet will

receive a report outlining the next steps to achieve transition from the current model to any new model.

5. Effect upon policy framework and procedure rules

5.1 None.

6. Equality Impact Assessment

6.1 An equality impact assessment is not required at this stage but will be undertaken prior to a decision on any new model.

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

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

Long term	Ensures best use of available accommodation and allows individuals to remain within their own home
Preventative	Supports an individual to manage their health and prevents an individual escalating into statutory services at a greater cost
Involvement	Involves individuals exercising their choice to remain in their home for as long as possible
Integration	Ensures individuals can remain within their community and with family
Collaboration	Will involve partnership working with local businesses and local services. DFG's are a collaboration between social service community health and housing

8. Financial implications

8.1 There are no financial implications arising from this report.

8.2 Any financial implications identified in the transition and adoption of the new model will be contained in future reports presented to Cabinet.

9. Recommendation

9.1 It is recommended that the Committee:-

- Note progress to date to improve the DFG service and the current position.

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

Contact officer: Martin Morgans
Head of Partnerships

Telephone: (01656) 642154

Email: Martin.Morgans@bridgend.gov.uk

Postal address: Civic Offices, Angel St, Bridgend CF31 4WB

Background documents: None

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO THE GOVERNANCE AND AUDIT COMMITTEE

12 NOVEMBER 2020

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

UPDATED FORWARD WORK PROGRAMME 2020-21

1 Purpose of report

- 1.1 The purpose of this report is to seek approval for the proposed Updated Forward Work Programme for 2020-21.

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

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

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

3 Background

- 3.1 Council approved the renaming of the Audit Committee to the Governance and Audit Committee at its Annual General Meeting on 30th September 2020, and approved an amendment to its terms of reference to reflect that change. The core functions of an effective Governance and Audit Committee include the responsibility 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 Governance and Audit Committees help to 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 Committee in ensuring that due consideration is given to all aspects of their core functions the proposed Updated Forward Work Programme for 2020-21 is attached at Appendix A.

4.2 Shown below are the items scheduled to be presented at the Committee's next meeting on 28th January 2021. Committee Members are asked to endorse this schedule, confirm the list of people they would like to invite for each item (if appropriate), and indicate whether any additional information or research is required.

Proposed Agenda Items – 28th January 2021	
1	Audit Committee Action Record
2	Audit Wales Audit Committee Update
3	Corporate Risk Assessment 2021-22
4	Treasury Management Strategy 2021-22
5	Internal Audit Progress Report April 2020 to December 2020
6	Audit Committee Self-Assessment
7	Audit Committee Terms of Reference
8	Updated Forward Work Programme 2021-22

5 Effect upon policy framework & procedure rules

5.1 There is no impact on the Policy framework and Procedure rules.

6 Equality Impact Assessment

6.1 There are no equality implications arising from this report.

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

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

8 Financial implications

8.1 There are no financial implications arising from this report.

9 Recommendation

9.1 That the Committee consider and approve the proposed Updated Forward Work Programme for 2020-21.

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

Contact Officer: Deborah Exton
Deputy Head of Finance

Telephone: (01656) 643604

E-mail: deborah.exton@bridgend.gov.uk

Postal Address: Bridgend County Borough Council
Raven's Court
Brewery Field
Bridgend
CF31 4AP

Background Documents: None

APPENDIX A

GOVERNANCE AND AUDIT COMMITTEE

PROPOSED SCHEDULE OF MEETINGS AND FORWARD WORK PROGRAMME

PROVISIONAL DATE OF MEETING	FORWARD WORK PROGRAMME	OFFICER RESPONSIBLE
2021		
28th January	Governance and Audit Committee Action Record	Democratic Services Manager
	Audit Wales Governance and Audit Committee Update	Chief Officer – Finance, Performance and Change / Audit Wales
	Corporate Risk Assessment 2021-22	Chief Officer – Finance, Performance and Change
	Treasury Management Strategy 2021-22	Chief Officer – Finance, Performance and Change
	Internal Audit Progress Report April 2020 to December 2020	Head of Internal Audit
	Governance and Audit Committee Self-Assessment	Head of Internal Audit
	Governance and Audit Committee Terms of Reference	Head of Internal Audit
	Updated Forward Work Programme 2021-22	Chief Officer – Finance, Performance and Change
22nd April	Governance and Audit Committee Action Record	Democratic Services Manager
	Audit Wales Governance and Audit Committee Update	Chief Officer – Finance, Performance and Change / Audit Wales
	External Audit Annual Audit Plan 2021	Chief Officer – Finance, Performance and Change / Audit Wales
	Internal Audit – Final Outturn Report	Head of Internal Audit
	Internal Audit Strategy and Risk Based Audit Plan April 2021 to March 2022	Head of Internal Audit
	Regional Internal Audit Shared Service Charter 2021-22	Head of Internal Audit
	Proposed Forward Work Programme 2021-22	Chief Officer – Finance, Performance and Change