

# 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

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#### **Cyfarwyddiaeth y Prif Weithredwr / Chief Executive's Directorate**

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

Gofynnwch am / Ask for: Democratic Services

Ein cyf / Our ref:

Eich cyf / Your ref:

**Dyddiad/Date:** Friday, 16 July 2021

Dear Councillor,

#### **GOVERNANCE AND AUDIT COMMITTEE**

A meeting of the Governance and Audit Committee will be held remotely - via Microsoft Teams on **Thursday, 22 July 2021 at 14:00.**

#### **AGENDA**

1. Apologies for Absence  
To receive apologies for absence from Members.
2. Declarations of Interest  
To receive declarations of personal and prejudicial interest (if any) from Members/Officers in accordance with the provisions of the Members' Code of Conduct adopted by Council from 1 September 2014.
3. Approval of Minutes 3 - 14  
To receive for approval the minutes of the Committee of 18/06/2021
4. Governance and Audit Committee Action Record 15 - 18
5. Audit Wales Governance and Audit Committee Reports 19 - 46
6. Statement of Accounts 2020-21 47 - 188
7. Porthcawl Harbour Return 2020-21 Annual Audit Letter 189 - 192
8. Annual Treasury Management Outturn Report 2020-21 193 - 210
9. Corporate Risk Register 211 - 222
10. Annual Corporate Fraud Report 223 - 242
11. Updated Forward Work Programme 2021-22 243 - 248
12. Urgent Items  
To consider any other items(s) of business in respect of which notice has been given in

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accordance with Rule 4 of the Council Procedure Rules and which the person presiding at the meeting is of the opinion should by reason of special circumstances be transacted at the meeting as a matter of urgency.

Yours faithfully

**K Watson**

Chief Officer - Legal, HR & Regulatory Services

Councillors:

CA Green  
JE Lewis  
MJ Kearn  
B Sedgebeer

Councillors

RM Granville  
LM Walters  
AJ Williams  
PA Davies

Councillors

P Davies  
TH Beedle  
A Hussain  
E Venables

Lay Member:

Mrs J Williams

## GOVERNANCE AND AUDIT COMMITTEE - FRIDAY, 18 JUNE 2021

### MINUTES OF A MEETING OF THE GOVERNANCE AND AUDIT COMMITTEE HELD REMOTELY - VIA MICROSOFT TEAMS ON FRIDAY, 18 JUNE 2021 AT 14:00

#### Present

Councillor LM Walters – Chairperson

CA Green  
AJ Williams

JE Lewis  
PA Davies

B Sedgebeer  
A Hussain

RM Granville  
E Venables

#### Apologies for Absence

MJ Kearns, P Davies and TH Beedle

#### Officers:

Simon Roberts	Senior Fraud Investigator
Deborah Exton	Interim Deputy Head of Finance
Mark Thomas	Head of Regional Audit Service
Samantha Clements	Audit Wales
Sarah-Jane Byrne	Local Government Manager, Wales Audit Office
Mark Galvin	Senior Democratic Services Officer - Committees
Gill Lewis	Interim Chief Officer – Finance, Performance and Change
Michael Pitman	Democratic Services Officer - Committees
Nigel Smith	Finance Manager
Eilish Thomas	Finance Manager - Financial Control & Closing
Jason Blewitt	Audit Wales

#### Lay Member:

Mrs Josephine Williams

#### 245. ELECTION OF CHAIRPERSON

There were two nominations received for the election of Chairperson, both of which were duly seconded, namely Councillor L Walters and Councillor E Venables.

Following a vote on this appointment it was

RESOLVED: That by way of a majority vote, Councillor Walters be appointed Chairperson of the Governance and Audit Committee for the ensuing year.

Councillor Walters took the Chair.

#### 246. ELECTION OF VICE-CHAIRPERSON

Councillor E Venables was nominated Vice-Chairperson of the Governance and Audit Committee. This nomination was duly seconded. There were no further nominations.

RESOLVED: That Councillor Venables be appointed Vice-Chairperson of the Governance and Audit Committee for the ensuing year.

247. **DECLARATIONS OF INTEREST**

None.

248. **APPROVAL OF MINUTES**

**RESOLVED:** That the Minutes of a meeting of the Governance and Audit Committee dated 22 April 2021, be approved as a true and accurate record.

249. **GOVERNANCE AND AUDIT COMMITTEE ACTION RECORD**

The Senior Democratic Services Officer - Committees presented a report, which updated the Committee on the Action Record, which was devised as a way of tracking the decisions made by the Committee in the exercise of its functions.

He advised that the Action Record was presented to each meeting of the Governance and Audit Committee and was attached at Appendix A to the covering report. He outlined the actions listed in the Appendix with the progress to date on each of these.

The Chairperson stated that the first action on the tracker had been covered at the last meeting and therefore could be highlighted grey to show as completed.

A Member clarified the wording of 'action to be brought to committee' and said that this should be amended to 'brought'.

The Audit Wales Representative mentioned the Financial Sustainability Report was not on the meeting agenda today, but that this would be discussed at the next committee meeting which was scheduled for July 2021.

**RESOLVED:** That the Committee noted the report subject to the above changes.

250. **AUDIT WALES GOVERNANCE AND AUDIT COMMITTEE REPORTS**

The Financial Audit Manager presented the report which set out progress for the year, including an update on the financial and performance audit work both undertaken, and due to be undertaken, by Audit Wales, and to introduce a presentation to the Committee on the National Fraud Initiative.

The Audit Wales Representative outlined the financial audit work which covered the status of the topics listed in Appendix A of the report.

The Audit Wales Representative explained that further progress had been made with these and said that the final letter had just been issued this week to the council on the Recovery Planning topic. She added that a final report had also been issued on the Digital Council topic. She explained that a number of the topics were in early stages and had not yet commenced but many had begun and were in the scoping phase.

The Chairperson recognised that there were a number of pieces of work in the scoping phase, but there were no dates provided for the likely completion of these. She asked if these dates, or approximate dates, would be made available to Committee, as she was conscious of the possibility that BCBC staff could be inundated with all the work at once.



The Audit Wales Representative explained that they were looking at around the autumn time for completion of these pieces of work, but there was still a large amount of scoping to do, so she could not at this time, guarantee specific time frames.

The Lay Member asked with regards to learning from the past year, initiating change and utilising any opportunities that were made available, what were the plans to collaborate and share information with Welsh Government in this. The Audit Wales Representative stated that the team that worked on this were meeting with the WLGA to discuss this going forward. She added that following from conversations with other Local Authorities, it had been recognised that there needed to be collaborative working and that was the general consensus of all conversations when discussing the future.

The Chairperson asked where reports were sent to within BCBC as there were a number of reports that were less specific and may be less obvious where they needed to go, ie a contact point. The Audit Wales Representative stated that there were a number of key contacts that were used and believed that these reports would be distributed to the senior officers of BCBC, but she would check on the specifics of this, and come back to Committee with the details.

The Audit Wales Representative gave a presentation on the National Fraud Initiative (NFI) which provided details on what the NFI was, including related elements of this. The presentation would be circulated to Members following the meeting.

A Member asked if there were any security risks with the NFI system.

The Audit Wales Representative explained that all data was dealt with in compliance with Data Protection laws and any time new data was being introduced, conversations were had with the Information Commissioner to ensure the data was being dealt with accordingly. Any time an action was required, NFI officers would provide sufficient evidence of fraud or the risk to commit fraud. He added that the information held was audited in accordance with the Welsh Governments national security standards.

A Member asked how identity fraud was found with regards to passports and drivers licences when the holder had passed away. The Audit Wales Representative explained that there were methods of matching details within NFI that helped prevent the misuse of this type of identification. An example was information that had been shared from the Metropolitan Police to assist in data matching.

A Member asked how much of the money identified in fraud was returned to the public purse.

The Audit Wales Representative explained that the amount was around 50% and this was due to a number of reasons, one of which was that many of the fraudsters already spend the money before they are caught and therefore did not have the means to repay.

A Member asked if NFI looked at patterns or trends with regards to detecting fraud. The Audit Wales representative stated that there was no profiling carried out, all fraud detections were dealt with on an individual basis.

A Member asked if there were any problems with NFI and/or detecting fraud that were worth noting. The Audit Wales Representative stated that there were sometimes matches that were not fraud or errors, but rather data quality issues or false positives. He added that when providing the information back to bodies, the information had to be carefully considered, as not all such information provided was fraudulent.

A Member asked if the NFI system could be used to benefit people who were entitled to more benefits and also to prevent people who were unintentionally over claiming to continue doing so, and prevent them needing to pay back a substantial amount of money in the future if it were to be detected as potential fraud.

The Audit Wales Representative explained that the system was not currently able to do that and the legislation also prevented NFI from doing it. It was something worth noting and looking into for the future if that were to change.

**RESOLVED:**

That the Committee noted the Audit Wales Governance and Audit Committee Reports at Appendix A and Appendix B to the report, and the letter from Audit Wales at Appendix C, as well as the presentation on the National Fraud Initiative.

**251. STATEMENT OF ACCOUNTS 2020-21 (UNAUDITED)**

The Group Manager – Chief Accountant presented a report with the unaudited Statement of Accounts for 2020-21 for noting.

He advised that the Council's unaudited Statement of Accounts for the financial year ending 31 March 2021 was attached at Appendix A to the report. The Statement of Accounts comprised a number of different statements relating to financial performance and reserves, as well as the Annual Governance Statement. The Annual Governance Statement will be signed by the Leader of the Council and Chief Executive once the audit has been completed.

The Accounts include the following core Financial Statements (pages 16 to 19 of the Accounts):

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

The Group Manager – Chief Accountant provided figures relating to the reserves of the Council and outlined the key areas of such. The figures were listed at section 4 of the report.

The Group Manager – Chief Accountant explained that the total capital spending during 2020-21 was £23.461 million. Assets created, improved or under development as a result of this spend included:

- East Hub at Brynteg School
- New mobile classrooms at Mynydd Cynffig Primary School
- Maesteg Town Hall Cultural Hub

The Group Manager – Chief Accountant explained that the unaudited statement of accounts was now being audited by Audit Wales and a final version of the accounts would be brought back to the Governance and Audit Committee at the meeting in July 2021. He further outlined the financial statement sections of Appendix 1 which covered the following:

- Expenditure and Funding Analysis

- Note to the Expenditure and Funding Analysis
- Expenditure and Income Analysed by Nature
- Precepts and levies
- Council Tax
- Grants
- Usable reserves

The Chairperson thanked the team for the report and found that the information displayed was broken down well and made easier to read this year.

The Lay Member asked if it was to be expected that the Council was at an underspend for the year, given the difficulties faced since the Pandemic.

The Chief Officer – Finance Performance and Change explained that BCBC were able to obtain a small surplus of cash but given the pressures that were likely to come once the hardship funds for businesses and other grants had stopped, earmarked reserves had been increased with the surplus and that would be used to help with the pressures that were anticipated.

A Member asked if thought had been given to people who had got over Covid-19 but still experienced the 'long covid' symptoms and needed support for these.

The Chief Officer – Finance Performance and Change explained that there was a Covid-19 reserve fund which had been used for emergencies. The fund had also been increased at year end. She added that the fund would continue for the foreseeable future and would cover a number of aspects of Covid related issues.

The Chairperson asked in relation to the overdraft on page 92, what the details surrounding this were.

The Group Manager – Chief Accountant explained that there were funds due to come back to the accounts on the 31<sup>st</sup> March 2021, but that these were not returned until after the year end. The funds were returned a few days later and the team requested further money due to the interest charges incurred, which were paid.

The Chairperson asked with regards to debtors, the figures in the table on page 129, went up from 25,168 to 43,489. She asked what the reasons for this were.

The Group Manager – Chief Accountant explained that a large element of this was due to the pooled funding arrangement for residential care between social services, Cwm Taf Health Board, RCTCBC and Merthyr CBC. A payment of £9 million needed to be made for residential care. An increase in sales ledger debt of £4.75 million year on year also contributed to this figure and the Council Tax debtor provision had increased by £2.4 million. There were due to be grants received in the year which did not arrive until after the year end so this increased the level of debtors by £6 million in total. Most of these issues were timing issues, and much of it would be recovered throughout the following year, he concluded.

**RESOLVED:**

That the Committee noted the unaudited Statement of Accounts 2020-21 at Appendix A to the report.

**252. PORThCAWL HARBOUR RETURN 2020-21 (UNAUDITED)**

The Group Manager – Chief Accountant presented a report of the unaudited Porthcawl Harbour Return 2020-21 for approval. The Council's unaudited Porthcawl Harbour Return for the financial year ended 31 March 2021, was attached at Appendix A.

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

The Group Manager – Chief Accountant advised that the Harbour achieved a balanced position as at 31 March 2021. It generated £257,302 in fees, primarily for boat berthing/mooring. The main items of expenditure were staffing costs (£74,531) and depreciation of the Harbour assets (£113,518). The value of the Harbour and associated assets, including the kiosk and slipway, as at 31 March 2021, was £3,056,781.

The return has been reviewed by Internal Audit, with no amendments to the same. This will now also be audited by Audit Wales.

**RESOLVED:** That the Committee approved the unaudited Porthcawl Harbour Return 2020-21 at Appendix A.

**253. ANNUAL GOVERNANCE STATEMENT 2020-21**

The Interim Chief Officer – Finance, Performance and Change submitted a report, the purpose of which, was to present to the Governance and Audit Committee the Annual Governance Statement 2020-21 (AGS) for approval and inclusion within the unaudited Statement of Accounts 2020-21.

This item was presented by the Chief Executive.

The report reminded Members, that 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.

The Chief Executive explained that good corporate governance requires the active participation of Members and officers across the Council. These arrangements are reviewed on an annual basis and the findings used to update the AGS. This helps to ensure the continuous improvement of the Council's corporate governance culture. The inclusion of the AGS within the Statement of Accounts provided Committee with an overall appraisal of the controls in place to manage the Council's key risks and identified where improvements need to be made.

The draft AGS 2020-21 has been reviewed by Corporate Management Board (CMB) and Cabinet. The draft AGS was attached at Appendix A to the report.

The Chief Executive confirmed that there had been and still were, going forward, some very significant challenges to be met, for example, ICT, home working, the delivery of certain provisions of the Local Government and Elections (Wales) Act 2021, so continual review of the way the Council operates would be needed to overcome these going forward.

He also confirmed that the AGS will be reviewed as part of the external audit on the Statement of Accounts and should reflect any governance issues right up to the date that the Auditor General for Wales signs off the Statement of Accounts 2020-21.

The Chairperson commended the document that supported the covering report and was pleased to see that a lot of work had been committed to its narrative and it was user friendly. It clearly stated the actions the Authority had taken to manage work and governance issues during the pandemic and the impact this has had on the business of the Council.

A Member referred to page 212 of the report and the Table identifying the well-being goals/objectives and she wondered why, against the objective of Wellbeing goals/objectives, there was not a tick against the objective entitled 'A Resilient Wales – and Helping people in Communities to be more Healthy and Resilient.'

The Interim Chief Officer – Finance, Performance and Change confirmed that there was a reason for this and she would confirm this to the Member outside of the meeting.

The Member asked a further question, namely on page 216 and the Table detailing Welsh Government Hardship Fund Claims, it confirmed that certain categories were disallowed in terms of applications to Welsh Government (WG) in the form of cost recovery and income reimbursements, including ICT costs.

The Chief Executive confirmed that ICT had funded 50% of ICT costs with the Council funding the other 50%. In most cases however, applications made to WG had in the main been fairly successful, since the inception of Covid-19.

The Interim Chief Officer – Finance, Performance and Change added that some of the applications that had not been successful, were where the Council had made its local decision to provide something themselves or continued to provide something, for example free car parking in town centres, which did not then qualify for a cost reimbursement under the Welsh Government Hardship Fund criteria.

The Chairperson noted that a review of the Council's Financial Procedure Rules had not been fully carried out since 2017, and she therefore asked was there any intention to review these in the immediate future.

The Interim Chief Officer – Finance, Performance and Change assured Members that where changes have been required periodically, these have been made. Further revisions as part of a future desktop study, would be recommended by the Finance Team to full Council, in due course.

<b><u>RESOLVED:</u></b>	That the Committee approved the draft Annual Governance Statement 2020-21 at Appendix A and agreed its inclusion within the unaudited Statement of Accounts 2020-21.
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**254. ANNUAL INTERNAL AUDIT REPORT 2020-21**

The purpose of this report is to provide the Head of Internal Audit's Annual Opinion on the Council's control environment in relation to governance, risk management and internal control and to inform the Governance and Audit Committee of the work and performance of Internal Audit for the Financial Year 2020-21.

The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an Annual Report to support the Annual Governance Statement. The report should:

- Include an opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control;
- Present a summary of the audit work undertaken;
- Draw attention to any issues that may impact on the level of assurance provided;
- Provide a summary of the performance for the service;
- Comment on conformance with the Public Sector Internal Audit Standards.

The draft audit plan for 2020-21 was due to be presented to Audit Committee in April 2020 however the Covid-19 outbreak delayed the planning process as significant new risks and ways of working had to be considered to inform the Plan. The 2020-21 Internal Audit Plan was therefore approved on the 10th September 2020. The plan recognised that there would be a different emphasis due to the impact of COVID-19; particular risks arising from COVID-19, availability of audit and service staff and challenges arising from the remote ways of working. The approved plan was also more flexible to be able to respond to changing circumstances and events that may occur during the year as a result of the pandemic.

2020-21 has seen the Covid-19 pandemic have a major impact on how the Council has had to operate and the governance arrangements and processes that were put in place to ensure it could continue to support residents and businesses during this difficult and challenging year.

Covid-19 also changed how audit work was carried out in 2020-21 and all staff have worked from home for the year. Audits have been conducted remotely using various digital solutions, holding remote meetings, sharing of screens, and sending of data and evidence electronically.

The Internal Audit Annual Report is at Appendix A which summarises the reviews undertaken during 2020-21 including any counter fraud work, the recommendations made and any control issues identified. A total of 26 reviews were completed with an audit opinion and a total of 38 medium recommendations made. A detailed breakdown is included at Annex 1 of the appendix.

Progress against the 2020-21 Risk Based Plan is attached at Annex 2. This details the status of each planned review. It should be noted that some reviews listed have no audit opinion, for example advice and guidance, External Audit liaison, Fraud, and Irregularity work. This is because the audit work carried out in respect of these items was planned but the nature of the work does not lead to testing and the formation of an audit opinion.

Taking into account the results of the internal audit reviews completed during 2020-21, the recommendations made and considering other sources of assurance the Head of Internal Audit's annual opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control for 2020-21 is of reasonable assurance. No significant cross-cutting control issues have been identified that would impact on the Council's overall control environment and the weaknesses identified are service specific.

**RESOLVED:**

That Members of the Governance and Audit Committee gave due consideration to the Annual Internal Audit Report for the Financial Year 2020-21, including the Head of Internal Audit's Annual Opinion on the adequacy and effectiveness of the Council's

framework of governance, risk management and internal control.

**255. ANNUAL INTERNAL AUDIT STRATEGY & RISK BASED PLAN 2021-22**

The Head of Internal Audit submitted a report, in order to provide Members of the Governance and Audit Committee with the Annual Internal Audit Strategy and Risk Based Plan for 2021-22.

He explained by way of background, that in line with the Public Sector Internal Audit Standards (PSIAS) the Head of Internal Audit must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals.

The Public Sector Internal Audit Standards, required a risk-based audit plan to be produced to cover the Council's overall control environment including risk, governance and internal controls, as far as was practicable.

With regards to the changes to the way the Council was operating since Covid-19, including any new risks as a result of remote working, these had been considered and included within the draft audit plan for 2021-22.

Attached at Appendix A to the report, was the draft Internal Audit Strategy document for 2021-22. This demonstrated how the Internal Audit Service would be delivered and developed in accordance with the Committee's Terms of Reference. The Strategy would be reviewed and updated annually in consultation with stakeholders, namely the Governance and Audit Committee, Corporate Management Board, External Auditors and Senior Management.

The Head of Internal Audit explained that the 2021-22 draft Annual Risk Based Plan of work, had been formulated in compliance with the PSIAS. The draft detailed plan was attached at Appendix B to the report.

The proposed plan at Appendix B, would offer sufficient coverage to be able to provide an opinion at the end of 2021-22. It would also consider risks that had emerged and were ongoing, in relation to the Covid-19 pandemic, amongst others.

The Lay Member asked if consideration had been given to developing the draft Annual Risk Based Audit Plan, so that it covers a longer and more strategic timeframe over and above an annual period, in order to include longer strategies included and embedded in the Plan, maybe for example by having a 3 Year Plan. She also asked what the joint service Authorities relationship was with Audit Wales, particularly in terms of monitoring performance and improvements, given that there were not one but four participating Authorities comprising the Regional Service.

The Head of Internal Audit advised that in terms of the relationship with Audit Wales this was strong, there were common Performance Auditors across the four Councils but different Financial Auditors. He also met with Audit Wales representatives covering the four Councils to share progress on work and to raise any issues.

With regards to having a longer term Plan, the Head of Internal Audit confirmed that this had been the case in the past, i.e. having in place a 5 or 3 Year version. However, it had been changed to facilitate a more dynamic approach in recent years, in order to quickly respond to Risks etc, as these can change quickly and therefore have to be responded to. The Regional Service, also plan to look at some common work areas across the four Councils, for example Cyber Security, so that learning from different Councils can be

applied. Also a standard approach had been adopted for carrying out audits, report formats etc.

The Chairperson noted that the service was still holding a number of vacancies. She asked that until these were filled, was the Service intending to adopt a frontload approach to cover Audit related work, through the use of SWAP or another external provider, or was it the intention to backload this work until such time suitable staff were in post and fully trained.

The Head of Internal Audit, advised that there were still vacancies within the Service but the structure had been finalised and it was hoped that progress could be made in terms filling the roles in the Autumn. SWAP, or an alternative external provider would continue to be used to complete some audits along with Internal Audit also doing this work. So the intention was, neither to frontload or backload work, but to balance the work over the year as consideration also had to be given to the availability and pressure on Service Department staff to be able to devote time to audits.

**RESOLVED:** The Committee considered and approved the draft Internal Audit Strategy (Appendix A to the report) and draft Annual Risk Based Audit Plan for 2021-22 (at Appendix B).

**256. UPDATED FORWARD WORK PROGRAMME 2021-22**

The Interim Chief Officer - Finance, Performance and Change, presented a report, the purpose of which was to seek approval for the updated Forward Work Programme for 2021-22.

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 2021-22 was attached at Appendix A (to the report).

Shown in paragraph 4.2 of the report, were the items scheduled to be presented at the Committee's next meeting on 22nd July 2021.

The Interim Chief Officer – Finance, Performance and Change confirmed that there may be additional agenda items presented to the Committee as the Local Government and Elections (Wales) Act 2021 comes into effect, particularly in respect of the Committee's new responsibilities in relation to performance and complaints, and these would be added to the Forward Work Programme, as and when necessary.

In light of the fact that there was a considerable time period between the 22 July meeting and the next scheduled Committee in November 2021, Members, following a directive from Officers, agreed that a further meeting to consider outstanding agenda business, be convened in September on a date to be considered and confirmed in the immediate future.

The report further confirmed that, in addition, due to the local elections taking place in May 2022, and the pre-election period prior to that, the meeting originally scheduled in April of next year, would now take place on 31 March 2022.

**RESOLVED:** That the Committee considered and approved the proposed Updated Forward Work Programme for 2021-22, as well as agreeing to an additional



Committee being convened at a date to be agreed sometime in September 2021.

257. **URGENT ITEMS**

None.

The meeting closed at 16:30

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## BRIDGEND COUNTY BOROUGH COUNCIL

### REPORT TO THE GOVERNANCE AND AUDIT COMMITTEE

22 JULY 2021

#### 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 Act 2010 Implications**

- 6.1 The protected characteristics identified within the Equality Act, Socio-economic Duty and the impact on the use of the Welsh Language have been considered in the preparation of this report. As a public body in Wales the Council must consider the impact of strategic decisions, such as the development or the review of policies, strategies, services and functions. This is an information report, therefore it is not necessary to carry out an Equality Impact assessment in the production of this report. It is considered that there will be no significant or unacceptable equality impacts as a result of 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 note the Action Record and provide any comment upon this, as appropriate.

**Kelly Watson**  
**Chief Officer – Legal, HR & Regulatory Services**  
**July 2021**

**Contact Officer:**     **Mark Anthony Galvin**  
                                 **Interim Democratic Services Manager**

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## **Background Documents:**

None

## Governance and Audit Committee Action Record

Date of Committee / Minute Number	Agreed Action	Lead	Target Date	Progress	Date for action to be brought to Committee	Completed Date
12 November 2020 / 214	Audit Wales Governance & Audit Committee Update	Audit Wales	January 2021	1. Reports on the Financial Sustainability of Local Government as a Result of the COVID-19 Pandemic	June 2021	July 2021
				2. National Fraud Initiative be brought to the next meeting of the Committee.	June 2021	Completed
28 January 2021 / 229	Effectiveness of Audit Committee – Self-Assessment	Head of Internal Audit	June 2021 June 2021	1. That Committee awaits a further report on the content of responses of Members as detailed in the completed and returned questionnaires. 2. That Members note that a virtual meeting had taken place since the last Committee meeting between the Chairperson and Members of the Committee, on any training needs they have identified going forward. This would form the subject of a further report.	June 2021 June 2021	Completed - Updated report taken to Committee 22nd April 2021. Audit report finalised and issued to the Chair and Chief Officers on 4th June 2021
22 April 2021 / 240	Local Government and Elections (Wales) Act 2021	Interim Chief Officer – Finance, Performance and Change	November 2021	That Committee awaits a report to consider issues regarding the Complaints process, including the different types of these as well as how many are received over a specific period of time.	September 2021	
22 April 2021 / 241	Disabled Facilities Grant – Progress Report and Position Statement	Head of Partnerships	July 2021	That Committee awaits data information, should this be available, on the average number of days taken to deliver a Disabled Facilities Grant for the year 2019/20 and 2020/21, if for the latter this was actually collated (due to the Covid-19 pandemic).	September 2021	
18 June 2021 / 252	Audit Wales Governance and Audit Committee Reports	Audit Wales	Autumn 2021	1. That further financial audit work beyond the 'scoping phase' is be undertaken. 2. Audit Wales to confirm to Members the key officer contacts in BCBC they link in with, for the submission of reports on earmarked future agenda items to be submitted to Committee	November 2021 July/September 2021	
18 June 2021 / 255	Annual Governance Statement 2020-21	Interim Chief Officer – Finance, Performance and Change	July 2021	To confirm at the next Committee meeting the reason why there was not a completed tick against the objective entitled 'A Resilient Wales – and Helping People in Communities to be more Healthy and Resilient', in the Table within the report that identified BCBC's well-being goals/objectives	July 2021	

Date of Committee / Minute Number	Agreed Action	Lead	Target Date	Progress	Date for action to be brought to Committee	Completed Date
18 June 2021 / 255	Updated Forward Work Programme 2021-22	-	-	For Members to note that a further Governance and Audit Committee will be held on 9 September at 2.00pm (as agreed by Members at its June 2021 meeting)	July 2021	N/A

## BRIDGEND COUNTY BOROUGH COUNCIL

### REPORT TO THE GOVERNANCE AND AUDIT COMMITTEE

22 JULY 2021

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

#### AUDIT WALES GOVERNANCE AND AUDIT COMMITTEE REPORTS

#### 1. Purpose of report

- 1.1 The purpose of this report is to submit to the Committee reports from Audit Wales, including an update on the financial and performance audit work undertaken, and due to be undertaken, by Audit Wales.

#### 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 to 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 Audit Wales undertakes a programme of work during the year to help the Auditor General discharge his duties under the Public Audit (Wales) Act 2004. The Auditor General's functions include auditing accounts and undertaking local performance audit work at a broad range of public bodies, alongside conducting a programme of national value for money examinations and studies. The Auditor General also assesses the extent to which public bodies are complying with the sustainable development principle when setting and taking steps to meet their well-being objectives.
- 3.2 Part 2 of the 2004 Act sets out the powers and duties of the Auditor General to undertake studies in relation to local government bodies in Wales. The most widely used of these provisions is section 41, which requires the Auditor General to undertake studies designed to enable him to make recommendations for, among other things, improving the value for money in the provision of services.
- 3.3 In accordance with Section 89 of the Local Government and Elections (Wales) Act 2021 the Authority is required to keep under review the extent to which it is exercising

its functions effectively, using its resources economically, efficiently and effectively and ensuring its governance is effective for securing these performance requirements.

#### **4. Current situation/proposal**

4.1 Audit Wales has produced a number of reports for the Governance and Audit Committee to consider. These are:

- **The Audit Wales Work Programme and Timetable - (Appendix A)** - , under the Local Government and Elections (Wales) Act 2021, the Auditor General is required to produce a work programme update for each financial year for each principal council covering both his functions and those of 'relevant regulators' (CIW and Estyn). Audit Wales intend to provide this to the Council quarterly and it will replace the previous work programme provided to the Committee.
- **Review of the Council's Arrangements to Become a 'Digital Council' – Bridgend County Borough Council - (Appendix B)** – Audit Wales wanted to understand if the Council has effective arrangements to support its ambitions of becoming a digital council. This included exploring how the Council has learned from its shift to more digital working as a result of the pandemic.

#### **5. Effect upon policy framework and procedure rules**

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

#### **6. Equality Act 2010 implications**

6.1 The protected characteristics identified within the Equality Act, Socio-economic Duty and the impact on the use of the Welsh Language have been considered in the preparation of this report. As a public body in Wales the Council must consider the impact of strategic decisions, such as the development or the review of policies, strategies, services and functions. This is an information report, therefore it is not necessary to carry out an Equality Impact assessment in the production of this report. It is considered that there will be no significant or unacceptable equality impacts as a result of this report.

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

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

#### **8. Financial implications**

8.1 There are no financial implications arising from this report.

#### **9. Recommendation**

9.1 That the Committee notes the Audit Wales Governance and Audit Committee Reports at **Appendix A** and **Appendix B**.



Gill Lewis  
**Interim Chief Officer – Finance, Performance and Change**  
July 2021

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**Background Documents:** None

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## Audit Wales Work Programme and Timetable – Bridgend County Borough Council

Quarterly Update: 30 June 2021

### Financial Audit work

Description	Scope	Timetable	Status
<b>Audit of the Council's 2020-21 statement of accounts</b>	To confirm whether the statement of accounts provide a true and fair view.	Audit Opinion by 31 July 2021	Audit work complete. Audit Opinion by 31 July 2021.
<b>Audit of the 2020-21 Returns for Porthcawl Harbour Authority and Coychurch Crematorium Joint Committee</b>	To confirm that the returns have been completed correctly.	Audit Opinion by 31 July 2021	Audit work complete. Audit Opinion by 31 July 2021 for Porthcawl Harbour Authority. Audit Opinion by 30 September 2021 for Coychurch Crematorium Joint Committee
<b>Audit of the Council's 2020-21 Grants and Returns</b>	Audit of 5 claims as required by the terms and conditions of the grants.	In line with the individual deadlines for each grant claim.	Audit work to be performed Oct to Dec 2021

### Performance Audit work

2020-21 Performance Audit Work	Scope	Timetable	Status
<b>Annual Audit Summary</b>	Annual report summarising the audit work undertaken in 2020-21 which also includes a summary of the key findings from reports	Autumn 2021	Not yet started

	issued by 'relevant regulators'. Also now combined with the Annual Audit Letter		
<b>Financial Sustainability</b>	A project common to all local councils that will assess financial sustainability in light of current and anticipated future challenges building on work undertaken during 2019-20.	<p>Phase 1 Published 6th October 2020</p> <p>Phase 2 (February – May 2021)</p>	<p>Final report published Oct 2020</p> <p><a href="#">Financial Sustainability of Local Government as a Result of the COVID-19 Pandemic   Audit Wales</a></p> <p>Report being finalised</p> <p>National Summary Report due to be published August 2021</p>
<b>Recovery Planning</b>	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.	May 2020-February 2021	Final letter issued
<b>Review of the Council's arrangements to become a 'Digital Council'</b>	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.	Autumn 2020/Spring 2021	Final report issued June 2021

2021-22 Performance audit work	Scope	Timetable	Status
<b>Annual Audit Summary</b>	Annual report summarising the audit work undertaken in 2021-22 which also includes a summary of the key findings from reports issued by 'relevant regulators'. Also now combined with the Annual Audit Letter	Autumn 2022	Not yet started
<b>Well-being of Future Generations Act (Wales) 2015 (WFG Act) examinations</b>	We will seek to integrate the delivery of our WFG examinations of steps to deliver wellbeing objectives with our other audit work. We will discuss this with the council as we scope and deliver the audit projects listed in this plan.	Ongoing	Ongoing
<b>Improvement reporting audit</b>	Audit of discharge of duty to publish an assessment of performance.	October 2021	Not yet started
<b>Assurance and Risk Assessment</b>	<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. At BCBC the project is likely to focus on:</p> <ul style="list-style-type: none"> <li>• financial position</li> <li>• self-assessment arrangements</li> <li>• recovery planning</li> <li>• implications of the Local Government and Elections (Wales) Act</li> <li>• carbon reduction plans</li> <li>• statutory building compliance</li> </ul>	Throughout the year	Underway
<b>Springing Forward – Examining the</b>	As the world moves forward, learning from the global pandemic, this review looks at how effectively	Planned for Autumn 2021 onwards – to	Project scoping

<b>building blocks for a sustainable future</b>	councils are strengthening their ability to transform, adapt and maintain the delivery of services, including those delivered in partnership with key stakeholders and communities.	be confirmed following scoping.	
<b>Follow-up review – Disabled Facilities Grants</b>	Follow up the Council's progress to address the findings from our disabled facilities grants (DFG) review.	July/August 2021	Underway
<b>Review relating to the Cwm Taf Morgannwg health partnership following the Council's transition to the partnership in 2019.</b>	Scope to be discussed with the Council. Running a group discussion with strategic managers representing the four sovereign bodies to assist in determining the scope on 17 <sup>th</sup> August 2021.	Planned for Autumn 2021 onwards – to be confirmed following scoping	Scoping

## Local government national studies planned / in progress

<b>Study</b>	<b>Scope</b>	<b>Timetable</b>	<b>Status</b>	<b>Fieldwork planned at BCBC</b>
<b>Town Centre Regeneration</b>	Review of how local authorities and their partners are addressing town centre regeneration	Publication September 2020	Drafting	Officers interviewed and members surveyed.
<b>Direct Payments</b>	Review of how local authorities manage and promote the use of Direct payments	Publication Autumn 2021	Fieldwork complete; survey of recipients and providers currently underway	No – work being delivered via Direct Payment Forum and a selection of follow up interviews

<b>Emergency Services</b>	Review of how well emergency services (blue light) collaborate	Publication Autumn 2021	Fieldwork until end of July	No
<b>Follow up on People Sleeping Rough</b>	Review of how local authorities responded to the needs of people sleeping rough during the pandemic following up on the AGWs report of July 2020	TBC	Project set up	No – work being delivered via Homelessness and Supporting People Forum
<b>Poverty</b>	Understanding how local authorities ensure they deliver their services to minimise or reduce poverty.	TBC	Project set up	TBC
<b>Social Enterprises</b>	Review of how local authorities are supporting and utilising social enterprises to deliver services	TBC	Project set up	TBC
<b>Community Resilience</b>	Review of how local authorities can build greater resilience in communities	TBC	Project set up	TBC

## Estyn

Estyn planned work 2021-22	Scope	Timetable	Status
Local Government Education Services (LGES) Inspections	Estyn have worked closely with Directors of Education to review their inspection guidance for local government education services to reflect the experiences of the pandemic. The updated guidance (published on 1 July) will be piloted on the first inspection and feedback will be sought on whether any further refinements need to be made.	LGES inspections to resume from late Autumn term	N/A
Curriculum Reform thematic review	Regional consortia and local authority support for curriculum reform.	Evidence collecting in Sept/Oct - publish in early February	N/A



## Care Inspectorate Wales (CIW)

CIW planned work 2021-22	Scope	Timetable	Status
<b>Assurance</b>	CIW will be completing its work on Assurance Checks including publication of a national overview report.	July – September 2021	In progress
<b>National review</b>	Support for disabled children and their families.	tbc	In progress - Drafting report
<b>Follow-up</b>	CIW will be following up on areas for improvement identified in the Assurance Checks or through risk based inspection activity with individual local authorities where necessary.	tbc	Not yet started
<b>Inspection</b>	Risk based inspection activity will continue where required.	tbc	No inspections are scheduled at this time

## Audit Wales national reports and other outputs published since 1 April 2021

Report title	Publication date and link to report
NHS finances data-tool 2020-21	<a href="#">June 2021</a>
Rollout of the COVID-19 vaccination programme in Wales	<a href="#">June 2021</a>
Quality governance arrangements at Cwm Taf UHB – follow up	<a href="#">May 2021</a>
Welsh Health Specialised Services Committee governance arrangements	<a href="#">May 2021</a>
At your Discretion - Local Government Discretionary Services	<a href="#">April 2021</a>
Procuring and Supplying PPE for the COVID-19 Pandemic	<a href="#">April 2021</a>

## Audit Wales National reports and other outputs due to be published during 2021-22 (and other work in progress/planned)<sup>1</sup>

Title	Anticipated publication date
NHS waiting times data-tool	July 2021
Supporting NHS staff well-being	August 2021
Administration of student finance	August 2021
Care home commissioning	August 2021
Picture of Public Services	September 2021
Warm Homes Programme	September 2021
Welsh Government accounts commentary	Autumn 2021
Welsh Government workforce	Autumn 2021
Orthopaedic services	Autumn 2021
Unscheduled care	Autumn 2021
Collaborative arrangements for managing local public health resources	Autumn 2021
Welsh Government setting of well-being objectives	Autumn 2021

<sup>1</sup> We will continue to keep our plans under constant review, taking account of the evolving external environment, our audit priorities, the context of our own resourcing and the capacity of audited bodies to engage with us. This includes maintaining some flexibility so that we can respond to developments in Welsh Government policy and areas of possible interest for a new Public Accounts Committee following the Senedd elections.

<b>Curriculum reform</b>	Winter 2021
<b>COVID response &amp; recovery / Welsh Government grants management</b>	TBC
<b>Equality impact assessment</b>	TBC
<b>Climate change – baseline review</b>	TBC
<b>NHS structured assessment 2021 summary commentary</b>	TBC
<b>Affordable housing</b>	TBC
<b>Broadband infrastructure</b>	TBC
<b>Flood risk management</b>	TBC

## Forthcoming Good Practice Exchange events and publications

Title	Anticipated publication/event date
Town Centre Regeneration	September 2 <sup>nd</sup> 2021
The Good Practice Exchange Team are currently in the process of finalising the programme of events for the remainder of 2021/ 2022. Once finalised, our key contacts across local authorities will be notified and details of those events and how to register will be available on our website. Please keep a look out for an email update over the coming weeks'	N/A

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## Review of the Council's Arrangements to Become a 'Digital Council' – Bridgend County Borough Council

Audit year: 2020-21

Date issued: 16<sup>th</sup> June 2021

Document reference: 2454A2021-22

This document has been prepared for the internal use of Bridgend County Borough Council as part of work performed in accordance with Section 17 of the Public Audit (Wales) Act 2004 and Section 15 of the Well-being of Future Generations Act (Wales) 2015.

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

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



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# Summary report

## Summary

### What we reviewed and why-

- 1 When we undertook a digital risk diagnostic in 2018, we found that the Council had not maintained the pace expected to develop and deliver its digital strategy. The Council has recently adopted a new Digital Strategy 2020-24. The key aims of the strategy are to harness digital technologies to help deliver services that are streamlined and integrated, keeping the citizen at the heart of what they do.
- 2 As a consequence of the COVID-19 pandemic, the Council, like many public bodies, has undergone significant change, often responding urgently to changing circumstances, guidance and regulation. New services have been created, some services stopped, staff re-deployed and new working practices put in place, including enabling those that can work from home to do so. This has required change on a scale and at a pace that is unprecedented and has increased demand for digital solutions.
- 3 Overall, we wanted to understand if the Council has effective arrangements to support its ambitions of becoming a digital council. This included exploring how the Council has learned from its shift to more digital working as a result of the pandemic.
- 4 The fieldwork included a review of documentation, Digital Transformation Board observations and interviews. Board meeting observations commenced in November 2020 and interviews in January 2021. As such our findings are at a point in time and we recognise that the Council has further progressed its arrangements since we drafted this report.

### What we found

- 5 Overall, we found that: The Council has begun to put arrangements in place to support its digital ambitions but needs to strengthen its plans for delivering them
- 6 We reached this conclusion because:
  - the Council has a new digital strategy which would benefit from reflecting the impact of the pandemic and emerging national policy direction;
  - the Council set up a Board to oversee delivery of its digital strategy, which has provided fresh impetus, but there is scope to strengthen some governance arrangements; and
  - the Council has not yet determined the resource requirements needed to deliver the strategy and there is scope to further instil a corporate culture for change.

## Proposals for Improvement

### Exhibit 1: proposals for improvement

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

Proposals for improvement
<p><b>Digital Strategy</b></p> <p><b>P1 The Council could improve its digital strategy so that it reflects upon:</b></p> <ul style="list-style-type: none"><li>• the impact of the pandemic on advancing dependency on digital services.</li><li>• the Council's recovery from the COVID-19 pandemic, the Council should strengthen links between its digital strategy and other key strategic considerations such as accommodation and workforce.</li><li>• the recently published Digital Strategy for Wales, and how it can impact and strengthen the council's strategic approach to digital.</li><li>• opportunities to seek advice and collaborate with, where appropriate, the chief digital officer for local government and the Centre for Digital Public Services.</li><li>• the Well-being of Future Generations (Wales) 2015 Act. There are opportunities for the Council to further embed the sustainable development principle and five ways of working into its delivery arrangements.</li></ul>
<p><b>Delivering the strategy</b></p> <p><b>P2 The Council should strengthen some governance arrangements to deliver the strategy by:</b></p> <ul style="list-style-type: none"><li>• quantifying the resources and timescales required to meet its digital ambitions;</li><li>• making programme risk management a standing item on the Board's agenda in a format which provides an overview of the programme risk;</li><li>• explore member representation on the Board to improve communication of what the Board has achieved and its intentions going forward among members of the Council and in turn to the communities they represent; and</li><li>• the Board providing oversight of the delivery of the strategy to members giving them the chance to hold officers to account for their performance in delivering the strategy at agreed intervals.</li></ul>

## Proposals for improvement

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### Corporate Culture

**P3 - The Council should consider improving how it communicates and engages with staff and members to evoke the culture necessary to embrace change. It should:**

- develop a consistent message around the purpose of its Digital Strategy and Transformation Programme;
- strike a balance between references to digital transformation giving rise to savings and efficiencies in the Digital Strategy and latest MTFS and increasing staff capacity to focus on other things; and
- consider carefully staff concerns and attitudes to change.

# Detailed report

The Council has begun to put arrangements in place to support its digital ambitions but needs to strengthen its plans for delivering them

**The Council has a new digital strategy which would benefit from reflecting the impact of the pandemic and emerging national policy direction**

7 In reaching this conclusion we found that:

- the Corporate Management Board adopted its Digital Strategy 2020-24 (the Strategy) in November 2020. The Strategy sets out a high-level vision of becoming 'a more resilient, innovative and transformational Council', and is divided into three main principles: Digital Citizen, Digital Council and Digital Place.
- the Strategy supports the Council's Corporate plan 2018-2022 priority 'smarter use of resources'. One of the key programmes to deliver this priority is the digital transformation programme 'aiming to change the way we operate to enable customers to access information, advice and services online.'
- the digital strategy makes no reference to the pandemic. Like many organisations, the majority of the Council's workforce quickly transitioned to working from home and increased its demand for digital solutions as face-to-face communication became unavailable. This is a missed opportunity to reflect in the strategy the lessons learned during this time, build on the developments it has presented and embed change where it has already occurred.
- it is positive that the Strategy references the Well-being of Future Generations (Wales) 2015 Act and sets out some examples of how the strategy will address the five ways of working<sup>1</sup>. However, there are opportunities for the Council to further embed the sustainable development principle and five ways of working into its delivery arrangements.
- the Council has not yet set out its digital priorities post transition to the new platform in March 2021. We recognise that the Council has been focusing its activity on transitioning to a new digital platform with a different provider, due

<sup>1</sup> Well-being of Future Generations (Wales) 2015 Act sets out five ways of working, (Involvement, Collaboration, Prevention, Longer-term and Integration) needed for Public Bodies to achieve the seven well-being goals (A Prosperous, Resilient, Healthier, More Equal and Globally Responsible Wales with a Vibrant Culture and thriving Welsh language).

to the current provider's decision to leave the market at relatively short notice. When setting these priorities, the Council needs to ensure that in addition to expanding the range of digital services available, it can deliver equality of access to all its residents, to encourage use and limit digital deprivation.

- the Strategy does not state how it intends to prevent digital exclusion, other than stating that it will not abandon conventional ways of contact such as telephone. The people we spoke to were mindful of the need to ensure that the strategy did not lead to people becoming digitally excluded. We think that the Council should reflect on the lessons learned during the pandemic to articulate more clearly its plans to attempt to address this.
- since we completed our fieldwork, the Welsh Government published the Digital Strategy for Wales, setting out the national direction and Welsh Government's expectations for using digital, data and technology to improve the lives of people in Wales. This includes an aim to help ensure people in Wales experience modern, efficient and streamlined public services. The Council will need to reflect on its own strategy and how it fits in with the national direction.
- in developing the strategy, the Council said that it involved a number of stakeholders to inform its vision and approach. The strategy would benefit from close alignment with the emerging Welsh digital agenda. For example, the extent to which the Council works with the Centre for Digital Public Services, which launched in June 2020, and the recently appointed Chief Digital Officer for local government who are likely to play significant roles in developing the digital agenda across Wales. The Council should aim to make the best use of these services by working with stakeholders to share learning and retain a parity of pace of change with the rest of Wales.

## **The Council set up a Board to oversee delivery of its digital strategy, which has provided fresh impetus, but there is scope to strengthen some governance arrangements**

8 In reaching this conclusion we found that:

- it is positive that the Council set up a Digital Transformation Board to oversee delivery of the strategy. The Board, established in October 2020, is chaired by the Interim Chief Officer – Finance, Performance and Change and it reports to the Corporate Management Board (CMB). The Board is made up of representatives from across the organisation, typically at Group Manager level.
- there is currently no member representation on the Board. This is something worth exploring since this will improve communication of what the Board has achieved and its future intentions among members of the Council and in turn to the communities they represent. There is also an opportunity for the

Board to provide oversight of the delivery of the strategy to members giving them the chance to hold officers to account for their performance at intervals to be agreed.

- the Board is providing fresh impetus to delivering the strategy focussing initially on the new digital platform going live on 1 April 2021. The Strategy contains an action table setting out 48 actions the Council intends to take. The table does not prioritise the actions and it is not clear how the actions were selected for inclusion in the Strategy. It does not set timescales or allocate resources or responsibility for delivering the actions. So far, the Board has not developed the table into an action plan that would allow them to keep track of progress.
- it is positive that the Board intends to adopt a programme of specific projects to be delivered by subgroups, whose membership will include end users. No groups have been set up as the work of the Board has not yet progressed to this point.
- for a project to be taken forward a business case will need to be produced and agreed by the Board. They will have to include the anticipated benefits, as well as the resources required. The Council told us that timescales will also be considered on a project-by-project basis. As yet, no business cases have been produced.
- programme risk management is not a standing item on the Board's agenda in a format which provides an overview of the programme risk. Board papers include risk as a separate agenda item called 'Risks and Issues' and sometimes as part of a highlight report on the transition to a new digital platform. In both circumstances, the risks described are specific to the digital platform project and do not consider risks or issues that could affect the programme as a whole.
- there are opportunities to align the digital strategy and the Council's future longer-term plans for its workforce and its estates. Although the Head of Human Resources sits on the Board, the Head of Corporate Landlord does not. The Head of ICT sits on both the Digital Transformation Board and the Accommodation Board, ensuring some overlap, but there is scope to strengthen these links to inform any future policy decisions in this area.

## **The Council has not yet determined the resource requirements needed to deliver the strategy and there is scope to further instil a corporate culture for change**

9 In reaching this conclusion we found that:

- the Council has recognised a shortfall in capacity to deliver the strategy, but it has yet to quantify what resources will be required and where they will come from. The Council also recognises the potential resource implications at a service level to support digital transformation.

- it is positive that the Medium-Term Financial Strategy 2021-22 to 2024-25 (MTFS) states that the Council will continue to invest in the automation and digitisation of services in line with the Digital Strategy, but it does not say how much its investment is likely to be. It identifies earmarked reserves for ICT, as well as earmarked reserves for each Directorate. It is not clear from the report how much, if any, of the earmarked reserves will be used specifically to support the delivery of the digital strategy.
- there is a transformation team made up of three people. At the time of our fieldwork, the team was committed to some 47 projects, some of which are legacy projects and not directly transformational. The Board should consider how it will supplement its existing resources to deliver the digital transformational work programme.
- information Communication and Technology (ICT) resources available to act as an enabler for digital transformation are limited. The ICT team has experienced levels of vacancies in recent years due to their unique external market. For example, in-house capacity for developing software is very limited and the Council has no specific plans to increase capacity in this particular area. The team has also been preoccupied with managing and overseeing wholesale change in service operating models due to the pandemic placing other constraints on their capacity, such as supporting staff to work at home.
- officers told us about the pressures of dealing with the pandemic, which has meant limited capacity in several areas, particularly in education and social services. It will be a challenge for officers to find additional capacity to support transformational work whilst also responding to the pandemic and its aftermath.
- many people we spoke to identified the organisational culture as a potential barrier to delivering the strategy. We understand that previous attempts to move towards more digital services emphasised the potential savings, which caused a lot of concern amongst staff about potential job losses. The Corporate Plan, Digital Strategy and MTFS all state that savings and efficiencies could be delivered due to digital transformation. Senior officers understand that staff concerns and attitudes to change will need to be considered carefully if the Council is to be successful in delivering the digital strategy.







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

## BRIDGEND COUNTY BOROUGH COUNCIL

### REPORT TO THE GOVERNANCE AND AUDIT COMMITTEE

22 JULY 2021

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

#### STATEMENT OF ACCOUNTS 2020-21

#### 1. Purpose of report

- 1.1 The purpose of this report is to present to the Governance and Audit Committee the audited Statement of Accounts for 2020-21, which is now due to be certified by our external auditors, Audit Wales, and the associated Letter of Representation of the Council.
- 1.2 Audit Wales will update the Committee on their main findings from the audit, summarise the audit work carried out in respect of the 2020-21 financial year, and present their Audit of Accounts Report, which requires the appointed auditor to report these key findings to those charged with governance.

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

#### 3. Background

- 3.1 The preparation of the Statement of Accounts is a requirement of the Accounts and Audit (Wales) Regulations 2014 (as amended in 2018) and its content is defined by the Chartered Institute of Public Finance and Accountancy's 'Code of Practice on Local Authority Accounting in the United Kingdom' (the Code).
- 3.2 The unaudited Statement of Accounts 2020-21 was signed by the responsible financial officer on 11 June 2021, and presented to the Governance and Audit Committee on 18 June 2021 for noting. During the intervening period the external audit has taken place, resulting in a number of amendments being made to the financial statements, including those noted below.
  - Comprehensive Income and Expenditure Statement – to correctly account for revenue grant income incorrectly treated as capital grant income. This amendment

also impacted upon the Movement in Reserves Statement (MIRS) and the Balance Sheet.

- Comprehensive Income and Expenditure Statement - to net down transactions in respect of a pooled budget which were incorrectly shown as gross. This also impacted upon the Balance Sheet.
- Balance Sheet – to show the 2019-20 comparative overdrawn bank balance against 'bank overdraft' for consistency with the 2020-21 balance.
- Cash Flow Statement - to correctly disclose the year end bank overdraft balance within the closing cash balance on the cash flow statement rather than being an adjustment within the cash flow.

None of these adjustments had an impact on the Council Fund.

3.3 A number of notes were amended that did not affect the financial position of the Council, which are detailed within the Auditor's Report. They include:

- Note 11 Grants – to provide more explanation and detail on the Covid grant income, and to tie it in with the narrative report. It also included re-classification of housing subsidy grant income received.
- Note 21e Sources of Finance for Capital Expenditure – to correctly classify government grant funding.
- Note 31 Financial Instrument Disclosures - to show the true overdraft balance relating to the Council.

3.4 The amended audited Statement of Accounts 2020-21 is attached at **Appendix A**. The detail of all the amendments are contained within the Auditor's Audit of Accounts Report at **Appendix B**.

3.5 The audited Statement of Accounts 2020-21 is required to be signed by the Chief Financial Officer and the Chair of the Governance and Audit Committee by 22 July, as presenting a 'true and fair view' of the financial position of the Council as at 31 March 2021.

#### **4. Current situation/proposal**

4.1 Audit Wales have substantially completed their audit work and the Statement of Accounts are due to be signed by the Auditor General for Wales on 23 July 2021, subject to Governance and Audit Committee approval of the accounts.

4.2 The Council Fund as at 31 March 2021, as presented to the Governance and Audit Committee in June 2021, has not changed.

4.3 In line with the International Standard on Auditing (ISA) 260, the external auditor is required to communicate relevant matters relating to the audit of the financial statements to those 'charged with governance'. These matters are incorporated into the Audit of Accounts Report at **Appendix B**. The appendix also contains the full list

of all adjustments made to the accounts as a result of the audit, as described in paragraphs 3.2 and 3.3. It is pleasing to note the auditor's comments that '*You have a statutory requirement to prepare accounts and it is of considerable testament to the commitment of your finance team, and other staff where relevant, that you have succeeded in doing so this year in the face of the challenges posed by this pandemic*' and that we produced our accounts significantly ahead of the Welsh Government's permissible dates for this year.

4.4 No recommendations are provided by the Appointed Auditor as part of his report, but we are informed that these will be set out in a letter later in the year, and these, along with management's responses, will be brought to the attention of the Governance and Audit Committee as appropriate.

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

## **5. Effect upon policy framework and procedure rules**

5.1 There is a legal requirement for the Statement of Accounts to be signed by the responsible financial officer, approved by the relevant committee, and published by 31 July following the end of the financial year to which it relates.

## **6. Equality Act 2010 implications**

6.1 The protected characteristics identified within the Equality Act, Socio-economic Duty and the impact on the use of the Welsh Language have been considered in the preparation of this report. As a public body in Wales the Council must consider the impact of strategic decisions, such as the development or the review of policies, strategies, services and functions. This is an information report, therefore it is not necessary to carry out an Equality Impact assessment in the production of this report. It is considered that there will be no significant or unacceptable equality impacts as a result of 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 These are reflected in the body of the report.

## **9. Recommendations**

9.1 It is recommended that the Committee:

- approves the audited Statement of Accounts 2020-21 as amended (**Appendix A**);
- notes the appointed auditors Audit of Accounts Report (**Appendix B**);

- notes and agrees the Final Letter of Representation to Audit Wales **(Appendix C)**.

Gill Lewis CPFA

**Interim Chief Officer – Finance, Performance and Change**

July 2021

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**Background Documents:** None



# Statement of Accounts

**Bridgend County Borough Council • 2020-21**

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



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## Narrative Report

### “One council, working together to improve lives”

#### Introduction

This report presents the 2020-21 Statement of Accounts for Bridgend County Borough Council (the Council). It sets out the Council's financial performance for the past year and is prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.

Over the past 10 years the Council has cumulatively made around £62 million of savings and further efficiencies and savings are required moving forward. The process of identification of savings, changing the way the Council works to ensure modern, improved and resilient services, is on-going. The need to achieve savings in a difficult financial year will need to continue at least in the short- and medium-term. Given significant economic uncertainty, not least the potential impact of the exit from the European Union, and the impact of the Covid-19 pandemic, the Council will continue to face financial challenges as it strives to deliver its vast array of services to the communities it supports. It needs to do so whilst remaining financially resilient.

#### Bridgend as a Council

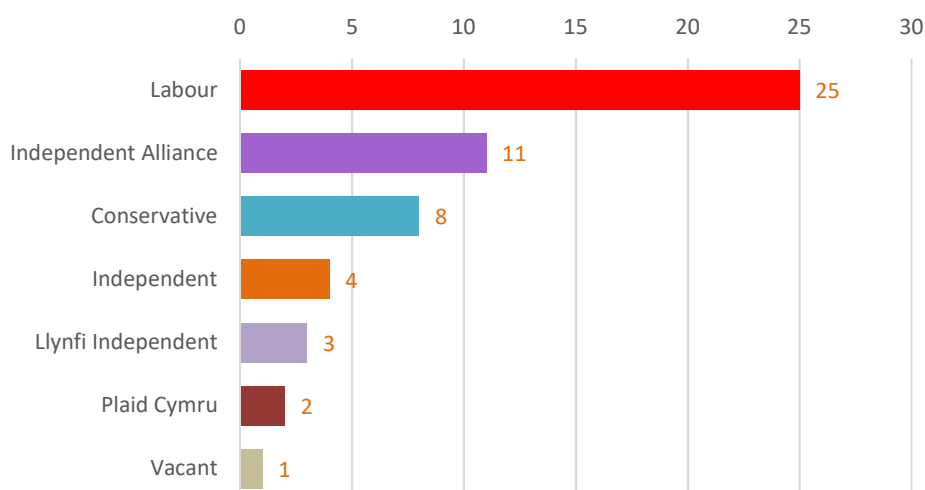
Bridgend is conveniently situated between Wales' capital city, Cardiff, to the east and the city of Swansea to the west, approximately 20 miles from each. Nestled just south of the M4 corridor, with easy access from both major cities, bounded by the Bristol Channel to the south, it is at the heart of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

Population	147,049
Land area	98.5 square miles
Households	63,609
Council employees	5,858
Councillors	54



- The Council manages a long term asset base, excluding the road network, of £537 million to deliver its services.
- The Council employs over 5,800 staff both full- and part-time, to deliver a wide range of services including education, social care, highways maintenance and economic development.
- A number of services are provided by third parties including waste collection, leisure centres, social enterprises and social care, including residential and home care and supported living services.
- The Council has 54 elected Councillors who represent the people of Bridgend and set the overall Council strategy and budget framework. The Political Party representation as at 31 March 2021 is set out below. The vacancy was filled in April 2021.

### Bridgend Councillors Political Party Representation



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

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

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

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

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

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

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

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

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

- *A globally responsible Wales*
- *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*

**Governance**

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

**Covid-19**

The UK was put into lockdown on 23 March 2020 in an unprecedented step to attempt to limit the spread of coronavirus. This followed similar action in other countries across the World. The UK Government put into place a limited number of reasons for people to be allowed to leave their homes and the Welsh Government put in place measures under the Health Protection (Coronavirus Restrictions) Wales Regulations 2020. 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 three weeks but this was then extended over the next couple of months, with the First Minister of Wales announcing an easing of lockdown rules from 1 June into July 2020. However, further lockdowns followed, the first a two-week "firebreak" from 23 October until 9 November, followed by a further lockdown from midnight of 19 December 2020 due to a significant surge in cases from a new strain of the virus. 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 office-based staff with mobile technology at the end of March 2020 and into April 2020, to enable home-working within a very short timescale. The Council also increased its ICT infrastructure ability to enable home-working. All office-based staff are now equipped to work from home. Network security has been strengthened as a result of significantly increased remote working. Moving forward the Council will have to re-organise the way some of its services and staff work, making sure that it puts in place the necessary social distancing measures to keep both its staff and users of Council services safe.

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. The schemes administered by the Council on behalf of Welsh Government include:

Grant	Purpose	Date from
Business and Charity Grants Phase 1	To provide Non-Domestic Rates Business Support Grants to eligible rate payers within the Local Authority boundary. The grant scheme comprised three strands: <ul style="list-style-type: none"> <li>• A grant of £25,000 for businesses in the retail, leisure and hospitality sectors with properties with a rateable value of between £12,001 and £51,000</li> <li>• A £10,000 grant to all businesses eligible for Small Business Rates Relief with a rateable value of £12,000 or less</li> <li>• A £10,000 grant to support small charities and Community Amateur Sports Club's (CASC's) within the retail, leisure and hospitality sector, with a rateable value of £12,000 or less.</li> </ul>	March 2020
NDR Lockdown/Firebreak Grant	To enable the delivery of Covid-19 Non Domestic Rates Business Support to eligible rate payers within the Local Authority boundary. Payments were to support businesses eligible for Small Business Rates relief; retail, hospitality and leisure businesses that were required to close, and discretionary grants for businesses closed or materially affected by the firebreak lockdown; and a discretionary grant for businesses that were materially affected by local lockdown measures for 21 days prior to the start of the firebreak lockdown period.	November 2020
Business Restrictions Fund	To provide financial assistance to businesses that are facing operational and financial challenges caused by the restrictions as a result of Covid-19 within the hospitality, tourism and leisure sectors. The fund was to support businesses with cash flow to help them survive the economic consequences of the restrictions put in place.	December 2020

In total over £50 million has been paid out to a wide range of businesses and charities throughout the year. In addition to these there have been other grant payments to individuals including:

- Social Care Workforce Payments of £500
- Self-Isolation Payments for those on low incomes
- Statutory Sick Pay top-ups for social care workers

The total number and amounts of payments made are set out below:

Grant	Number	Total grant paid
Business and Charity Grants Phase 1	2,449	£30,220,000
NDR Lockdown/Firebreak Grant	1,759	£4,885,000
Business Restrictions Fund (3 phases)	4,562	£14,957,000
Social Care Workforce Payments (£500)	3,245	£1,862,572
Self-Isolation Payments (including administration)	372	£222,370
Statutory Sick Pay top-ups (including administration)	1,006	£278,689
<b>TOTAL</b>	<b>13,393</b>	<b>£52,425,631</b>

The administration of these payments rested with the Council. Managing both the volume and value of these grants placed pressures on staff to both ensure payments were made swiftly, to the right businesses and recipients, and managing a significant cash flow at a time when there was uncertainty in the financial

marketplace. Significant use was made of the Central Government Debt Management Office for the holding of short-term surplus cash balances.

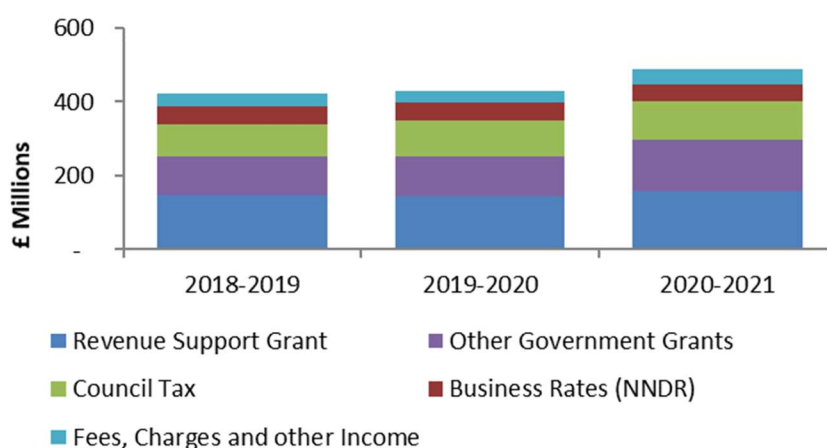
As at 31 March 2021 the Council held cash balances in relation to business grants of £358,000, which is due to be paid to businesses after the year end once claims are finalised.

### Hardship Fund

Welsh Government in recognising the additional cost pressures and potential loss of income by Council's as a result of the pandemic, agreed a Hardship Fund to support Councils in meeting these additional costs and income shortfalls. The Council received £23.136 million from this fund, which supported £15 million of claims made for specific additional Covid-19 costs, £5.6 million of claims made for specific Covid-19 loss of income and £2.536 million for other Covid-19 related pressures identified by the Welsh Government. The main areas funded for additional expenditure were support for homeless individuals, in providing them with accommodation, provision of Free School Meals (including during school holidays), additional staffing costs along with provisions to support social distancing and learning in schools, and additional costs of providing care and support for voids in Adult Social Care. Funding for loss of income mainly supported the reduction in school meal income and a contribution to the net loss of running the leisure services during the pandemic. The additional funding for pressures determined by WG of £2.536 million mainly supported the Covid impact on plans for service savings and changes when budgets for 2020-21 were originally set and to support costs in modern ways of working and digital transformation.

### Financial Performance

Over the last 10 years the Council has made around £68 million of budget reductions. Taking into account expenditure and services which are funded by specific grants, fees or charges, the Council's gross budget for 2020-21 was £438 million. This covers the day-to-day running costs of the Council including staff, waste collection, schools, care workers, foster carers and leisure services. The Council receives revenue funding from the Welsh Government (Revenue Support Grant), specific grants, business rates (NNDR), Council Tax, fees and charges and from its investments as shown below.

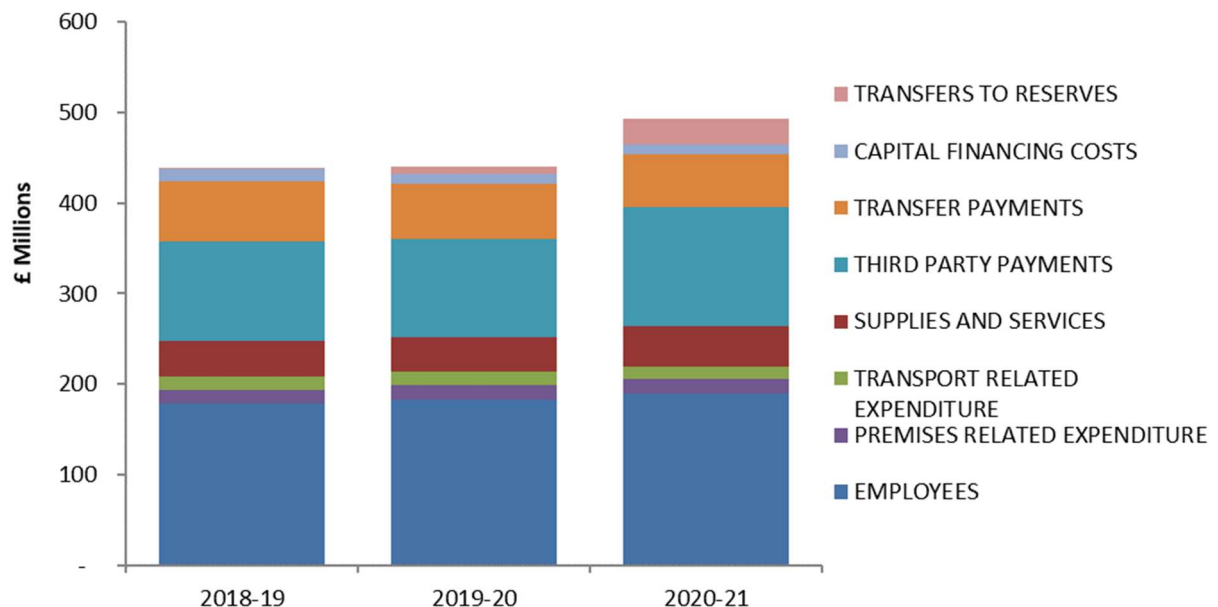


The majority of the Council's funding is from the Welsh Government via the Revenue Support Grant (32%) and its share of non-domestic (business) rates with other Government Grants (including specific grants from Welsh Government) making up just over another quarter of the Council's income (29%). Council tax accounts for approximately 21% of income. The Council is able to charge for a number of services including social care, car parking and licensing, which makes up just under 9% of the total Council income.

The Council spends its money on employees, premises related expenditure, transport costs, supplies and payments to 3<sup>rd</sup> party providers. The Council also has to meet capital financing costs (interest) as part of its long-term borrowing arrangements. At the end of 2019-20 the Council created a Covid-19 reserve to provide

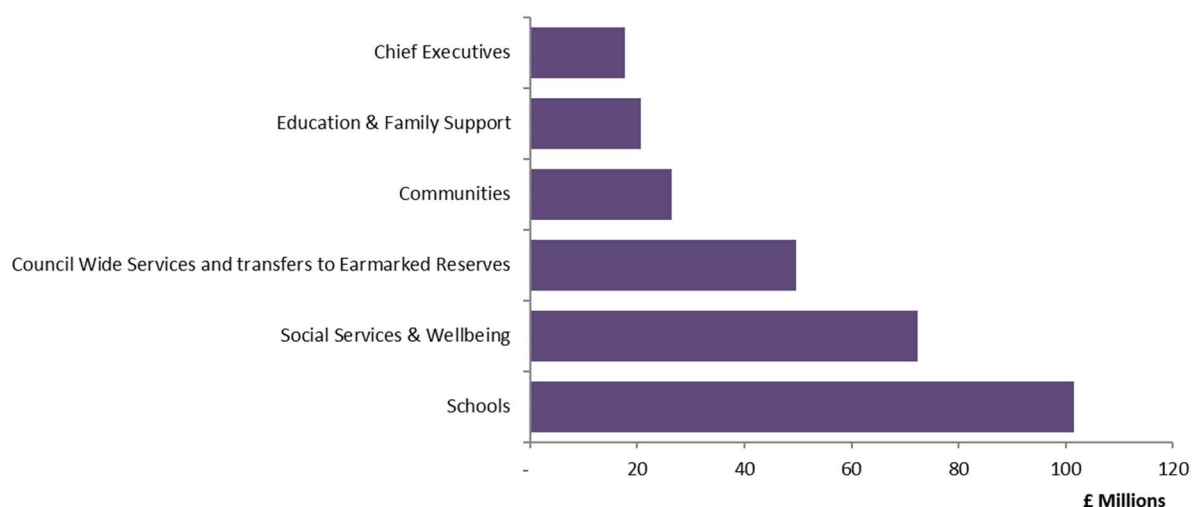
for unknown future costs in relation to the pandemic and maintained this reserve through the year. As Welsh Government support for Covid-19 costs through its Hardship Funds have been confirmed for the first six months of 2021-22, but not beyond, the Council may well face ongoing cost pressures and loss of income which it will need to fund in the short term.

As a result of effective financial management across the Council through the pandemic, ensuring that eligible monies have been claimed from the Welsh Government Hardship Fund along with significant supplementary grant funding from Welsh Government, the Council was able to make a net contribution to reserves for the year of £18.947 million along with an increase to school reserves of £8.382 million and a transfer to the General Fund of £0.432 million. These will fund a range of initiatives and expenditure commitments to meet specific costs. The Council's expenditure is analysed below.



### Directorate Spending

Council spending by Directorate was within 93.83% of budget for all departments reflecting sound financial management and budgetary control. The table below shows the net spend by service Directorate.





The Council achieved an underspend, after transfers to Earmarked Reserves, of £0.432 million, or 0.15% of its net budget. This demonstrates its sound financial management throughout the year and its commitment to ensuring it does not spend beyond its means. The table below shows the closing position for each Directorate and also for the non-Directorate specific government and other funding to the Council. The Council's outturn report for the year can be found on the Council's website [here](#).

<b>DIRECTORATE</b>	Net Budget £'000	Net Expenditure £'000	(Under)/over spend £'000	(Under)/over spend %
Education & Family Support	22,063	20,645	(1,418)	(6.4)
Schools	101,449	101,449	-	-
Social Services & Wellbeing	73,263	72,289	(974)	(1.3)
Communities	28,493	26,502	(1,991)	(7.0)
Chief Executives	18,774	17,678	(1,096)	(5.8)
Council Wide Services	42,843	49,592	6,749	15.8
Funding and financing	(286,885)	(288,587)	(1,702)	0.6
<b>TOTAL</b>	<b>-</b>	<b>(432)</b>	<b>(432)</b>	<b>(0.15)</b>

### Addressing future challenges

The Council faces significant challenges moving forward. These include demographic pressures, such as an ageing population and an increasing number of young people with complex disabilities living into adulthood and adding progressively to the demand for care. In addition to this there are inflationary pressures arising from specific contractual commitments and significant increases in staffing costs arising from the above inflation increases in the national living wage, and calls to implement the real living wage, especially for Social Care staff. The published Welsh Government settlement for Bridgend for 2021-22 is an increase of 4.3%. As a result of the one-year spending round in November 2020, Welsh Government has not provided any indications of likely funding levels for 2022-23 onwards, which makes forward planning difficult, particularly in the post Brexit years.

Whilst the Council continues to face increasing pressures on its budget, it approved a balanced budget for 2021-22. However, the continuing consequences of the Covid-19 pandemic will have an inevitable impact on the Council's income, costs and 2021-22 budget. The Council will need to review its priorities and budgets in light of the impact of the pandemic in the County Borough, and re-focus these to enable them to move towards a more stable recovery phase as restrictions are eased.

On 31 December 2020, at the end of the Brexit transition period, the UK reverted to its economic and political independence, and is no longer part of the European Union (EU) Single Market or Customs Union. The uncertainty regarding the impact of the UK's exit from Europe was anticipated to create challenges for the Council and the communities it supports over the forthcoming months and years. The impact of the pandemic has undoubtedly overridden the immediate impact of the exit from the European Union, and any impacts that may have moving forward. The Council continues to work alongside partners to obtain answers on important issues such as how post-Brexit funding will be delivered.

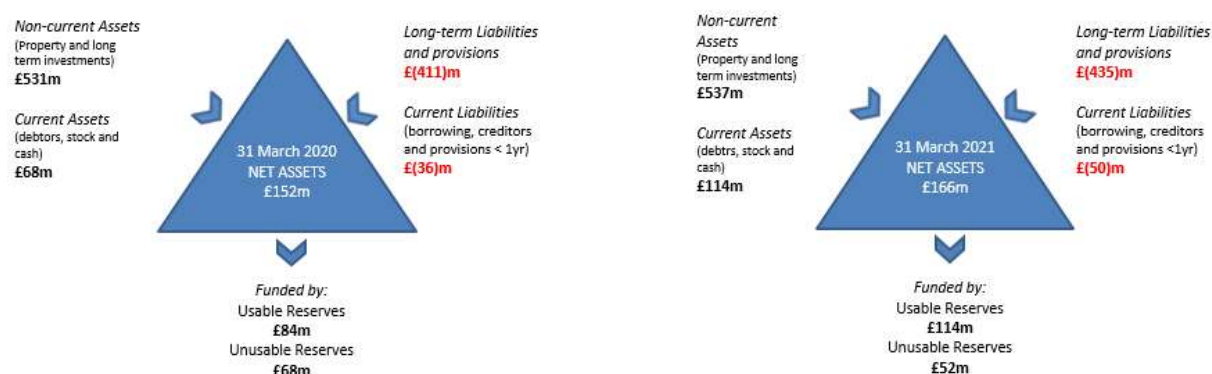
### Financial position

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

- Held £537 million of long-term assets, including £529 million of operational assets for delivering services, £5 million investment properties and £2.5 million of intangible assets
- Received £298 million in grant funding, of which £158 million was the Welsh Government core funding – or Revenue Support Grant; Housing Benefit and administration grant totalled £38 million; and £20.6 million was from the Welsh Government's Hardship Grant to support Local Authorities with the additional costs and loss of income as a result of the Covid-19 pandemic.
- Generated £41 million of fees and charges and other service income used to deliver services



The Council maintains a strong balance sheet despite the financial challenges faced in 2020-21.



## Borrowing

The Council has long term borrowing outstanding as at 31 March 2021 of £97.394 million. This is a mixture of Public Works Loan Board (PWLb) of £77.617 million and Lender Option Borrower Options (LOBOs) of £19.777 million, to finance capital expenditure. More detail in relation to borrowing is provided in note 31. The borrowing should be seen in the context of the total value of the Council's long-term assets, which are shown in the Balance Sheet at £537 million. Borrowing is permitted in line with the Prudential Code for Capital Finance in Local Authorities as long as, in the opinion of the Chief Finance Officer, the revenue costs are capable of being met and are in keeping with prudential indicators and guidelines. Given the strength of the Balance Sheet, the Council's borrowing levels are reasonable. Should the opportunity arise for the Council to repay its LOBOs at a benefit to the Council, then it will look to do so. However, given current low interest rates it is unlikely that the opportunity will arise in the near future.

## Pensions Liability: £310 million

The requirements of International Accounting Standards 19 (IAS19) in relation to post-employment benefits – i.e. pensions, have been fully incorporated into the Comprehensive Income and Expenditure Statement, with actuarial gains and losses being recognised in Other Comprehensive Income and Expenditure, as note 30 explains in detail.

A pensions reserve and a pension liability are incorporated within the Council's accounts, reflecting the amount by which the Bridgend element of the RCTCB pension fund is under-funded compared with the assessed payment liabilities to pensioners now and in the future. The overall pensions' liability of the Council at 31 March 2021 was £310.29 million (£289.19 million at 31 March 2020). The liability takes into account the potential 'underpin' liability as a result of the outcome of the McCloud/Sargeant case that the impact of transitional protection arrangements put in place when firefighters' and judges' pension schemes were reformed were age discriminatory.

The liability does not make an allowance for the impact of Covid-19 or excess deaths as a result of the pandemic due to the actuary's view that as the death registrations over the period result in a mortality movement which is a long way outside the range of the last 4 decades, no weight should be placed on the 2020 data. This is principally intended to ensure that any changes as a result of the pandemic are realistic moving forward.

## Capital

The Council's original programme for 2020-21, approved by Council on 26 February 2020, was £56.434 million. As a result of the Covid-19 pandemic schemes were slipped to 2021-22 with the final 2020-21 outturn being £23.461 million. Schemes completed during the year included the installation of a mobile classroom at Mynydd Cynffig Primary School and relocation of the East Hub Team to Brynteg Comprehensive. The East

Hub provides a facility for the Early Help Locality Team, which brings together a multi-disciplinary team to allow close integrated working across professionals from a range of services and non-local authority agencies such as health visitors and police liaison officers. Having a locality hub ensures that services are locally accessible and multi-agency support aims to identify and support children and families who would benefit from early help. Works commenced to redevelop Maesteg Town Hall, which will provide improved community facilities to include the town library and performance spaces, as well as offering improved accessibility for visitors and job creation. Works will continue into 2021-22.

The local government capital settlement provides the Council with £7.916 million of capital funding for 2021-22, £67,000 less than 2020-21 but £1.5 million more than was originally anticipated. This is as a result of Welsh Government continuing to provide an additional £25 million of general capital grant (included in the 2019-20 and 2020-21 budgets) to enable local authorities to respond to the joint priorities of decarbonisation, including for housing, and economic recovery following Covid-19. No indications have been given for 2022-23 or beyond. In February 2021 the Council approved a ten-year capital programme of £170 million as set out in the table below. The table also provides the 2020-21 outturn.

	OUTTURN	TEN YEAR PLAN			
	2020-21	2021-2022	2022-2023	2023-2024 to 2030-2031	Total
<b>EXPENDITURE</b>	<b>£'000</b>	£'000	£'000	£'000	£'000
Education & Family Support	4,877	11,549	2,792	47,082	61,423
Social Services and Well-being	587	2,284	-	-	2,284
Communities	14,545	43,208	8,875	17,820	69,903
Chief Executives	3,452	3,393	2,450	19,600	25,443
Council Wide & Other		1,929	367	8,943	11,239
<b>Total Expenditure</b>	<b>23,461</b>	<b>62,363</b>	<b>14,484</b>	<b>93,445</b>	<b>170,292</b>
<b>FUNDING</b>					
Grants and s106 Contributions	15,583	14,303	5,372	52,817	72,492
Capital Receipts and Revenue Contributions	1,511	30,939	5,046	9,124	45,109
Borrowing	6,367	17,121	4,066	31,504	52,691
<b>Total Funding</b>	<b>23,461</b>	<b>62,363</b>	<b>14,484</b>	<b>93,445</b>	<b>170,292</b>

## The Financial Statements

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

### Statement of Responsibilities for the Statement of Accounts

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

### The Comprehensive Income & Expenditure Statement (CIES)

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

**Movement in Reserves Statement (MiRS)**

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

**Balance Sheet**

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

**Cash Flow Statement**

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

**Notes to the Accounts**

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

**Conclusion**

2020-21 has been a challenging year both in terms of the Covid-19 pandemic, but also financially. However the Council was able to remain within its net revenue budget despite increasing service demands especially given the impact of the Covid-19 pandemic. The pandemic is likely to have much greater financial and service delivery impacts for at least the next financial year and potentially beyond. These challenging times will have a significant financial impact for us as individuals, for our residents, communities and businesses, and the detailed financial assumptions underpinning the Council's Medium Term Financial Strategy will need constant revisiting to ensure the ongoing financial resilience of the Council.

## The Statement of Responsibilities for the Statement of Accounts

### The Council's responsibilities

The Council is required to:

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

Signed: \_\_\_\_\_ 22 July 2021

Chair of Governance and Audit Committee

### The Chief Financial Officer's Responsibilities

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

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

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

The Chief Financial Officer has also:

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

### Chief Financial Officer's Certificate

I certify that the Statement of Accounts presents a true and fair view of the financial position of Bridgend County Borough Council as at 31 March 2021 and of its income and expenditure for the year ended 31 March 2021

Signed: \_\_\_\_\_ 22 July 2021





## Comprehensive Income and Expenditure Statement

2019-20					2020-21				Notes
Gross Expenditure £'000	Govt Grants £'000	Other Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Govt Grants £'000	Other Income £'000	Net Expenditure £'000	
164,452	(28,167)	(10,326)	125,959	Education and Family Support	169,540	(39,915)	(5,970)	123,655	
99,469	(7,332)	(17,919)	74,218	Social Services and Wellbeing	106,628	(11,756)	(17,953)	76,919	
53,945	(8,090)	(5,466)	40,389	Communities	53,365	(12,282)	(5,909)	35,174	
74,483	(50,653)	(2,961)	20,869	Chief Executives	73,912	(50,187)	(2,251)	21,474	
18,453	(175)	(300)	17,978	Council Wide Services	25,216	(8,946)	(588)	15,682	
<b>410,802</b>	<b>(94,417)</b>	<b>(36,972)</b>	<b>279,413</b>	<b>Cost Of Services</b>	<b>428,661</b>	<b>(123,086)</b>	<b>(32,671)</b>	<b>272,904</b>	
16,453			16,453	<b>Other Operating Expenditure</b>					
7,116			7,116	Precepts payable	17,714			17,714	7
				Levies payable	7,471			7,471	7
		215	215	(Gain) / loss on disposal of non current assets	274			274	
<b>23,569</b>	<b>-</b>	<b>215</b>	<b>23,784</b>	<b>Other Operating Expenditure</b>	<b>25,459</b>	<b>-</b>	<b>-</b>	<b>25,459</b>	
4,551			4,551	<b>Financing and Investment Income and Expenditure</b>					
48			48	Interest payable on debt	4,550			4,550	31
				Interest element of finance leases (lessee)	40			40	31
1,256			1,256	Interest payable on PFI unitary payments	1,203			1,203	13
6,120			6,120	Net Interest on Net Defined Benefit Liability	6,460			6,460	30
		(1,099)	(1,099)	Investment Income & Other Interest Receivable			(895)	(895)	31
				Changes in fair value of investment properties			(455)	(455)	22
<b>11,975</b>	<b>-</b>	<b>(1,099)</b>	<b>10,876</b>	<b>Financing and Investment Income and Expenditure</b>	<b>12,253</b>	<b>-</b>	<b>(1,350)</b>	<b>10,903</b>	
	(145,354)		(145,354)	<b>Taxation and Non-Specific Grant Income</b>					
		(46,452)	(46,452)	Revenue Support Grant		(157,816)		(157,816)	8
		(96,957)	(96,957)	National Non Domestic Rates			(45,312)	(45,312)	9
	(11,798)		(11,798)	Council Tax		(1,261)	(101,913)	(103,174)	10
				Recognised capital grants and contributions		(12,325)		(12,325)	11
<b>-</b>	<b>(157,152)</b>	<b>(143,409)</b>	<b>(300,561)</b>	<b>Taxation and Non-Specific Grant Income</b>	<b>-</b>	<b>(171,402)</b>	<b>(147,225)</b>	<b>(318,627)</b>	
<b>446,346</b>	<b>(251,569)</b>	<b>(181,265)</b>	<b>13,512</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>466,373</b>	<b>(294,488)</b>	<b>(181,246)</b>	<b>(9,361)</b>	
		(5,277)	(5,277)	(Surplus) or deficit on revaluation of Property, Plant and Equipment			(10,416)	(10,416)	29a
4,476			4,476	Impairment losses on non-current assets charged to the Revaluation reserve	2,646			2,646	
7,300			7,300	Actuarial (gains) / losses on pension liabilities	2,290			2,290	30
			<b>6,499</b>	<b>Other Comprehensive (Income) and Expenditure</b>				<b>(5,480)</b>	
			<b>20,011</b>	<b>Total Comprehensive (Income) and Expenditure</b>				<b>(14,841)</b>	

## Movement in Reserves Statement

	Council Fund Balance	Earmarked Reserves	Capital Receipts Reserves	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2019 brought forward</b>	<b>8,776</b>	<b>48,107</b>	<b>17,922</b>	<b>1,482</b>	<b>76,287</b>	<b>95,561</b>	<b>171,848</b>
<b><u>Movement in Reserves during 2019-20</u></b>							
Total Comprehensive (Income) and Expenditure	(13,512)				(13,512)	(6,499)	(20,011)
Adjustments between accounting basis & funding basis under regulations (Note 20)	21,191		686	(1,165)	20,712	(20,712)	-
Transfers to Earmarked Reserves (Note 28)	(7,115)	7,115			-		
<b>Increase/(Decrease) in 2019-20</b>	<b>564</b>	<b>7,115</b>	<b>686</b>	<b>(1,165)</b>	<b>7,200</b>	<b>(27,211)</b>	<b>(20,011)</b>
<b>Balance at 31 March 2020 carried forward</b>	<b>9,340</b>	<b>55,222</b>	<b>18,608</b>	<b>317</b>	<b>83,487</b>	<b>68,350</b>	<b>151,837</b>

	Council Fund Balance	Earmarked Reserves	Capital Receipts Reserves	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2020 brought forward</b>	<b>9,340</b>	<b>55,222</b>	<b>18,608</b>	<b>317</b>	<b>83,487</b>	<b>68,350</b>	<b>151,837</b>
<b><u>Movement in Reserves during 2020-21</u></b>							
Total Comprehensive (Income) and Expenditure	9,361				9,361	5,480	14,841
Adjustments between accounting basis & funding basis under regulations (Note 20)	18,697		2,911	(29)	21,579	(21,579)	-
Transfers to Earmarked Reserves (Note 28)	(27,626)	27,626			-		
<b>Increase/(Decrease) in 2020-21</b>	<b>432</b>	<b>27,626</b>	<b>2,911</b>	<b>(29)</b>	<b>30,940</b>	<b>(16,099)</b>	<b>14,841</b>
<b>Balance at 31 March 2021 carried forward</b>	<b>9,772</b>	<b>82,848</b>	<b>21,519</b>	<b>288</b>	<b>114,427</b>	<b>52,251</b>	<b>166,678</b>

## Balance Sheet

31 March 2020 £'000		31 March 2021 £'000	Notes
	<b>Property, Plant &amp; Equipment</b>		<b>21c</b>
425,796	Other Land and Buildings	430,564	
6,742	Vehicles, Plant, Furniture and Equipment	7,843	
67,559	Infrastructure	69,593	
4,912	Community Assets	4,951	
816	Assets under Construction	2,098	
17,108	Surplus Assets not Held for Sale	14,090	
220	<b>Heritage Assets</b>	220	
4,635	<b>Investment Property</b>	5,090	<b>22</b>
3,032	<b>Intangible Assets</b>	2,471	<b>21d</b>
-	<b>Long Term Investments</b>	-	<b>31</b>
<b>530,820</b>	<b>Long Term Assets</b>	<b>536,920</b>	
25,097	Short Term Investments	48,546	<b>31</b>
2,560	Assets Held for Sale	2,500	<b>24</b>
678	Inventories	527	
36,342	Short Term Debtors	51,810	<b>23</b>
5,000	Cash and Cash Equivalents	3,050	<b>31</b>
<b>69,677</b>	<b>Current Assets</b>	<b>106,433</b>	
(1,354)	Bank overdraft	(4,703)	<b>31</b>
(915)	Short Term Borrowing	(926)	<b>31</b>
(34,533)	Short Term Creditors	(34,660)	<b>25</b>
(986)	Provisions due in 1 year	(795)	<b>26</b>
<b>(37,788)</b>	<b>Current Liabilities</b>	<b>(41,084)</b>	
(3,999)	Provisions due after 1 year	(3,120)	<b>26</b>
(97,401)	Long Term Borrowing	(97,394)	<b>31</b>
	<b>Other Long Term Liabilities</b>		
(16,447)	PFI & Other Long Term Liabilities	(16,802)	<b>27</b>
(289,190)	Net Pensions Liability	(310,290)	<b>30</b>
(3,835)	Capital Receipts in Advance	(7,985)	<b>21h</b>
<b>(410,872)</b>	<b>Long Term Liabilities</b>	<b>(435,591)</b>	
<b>151,837</b>	<b>Net Assets</b>	<b>166,678</b>	
	<b>Usable reserves</b>		
9,340	Council Fund	9,772	
55,222	Earmarked reserves	82,848	<b>28b</b>
18,608	Capital Receipts Reserve	21,519	<b>28a</b>
317	Capital Grants Unapplied	288	
	<b>Unusable Reserves</b>		<b>29</b>
145,386	Revaluation Reserve	148,639	<b>29a</b>
(289,190)	Pensions Reserve	(310,290)	<b>29b</b>
216,218	Capital Adjustment Account	217,810	<b>29c</b>
(706)	Financial Instruments Adjustment Account	(697)	
(3,358)	Short-term Accumulating Compensated Absences Account	(3,211)	
<b>151,837</b>	<b>Total Reserves</b>	<b>166,678</b>	



## Cash Flow Statement

2019-20		2020-21	Notes
£'000		£'000	
13,512	Net (surplus)/deficit on the Provision of Services	(9,361)	
(36,433)	Adjustments to net deficit on the provision of services for non-cash movements	(24,527)	34
12,723	Adjustments for Items included in the net deficit on the provision of services that are investing and financing activities	15,538	
<b>(10,198)</b>	<b>Net Cash Flows from Operating Activities</b>	<b>(18,350)</b>	35
19,081	Investing Activities	40,129	36
(11,478)	Financing Activities	(16,480)	37
<b>(2,595)</b>	<b>Net (Increase) / Decrease in Cash &amp; Cash Equivalents</b>	<b>5,299</b>	
(1,051)	Cash & Cash Equivalent at the beginning of the Reporting Period	(3,646)	
<b>(3,646)</b>	<b>Cash &amp; Cash Equivalent at the end of the Reporting Period</b>	<b>(1,653)</b>	

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



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## 1. Accounting Policies

### 1.1 General principles

The Statement of Accounts summarises the Council's transactions for the 2020-21 financial year and its position at the year end of 31 March 2021. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014 and the Accounts and Audit (Wales) (Amendments) Regulations 2018, in accordance with proper accounting practices. These practices comprise the *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code) 2020-21 and the *Service Reporting Code of Practice* 2020-21 supported by International Financial Reporting Standards (IFRS).

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

### 1.2 Standards that have been issued but not yet adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2020-21 (the Code) requires that the Council discloses information relating to the anticipated impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This requirement applies to the adoption of the following new or amended standards within the 2020-21 Code:

Standard	Effective date	Further details
<b>Amendments to IFRS 3 Business Combinations</b>	<b>01 January 2022</b>	The International Accounting Standards Board (IASB) has made amendments to IFRS 3 'Business Combinations' that updated an outdated reference in IFRS 3 without significantly changing its requirements. The changes are to update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework; add to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and add to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.
<b>Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7</b>	<b>01 January 2020</b>	The IASB has published this reform in response to the ongoing reform of interest rate benchmarks around the world. The amendments aim to provide relief for hedging relationships. Many interbank offer rates (IBORs) are expected to be replaced by new benchmark Risk-Free Rates (RFRs). One of the biggest issues presented by the replacement of IBORs is the potential effect on hedge accounting given the extensive use of interest rate benchmarks in global financial markets.
<b>Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16</b>	<b>01 January 2021</b>	The amendments enable entities to reflect the effects of transitioning from benchmark interest rates, such as interbank offer rates (IBORs) to alternative benchmark interest rates without giving rise to accounting impacts that would not provide useful information to users of financial statements. The amendments mainly particularly affect entities with financial assets, financial liabilities or lease liabilities that are subject to interest rate benchmark reform and those that apply the hedge accounting requirements in IFRS 9 or IAS 39 to hedging relationships that are affected by the reform.

The Council does not consider these changes will have any impact on the 2020-21 Statements.

### 1.3 Accruals of income and expenditure

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

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

### 1.4 Provisions, Contingent Liabilities and Contingent Assets

#### Provisions

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

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

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

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

#### Contingent Liabilities

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

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

### Contingent Assets

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

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

### **1.5 Reserves**

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

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

### **1.6 Government grants and contributions**

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

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

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

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

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

### **1.7 Employee benefits**

#### Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave, paid sick leave and bonuses for current employees. These are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlement earned by employees but not taken before the financial year-end which employees can carry forward into the next financial year. The accrual is charged to

the relevant Service Cost line in the Comprehensive Income and Expenditure Statement, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### Termination Benefits

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

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

### Post-Employment Benefits

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

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

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

- The liabilities of the pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate.
- The assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - Quoted securities – current bid price
  - Unquoted securities – professional estimate
  - Property – market value
- The change in the net pensions liability is analysed into the following components:
  - Current service cost – the increase in liabilities as result of the number of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked

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

## 1.8 VAT

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

## 1.9 Overheads and Support Services

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

## 1.10 Intangible Assets

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



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

### 1.11 Property, Plant and Equipment

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

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

#### Measurement

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

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

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

#### Revaluations

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

#### Impairment

Assets are assessed at each year-end to determine whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall. Where there have been previous revaluation gains against the asset held

in the Revaluation Reserve, any subsequent loss is firstly written out against the accumulated Revaluation Reserve with any balance being charged against the Comprehensive Income and Expenditure Statement.

### Depreciation

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

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

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

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

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

### Componentisation

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

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

### Disposals and Non-current Assets Held for Sale

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

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

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

### 1.12 Heritage Assets

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

### 1.13 Charges to revenue for non-current assets

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

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

The Council is not required to raise council tax to fund depreciation, revaluation or impairment losses or amortisation. However, it is required to make an annual prudent provision from revenue to contribute towards the reduction in its overall borrowing requirement. This is detailed in the Council's Annual Minimum Revenue Provision Statement, and differentiates between supported capital expenditure, unsupported capital expenditure, and Finance Leases / PFI. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by this *Minimum Revenue Provision* (MRP) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two. The Council charges MRP on a straight line basis over 45 years. This ensures that the costs of supported capital expenditure are spread evenly over the lifetime of assets, and that the debt is fully extinguished within forty-five years.

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

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

### 1.15 Leases

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

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

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

### **The Council as a Lessee**

#### Operating Leases

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

### **The Council as a Lessor**

#### Operating Leases

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

## **1.16 Financial Instruments**

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

### **Financial Assets**

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

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

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

#### Financial Assets held at Amortised Cost

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

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

#### Expected Credit Loss Model

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

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

#### **Financial Liabilities**

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

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

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

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

#### **1.17 Inventories and Long Term Contracts**

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

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

#### **1.18 Private Finance Initiatives (PFI)**

PFI contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed

to control the services that are provided under the PFI scheme and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under these contracts on its Balance Sheet as part of Property, Plant and Equipment.

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

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

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

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

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

### **1.19 Joint Arrangements**

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

### **1.20 Council Tax Income**

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

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

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

### **1.22 Cash and Cash Equivalents**

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

### 1.23 Events after the Balance Sheet date

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

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

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

### 1.24 Investment Property

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

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

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

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

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

Rentals received in relation to investment properties are credited to the net Cost of Services and result in a gain for the Council Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the Council Fund Balance. The gains and losses are therefore reversed out of the Council Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

### 1.25 Local Authority Schools

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



schools' transactions, cash flows and balances are recognised in each of the financial statements as if they were of the Council.

## **2. Critical Judgements in Applying Accounting Policies**

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

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

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

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

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

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

The items in the Council's Balance Sheet at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

### **Plant, Property and Equipment**

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

### **Depreciation of Property, Plant and Equipment**

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

### **Investment Properties, Surplus Assets and Assets Held for Sale**

Fair Value estimations:

The Council instructed external valuers Cooke & Arkwright to provide valuations as at 31 December 2020 for all of the Council's investment portfolio and these were valued in line with IFRS13.

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



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

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

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

### **Pensions Liability**

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

## 4. Expenditure and Funding Analysis

2019-20				2020-21		
Net Expenditure Chargeable to the Council Fund	Adjustments between the Funding and Accounting Basis & transfers to Earmarked Reserves (Note 5)	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the Council Fund	Adjustments between the Funding and Accounting Basis & transfers to Earmarked Reserves (Note 5)	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
115,059	10,900	125,959	Education and Family Support Social Services	122,095	1,560	123,655
71,651	2,567	74,218	& Wellbeing	72,289	4,630	76,919
25,746	14,643	40,389	Communities Chief	26,502	8,672	35,174
17,115	3,754	20,869	Executives	17,677	3,797	21,474
31,551	(13,573)	17,978	Council Wide Services	38,417	(22,735)	15,682
<b>261,122</b>	<b>18,291</b>	<b>279,413</b>	<b>Net Cost Of Services</b>	<b>276,980</b>	<b>(4,076)</b>	<b>272,904</b>
(261,686)	(4,215)	(265,901)	Other income and Expenditure	(277,412)	(4,852)	(282,265)
<b>(564)</b>	<b>14,076</b>	<b>13,512</b>	<b>Surplus or Deficit</b>	<b>(432)</b>	<b>(8,928)</b>	<b>(9,361)</b>
8,776			Opening Council Fund Balance	9,340		
564			Surplus or (Deficit) on Council Fund for year	432		
<b>9,340</b>			<b>Closing Council Fund Balance as at 31 March</b>	<b>9,772</b>		

## 5. Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis 2019-20				
Adjustments from Council Fund to arrive at the Comprehensive Income and Expenditure Statements amounts	Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
	£'000	£'000	£'000	£'000
Education and Family Support	5,882	5,006	12	10,900
Social Services & Wellbeing	(1,345)	3,789	123	2,567
Communities	10,838	1,728	2,077	14,643
Chief Executives	1,739	1,737	278	3,754
Council Wide Services	(3,178)	-	(10,395)	(13,573)
<b>Net cost of services</b>	<b>13,936</b>	<b>12,260</b>	<b>(7,905)</b>	<b>18,291</b>
Other income and expenditure from the Expenditure and Funding Analysis	(11,583)	6,120	1,248	(4,215)
<b>Difference between Council Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>2,353</b>	<b>18,380</b>	<b>(6,657)</b>	<b>14,076</b>

Adjustments between Funding and Accounting Basis 2020-21				
Adjustments from Council Fund to arrive at the Comprehensive Income and Expenditure Statements amounts	Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
	£'000	£'000	£'000	£'000
Education and Family Support	6,846	4,806	(10,092)	1,560
Social Services & Wellbeing	813	3,964	(147)	4,630
Communities	6,120	1,854	698	8,672
Chief Executives	1,688	1,726	383	3,797
Council Wide Services	(2,918)	-	(19,817)	(22,735)
<b>Net cost of services</b>	<b>12,549</b>	<b>12,350</b>	<b>(28,975)</b>	<b>(4,076)</b>
Other income and expenditure from the Expenditure and Funding Analysis	(12,506)	6,460	1,194	(4,852)
<b>Difference between Council Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>43</b>	<b>18,810</b>	<b>(27,781)</b>	<b>(8,928)</b>

**Note 1 - Adjustments for Capital Purposes**

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

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

**Note 2 - Net Change for the Pensions Adjustments**

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

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

**Note 3 - Other Differences**

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

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

## 6. Expenditure and Income Analysed by Nature

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

2019-20 £'000		2020-21 £'000
	<b>Expenditure</b>	
196,559	Employee expenses	202,256
194,015	Other services expenses	207,816
20,228	Depreciation, amortisation, impairment	18,590
11,975	Interest payments	12,253
23,569	Precepts and levies	25,185
215	(Gain)/Loss on disposal of assets	274
<b>446,561</b>	<b>Total expenditure</b>	<b>466,374</b>
	<b>Income</b>	
(36,972)	Fees, charges and other service income	(32,671)
(143,409)	Income from council tax, non-domestic rates	(147,225)
(251,569)	Government grants and contributions	(294,490)
(1,099)	Investment Income and other Interest Receivable	(894)
-	Other income	(455)
<b>(433,049)</b>	<b>Total income</b>	<b>(475,735)</b>
<b>13,512</b>	<b>(Surplus) or Deficit on the provision of services</b>	<b>(9,361)</b>

## Notes to the Comprehensive Income and Expenditure Statement

### 7. Precepts and levies

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

2019-20 £'000		2020-21 £'000
	<b>Precepts</b>	
13,832	Police and Crime Commissioner for South Wales	14,861
2,621	Community Councils	2,853
<b>16,453</b>	<b>Total Precepts</b>	<b>17,714</b>
	<b>Levies</b>	
6,747	South Wales Fire and Rescue Authority	7,056
260	Coroners Service	306
91	Archive Service	91
18	Swansea Bay Port Authority	18
<b>7,116</b>	<b>Total Levies</b>	<b>7,471</b>
<b>23,569</b>	<b>Total Precepts and Levies</b>	<b>25,185</b>

### 8. Revenue Support Grant (RSG)

This is the principal source of finance towards revenue expenditure received from Welsh Government. The amount received in 2020-21 was £157.82 million (£145.35 million for 2019-20).

### 9. National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Welsh Government (WG) specifies the rate in the pound to be charged (the multiplier) and, subject to the effects of transition arrangements, local businesses pay rates calculated by multiplying their rateable value by the rate in the pound (the multiplier). The multiplier was 53.5p in 2020-21 (52.6p in 2019-20). The total rateable value of the Council equalled £98,037,269 on 31 March 2021 (£99,152,723 on 31 March 2020). The Council is responsible for collecting rates due from ratepayers in its area but pays the proceeds into the NNDR pool administered by WG. WG then redistributes the sums payable back to local authorities pro rata to adult population in each Council's area.

The Council receives a contribution directly from the NNDR pool. The income from this is reflected separately in the Comprehensive Income and Expenditure Statement. This amount was £45.312 million in 2020-21 (£46.452 million in 2019-20).

### 10. Council Tax

Council Tax Income derives from charges raised from residential properties, which have been classified into ten valuation bands based on the value the property is estimated to have been on 1 April 2005. Charges are calculated by taking the amount of income required for Bridgend County Borough Council, each Community Council and the Police and Crime Commissioner for South Wales and dividing this by the Council Tax base. The Council Tax base is the total number of properties in each band adjusted by a factor to convert the number to a Band D equivalent, which is then adjusted for discounts. The gross tax base is then multiplied by the estimated collection rate to give the net tax base on which the budget is set – this was 54,492.29 Band D equivalents for 2020-21 (53,710.97 in 2019-20). The average charge for a Band D property is £1,862.14 in 2020-21 (£1,777.19 in 2019-20 on average) and this is multiplied by the factor specified for the particular band to give the individual amount due.

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

Band	A*	A	B	C	D	E	F	G	H	I
Factor	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9
Chargeable Dwellings	25	10,168	14,934	14,247	10,561	7,630	4,255	1,417	284	88

A\* - in Band A but affected by disability reduction. Analysis of the net proceeds from Council Tax is as follows:

2019-20 £'000		2020-21 £'000
(96,957)	Council Tax Collectable	(101,913)
-	Welsh Government Hardship Fund	(1,261)
	Less:	
2,621	Payable to Community Councils	2,853
13,832	Payable to Police and Crime Commissioner for South Wales	14,861
417	Provision for non-payment of Council Tax increase/(decrease)	1,450
<b>(80,087)</b>		<b>(84,010)</b>

The Council received £1.261 million from the Welsh Government Hardship Fund for loss of income from Council Tax.

## 11. Grants

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

2019-20 £'000	Specific Grants credited to Services	2020-21 £'000
(40,207)	Housing Benefit Subsidy	(37,133)
(6,105)	Post 16 Grant	(6,584)
(4,895)	Education Improvement Grant	(4,953)
(4,592)	Pupil Development Grant	(4,980)
(9,136)	Other Education & Family Support	(10,559)
(3,274)	Other Social Services & Wellbeing	(4,759)
(4,911)	Others	(8,297)
(5,767)	Supporting People	(5,955)
(858)	Sport Play & Active Wellbeing	(908)
(2,763)	Concessionary Fares Grant	(2,758)
(3,076)	Flying Start	(3,031)
(870)	Sustainable Waste Grant	(727)
(874)	Housing/Council Tax Benefit Administration	(737)
(2,168)	Integrated Care Fund	(2,048)
(1,690)	Families First	(1,787)
-	Covid Grants	(24,643)
(2,280)	General Capital Grant	(1,689)
(951)	Other Capital Grants	(1,540)
<b>(94,417)</b>	<b>Total</b>	<b>(123,088)</b>

2019-20 £'000	Other Government Grants credited to Taxation and Non-specific Grant Income	2020-21 £'000
(11,798)	Capital Grants and Contributions	(12,325)
<b>(11,798)</b>	<b>Total</b>	<b>(12,325)</b>
<b>(106,215)</b>	<b>Total</b>	<b>(135,413)</b>

The table above includes £24.643m Covid-19 grant income. This is made up of the following;

<b>Covid Grants</b>	<b>£'000</b>
Hardship Funding	(23,136)
Coronavirus Childcare Assistance Scheme	(562)
Test, Trace & Protect	(304)
Other Covid Support Grants	(641)
<b>Total</b>	<b>(24,643)</b>

In addition to this, the Council administered a number of other Covid-19 related grants on behalf of the Welsh Government, which because the authority was acting in the role of an agent for the Welsh Government, did not pass through the CIES. These can be found within the narrative report on page 7.

## 12. Leases

### Council as a Lessee

#### Operating Leases

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

<b>2019-20 £'000</b>		<b>2020-21 £'000</b>
(681)	Not later than one year	(428)
(1,419)	Later than one year but less than five years	(1,171)
(6,664)	Later than five years	(6,491)
<b>(8,764)</b>	<b>Total</b>	<b>(8,090)</b>

Expenditure charged in the year to the Service areas was £0.694 million made up of minimum lease payments of £0.069 million and £0.625 million for contingent rents (2019-20: £0.734 million made up of £0.117 million minimum lease payments and £0.617 million contingent rents).

### Council as a Lessor

#### Operating Leases

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

<b>2019-20 £'000</b>		<b>2020-21 £'000</b>
102	Not later than one year	78
158	Later than one year but less than five years	159
1,702	Later than five years	1,681
<b>1,962</b>	<b>Total</b>	<b>1,918</b>

## 13. Private Finance Initiative (PFI)

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



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

2019-20 £'000	Unitary Charge	2020-21 £'000
699	Service Charge Element	693
1,256	Interest Element	1,203
690	Finance Lease Liability	743
<b>2,645</b>	<b>Total</b>	<b>2,639</b>

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

Unitary Charge	2021-22 £'000	2022-23 to 2026-27 £'000	2027-28 to 2031-32 £'000	2032-33 to 2034-35 £'000	TOTAL £'000
Service Charge Element	502	2,511	2,512	997	6,522
Interest Element	1,146	4,702	2,436	147	8,431
Finance Lease Liability	801	5,032	7,298	2,435	15,566
<b>Total</b>	<b>2,449</b>	<b>12,245</b>	<b>12,246</b>	<b>3,579</b>	<b>30,519</b>

#### 14. Pooled Fund Arrangements

There are some formal pooled budget arrangements between the Council and Cwm Taf Morgannwg University Health Board under Section 33 NHS (Wales) Act 2006.

Purpose of Partnership	Partner	Year	Gross Income Of Partnership £'000	Gross Expenditure of Partnership £'000	Council's Contribution £'000
Provision of day opportunities for people recovering from mental health problems.	Cwm Taf-Morgannwg University Health Board	2019-20	(600)	600	300
		2020-21	(514)	514	257
Provision of specified community equipment for service users to enable them to continue to live in their own homes. Rhondda Cynon Taf are the lead partner	Rhondda Cynon Taff CBC Merthyr Tydfil CBC Cwm Taf Morgannwg University Health Board	2019-20	(2,832)	2,799	729
		2020-21	(3,012)	3,317	691
Provision of integrated community support services	Cwm Taf-Morgannwg University Health Board	2019-20	(5,176)	5,176	2,539
		2020-21	(4,686)	4,686	2,231

## 15. Officers' Remuneration

Four separate disclosures are required to ensure compliance with the Accounts and Audit (Wales) Regulations 2014, the Accounts and Audit (Wales) (Amendments) Regulations 2018 and the CIPFA Code.

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

The ratio of the remuneration of the Chief Executive to the median remuneration of all the Council's employees was 6.30 (2019-20: 6.28). The median remuneration of all employees was £22,183 (2019-20: £21,166).

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

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

2019-20 including Redundancy Costs	Remuneration Band	Number of Employees			
		2020-21 inc Redundancy Costs (Note 1)	2020-21 exc Redundancy Costs (Note 2)	Number of Teachers inc in Figures exc Redundancy (Note 2)	Number of Non- Teachers inc in Figures exc Redundancy (Note 2)
28	£60,000 - £64,999	34	33	27	6
19	£65,000 - £69,999	22	22	20	2
5	£70,000 - £74,999	15	14	14	-
4	£75,000 - £79,999	3	3	3	-
9	£80,000 - £84,999	3	3	2	1
5	£85,000 - £89,999	5	5	1	4
3	£90,000 - £94,999	6	4	3	1
3	£95,000 - £99,999	3	3	3	-
1	£100,000 - £104,999	2	2	2	-
1	£105,000 - £109,999	2	2	1	1
4	£110,000 - £114,999	1	1	-	1
-	£115,000 - £119,999	1	1	1	-
-	£120,000 - £124,999	-	-	-	-
-	£125,000 - £129,999	-	-	-	-
1	£130,000 - £134,999	-	-	-	-
-	£135,000 - £139,999	1	1	-	1
-	£140,000 - £144,999	-	-	-	-
-	£145,000 - £149,999	-	-	-	-
1	£150,000 - £154,999	-	-	-	-
<b>84</b>		<b>98</b>	<b>94</b>	<b>77</b>	<b>17</b>

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

Note 2: These are officers still in post, of which there are 94 individuals with remuneration of £60,000 or more, including:-

- 77 Headteachers and Deputy Headteachers, and
- 17 Senior Managers of the Council, including the Senior Officers shown in Disclosure 3 below, and Heads of Service.

**Disclosure 3 – Table of Senior Officers' Remuneration (including Pensions Contributions)**

Job Title	Salary		Pension Contributions (note 1)		Total Remuneration including Pension Contributions	
	2019-20 £	2020-21 £	2019-20 £	2020-21 £	2019-20 £	2020-21 £
Chief Executive Officer & Head of Paid Service (Note 2)	132,099	139,768	28,137	27,674	160,236	167,442
Corporate Director - Education and Family Support	110,449	113,486	23,526	22,470	133,975	135,956
Corporate Director - Communities (Note 3)	8,790	109,812	1,872	21,743	10,662	131,555
Corporate Director - Social Services & Wellbeing	110,449	109,073	23,526	21,596	133,975	130,669
Chief Officer – Finance, Performance and Change (Note 4)	-	-	-	-	-	-
Head of Legal and Regulatory Services (Note 5)	53,937	-	10,840	-	64,777	-
Chief Officer - Legal, HR and Regulatory Services (Note 5)	26,968	84,973	5,420	15,921	32,388	100,894
Head of Partnership Services (Note 6)	56,327	-	11,998	-	68,325	-
Head of Operations – Communities (Note 7)	89,651	-	19,096	-	108,747	-

**Notes**

- Note 1 No 'Taxable Expenses' or 'Benefits in kind' were paid in the year. Pension Contributions relate to actual payments made.
- Note 2 The Chief Executive excludes payment for Election Duties as there were none in 2020-21.
- Note 3 The Corporate Director – Communities was appointed on 1 March 2020.
- Note 4 The Chief Officer – Finance, Performance and Change position has been vacant during the year with the role fulfilled through an interim arrangement. The Interim Chief Officer – Finance, Performance and Change is appointed under a contractual arrangement with the Welsh Local Government Association. The costs incurred in this arrangement during the year were £150,807 (2019-20: £115,557).
- Note 5 The Head of Legal and Regulatory Services was re-designated as the Chief Officer – Legal, HR and Regulatory Services from 1 December 2019.
- Note 6 The Head of Performance Partnership Services was re-designated as the Head of Partnership Services from 1 December 2019.
- Note 7 The Head of Operations- Communities reported to the Chief Executive until the appointment of the Corporate Director Communities on the 1<sup>st</sup> March 2020.

**Disclosure 4 – Table on Exit Packages**

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

Exit Package Cost Band (including Special Payments)	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band	
	2019-20 £	2020-21 £	2019-20 £	2020-21 £	2019-20 £	2020-21 £	2019-20 £	2020-21 £
£0 - £20,000	11	4	6	4	17	8	154,872	38,221
£20,001 - £40,000	9	5	3	-	12	5	344,406	139,512
£40,001 - £60,000	4	2	-	-	4	2	209,590	101,959
£60,001 - £80,000	2	-	-	-	2	-	150,148	-
£100,001 - £150,000	1	-	-	-	1	-	141,924	-
	<b>27</b>	<b>11</b>	<b>9</b>	<b>4</b>	<b>36</b>	<b>15</b>	<b>1,000,940</b>	<b>279,692</b>

**16.Members' allowances**

The allowances for Councillors is shown in the table below.

2019-20 £'000		2020-21 £'000
571	Basic Salary (all Members)	581
481	Senior Salary	468
49	Civic Salary	48
<b>1,101</b>	<b>Total</b>	<b>1,097</b>

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

<https://www.bridgend.gov.uk/my-council/democracy-and-elections/councillors-remuneration/>

**17. External audit costs**

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

2019-20 £'000		2020-21 £'000
188	Financial Statement Audit	182
97	Performance Audit	97
<b>285</b>	<b>External Audit Services</b>	<b>279</b>
45	Grant Claims and Returns	37
<b>330</b>	<b>Total</b>	<b>316</b>

**18. Participation in Joint Committees and Joint Arrangements**

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

	2019-20 £'000 Reinstated	2020-21 £'000
Cardiff Capital Region City Deal (CCRCD)	103	293
Central South Consortium Joint Education Service	571	554
Joint Adoption Service	949	949
Shared Regulatory Service	1,686	1,658
Shared Internal Audit Service	270	179
Civil Parking Enforcement	190	-
Glamorgan Archives	92	92
Joint Vehicle Maintenance	139	124
Coychurch Crematorium	-	-
Margam Crematorium	-	-
<b>Total</b>	<b>4,000</b>	<b>3,849</b>

The Council participated in Joint Committee's for Coychurch and Margam Crematoria, but did not need to make a financial contribution in 2019-20 or 2020-21.

**19. Related Party Transactions**

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

**Welsh Government**

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

**Members**

Members of the Council have direct control over the Council's financial and operating policies. Members' external interests are maintained in a register, which is available for inspection on the Council's website. The

total of members' allowances paid is shown in Note 16. Payments made to organisations where Members had an interest included Care and Repair (Bridgend) £1,444,123 (£1,749,669 in 2019-20), Bridgend County Borough Citizens Advice Bureau £288,501 (£280,303 in 2019-20 (restated)) and Bridgend Association of Voluntary Organisations £698,952 in 2020-21 (£596,607 in 2019-20). In all instances, the grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. Other payments made to organisations where members declared interests totalled £500,714 (£610,597 in 2019-20 (restated)). Balances owed by the Council as at 31 March 2021 included Care & Repair £23,299 (£5,965 in 2019-20) and Bridgend Lifesavers Credit Union Ltd £ 23,299 (£0 2019-20). Amounts owed to the Council as at 31 March 2021 included Sarn Centre Association £9,986 (£0 in 2019-20) and Valleys to Coast £37,821 (£44,285 in 2019-20).

### **Chief Officers**

During 2020-21 the Head of Adult Social Care sat on the Board of Capita Glamorgan Consultancy Ltd. The Council owns 14.7% of the shares of the company and holds voting rights to this value on the Board. During 2020-21 the Council was charged £921,102 (2019-20: £959,453) in respect of goods, services and capital works. There was no balance owed by the council at the 31 March 2021 (£4,063 in 2019-20). In addition the Head of Operations Community Services sits on the Board of CSC Foundry Ltd, a special purpose vehicle which is a wholly owned subsidiary of the City Deal Joint Committee. Details of the payments made to the Cardiff Capital Region City Deal are included in note 18 to the accounts.

The Interim Chief Officer Finance, Performance and Change is an Independent Member of the Health Education and Improvement Wales Board. The Council had no business transactions with the health authority in 2020-21.

### **Other Joint Committees**

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

#### **Glamorgan Archives Joint Committee**

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

#### **Coychurch Crematorium**

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

#### **Margam Crematorium**

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

### **Other Public Bodies**

The Council has a number of pooled budget arrangements with Cwm Taf Morgannwg University Health Board as detailed in Note 14. It also pays a management fee to the Awen Trust for cultural related services which is a not for profit organisation. The amount paid to Awen in 2020-21 was £3,736,426 (2019-20: £3,213,429) and a balance outstanding of £17,540 owed to the Council at the 31 March 2021 (2019-20: £66,756 owed by the Council). The Board of Awen Cultural Trust has two Councillors as Board members.

## Notes to the Movement in Reserves Statement

### 20. Adjustments between Accounting Basis and Funding Basis under Regulations

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

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

#### **Council Fund Balance**

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

#### **Capital Receipts Reserve**

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

#### **Capital Grants Unapplied**

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

#### **Unusable Reserves**

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

The tables below detail the adjustments for 2019-20 for comparative purposes and the adjustments for 2020-21.

	Usable Reserves			Unusable Reserves
	Council Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
2019-20	£'000	£'000	£'000	£'000
<b>Adjustment to the Revenue Resources</b>				
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i>				
Pensions costs (transferred to (or from) the Pensions Reserve)	18,380			(18,380)
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	(9)			9
Holiday Pay (transferred to the Accumulated Absences Reserve)	468			(468)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (those items are charged to the Capital Adjustment Account)	21,561			(21,561)
<b>Total Adjustments to Revenue Resources</b>	<b>40,400</b>	<b>-</b>	<b>-</b>	<b>(40,400)</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(926)	926		
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(5,523)			5,523
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(962)			962
<b>Total adjustments between Revenue and Capital Resource</b>	<b>(7,411)</b>	<b>926</b>	<b>-</b>	<b>6,485</b>
<b>Adjustments to Capital Resources</b>				
Use of the Capital Receipts Reserve to finance capital expenditure		(240)		240
Application of capital grants to finance capital expenditure	(11,798)			11,798
Cash payments in relation to deferred capital receipts			(1,165)	1,165
<b>Total adjustments to Capital Reserves</b>	<b>(11,798)</b>	<b>(240)</b>	<b>(1,165)</b>	<b>13,203</b>
<b>Total Adjustments</b>	<b>21,191</b>	<b>686</b>	<b>(1,165)</b>	<b>(20,712)</b>



	Usable Reserves			Unusable Reserves
	Council Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
2020-21	£'000	£'000	£'000	£'000
<b>Adjustment to the Revenue Resources</b>				
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i>				
Pensions costs (transferred to (or from) the Pensions Reserve)	18,810			(18,810)
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	(9)			9
Holiday Pay (transferred to the Accumulated Absences Reserve)	(147)			147
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (those items are charged to the Capital Adjustment Account)	21,962			(21,962)
<b>Total Adjustments to Revenue Resources</b>	<b>40,616</b>	<b>-</b>	<b>-</b>	<b>(40,616)</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(3,213)	3,213		
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(5,172)			5,172
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(1,209)			1,209
<b>Total adjustments between Revenue and Capital Resource</b>	<b>(9,594)</b>	<b>3,213</b>	<b>-</b>	<b>6,381</b>
<b>Adjustments to Capital Resources</b>				
Use of the Capital Receipts Reserve to finance capital expenditure		(302)		302
Application of capital grants to finance capital expenditure	(12,325)			12,325
Cash payments in relation to deferred capital receipts			(29)	29
<b>Total adjustments to Capital Reserves</b>	<b>(12,325)</b>	<b>(302)</b>	<b>(29)</b>	<b>12,656</b>
<b>Total Adjustments</b>	<b>18,697</b>	<b>2,911</b>	<b>(29)</b>	<b>(21,579)</b>

## Notes to the Balance Sheet

### 21. Non-current Assets

#### a) Capital commitments

As at 31 March 2021 the Council had the following material capital commitments.

2019-20 £'000		2020-21 £'000
6,088	Maesteg Town Hall	-
-	Porthcawl Coastal Defence Scheme	5,960
<b>6,088</b>	<b>Total</b>	<b>5,960</b>

#### b) Notes on Non-current Assets

##### Voluntary-aided & Voluntary-controlled Schools

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

#### c) Non-current Assets valuation

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

Summary of Property, Plant & Equipment (PPE)	Other Land and Buildings £'000	Vehicle, Plant and Equipment £'000	Infrastructure £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total PPE Assets £'000	PFI Assets Included In PPE £'000
<b>Cost or Valuation</b>								
At 1 April 2019	440,031	9,591	221,634	4,949	17,715	662	694,582	22,868
<b>Additions</b>	7,398	2,679	8,145	-	-	753	<b>18,975</b>	-
Accumulated Depreciation and Impairment written out to Gross Carrying Amount	(4,583)	-	-	-	(185)		<b>(4,768)</b>	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	2,471	-	-	-	(1,096)	-	<b>1,375</b>	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	499	-	-	-	(660)	-	<b>(161)</b>	-
Derecognition - Disposals	(987)	(26)	-	-	(10)	-	<b>(1,023)</b>	-
Derecognition - other	(213)	-	-	-	-	-	<b>(213)</b>	
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	-
Other Movements in Cost or Valuation	(745)	-	-	-	1,344	(599)	-	-
<b>At 31 March 2020</b>	<b>443,871</b>	<b>12,244</b>	<b>229,779</b>	<b>4,949</b>	<b>17,108</b>	<b>816</b>	<b>708,767</b>	<b>22,868</b>
<b>Accumulated Depreciation and Impairments</b>								
At 1 April 2019	(9,610)	(4,513)	(156,487)	(37)	(185)	-	<b>(170,832)</b>	(3)
Depreciation Charge for the year	(11,151)	(1,015)	(5,490)	-	-	-	<b>(17,656)</b>	(1,213)
Accumulated Depreciation and Impairment written out to Gross Carrying Amount	4,583	-	-	-	185	-	<b>4,768</b>	-
Accumulated impairment written off ( where no account balance at 1 April )	(2,656)	-	-	-	-	-	<b>(2,656)</b>	-
Acc. Depreciation WO to GCA							-	
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	(574)	-	-	-	-	-	<b>(574)</b>	-
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	1,264	-	(243)	-	-	-	<b>1,021</b>	-
Derecognition - disposals	69	26	-	-	-	-	<b>95</b>	-
Other Movements	-	-	-	-	-	-	-	-
<b>At 31 March 2020</b>	<b>(18,075)</b>	<b>(5,502)</b>	<b>(162,220)</b>	<b>(37)</b>	<b>-</b>	<b>-</b>	<b>(185,834)</b>	<b>(1,216)</b>
<b>NBV as at 1 April 2019</b>	<b>430,421</b>	<b>5,078</b>	<b>65,147</b>	<b>4,912</b>	<b>17,530</b>	<b>662</b>	<b>523,750</b>	<b>22,865</b>
<b>NBV as at 31 March 2020</b>	<b>425,796</b>	<b>6,742</b>	<b>67,559</b>	<b>4,912</b>	<b>17,108</b>	<b>816</b>	<b>522,933</b>	<b>21,652</b>

Summary of Property, Plant & Equipment (PPE)	Other Land and Buildings £'000	Vehicle, Plant and Equipment £'000	Infrastructure £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total PPE Assets £'000	PFI Assets Included In PPE £'000
<b>Cost or Valuation</b>								
At 1 April 2020	443,871	12,244	229,779	4,949	17,108	816	708,767	22,868
<b>Additions</b>	6,192	2,685	7,526	46	70	3,373	<b>19,892</b>	
Accumulated Depreciation and Impairment written out to Gross Carrying Amount	(5,531)	-	-	-	-	-	<b>(5,531)</b>	
Revaluation increases/(decreases) recognised in the Revaluation Reserve	8,055	-	-	-	(285)	-	<b>7,770</b>	
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	1,063	-	-	(8)	(303)	-	<b>752</b>	
Derecognition - Disposals	(973)	-	-	-	-	-	<b>(973)</b>	
Derecognition - other	-	-	-	-	-	-	-	
Assets reclassified (to)/from Held for Sale	-	-	-	-	(2,500)	-	<b>(2,500)</b>	
Other Movements in Cost or Valuation	2,091	-	-	-	-	(2,091)	-	
<b>At 31 March 2021</b>	<b>454,768</b>	<b>14,929</b>	<b>237,305</b>	<b>4,987</b>	<b>14,090</b>	<b>2,098</b>	<b>728,177</b>	<b>22,868</b>

<b>Accumulated Depreciation and Impairments</b>								
At 1 April 2020	(18,075)	(5,502)	(162,220)	(37)	-	-	<b>(185,834)</b>	(1,216)
Depreciation Charge for the year	(10,542)	(1,473)	(5,305)	-	-	(11)	<b>(17,331)</b>	(1,213)
Accumulated Depreciation and Impairment written out to Gross Carrying Amount	5,531	-	-	-	-	-	<b>5,531</b>	
Accumulated impairment written off ( where no account balance at 1 April )							-	
Acc. Depreciation WO to GCA	(975)	-	-	-	-	-	<b>(975)</b>	
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	(178)	(111)	(186)	-	-	-	<b>(475)</b>	
Derecognition - disposals	46	-	-	-	-	-	<b>46</b>	
Other Movements	(11)	-	(1)	1	-	11	<b>0</b>	
<b>At 31 March 2021</b>	<b>(24,204)</b>	<b>(7,086)</b>	<b>(167,712)</b>	<b>(36)</b>	<b>-</b>	<b>0</b>	<b>(199,038)</b>	<b>(2,429)</b>
<b>NBV as at 1 April 2020</b>	<b>425,796</b>	<b>6,742</b>	<b>67,559</b>	<b>4,912</b>	<b>17,108</b>	<b>816</b>	<b>522,933</b>	<b>21,652</b>
<b>NBV as at 31 March 2021</b>	<b>430,564</b>	<b>7,843</b>	<b>69,593</b>	<b>4,951</b>	<b>14,090</b>	<b>2,098</b>	<b>529,139</b>	<b>20,439</b>

## d) Intangible Assets.

The Intangible asset refers to the Wales Community Care Information System, WCCIS. As at 31 March 2021 the remaining life of the asset was 3 years.

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

<b>Intangible Assets</b>	<b>£'000</b>
<b>Cost or Valuation</b>	
At 1 April 2020	6,040
<b>At 31 March 2021</b>	<b>6,040</b>
<b>Accumulated Depreciation and Impairments</b>	
At 1 April 2020	(3,008)
Depreciation Charge for the year	(561)
<b>At 31 March 2021</b>	<b>(3,569)</b>
<b>NBV as at 1 April 2020</b>	<b>3,032</b>
<b>NBV as at 31 March 2021</b>	<b>2,471</b>

## e) Sources of finance for Capital Expenditure

<b>2019-20 £'000</b>		<b>2020-21 £'000</b>
(5,215)	Loans	(6,367)
(13,902)	Government grants	(15,280)
(240)	Capital receipts	(302)
(1,168)	Revenue contribution	(1,209)
(2,297)	Other contributions	(303)
<b>(22,822)</b>	<b>Total</b>	<b>(23,461)</b>

## f) Revenue Expenditure Funded from Capital under Statute

These relate to capital expenditure that does not result in a tangible non-current asset. They include renovation grants and contributions towards capital expenditure incurred by other parties.

2019-20 £'000		2020-21 £'000
3,847	Revenue Expenditure Funded from Capital under Statute	3,569
(3,230)	Grants and Contributions	(3,228)
<b>617</b>	<b>Total</b>	<b>341</b>

g) Capital financing requirement and the financing of capital expenditure

2019-20 £'000	Capital Financing Requirement	2020-21 £'000
172,084	Opening Capital Financing Requirement	171,776
	<b>Capital Investment</b>	
18,975	Property, Plant and Equipment and Intangible Assets	19,892
3,847	Revenue Expenditure Funded from Capital under Statute	3,569
	<b>Sources of Finance</b>	
(16,199)	Grants & Contributions	(15,583)
(240)	Capital receipts applied	(302)
(1,168)	Revenue Contributions	(1,209)
(2,885)	Minimum Revenue Provision	(2,927)
(1,948)	Unsupported Borrowing MRP	(1,502)
(690)	PFI School MRP	(743)
<b>171,776</b>	<b>Closing Capital Financing Requirement</b>	<b>172,971</b>
	<b>Explanation for Movements in Year</b>	
1,053	Increase/(Decrease) in Underlying Need to Borrow (supported by government financial assistance)	1,059
(671)	Increase/(Decrease) in Underlying Need to Borrow (unsupported by government financial assistance)	879
(690)	Assets acquired under PFI Contract	(743)
<b>(308)</b>	<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>1,195</b>

h) Capital Receipts In Advance

This includes a combination of capital grants received in advance in respect of proposed heat schemes (£2.168m) plus section 106 contributions received from developers which will be committed to, and used to fund, current and future schemes in line with the specific requirements of the agreements (£5.817m).

**22. Investment Properties**

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

2019-20 £'000		2020-21 £'000
4,635	<b>Balance at 1 April</b>	4,635
-	Net gain / (loss) from fair value adjustments	455
<b>4,635</b>	<b>Balance as at 31 March</b>	<b>5,090</b>

**23. Short Term Debtors**

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

2019-20 £'000		2020-21 £'000
8,118	Trade Receivables	12,873
3,056	Prepayments	4,957
25,168	Other Receivable Amounts	33,980
<b>36,342</b>	<b>Balance as at 31 March</b>	<b>51,810</b>

The Council collects NNDR payments on behalf of Welsh Government. As at 31 March 2021, the Council had paid over more cash than it collected, this excess was included in the Balance Sheet as a debtor of £3.968 million. The equivalent for 2019-20 was a debtor of £0.613 million.

#### 24. Assets Held for Sale

2019-20 £'000		2020-21 £'000
2,560	Balance at 1 April	2,560
-	Assets newly classified as held for sale: Property, Plant & Equipment	2,500
-	Assets Sold	(2,560)
<b>2,560</b>	<b>Balance as at 31 March</b>	<b>2,500</b>

#### 25. Short Term Creditors

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

2019-20 £'000		2020-21 £'000
(5,883)	Trade Payables	(2,346)
(28,650)	Other Payables	(32,314)
<b>(34,533)</b>	<b>Balance as at 31 March</b>	<b>(34,660)</b>

#### 26. Provisions

The Council has provisions as detailed below:

	Insurance £'000	Other Provisions £'000	Total £'000
<b>Balance at 1 April 2020</b>	4,907	78	<b>4,985</b>
Amounts used/released in 2020-21	(1,070)		<b>(1,070)</b>
<b>Balance at 31 March 2021</b>	<b>3,837</b>	<b>78</b>	<b>3,915</b>
Provisions < 1 yr	717	78	<b>795</b>
Provisions > 1 yr	3,120	-	<b>3,120</b>
<b>Balance at 31 March 2021</b>	<b>3,837</b>	<b>78</b>	<b>3,915</b>

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

##### Self-Fund

The Council has a self-insurance fund. This Insurance Provision has been set aside to meet the estimated cost to the Council of outstanding liability for policy years up to 2020-21 for Employer's Liability, Public Liability and Property. However the actual cost of individual claims and the timing of payments is uncertain. The

Council also has an earmarked reserve for Insurance which acts as an additional contingency for the fund, over and above the total outstanding liability, to allow for unexpected events, worse than anticipated deterioration in the current reserves and higher than anticipated future losses both in frequency and cost.

#### Other Provisions

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

### **27. PFI and Other Long Term Liabilities**

2019-20 £'000		Movement in year £'000	Moved to Short Term Creditors £'000	2020-21 £'000
15,567	Maesteg School PFI Lease		(801)	14,766
349	Innovation Centre		(107)	242
200	Waste Contract		(50)	150
13	Escrow		(13)	-
318	Salix Loan	1,455	(129)	1,644
<b>16,447</b>	<b>Balance as at 31 March</b>	<b>1,455</b>	<b>(1,100)</b>	<b>16,802</b>

The PFI Finance Lease Liability matches the fair value of the fixed asset for the PFI School as at the date the asset came onto the Council's Balance Sheet being £21.898 million (July 2008). This will be written down over the life of the PFI contract by the value of the unitary payment deemed to be the finance lease element each year. For 2020-21, the amount written down was £743,000 and £801,000 has been transferred to Short Term Creditors leaving an outstanding long term liability of £14.766 million on the PFI scheme at year end.

The Innovation Centre Financial Liability of £0.917 million was recognised in 2009-10 as a loan in substance. This is being written down over the remaining fourteen years of the loan. The amount written down in 2020-21 was £98,000 and £106,000 was transferred to Short Term Creditors resulting in a long term financial liability of £0.243 million at 31 March 2021.

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

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

### **28. Usable Reserves**

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

#### **a) Usable Capital Receipts Reserve**

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

2019-20 £'000		2020-21 £'000
17,922	Balance at 1st April	18,608
926	Capital Receipts Received	3,213
(240)	Receipts Used to Finance Capital Expenditure	(302)
<b>18,608</b>	<b>Balance as at 31 March</b>	<b>21,519</b>



**b) Earmarked Reserves**

The Earmarked Reserves in the Balance Sheet as at 31 March 2021 are detailed below:

Opening Balance 2019-20 £'000	Reserve	Movement during 2020-21		Closing Balance 2020-21 £'000
		Additions/ Re- classification £'000	Drawdown by Directorates £'000	
<b>9,340</b>	<b>Council Fund</b>	<b>432</b>		<b>9,772</b>
	<b>Corporate Reserves:</b>			
21,078	Capital Programme Contribution	8,530	(688)	<b>28,920</b>
5,276	Major Claims Reserve	(500)	-	<b>4,776</b>
4,992	Service Reconfiguration	-	-	<b>4,992</b>
12,142	Other Corporate Reserves	3,187	(1,397)	<b>13,932</b>
<b>43,488</b>	<b>Total Corporate Reserves</b>	<b>11,217</b>	<b>(2,085)</b>	<b>52,620</b>
	<b>Other Reserves:</b>			
5,441	Directorate Reserves	6,069	(1,287)	<b>10,223</b>
2,489	City Deal Reserve	2,899	(188)	<b>5,200</b>
<b>7,930</b>	<b>Total Directorate Reserves</b>	<b>8,968</b>	<b>(1,475)</b>	<b>15,423</b>
108	Delegated Schools Balance	8,382		8,490
<b>51,526</b>	<b>Total Reserves excluding Equalisation Reserves</b>	<b>28,567</b>	<b>(3,560)</b>	<b>76,533</b>
3,696	<b>Equalisation and Grant Reserves</b>	3,729	(1,110)	<b>6,315</b>
<b>55,222</b>	<b>TOTAL EXCLUDING COUNCIL FUND</b>	<b>32,296</b>	<b>(4,670)</b>	<b>82,848</b>
<b>64,562</b>	<b>TOTAL INCLUDING COUNCIL FUND</b>	<b>32,728</b>	<b>(4,670)</b>	<b>92,620</b>

**Council Fund**

The transfer to the Council Fund for 2020-21 was £0.432 million. This increased the balance on the Fund to £9.772 million at 31 March 2021 (£9.340 million at 31 March 2020).

**Other Earmarked Reserves**

The transfer to Earmarked Balances excluding the Council Fund Balance was a net increase of £27.626 million in 2020-21 (net increase of £7.115 million in 2019-20). An overview of each earmarked reserve is explained below.

**Corporate Reserves****Capital Programme Contribution**

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

**Major Claims Earmarked Reserve**

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

**Service Reconfiguration / Severance Costs**

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

### **Directorate Reserves**

#### **City Deal Reserve**

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

#### **Directorate Issues**

These reserves relate to specific Directorate issues anticipated in 2021-22, investment to help the recovery of the County Borough from Covid-19 and to support its residents, together with some carry forward amounts from 2020-21. Examples include reserves to support pressures within Social Services and Looked After Children; impact of Brexit; wider regeneration investment; Active Travel Strategy, and supporting Apprentice and Graduate schemes.

### **Delegated School Balances**

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

#### **Analysis of Delegated Schools Balance**

2019-20 Closing Balance £'000	School Types	No's in Category	2020-21 Funding Available £'000	2020-21 Spend £'000	2020-21 Closing Balance £'000
- 543	Primary Schools	48	48,902	44,352	4,550
92	Secondary Schools	9	48,073	45,095	2,978
559	Special Schools	2	10,455	9,493	962
<b>108</b>	<b>Total</b>	<b>59</b>	<b>107,430</b>	<b>98,940</b>	<b>8,490</b>

*The 2019-20 Closing Balance figure is included within the 2020-21 Budget. This accounting treatment of including the prior year's closing balance in the current year's budget applies solely to Schools and does not apply in any other area of the accounts.*

### **Equalisation and Grant Reserves**

This includes grant reserves where under proper accounting practice, all grants and contributions should be analysed to see whether there are specific conditions attached to them. When the conditions are actually satisfied the grant is credited to the Comprehensive Income and Expenditure Statement regardless of whether the actual expenditure has been incurred. In these cases the Council can decide to transfer the grant monies to an earmarked reserve to fund future expenditure. In 2020-21 there were £3.433 million (2019-20 - £1.758 million) of new grants that have been transferred to earmarked reserves, to ensure the funding is protected in accordance with the original terms and conditions of the grant or contribution. In addition there are a small number of equalisation reserves that ensures expenditure that is incurred in a particular future year is smoothed over the period of the MTFS. These include the costs of elections, the Special Regeneration Fund, the preparation of the Local Development Plan and the Building Control Earmarked Reserves. £1.109 million of the reserves were drawn down during the year.

### **29. Unusable Reserves**

The following notes detail the Unusable Reserves of the Council.

**a) Revaluation Reserve (RR)**

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

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

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

2019-20			2020-21	
£'000	£'000		£'000	£'000
	149,553	<b>Balance at 1 April</b>		145,386
5,277		Prior Year adj	10,416	
		Upward Revaluation of Assets		
(4,476)		Downward Revaluation of Assets and Impairment Losses not charged to the Surplus/Deficit on the Provision of Services	(2,646)	
	<b>801</b>	<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of services</b>		<b>7,770</b>
(4,566)		Difference between fair value depreciation and historical cost depreciation (charged to the Capital Adjustment Account)	(4,154)	
(402)		Accumulated gains on assets sold or scrapped	(363)	
	(4,968)	Amount written off to the Capital Adjustment Account		(4,517)
	<b>145,386</b>	<b>Balance as at 31 March</b>		<b>148,639</b>

**b) Pensions Reserve**

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2019-20 £'000		2020-21 £'000
(263,510)	<b>Balance at 1 April</b>	(289,190)
(7,300)	Actuarial gains or losses on pensions assets and liabilities	(2,290)
(35,850)	Reversal of Items relating to Retirement Benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(35,640)
17,470	Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	16,830
<b>(289,190)</b>	<b>Balance as at 31 March</b>	<b>(310,290)</b>

**c) Capital Adjustment Account (CAA)**

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

The Account contains accumulated gains and losses on Investment Properties.

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

2019-20			2020-21	
£'000	£'000		£'000	£'000
	213,123	<b>Balance at 1 April</b>		216,218
		<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement :</b>		
(18,218)		Charges for depreciation and impairment of non-current assets	(17,892)	
(1,797)		Revaluation gain/(losses) on Property, Plant and Equipment	(698)	
(618)		Revenue Expenditure funded from Capital Under Statute	(341)	
		Other amounts including Mortgage Payments		
		Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(3,124)	
	(21,371)			(22,055)
	4,566	Adjusting amounts written out to the Revaluation Reserve		4,154
	<b>(16,805)</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>		<b>(17,901)</b>
		<b>Capital financing applied in the year:</b>		
240		Use of the Capital Receipts Reserve to finance capital expenditure	302	
12,969		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that has been applied to capital financing	12,355	
5,523		Statutory provision for the financing of capital investment charged against the Council Fund	5,172	
1,168		Capital expenditure charged against the Council Fund	1,209	
	<b>19,900</b>			<b>19,038</b>
		Movement in the market value of Investment Properties credited to the Comprehensive Income and Expenditure Statement		455
	<b>216,218</b>	<b>Balance as at 31 March</b>		<b>217,810</b>

**30. Pensions liabilities, IAS 19 disclosures**

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire,

the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

This Council participates in the Rhondda Cynon Taf County Borough Council Pension Fund, which is administered under the Regulations governing the Local Government Pension Scheme. This is a defined benefit scheme, meaning that the Council and employees pay contributions into a fund, at a rate determined by the Fund's Actuary based on triennial actuarial valuations, which aims to balance 100% of pension liabilities with investment assets. The last triennial valuation took place in 2019-20.

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

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

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

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

The disclosures required for 2020-21 include information provided by the pension administrators, Rhondda Cynon Taff CBC and Aon Hewitt Associates Limited as the pension fund scheme's actuary.

Year end valuation reports provided by the actuary note that ONS data is showing that the cumulative debts in 2020 and 2021 were well outside the range of the outcomes seen in recent years. The impact on longevity for the fund members will additionally be affected by the indirect impact of covid 19, including the health of the surviving population, and the economic, social and political consequences of tackling covid 19. In both of the above cases, the impact on longevity could be positive or negative. However, it is too early to say what impact the higher rate of mortality will have on future cash flows, so the actuary has not recommended a change to the mortality assumption for accounting purposes.

### **McCloud Judgement**

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

### **Transactions Relating to Post-employment Benefits**

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

Local Govt Pension Scheme	LGPS Unfunded Benefits	Teachers' Unfunded Benefits	Total	Comprehensive Income & Expenditure Statement	Local Govt Pension Scheme	LGPS Unfunded Benefits	Teachers' Unfunded Benefits	Total
£m	£m	£m	£m		£m	£m	£m	£m
2019-20	2019-20	2019-20	2019-20	Cost of Services :	2020-21	2020-21	2020-21	2020-21
29.26	-	-	29.26	<b>Service cost comprising:</b>				
				Current service cost	29.08	-	-	29.08
0.47	-	-	0.47	Past service costs	0.10	-	-	0.10
-	-	-	-	(Gain)/loss from settlements		-	-	-
				<b>Financing &amp; Investment Income &amp; Expenditure :-</b>				
5.87	0.17	0.08	6.12	Net interest expense	6.24	0.15	0.07	6.46
<b>35.60</b>	<b>0.17</b>	<b>0.08</b>	<b>35.85</b>	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>35.42</b>	<b>0.15</b>	<b>0.07</b>	<b>35.64</b>
				<b>Other Post Employment Benefit Charged to the Comprehensive Income &amp; Expenditure Statement</b>				
22.71	-	-	22.71	<i>Remeasurements of the net defined benefit liability comprising:</i>				
				Return on plan assets (excluding the amount included in the net interest expense)	(169.25)	-	-	(169.25)
(16.85)	(0.06)	(0.01)	(16.92)	Actuarial (gains) / losses due to changes in financial assumptions	181.55	0.48	0.15	182.18
(10.53)	(0.05)	0.00	(10.58)	Actuarial (gains) / losses due to changes in demographic assumptions	0.00	0.00	0.00	0.00
12.14	(0.03)	(0.02)	12.09	Actuarial (gains) / losses due to liability experience	(10.13)	(0.24)	(0.27)	(10.64)
<b>7.47</b>	<b>(0.14)</b>	<b>(0.03)</b>	<b>7.30</b>	<b>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>2.17</b>	<b>0.24</b>	<b>(0.12)</b>	<b>2.29</b>
				<b>Movement in Reserves Statement:-</b>				
(35.60)	(0.17)	(0.08)	(35.85)	Reversal of net charges made for retirement benefits in accordance with IAS 19	(35.42)	(0.15)	(0.07)	(35.64)
				<b>Actual amount charged against the Council Fund Balance for pensions in the year</b>				
16.63	0.48	0.36	17.47	Employer's Contributions payable to the scheme	16.03	0.47	0.33	16.83
(25.48)	(0.48)	(0.36)	(26.32)	Retirement Benefits Paid Out	(23.99)	(0.47)	(0.33)	(24.79)

**Pensions Assets and Liabilities Recognised in the Balance Sheet**

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

Local Govt Pension Scheme	LGPS Unfunded Benefits	Teachers' Unfunded Benefits	Total		Local Govt Pension Scheme	LGPS Unfunded Benefits	Teachers' Unfunded Benefits	Total
£m	£m	£m	£m		£m	£m	£m	£m
2019-20	2019-20	2019-20	2019-20		2020-21	2020-21	2020-21	2020-21
870.04	6.78	3.16	<b>879.98</b>	Present value of defined benefit obligation	1,071.36	6.70	2.81	<b>1,080.87</b>
(590.79)	-	-	<b>(590.79)</b>	Fair Value of Plan Assets	(770.55)	-	-	<b>(770.55)</b>
<b>279.25</b>	<b>6.78</b>	<b>3.16</b>	<b>289.19</b>	<b>Net liability arising from defined benefit obligation</b>	<b>300.81</b>	<b>6.70</b>	<b>2.81</b>	<b>310.32</b>

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

£m 2019-20		£m 2020-21
603.29	<b>Opening fair value of scheme assets at 1 April</b>	590.79
14.43	Interest income on assets	13.56
(22.71)	The return on plan assets, excluding the amount included in the net interest expense	169.25
16.63	Contributions by Employer	16.03
4.63	Contributions by Participants	4.91
(25.48)	Net Benefits Paid Out	(23.99)
<b>590.79</b>	<b>Balance as at 31 March</b>	<b>770.55</b>

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

Local Govt Pension Scheme	LGPS Unfunded Benefits	Teachers' Unfunded Benefits	Total		Local Govt Pension Scheme	LGPS Unfunded Benefits	Teachers' Unfunded Benefits	Total
£m	£m	£m	£m		£m	£m	£m	£m
2019-20	2019-20	2019-20	2019-20		2020-21	2020-21	2020-21	2020-21
856.10	7.23	3.47	866.80	<b>Opening balance at 1 April</b>	870.04	6.78	3.16	879.98
29.26	-	-	29.26	Current Service Cost	29.08	-	-	29.08
20.30	0.17	0.08	20.55	Interest Cost	19.80	0.15	0.07	20.02
4.63	-	-	4.63	Contributions from scheme participants	4.91	-	-	4.91
				<i>Remeasurement (gains) and losses:</i>				-
(16.85)	(0.06)	(0.01)	(16.92)	Actuarial gains / losses arising from changes in financial assumptions	181.55	0.48	0.15	182.18
(10.53)	(0.05)	0.00	(10.58)	Actuarial gains / losses arising from changes in demographic assumptions	0.00	0.00	0.00	0.00
12.14	(0.03)	(0.02)	12.09	Actuarial gains / losses arising from changes in liability experience	(10.13)	(0.24)	(0.27)	(10.64)
0.47	-	-	0.47	Past Service Cost	0.10	-	0.03	0.13
(25.48)	(0.48)	(0.36)	(26.32)	Benefits Paid	(23.99)	(0.47)	(0.33)	(24.79)
-	-	-	-	Liabilities extinguished on settlements	-	-	-	-
<b>870.04</b>	<b>6.78</b>	<b>3.16</b>	<b>879.98</b>	<b>Balance as at 31 March</b>	<b>1,071.36</b>	<b>6.7</b>	<b>2.81</b>	<b>1,080.87</b>



**Local Government Pension Scheme assets comprised:**

Fair Value of Scheme Assets 2019-20 £m	Asset Split 2019-20 %		Fair Value of Scheme Assets 2020-21 £m	Asset Split 2020-21 %
376.93	63.80	Equities	544.78	70.70
50.74	8.59	Property	49.32	6.40
75.18	12.73	Government bonds	70.12	9.10
82.90	14.03	Corporate bonds	100.17	13.00
5.04	0.85	Cash and cash equivalents	6.16	0.80
<b>590.79</b>	<b>100.00</b>	<b>Total assets</b>	<b>770.55</b>	<b>100.00</b>

**Basis for Estimating Assets and Liabilities**

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

The significant assumptions used by the Actuary were:

2019-20 % pa		2020-21 % pa
2.30	Discount rate	2.10
2.00	Rate of pension increases	2.70
3.25	Rate of salary increases	3.95
<i>Mortality Assumptions:</i>		
Longevity at 65 for current pensioners :-		
21.70	Men	21.80
24.00	Women	24.10
Longevity at 65 for future pensioners :-		
22.70	Men	22.80
25.50	Women	25.60

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

Increase in Assumption 2019-20	Decrease in Assumption 2019-20		Increase in Assumption 2020-21	Decrease in Assumption 2020-21
£m	£m		£m	£m
(17.30)	17.66	Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(21.43)	21.43
1.80	(1.78)	Rate of increase in salaries (increase or decrease by 0.1%)	2.14	(2.14)
16.68	(16.31)	Rate of increase in pensions (increase or decrease by 0.1%)	19.28	(19.28)
27.86	(27.54)	Longevity (increase or decrease in 1 year)	38.57	(37.50)

### Impact on the Council's Cash Flows

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

The expected employer's contributions to the Local Government Pension Scheme for the accounting period ending 31 March 2021 are:-

	2021-22 £m
Local Government Pension Scheme	47.33
LGPS Unfunded	0.14
Teachers Unfunded	0.06
<b>Total</b>	<b>47.53</b>

The weighted average duration of the defined benefit obligation for the scheme members is 20.1 years, which is the same as 2019-20.

### Teachers

In 2020-21, the Council paid £12.807 million (£10.845 million for 2019-20) to the Teachers Pensions Agency in respect of teachers' pension costs. In addition, the Council is responsible for all pension payments relating to added years awarded, together with the related increases. In 2020-21, these amounted to £0.378 million (£0.402 million for 2019-20).

## 31. Financial Instruments Disclosures

### Categories of Financial Instruments

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

**Financial Assets**

31 March 2020					31 March 2021			
Current		Non-current			Current		Non-current	
Invest- ments £'000	Debtors £'000	Invest- ments £'000	Total £'000		Invest- ments £'000	Debtors £'000	Invest- ments £'000	Total £'000
28,743	8,118		36,860	Amortised Cost	46,893	12,873	-	59,766
28,743	8,118	-	36,860	Total financial assets	46,893	12,873	-	59,766
-	-	4,635	4,635	Non-financial assets			5,090	5,090
28,743	8,118	4,635	41,495	Total	46,893	12,873	5,090	64,856

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

The £12.873m (2019-20: £8.118 million) debtors figure in the table above relates to trade debtors for goods and services delivered and is included in the overall debtors figure of £51.810 million (2019-20: £36.342 million) included in the balance sheet. More information in relation to debtors can be found at note 23.

**Financial Liabilities**

31 March 2020					31 March 2021			
Current		Non-current			Current		Non-current	
Borrow- ings £'000	Creditors £'000	Borrow- ings & Other Long Term Liabilities £'000	Total £'000		Borrow- ings £'000	Creditors £'000	Borrow- ings & Other Long Term Liabilities £'000	Total £'000
(915)	(6,337)	(113,848)	(121,100)	Amortised Cost	(926)	(2,797)	(114,196)	(117,919)
(915)	(6,337)	(113,848)	(121,100)	Total	(926)	(2,797)	(114,196)	(117,919)

The current borrowings figure above includes £0.275 million of accrued interest payable for the year.

The current creditors figure of £2.797 million (2019-20: £6.337 million) relates to trade creditors for goods and services received of £2.346 million (2019-20: £5.883 million) and £0.451 million (2019-20: £0.454 million) monies held by the Council on behalf of third parties and is included in the overall creditors figure of £34.660 million (2019-20: £34.533 million) on the balance sheet. More information in relation to creditors can be found at note 25.

**Offsetting financial assets and liabilities**

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

31 March 2020 Gross Assets (Liabilities) £'000 Restated		31 March 2021 Gross Assets (Liabilities) £'000
	<b>Offsetting of Financial Assets and Liabilities</b>	
1,936	Bank Accounts in Credit	3,523
<b>1,936</b>	<b>Total Financial Assets</b>	<b>3,523</b>
(3,412)	Bank Overdrafts	(8,406)
<b>(3,412)</b>	<b>Total Financial Liabilities</b>	<b>(8,406)</b>
<b>(1,476)</b>	<b>Net Position on Balance Sheet</b>	<b>(4,883)</b>

### Income, expense, gains and losses

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

31 March 2020				31 March 2021		
Financial Liabilities Amortised Cost £'000	Financial Assets Amortised Cost £'000	Total £'000		Financial Liabilities Amortised Cost £'000	Financial Assets Amortised Cost £'000	Total £'000
5,855	-	5,855	Interest Expense	5,793	-	5,793
-	(1,099)	(1,099)	Investment Income and Other Interest Receivable		(895)	(895)
<b>5,855</b>	<b>(1,099)</b>	<b>4,756</b>	<b>Net (gain)/loss for the year</b>	<b>5,793</b>	<b>(895)</b>	<b>4,898</b>

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

The Council does not have any financial assets or liabilities that are carried at fair value. In addition, there are no assets held at amortised cost for 2020-21.

31 March 2020		Financial Liabilities	31 March 2021	
Carrying amount £'000	Fair Value £'000		Carrying amount £'000	Fair Value £'000
		<b>Financial liabilities held at amortised cost:</b>		
(77,617)	(111,997)	PWLB	(77,617)	(112,159)
(19,784)	(31,299)	LOBOs	(19,777)	(32,930)
(16,447)	(22,813)	PFI and other long term liabilities	(16,802)	(23,886)
<b>(113,848)</b>	<b>(166,109)</b>	<b>Total</b>	<b>(114,196)</b>	<b>(168,975)</b>

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

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

- PWLB – Public Works Loan Board – market rates for local authority loans of the same remaining term to maturity as at the Balance Sheet date
- LOBO – Lender's Option Borrower's Option – increased by the value of the embedded options. Lender's options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudian cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual rate.
- Other financial liabilities – discounted contractual cash flows at the appropriate AA-rated corporate bond yield.

### Nature and extent of risks arising from Financial Instruments

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

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

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

### Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. The risk is minimised through the Annual Investment Strategy included in the Council's Treasury Management Strategy, which is available on the Council's website via the Council agenda Item 9 – Treasury Management and Capital Strategies 2020-21 [here](#)

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

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

### Credit risk exposure

As at 31 March 2021 the Council had the following exposure to credit risk. £48.546 million of the £51.596 million investments outstanding at 31 March 2021 were invested with other Local Authorities, where an expected loss allowance is not required. For those financial assets where a 12 month expected credit loss is calculable, the calculated credit loss is £967. This has been calculated by reference to historic default data published by credit rating agencies as advised by our Treasury Management Advisors. Due to the immateriality of the expected credit loss, no adjustment has been made in the accounts for this.

	Credit risk rating (as used by the Council)	Gross carrying amount £'000
12 month expected credit losses	AA- A	(1000) (2,050)
Simplified approach	Local Authorities - unrated	(48,546)
<b>TOTAL</b>		<b>(51,596)</b>

Council does not generally allow credit for its customers (trade debtors) such that all the trade debtors are recognised as short term, however, £4.949 million balance of debtors is past due date for payment. These are not included in the credit risk table above.

### Liquidity Risk

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

31 March 2020 £'000	Maturity Analysis Financial Liabilities	31 March 2021 £'000
(8,181)	Less than 1 year	(4,809)
(995)	Between 1 and 2 years	(1,233)
(3,248)	Between 2 and 5 years	(13,086)
(26,582)	Between 5 and 10 years	(23,425)
(21,800)	Between 10 and 20 years	(15,236)
(41,389)	More than 20 years	(41,389)
(19,784)	Uncertain date*	(19,778)
<b>(121,979)</b>	<b>Total Financial Liabilities</b>	<b>(118,956)</b>

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

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

### Market Risk

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

### Interest Rate Risk

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

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

- investments at fixed rates – the fixed rate prevents the Council from receiving higher investment income from the same principal invested. The fair value of the asset will fall

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

The Council monitors market and forecast interest rates within the year to adjust exposures appropriately, to allow any adverse changes to be accommodated. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans may be repaid early to limit exposure to losses. According to this strategy, at 31 March 2020, if there had been a 1% change in interest rates with all other variables held constant, the financial effect would be approximately:

	Estimated £'000 + 1%	Estimated £'000 -1%
Interest payable on variable rate borrowings	133	-
Interest receivable on variable rate investments	(349)	349
<b>Impact on Surplus or Deficit on Provision of Services</b>	<b>(216)</b>	<b>349</b>

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

### **Price risk**

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

### **Foreign Exchange Risk**

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

### **Transition to IFRS9 Financial Instruments**

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

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

### **32. Events after the Reporting Period**

Where an event or information arises after the reporting period (i.e. after 31 March 2021) that relates to conditions existing at 31 March 2021, certain figures in the financial statements and notes would be adjusted if necessary, in all material respects, in order to reflect the impact of the event or information. There have been no such events after 31 March 2021 that have required reporting.

### **33. Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. As at 31 March 2021 the Council had been made aware of issues about the

standard of work undertaken by a contractor who is now insolvent. No provision has been made in these accounts.



## Notes to the Cash Flow Statement

### 34. Adjustments for Non-Cash Movements

2019-20 £'000		2020-21 £'000
(20,015)	Depreciation & Impairment of Assets	(18,590)
1,852	Movement in Inventories, Debtors & Creditors	14,834
(18,380)	Pension Fund Adjustments	(18,810)
1,251	Provisions	1,071
(1,141)	Disposal of Non Current Asset	(3,487)
-	Changes in Fair Value of Investment Property	455
<b>(36,433)</b>	<b>Adjustments to net deficit on the provision of services for non-cash movements</b>	<b>(24,527)</b>

### 35. Operating Activities

The cash flows for operating activities include the following items:

2019-20 £'000		2020-21 £'000
(16,662)	Cash Flow on Revenue Activities	(23,222)
6,228	Interest Paid	4,554
1,305	Interest element of finance lease and PFI rental payments	1,244
(1,069)	Interest Received	(926)
<b>(10,198)</b>	<b>Net Cash Flows from Operating Activities</b>	<b>(18,350)</b>

### 36. Investing Activities

The cash flows for investing activities include the following items:

2019-20 £'000		2020-21 £'000
18,975	Purchase of Property, Plant and Equipment and Intangibles	19,892
1,031	Purchase / (Proceeds) from Short Term Investments	23,450
(925)	Proceeds from sale of Property, Plant and Equipment and Investment Property	(3,213)
<b>19,081</b>	<b>Net Cash Flows from Investing Activities</b>	<b>40,129</b>

### 37. Financing Activities

The cash flows for financing activities include the following items:

2019-20 £'000		2020-21 £'000
1,647	Cash Receipts of short and long term borrowing	(4)
(13,125)	Other Receipts from financing activities	(16,476)
<b>(11,478)</b>	<b>Net Cash Flows from Financing Activities</b>	<b>(16,480)</b>

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

## **Report on the audit of the financial statements**

I have audited the financial statements of Bridgend County Borough Council for the year ended 31 March 2021 under the Public Audit (Wales) Act 2004.

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

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.

In my opinion the financial statements:

- give a true and fair view of the financial position of Bridgend County Borough Council as at 31 March 2021 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.

### **Basis for opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the Council [and its group] in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Conclusions relating to going concern**

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the responsible financial officer with respect to going concern are described in the relevant sections of this report.

### **Other information**

The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. The Responsible Financial officer is responsible for the other information in the annual report. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated later in my report, I do not express any form of assurance conclusion thereon. My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material

misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

## Report on other requirements

### Opinion on other matters

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

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.
- The information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Governance Statement has been prepared in accordance with guidance.

### Matters on which I report by exception

In the light of the knowledge and understanding of Bridgend County Borough Council and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report nor the Governance Statement.

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

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

## Responsibilities

### Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 14, the responsible financial officer is responsible for the preparation of the statement of accounts, which gives a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

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

### Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- enquiring of management and those charged with governance, including obtaining and reviewing supporting documentation relating to the Council's policies and procedures concerned with:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, posting of unusual journals and biases in accounting estimates.
- obtaining an understanding of the Council's framework of authority as well as other legal and regulatory frameworks that the Council operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of Bridgend County Borough Council.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit Committee and legal advisors about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Council;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all the audit team and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the Council's controls, and the nature, timing and extent of the audit procedures performed.

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

## Certificate of completion of audit

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

**Adrian Crompton**  
**Auditor General for Wales**

**24 Cathedral Road, Cardiff CF11 9LJ**

**23 July 2021**

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

# Annual Governance Statement



## Contents

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## 1 Foreword

### “One Council working together to improve lives”

**This is the Council’s vision as stated in the [Corporate Plan](#) for 2018-2023 reviewed for 2021-22, 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 want 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 ongoing challenges during the worldwide Coronavirus pandemic that has affected everyone and every business across the county borough since March 2020. 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 Elections (Wales) Act 2021 to make arrangements and keep under review the extent to which it is exercising its functions effectively, using its resources economically, efficiently and effectively and to ensure its governance is effective for securing these performance requirements.

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 2021-22 to ensure that the necessary improvements are made.



Cllr Huw David  
Leader of the Council



Mark Shephard  
Chief Executive



## 2 Governance Framework

### 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.

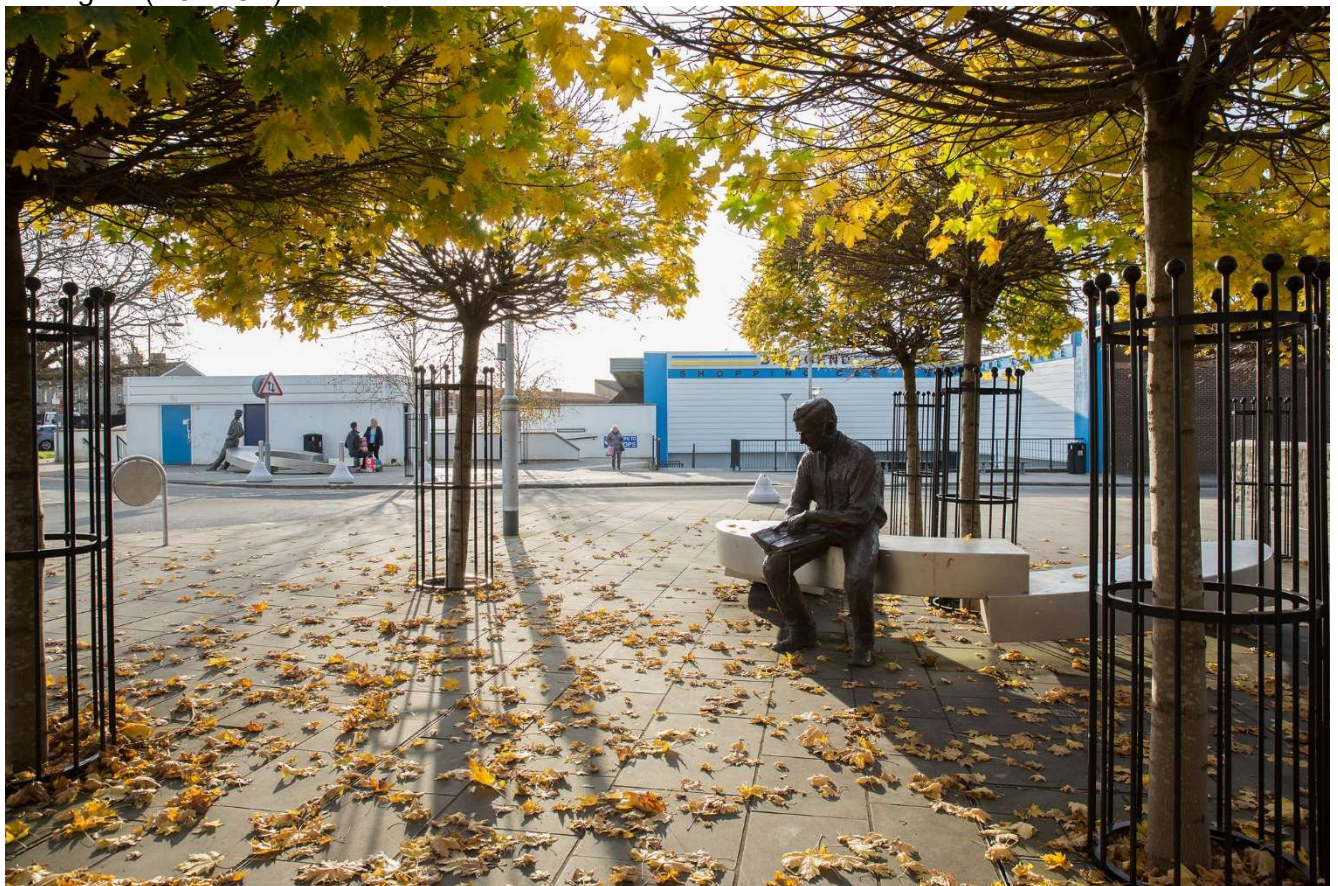
The Governance Framework enables the Council to monitor the achievement of its strategic objectives and to consider whether they have led to the delivery of appropriate, cost-effective services.

### What this Statement tells you

This Statement describes the extent to which the Council has complied with its Code of Corporate Governance and the requirements of the Accounts and Audit (Wales) Regulations 2014 and the Accounts and Audit (Wales) (Amendment) Regulations 2018 for the year ended 31 March 2021.

It also sets out how the Council has responded to governance issues identified during 2020-21 and actions to be undertaken during 2021-22 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.

The Council must consider the longer term impact of any decisions it makes, and should work collaboratively with other public bodies to improve well-being in Wales.<sup>1</sup>

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 Framework](#) 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 CIPFA's 'Delivering Good Governance in Local Government: Framework'.

<b>Bridgend County Borough Council Code of Governance (2017)</b> <b>The Council's Governance Principles are based on the following:</b>	
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



<sup>1</sup> Well-being of Future Generations (Wales) Act 2015

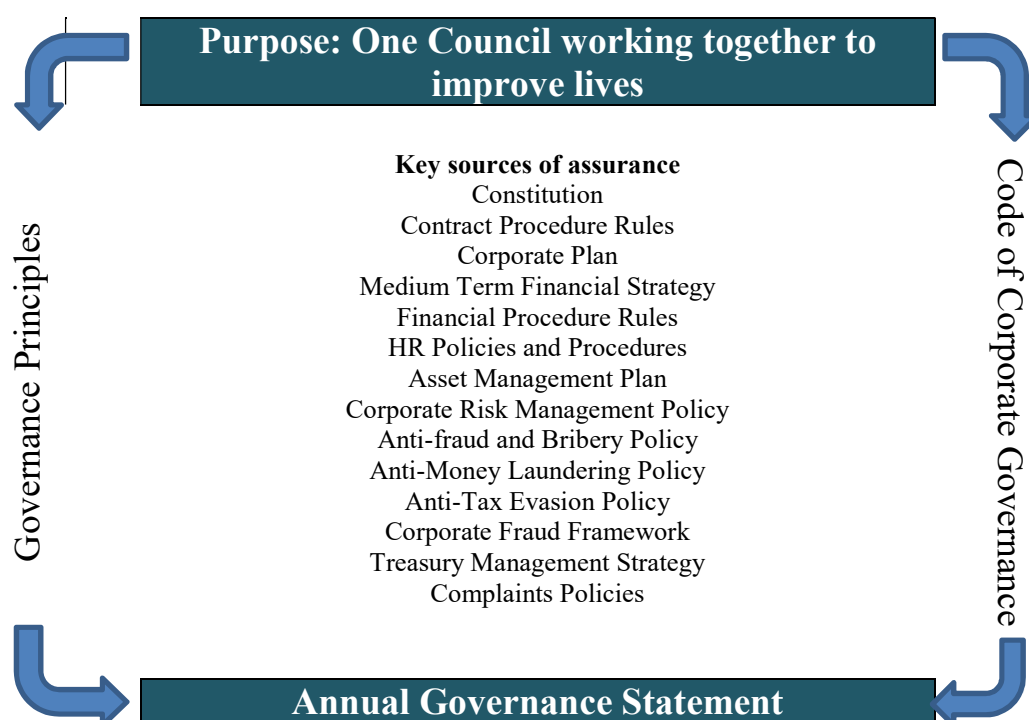
## The Council's Governance Framework

**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 Governance and 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 promotes and delivers 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.
- During 2019-20 the new regional arrangements were put in place for the health and social care partnership and the Cwm Taf Regional Partnership Board established and these arrangements are successfully bedding in. The Regional Safeguarding Board and Regional Partnership Board provide leadership across the region for safeguarding an integrated planning of health and social care services. There are a small number of key services that still operate on the previous 'Western Bay' footprint.
- 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 Taf and Merthyr Tydfil Councils.

## 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 pre-pandemic all meetings were open to the public unless exempt or confidential matters were being discussed. Since the pandemic meetings are held virtually and recorded and placed on the Council's website for the public to access. 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 in a range of formats to maximise the opportunity for information sharing and to enable residents to communicate with the Council.

## Local Government and Elections (Wales) Act 2021

The Local Government and Elections (Wales) Act received Royal Assent on 20 January 2021. The Act is a substantial piece of legislation covering electoral reform, public participation, governance

and performance and regional working. There are many reforms within the Act, however, in summary the Act introduces:

- Reform of electoral arrangements for local government, including extending the voting franchise to 16 and 17 year olds;
- Introduction of a general power of competence;
- Reforming public participation in local government;
- Reforms around democratic governance and leadership;
- Collaborative working;
- Reform of the performance and governance regime;
- Powers to facilitate voluntary mergers of principal councils.

In order to provide local authorities with certainty as to what legislative changes are being implemented when, and ensure the required preparations can be made, Welsh Government has made three Commencement Orders, which will be accompanied by other relevant subordinate legislation, which will bring the relevant provisions into force on a series of dates between March 2021 and 5 May 2022.

The Act will have a wide ranging impact on the organisation, powers, performance measurement and governance of the Council, including changes to the composition and terms of reference of the Audit Committee (which was re-named the Governance and Audit Committee by Council in September 2020, in anticipation of the requirements of the Act). New responsibilities include a role in reviewing the Council's self-assessment report and making any recommendations for change, consideration of the outcome and response to a panel performance assessment of the Council, and responsibility for making reports and recommendations in relation to the authority's ability to handle complaints effectively. The Council will need to address these changes and amend its governance structures and arrangements accordingly.

#### Role of the Governance and Audit Committee

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

- Review and scrutinise reports and recommendations in relation to the Council's Financial Affairs
- Review and 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, Anti-Money Laundering Policy and Anti-Tax Evasion 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

### 3 Assessing Performance

The Councils' performance is reported in its [Annual Report](#), its annual self-evaluation of progress against the Council's Corporate Plan. The report looks back on the progress made during the year on the steps to meet the well-being objectives. The report considers measures of success with targets set annually and used to drive improvement. During 2020-21 a key factor faced by the Council over the year was the impact of the Covid-19 pandemic and the governance arrangements and processes that the Council had to put in place to ensure it could continue to support residents and businesses during this difficult and challenging year.

#### The Corporate Plan

The Corporate Plan 2018-23, updated for 2021-22, agreed in February 2021 sets out the Council's vision: **'One Council working together to improve lives'**. The Plan defines the Council's three priorities well-being objectives and its organisational values and principles that underpin how it will work to deliver its priorities. The Council defines its purpose 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, and enjoy good health and a sense of well-being and independence'.



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

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	✓		✓





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
<b>Our Principles</b>					
To support communities and people to create their own solutions and reduce dependency on the Council.					

5 Ways of Working	Long term	Prevention	Integration	Collaboration	Involvement
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. The key principles are set out below.

- Wherever possible the Council will support communities and people to create their own solutions and reduce dependency on the Council
- The Council will focus diminishing resources on communities and individuals with the greatest need
- The Council will use good information from service users and communities to inform its decisions
- The Council will encourage and develop capacity amongst the third sector to identify and respond to local needs
- The Council will not let uncertainty over the future of public services prevent meaningful and pragmatic collaboration with other public sector bodies
- The Council will work as one Council and discourage different parts of the organisation from developing multiple processes or unnecessarily different approaches
- The Council will transform the organisation and many of its services and in so doing will deliver financial budget reductions as well as improvements

The Council's values, or the **FACE** of the Council are:

- **F**air – taking into account everyone's needs and situations



- **A**mbitious – always trying to improve what we do and aiming for excellence
- **C**itizen-focused – remembering that we are here to serve our local community
- **E**fficient – delivering services that are value for money

## 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 workers were required to work from home where possible. Initially the lockdown was for a period of 3 weeks but this was then extended over the next couple of months with the First Minister of Wales announcing an easing of lockdown rules from 1 June into July 2020, with confirmation that swimming pools, gyms, leisure centres and indoor play areas could open from 3 August 2020. Further lockdowns followed, the first a two week “firebreak” from 23 October until 9 November, followed by a further lockdown from midnight of 19 December 2020 due to a significant surge in cases from a new strain of the virus.

Throughout this period the Council has had to adapt and implement 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 office-based staff with mobile technology at the end of March 2020 and into the new financial year, to enable home-working within a very short timescale. Office-based staff are now equipped to work at home either with laptops and telephone facilities installed on the laptops, or on home computers linked 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 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. Decisions were made to deploy employees to key priority areas wherever possible to ensure continuity of essential services. During the year the focus has remained on ensuring the resilience of front line services to cover absence and acute pressure points, and to supporting services that promote public health, including the Test, Trace, Protect service and, latterly, the vaccination programme and community testing.

At the start of the pandemic a number of services, including schools, were closed, although the Council continued to maintain a significant number of essential services running, particularly the provision of social care services for vulnerable adults and children and waste collection services. Services that were closed included cultural venues, leisure centres, community recycling centres and day services. During the year, as lockdown restrictions initially eased, a number of these reopened, but with social distancing measures in place, or were provided differently. Schools adapted to provide blended learning and during full lockdown, online learning, with most pupils being taught via their home computers. Those pupils eligible for free school meals have been provided with weekly food parcels, delivered to their homes, and funding was secured to enable digitally excluded pupils to continue to learn from home.

When the country moved into lockdown, all formal meetings of Council were immediately cancelled. However, under the Local Authorities (Meetings) (Wales) Regulations 2020, Local Authorities were given powers to hold meetings virtually using video conference technology from 22 April 2020. As a result the Council held its first virtual meeting of Development Control Committee on 4 June 2020, followed by a meeting of Cabinet on 30 June 2020. Other virtual committee meetings followed with

the first meeting of full Council on 22 July 2020, and a full programme of meetings has been followed since this time. The meetings initially held via Skype, are now held via Microsoft Teams, are recorded and uploaded to the Council's website following the meeting. This enables full and transparent decision making and includes procedures for enabling Members to vote on key decisions. The initial Covid-19 group, consisting of members of the Cabinet and Corporate Management Board (CMB), along with a number of key officers, was stood down as official meetings resumed, but bi-weekly meetings of Cabinet and CMB were reinstated to consider other Council business. In January 2021, as the latest lockdown came into place, CMB introduced a specific CMB Gold meeting to discuss Covid related issues, outside of their regular CMB agenda. This was supplemented by a Covid Silver Group, consisting of Heads of Service, some group managers and other key officers, to consider more of the operational implications of the pandemic. The Covid Silver Group escalates any decisions required and any recommendations made to the Covid Gold Group. Both groups initially met weekly, but as the crises has reduced this was then reduced to fortnightly. More recently the groups have, in relation to the Covid response, been stood down in line with other regional and national 'pandemic' management groups however the benefit of having such groups has seen them refocus to consider wider strategic, operational and non-Covid cross-Council issues and have continued in this respect..

In June 2020 a report was presented to Cabinet recommending the establishment of a cross-party, elected member, Recovery Panel to help to shape, inform and advise Cabinet on the Council's recovery planning. The Panel met on six occasions during August. During its meetings the Panel considered presentations from requested invitees, including the Public Services Board (PSB), Bridgend Association of Voluntary Organisations (BAVO), the Corporate Director – Social Services and Wellbeing, the director of Bridgend County Care and Repair, and the Head of Partnership Services and Group Manager – Housing. The Panel's recommendations were presented to Cabinet on 15 September 2020 and then taken forward for consideration. It was agreed that the work of the Panel would continue with further recommendations reported to the Corporate Overview and Scrutiny Committee and Cabinet for approval. A Cabinet response to the Recovery Panel's recommendations has been provided to the Corporate Overview and Scrutiny Committee for consideration in December 2020.

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. During the financial year there have been a number of different grants and schemes funded by Welsh Government, but managed and administered by the Council, providing support to businesses including:

- |   |               |
|---|---------------|
| • Business and Charity Grants Phase 1         | March 2020    |
| • NDR Lockdown / Firebreak Grant              | November 2020 |
| • Business Restrictions Fund (various phases) | December 2020 |

In total over £50 million has been paid out to a wide range of businesses and charities throughout the year. Each of these grants has had different criteria (those paying business rates only, or a wider cohort), different awards processes (automatically paid or application process) and different funding amounts. This has required a coordinated effort between the taxation section, regeneration team, and eligible businesses as quickly as possible, at the same time ensuring that public funds are used appropriately and that control mechanisms are in place to safeguard the funding.

This is in addition to a range of other individual grant payments, including:

- Social Care Workforce Payments of £500
- Self-Isolation Payments for those on low incomes

- Statutory Sick Pay top-ups for social care workers

All have required new processes to be put in place to administer them, including digital changes to enable applications to be submitted online, system changes, cash management and accounting processes to be considered. Taking into account the business grants, over £53 million additional grant income has passed through the Council's accounts for these specific grants alone.

Other services have had to think differently about how they could continue to provide services during the lockdown period. Most service areas have had to adapt and many employees have been able to work in a different and more agile way. There is a significant challenge to the organisation moving forward in ensuring that many of the new ways of working that have worked well continue to do so. Other services have had to reconsider how they continue to deliver to the public over time. 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 changed to a food parcel delivery service to pupils' homes. Whilst alternative service delivery options have been considered during the year, including payment of cash or vouchers to parents, the Council still feels that at this time this service provides the best all-round option for pupils, taking into account nutritional value and supporting children whilst at home. However, this is constantly under review.

In addition to the business grants, Welsh Government has provided a number of specific grants to meet the additional costs of Local Authorities as a result of the pandemic, for costs in general and targeted at specific areas, such as adult social care, free school meals, homelessness and personal protective equipment. Costs are collated across the Council to enable these grants to be drawn down, the majority of which are claimed against the Welsh Government Hardship Fund. There is also the impact of lost income from fees and charges, which creates an additional pressure, coupled with a 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. The Council has claimed and received the following amounts:

<b>Welsh Government Hardship Fund</b>	<b>Claimed £000</b>	<b>Paid £000</b>	<b>Disallowed £000</b>
Additional expenditure	15,791*	15,013	778
Loss of Income	5,697	5,574	104
<b>Total</b>	<b>£21,488</b>	<b>£20,587</b>	<b>£882</b>

\* including £271,000 relating to 2019-20.

Cost pressures and loss of income not covered by Welsh Government have created additional pressures on the Council budget, so the Council established a specific earmarked reserve at the end of 2019-20 to enable it to mitigate any non-funded Covid related costs in both 2020-21 and beyond.

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 were delayed, the Council also experienced additional costs as a result of the need to implement social distancing on building sites, when new schemes have been tendered, so it is clear the longer term consequences of the coronavirus pandemic cannot yet be known in full or be quantified. However, it seems inevitable that a number of businesses will find themselves in financial difficulties and maybe go out of business, despite the various support schemes that have been put in place over the year. The town centres may be particularly hit as staff are directed to continue to work from home if they are able to do so and not in their usual office base, including staff in the main town centre Council offices, thus impacting on the footfall in these main retail areas. 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, ongoing reduced income at car parks, rental income where the Council is the landlord and playing fields and other facilities as people remain wary of going out and socialising in large groups. Whilst the vaccination programme is well underway and Welsh Government expects all nine priority groups to have received their first vaccination by mid-July 2021, the impact of the pandemic is still expected to be felt for many years to come and potentially unequally with those living in areas of most deprivation most impacted. Short-term measures such as rental holidays for businesses and business rates relief will provide them with some support, but it will be difficult to fully offset the devastating economic impact that the pandemic has caused. In addition, consumer habits have changed, with people having been forced to shop and do business differently, and there is no guarantee that they will revert to old habits.

In March 2019 Estyn inspected Bridgend's local government education services. Following the inspection Estyn identified four recommendations to further improve Bridgend's provision of education services to children and young people. These included the need to develop literacy in primary schools, support schools, causing concern, develop post-16 education and support the work of the statutory Welsh in Education Strategic Plan. While work against the four recommendations has continued since March 2020, the pandemic has impacted on progress. Updates are provided to the Council's School Improvement Group on a bi-monthly basis and we will continue to monitor progress against these priority areas.

Care Inspectorate Wales has carried out regulatory inspections of the Council's registered care provision. One service, a children's residential care home, was a service of concern for a period in 2020 but has now satisfied all regulatory requirements. There have been positive regulatory inspections of other provisions. The Council is a significant provider of adult and children's regulated care services and the Head of Adult Services and the Head of Children's Services are Responsible Individuals for the provision, with legal responsibilities in accordance with the Regulation and Inspection of Care (Wales) Act (2018). There have been regular meetings between senior officers and Care Inspectorate Wales during 2020-21 to provide assurance in respect of the safety and wellbeing of people during the Covid-19 pandemic. An assurance check was carried out by Care Inspectorate Wales in April 2021 and any areas for improvement identified will be progressed in a timely way.

The Government is likely to impose social distancing rules for some time to come, which will have consequential impacts on services 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 each Directorate was asked to complete a corporate questionnaire ("COVID-19 Service Recovery Planning Assessment") that was designed to identify lessons learnt from each of its service areas during Covid-19 Lockdown. An Improvement Plan was developed to "ensure that during the Covid-19 pandemic, the Council services are delivered safely and to a high standard." This exercise has helped ensure that the

Council is able to respond more effectively to any future significant events that affect service delivery. In the coming year the Council will need to focus on restoring services, supporting communities and particularly the most vulnerable in our society, as well as doing all we can to help our local economy to recover. Implementing agile working has afforded the Council opportunities for efficiencies and benefits to both the organisation and employees. This includes less travelling reducing the impact on time of working, as well as environmental benefits. Moving forward agile working will allow the Council the opportunity to assess its needs for office space, and the benefits to staff of a longer-term agile working approach.

## Annual Improvement

Audit Wales<sup>2</sup>, our External Auditor, assesses the Council's arrangements for delivering continuous improvement and subsequent performance, the results of which are published in their [Annual Audit Summary 2020](#). In January 2020 they reported that the 'Auditor General certified that the Council has met its legal duties for improvement planning and reporting, and believes that it is likely to meet the requirements of the Local Government (Wales) Measure (2009) during 2020-21'.

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
<b>Financial Sustainability Assessment, February 2020</b>	<p><b>The purpose of the review was to assess the sustainability of council's short to medium term financial position.</b> This included a focus on the financial strategy of each council as well as reviewing some key financial indicators of each council's financial position in relation to:</p> <ul style="list-style-type: none"> <li>• performance against budget;</li> <li>• delivery of savings plans;</li> <li>• use of reserves;</li> <li>• council tax; and</li> <li>• borrowing.</li> </ul> <p>Overall the review found that the Council has a strong financial position, but aspects of financial planning and its Medium Term Financial Strategy would benefit from strengthening. This was because:</p> <ul style="list-style-type: none"> <li>• The Council's Medium Term Financial Strategy would benefit from strengthening in some important areas. The review found that cost pressures were only included for one year; it does not provide detailed activity and expenditure projections for the four years of the Strategy, and does not evaluate past financial performance, such as budget underspends and the lower-than-forecast use of reserves.</li> <li>• In recent years the Council has underspent all its annual budgets</li> <li>• The Council has a good track record of achieving most of its planned savings</li> <li>• The Council has a high level of useable reserves, which are ring-fenced for specific purposes and potential risks to the Council. Approximately a third of the total reserves are earmarked to fund specific schemes within the Council's capital programme and 5% relate to equalisation and grant reserves.</li> <li>• The Council has a good track record of collecting its council tax</li> <li>• The Council has a relatively low level of borrowing and interest costs and has not sought any new long-term loans since 2012.</li> </ul>

<sup>2</sup> 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.



Report	Key outcomes
<b>'Raising our Game' Tackling Fraud in Wales, July 2020</b>	<p><b>The report was to examine seven 'key themes' to ensure that the arrangements for preventing and detecting fraud in the Welsh public sector are effective.</b> The seven 'key themes' examined were:</p> <ul style="list-style-type: none"> <li>• Leadership and culture</li> <li>• Risk management and control frameworks</li> <li>• Policies and training</li> <li>• Capacity and expertise</li> <li>• Tools and data</li> <li>• Collaboration</li> <li>• Reporting and scrutiny</li> </ul> <p>For each theme the report examines:</p> <ul style="list-style-type: none"> <li>• Why it is important</li> <li>• What the audit fieldwork identified in terms of current working practices and their effectiveness across the 40 Welsh public sector bodies that were examined</li> <li>• What needs to happen to generative improvement</li> </ul> <p>A mapping exercise by the Council identified that there are many positive aspects identified across each of the themes. High standards for both Members and Officers are set and the Council has always dealt with any allegations or suspicions of fraud, bribery and corruption promptly. Fraud training has recently been improved and an e-learning module is now in place. The next stage will be 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.</p>

## 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 Governance and 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, particularly as it is assumed that at some point the substantial additional Government expenditure on the pandemic will need to be recovered. There also remains significant uncertainty as a result of Brexit and the impact this might have on Council services including the receipt of European grants. The Council estimates that it will need to generate approximately £22 million of savings over the period 2021-22 to 2024-25. The Medium-Term Financial Strategy has taken account of cost pressures and priority areas in line with the Corporate Plan and undertaken extensive consultation to ensure a robust process. To ensure greater involvement of stakeholders in the development of the Medium Term Financial Strategy an eight week consultation 'Fit for the Future' was undertaken between 19 October and 13 December 2020, the emphasis of which was on the Council's recovery plans, following the pandemic, including what the public felt were important services during the lockdown and what services they actually accessed. Due to social distancing requirements, the budget consultation was pre-launched on social media prior to the live survey date and the consultation itself focused more on online, social media and interactive engagement methods. Communication took place through a wide variety of methods, including surveys, social media, online engagement sessions, online Frequently Asked Questions as well as videos, radio adverts and media releases. To gather the views of young people the consultation team attended a Bridgend Youth Council meeting and promoted the consultation amongst learners, staff and parents at Bridgend secondary schools and Bridgend College. The Medium Term Financial Strategy can be found on the Council's website [here](#). Given the single-year funding provided by the Welsh Government, the Council has developed detailed budgets for year one 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 Prudential Code and Treasury Management Code of Practice, issued in December 2017, set out new requirements in relation to the production of a Capital Strategy. CIPFA are currently consulting on both these Codes of Practice. The proposed changes to the Prudential Code include: commercial investment should be 'proportionate' to service and revenue expenditure; capital expenditure should be "sustainable in accordance with the corporate objectives of the authority"; capital strategies should provide more commentary on the affordability of commercial activities; 'Liability Benchmark' to replace prudential indicator on gross debt and the capital financing requirement; and two new prudential indicators on affordability. The proposed changes to the Treasury Management Code include: new knowledge and skills schedules for treasury management roles to assess and track competencies; new council committees to focus solely on scrutinising treasury management decisions; and new Treasury Management guidance on assessing the environmental, social and governance risks of future investments. The outcome of these consultations will need to be considered when revising both the Treasury Management and Capital Strategies. The Capital Strategy currently 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. Furthermore 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.

## Compliance with the CIPFA Financial Management Code of Practice

The Chartered Institute of Public Finance and Accountancy (CIPFA) launched the Financial Management Code of Practice (FM Code) in November 2019. The FM Code was developed in the context of increasing concerns about the financial resilience and sustainability of local authorities.

The FM Code sets out the principles by which authorities should be guided in managing their finances and the specific standards that they should, as a minimum, seek to achieve. It clarifies how Chief Finance Officers should satisfy their statutory responsibility for good financial administration as required in section 151 of the Local Government Act 1972 and emphasises the collective financial responsibility of the whole leadership including the relevant elected members.

By complying with the principles and standards within the code authorities will be able to demonstrate their financial sustainability. Whilst the Code is designed to be flexible to the nature, needs and circumstances of individual authorities, it is up to each authority to determine the extent to which it complies with the FM Code and to identify what action it may wish to take to better meet the standards that the FM Code sets out. Full compliance is expected for the 2021-22 financial year (i.e. from April 2021) with the 2020-21 financial year acting as a shadow year. In its Guidance Bulletin 06 (*Application of the Good Governance Framework 2020/21*) CIPFA has stated that the Annual Governance Statement for 2020-21 should include the overall conclusion of an assessment of the organisation's compliance with the principles of the FM Code. Also, that where there are outstanding matters or areas for improvement, these should be included in the action plan.

The Council has made an assessment of its current compliance with the 19 Standards outlined in the FM Code. The assessment has identified that the Council can demonstrate compliance with all of the Standards, but that further actions can be taken to enhance compliance during 2021-22. These actions are included in the Action Plan in Section 5.



## 4 Audit Assurance

### 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 2020 the External Auditor gave an unqualified audit opinion on the financial statements 2019-20.

Audit Wales also audit a number of grant claims and in the year completed 5 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 claim for Housing Benefit was qualified due to a few errors however this did not affect the reimbursement of the claim.

In addition Audit Wales undertake reviews of various services and also performance reviews throughout the year, the outcome of which are reported to the Governance and 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 2020-21 is:

#### ***"Reasonable Assurance"***

The opinion states that, based on the work completed by the Regional Internal Audit Shared Service for the financial year, 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.

As described earlier in the Annual Governance Statement the way the Council has had to operate during 2020-21 has been severely affected by the COVID 19 pandemic. Many staff have worked remotely, and systems & processes have had to be adjusted to cater for the new ways of working. Similarly, Internal Audit has worked remotely, conducting audits and obtaining evidence digitally. Each audit has considered the potential impact of COVID 19 and remote working to ensure adequate controls and governance arrangements remained in place.

The pandemic did have some impact on the delivery of the internal audit plan for 2020-21 and a limited number of audits were deferred due to the pressures on some service areas. These audits will be carried out in 2021-22. The Internal Audit coverage was still sufficient for the Head of Audit to be able to give an opinion.

The recommendations made to improve governance, risk management and control have been accepted and are at various stages of implementation.

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 vacancy is filled on a permanent 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 and further in June 2020, but there were not sufficiently qualified applicants with the required skills and experience to be able to progress through all stages of the appointments process.



*The Pavilion, Porthcawl*

## 5 Improving Governance

A number of significant issues were identified in the Council's 2019-20 Annual Governance Statement. The progress made on the significant issues is shown below:

Issue	Progress made
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.	After over a year from the original Covid-19 outbreak in the UK and the national lockdown, the Council continues to learn to live with the consequences of delivering effective public services amidst an ongoing global pandemic. The majority of the Council's staff continue to work from home and significant investment has been made in ensuring that this 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, including ensuring adequate PPE, contributing to the test, trace and protect, and supporting the mass vaccination programmes, priority is also being given to 'recover'. The Council has set an approved recovery plan based on four themes of financial stability for the organisation, economic recovery, service restoration (adapting services to ensure they are Covid safe) and public health. The cross-party recovery panel established, made sixteen initial recommendations to Cabinet to inform the Council's detailed recovery planning. In addition, a lessons learnt exercise was undertaken and a document produced to ensure the Council is best placed to respond even more effectively to any future lockdowns or crises.
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	As the UK exited the European Union, with a last-minute deal, a new Treaty came into force from 1 January 2021, taking over from the previous transition period arrangement. The consequences of having a trade agreement in place are inevitably likely to be more positive than a no-deal situation. However, it is unlikely that there will be no impact, but it is too early to ascertain what this will be. The Covid-19 pandemic has overtaken the impact of the exit from the EU and will place continuing pressures on Council resources and budgets, at least in the short to medium term. The two events will continue to have an impact in the future, and the Council will need to closely monitor costs and lost income as a result of both significant events on its budget and cash-flow requirements.
Changes in Senior Management at Corporate Management Board level	A new Corporate Director Communities took up position in March 2020. The Corporate Director Social Services and Wellbeing was due to retire at the end of April 2020 but agreed to continue to provide leadership for the service in the role for a 6-month period during the pandemic. The virtual recruitment exercise for this vacancy was shown to work well, with strong interest for the post and an effective recruitment process, with the successful candidate taking up post in

Issue	Progress made
	<p>October 2020. There is now greater resilience across the Council's senior management team.</p> <p>The Council was unable to recruit to the Chief Officer, Finance, Performance and Change and the interim arrangements have continued.</p>
Outcome of the Audit Wales report into Safeguarding and implementing the recommendations made therein	The Audit Committee held on the 16 <sup>th</sup> 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.
Outcome of the Care Inspectorate Wales – Inspection of Older Adults Services Bridgend County Borough Council (January 2020)	The service continues to progress the recommendations from the Care Inspectorate Wales inspection of older people. The impact of Covid-19 means some timescales in actions plans have been delayed as adult services has focussed on the considerable impact of the pandemic on social care services.
Strengthen the scrutiny and oversight arrangements of environmental health services and work with the Shared Regulatory Services (SRS) and other providers to explore the opportunities for future improvements	<p>A report on SRS was scheduled to go to the Corporate Overview and Scrutiny Committee (COSC) in March 2020 but the meeting was unfortunately cancelled due to the covid-19 pandemic and only essential meetings of COSC were held until after the Annual Meeting of Council when Scrutiny resumed with reduced reports. A draft Forward Working Programme for the coming year will be prepared shortly and SRS will be on the draft FWP.</p> <p>SRS are at the forefront of the Covid response which has given increased visibility of their role. There continues to be meetings of the SRS Joint Committee and regular meetings with the Head of Service and relevant Cabinet Member.</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>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</p>



Issue	Progress made
	<p>risk management process. A Corporate Anti-Tax Evasion policy has also been developed and approved by Cabinet in February 2021.</p> <p>The Council has submitted National Fraud Information (NFI) in two parts. The first non-Covid-19 grant data was submitted to NFI by 9<sup>th</sup> October 2020, the Covid-19 grant data was submitted on 7<sup>th</sup> January 2021.</p>
<p>The increasingly challenging budgets for Schools, with potential for greater deficit school budgets</p>	<p>The impact of Covid-19 on schools has been significant, with schools closed from 20<sup>th</sup> March 2020 and did not reopen until September 2020, 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 had been a slower process than usual, but work continued on supporting those in deficit, agreeing deficit recovery plans and monitoring balances overall.</p> <p>Whilst schools were anticipated to stay open until 18 December 2020, many once again closed early due to the pandemic and increasing numbers of infections. Limited reopening of schools for children up to the age of 7 commenced from 22 February 2021, with the majority of other children not due to return to full time education until after the Easter break.</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, when schools have reopened 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 met from one-off grants from Welsh Government (e.g. cleaning resources) and others are being claimed from the Welsh Government Hardship Fund, but not all are eligible. Any claims for additional costs had to be net of any savings made, so significant work was necessary to identify these.</p> <p>The net overall school balances as at 31 March 2021 was £8.491 million. There has been a significant improvement from the projected deficit position for schools reported during the year, primarily due to additional grant funding received late in 2020-21 committed to be used by schools in 2021-22.</p>

Based on a review of the governance framework, and an assessment of compliance with the CIPFA Financial Management Code, the following significant issues identified in 2020-21 will be addressed in 2021-22 with the links to the [Governance Principles](#) on page 81:

Issue	Governance Principle	What the issue is	Proposed Actions to address issue
Implementing the Local Government and Elections (Wales) Act 2021	A	The Act will introduce changes covering electoral reform, public participation, governance and performance and regional working. This will have an impact on the way the Council operates.	The Council will need to implement measures to comply with the Act. This will include for example changes to the composition and terms of reference of the Governance and Audit Committee title from May 2021, the establishment of Corporate Joint Committees, wider performance review and self-assessment, and the introduction of measures to establish public participation. The Council will consider the Welsh Government Commencement Orders and subordinate legislation and will put in place processes for implementing the required changes.
Financial Sustainability	F	The ongoing financial pressure from the pandemic with increased pressure on expenditure and reduced income will impact on the 2021-22 financial year.	External funding to support additional pressures will be sought where possible from Welsh Government via the Hardship Fund. Earmarked reserves will be reviewed and maintained to support specific Covid-19 costs arising as a result of local decisions, in addition to provision to meet other unfunded pressures such as reductions in council tax income and additional costs of council tax support. Assumptions for future years' budgets will continue to be reviewed and amended to reflect the changing circumstances.

Issue	Governance Principle	What the issue is	Proposed Actions to address issue
Review of Financial Procedure Rules	F	It is key that the Financial Procedure Rules are kept up to date to ensure they are fit for purpose.	Last updated in 2017, needs review and update to reflect current practices, especially with agile and home working arrangements.
Review of Code of Corporate Governance and associated schedule	A	Ensuring that the Code of Corporate Governance is kept up to date is crucial to ensure it is fit for purpose.	Last updated in 2017, needs review to ensure it reflects current governance framework.
To continue to support professional development	E	In order to deliver the best services and meet statutory requirements staff must be sufficiently skilled to deliver their responsibilities.	To assess skills needs as part of the finance restructure and support continuing professional development at all levels where considered necessary. Also to consider other training to both finance and non-finance staff, as well as Elected Members.
Digital / management and control of ICT assets with new ways of working	A	The ICT estate due to Covid-19 has become decentralised with officers working from home, which poses challenges with regard to the recording and management of the devices.	Change control processes – including patch management for all devices and applications across the ICT landscape.  Use of Configuration Management Database (CMDB) to store information about hardware and software assets.  Independent Audit assessments reviewing the management of the ICT infrastructure inclusive of devices and software.
Cyber Fraud	F	Cyber Security Risks refers to any <b>risk</b> of financial loss, disruption or damage to the reputation of an organisation resulting from the failure of its	Staff procedures and guidance through IT security policies, e.g. Six Simple Rules, Data Protection training.  Corporate blocks on online file storage.

Issue	Governance Principle	What the issue is	Proposed Actions to address issue
		information technology systems.	Port control and encryption of USB devices.  Public Services Network / Certification accreditation.
Impact on the Social care sector of the Covid-19 pandemic and the ending of the hardship funding to the sector	C	The Covid-19 pandemic has had a significant impact on the Social Care sector. Short term hardship funding has helped to support the sector, but the ending of this funding will have an impact moving forward.	A market stability plan is in development to mitigate the impact on older people's care homes of the pandemic and ensure that there continues to be sufficiency of quantity and quality of provision in Bridgend.
GDPR issues with new ways of working	A	Remote working demands a different security stance than working in centralised offices and the Council must ensure that it remains compliant with data protection laws.	A Bridgend's message was circulated in September 2020 on data protection and working from home. It provided guidance on issues such as communicating securely, keeping software up to date, ensuring no personal data is compromised, only using the Council's approved technology.  The Council has strict ICT and Data Protection Act (DPA) policies and the Information Governance Board (with representation from each Directorate) continues to meet quarterly ensuring information security remains a top priority during this time.  All staff and Elected Members are also required to undertake the mandatory DPA e-learning module.
Workforce issues / wellbeing	E	To identify future working models for staff, following the easing of Covid-19 restrictions and ensure	Develop HR policies to support future working arrangements. Develop and implement additional actions to support a



Issue	Governance Principle	What the issue is	Proposed Actions to address issue
		that wellbeing considerations are given priority.	wellbeing culture across the organisation. Improve communications to help staff access information relating to Covid-19 and recovery.

These issues will be monitored via a detailed action plan during 2021-22, with the responsible officer and deadline for implementation identified for each action and reported to Cabinet/Corporate Management Board and to the Governance and Audit Committee.


## 6 Assurance Statement

The Council reacted quickly to the Covid-19 pandemic to put in place controls to ensure that a record was maintained 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: 12/07/2021  
(Chief Executive)

Signed:  \_\_\_\_\_ Date: 12/07/2021  
(Leader)

## Glossary Of Terms

**Accrual**

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

**Actuary**

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

**Amortisation**

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

**Audit**

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

**Balance Sheet**

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

**Budget**

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

**Capital expenditure**

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

**Capital Adjustment Account**

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

**Capital receipt**

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

**Cash flow Statement**

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

**Comprehensive Income and Expenditure Statement**

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

**Contingent liabilities**

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

**Corporate and Democratic Core (CDC)**

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

**Creditor**

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

**Current assets**

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

**Current liabilities**

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

**Debtor**

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

**Delegated schools balances**

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

**Depreciation**

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

**Earmarked reserves**

These are reserves set aside for a specific purpose.

**Escrow account**

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

**Expenditure and Funding Statement**

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

**Financial Year**

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

**Finance leases**

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

**Government grants**

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

**International Financial Reporting Standard (IFRS)**

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

**International Financial Reporting Standards Interpretations Committee (IFRICs)**

The interpretative body of the International Accounting Standards Board (IASB) designed to help the IASB improve financial reporting through timely identification, discussion and resolution of financial reporting issues within the framework of IFRS.

**Inventories**

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

**Leasing**

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

**Liability**

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

**Minimum Revenue Provision (MRP)**

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

**Movement in Reserves Statement (MIRS)**

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

**National Non-Domestic Rates (NNDR)**

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

**Net Realisable Value**

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

**Non Distributable Costs (NDC)**

NDC is a category of costs defined by the Best Value Accounting Code of Practice and cannot be allocated to specific services. It represents:

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

**Open Market Value in Existing Use (OMVEU)**

OMVEU is a basis for valuation of fixed assets.

**Operating assets**

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

**Operating leases**

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

**Post balance sheet events**

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

**Precepts**

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

**Prior year adjustment**

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

**Provision**

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

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

**Public Works Loan Board (PWLB)**

This is a loan facility provided by the Government Debt Management Office (DMO), which provides longer term loans to local authorities.

**Related party transactions**

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

**Revaluation Reserve**

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

**Revenue account**

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

**Service Reporting Code of Practice (SeRCOP)**

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

**Temporary borrowing or investment**

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

**Trust fund**

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

**Work in progress (WIP)**

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





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## Audit of Accounts Report – Bridgend County Borough Council

Audit year: 2020-21

Date issued: July 2021

Document reference: 2478A2021-22

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

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

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

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

# Contents

We intend to issue an unqualified audit report on your 2020-21 Statement of Accounts.  
There are some issues to report to you prior to their approval.

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# Audit of accounts report

## Introduction

- 1 This report summarises the main findings from our audit of your 2020-21 Statement of Accounts (the accounts). We have already discussed these issues with the relevant officers.
- 2 Auditors can never give complete assurance that accounts are correctly stated. Instead, we work to a level of 'materiality'. The level of materiality is set to try to identify and correct misstatements that might otherwise cause a user of the accounts into being misled. We set the level at £4.8 million for this year's audit.
- 3 Further to the above there are some areas of the accounts that we judge to be of more importance to the reader, for which we have set a lower materiality level. This year our lower materiality levels are as follows:
  - £1,000 for senior officers' remuneration, pension and exit packages; and
  - £10,000 for related party transactions and balances, being pecuniary interests and/or positions of influence held by senior officers and members, or, by their close family.
- 4 We have now substantially completed this year's audit.
- 5 In our professional view we have complied with the ethical standards that apply to our work. We remain independent of yourselves and our objectivity has not been compromised in any way. There are no known relationships between ourselves and yourselves that we believe could undermine our objectivity and independence.

## Impact of COVID-19 on this year's audit

- 6 The COVID-19 pandemic has had a significant impact on all aspects of our society and continues to do so. You have a statutory requirement to prepare accounts and it is of considerable testament to the commitment of your finance team, and other staff where relevant, that you have succeeded in doing so this year in the face of the challenges posed by this pandemic. We are extremely grateful to the professionalism of the team in supporting us to complete our audit in such difficult circumstances.
- 7 The pandemic has unsurprisingly affected our audit and we summarise in **Exhibit 1** the main impacts. The detail in **Exhibit 1** is provided for information purposes only to help you understand the impact of the COVID-19 pandemic on this year's audit process.

## Exhibit 1 – impact of COVID-19 on this year’s audit

<b>Timetable</b>	<ul style="list-style-type: none"><li>• The statutory deadline remained 31 May 2021 for your draft 2020-21 accounts to be signed by the responsible finance officer; and thereafter 31 July 2021 for their audit certification by the Auditor General.</li><li>• The draft accounts were signed and submitted for audit on 11 June 2021. As statutorily required, on 31 May the Council published a signed statement on its website that explained the delay beyond 31 May due to COVID-19.</li><li>• The audited accounts are scheduled to be certified by the Auditor General on 23 July 2021.</li><li>• It should be noted that the Welsh Government Finance Department had written to all councils advising them that, due to the impact of COVID-19, they could submit signed draft accounts by 31 August 2021 and have them certified by 30 November 2021.</li><li>• You have therefore produced your accounts significantly ahead of the Welsh Government’s permissible dates for this year.</li></ul>
<b>Electronic signatures</b>	Once your accounts have been approved by the Governance and Audit Committee, which is scheduled for 22 July 2021, this year we will accept electronic signatures and the electronic transfer of the signed accounts to us. Officers have agreed to use this basis this year. Audit certification will also be by electronic signature this year.
<b>Audit evidence</b>	<p>As in recent years, we received most of the audit evidence in electronic format. Importantly, this year you also provided us with continued enhanced remote read-only access to your ledger and shared folders. This access enabled us to undertake the audit while not at your offices.</p> <p>Where we have been unable to use our usual audit methodology, such as our physical inspection of your property, plant and equipment, we devised alternative audit means (such as photography) to obtain sufficient audit evidence.</p>

- 8 We will be reviewing what we have learned for our audit process from the COVID-19 pandemic and whether there are innovative practices that we might adopt in the future to enhance that process.

## Proposed audit opinion

- 9 We intend to issue an unqualified audit opinion on this year's accounts once you have provided us with a Letter of Representation based on that set out in **Appendix 1**. We issue a 'qualified' audit opinion where we have material concerns about some aspects of your accounts; otherwise we issue an unqualified opinion.
- 10 The Letter of Representation contains certain confirmations we are required to obtain from you under auditing standards. Our proposed audit report is set out in **Appendix 2**.

## Significant issues arising from the audit

### Uncorrected misstatements

- 11 There are no uncorrected financial misstatements in the audited accounts.

### Corrected misstatements

- 12 There were misstatements in the draft accounts that management has corrected. However, we believe that they should be drawn to your attention, and they are set out with explanations in **Appendix 3**.

### Other significant issues arising from the audit

- 13 In the course of the audit, we consider a number of matters relating to the accounts and report any significant issues arising to you. There are no other significant issues arising from the audit.
- 14 Our audit progressed smoothly. This reflects positively on your continued improvements to both the financial management and the documentary evidence that underpin the annual accounts.

# Appendix 1

## Final Letter of Representation

[Audited body's letterhead]

Auditor General for Wales  
Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ

22 July 2021

## Representations regarding the 2020-21 financial statements

This letter is provided in connection with your audit of the financial statements of Bridgend County Borough Council (the Council) for the year ended 31 March 2021 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

## Management representations

### Responsibilities

We have fulfilled our responsibilities for:

- the preparation of the financial statements in accordance with legislative requirements and CIPFA Code of Practice on Local Authority Accounting; in particular, the financial statements give a true and fair view in accordance therewith;
- the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

## Information provided

We have provided you with:

- full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
  - additional information that you have requested from us for the purpose of the audit; and

- unrestricted access to staff from whom you determined it necessary to obtain audit evidence;
- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- our knowledge of fraud or suspected fraud that we are aware of and that affects the Council and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements;
- our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others;
- our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements;
- the identity of all related parties and all the related party relationships and transactions of which we are aware.

## Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

The methods, the data and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. There are no uncorrected misstatements in the financial statements.

## Representations by the Council

We acknowledge that the representations made by management, above, have been discussed with us.



We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Council's Audit Committee on 22 July 2021.

We confirm that we have taken all the steps that we ought to have taken, in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

Signed by:

**Section 151 Officer**

**Chair of the Audit Committee**

**Date: 22 July 2021**

**Date: 22 July 2021**

# Appendix 2

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

### Opinion on the financial statements

I have audited the financial statements of Bridgend County Borough Council for the year ended 31 March 2021 under the Public Audit (Wales) Act 2004.

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

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.

In my opinion the financial statements:

- give a true and fair view of the financial position of Bridgend County Borough Council as at 31 March 2021 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.

### Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the Council [and its group] in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Conclusions relating to going concern

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from when the financial statements are authorised for issue. My responsibilities and the responsibilities of the responsible financial officer with respect to going concern are described in the relevant sections of this report.

## Other information

The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. The Responsible Financial Officer is responsible for the other information contained within the annual report. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon. My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

## Report on other requirements

### Opinion on other matters

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

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21;
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Governance Statement has been prepared in accordance with guidance.

### Matters on which I report by exception

In the light of the knowledge and understanding of the Council and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report nor the Governance Statement.

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

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

## **Responsibilities**

### **Responsibilities of the responsible financial officer for the financial statements**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 14, the responsible financial officer is responsible for the preparation of the statement of accounts, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's responsibilities for the audit of the financial statements**

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- enquiring of management and those charged with governance, including obtaining and reviewing supporting documentation relating to the Council's policies and procedures concerned with:

- identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, posting of unusual journals and biases in accounting estimates.
  - obtaining an understanding of the Council's framework of authority as well as other legal and regulatory frameworks that the Council operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of Bridgend County Borough Council.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit Committee and legal advisors about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Council;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all the audit team and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the Council's controls, and the nature, timing and extent of the audit procedures performed.

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

## **Certificate of completion of audit**

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

**Adrian Crompton**  
**Auditor General for Wales**  
**23 July 2021**

**24 Cathedral Road**  
**Cardiff**  
**CF11 9LJ**

# Appendix 3

## Summary of corrections made

During our audit we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

### Exhibit 2: summary of corrections made

Value of correction	Nature of correction	Reason for correction
£296,000 (An increase to the 'Total Comprehensive (Income) and Expenditure' figure per the I&E of £296,000 and an equivalent increase in 'Net Assets' and 'Total Reserves' figures in the Balance Sheet)	<b>Comprehensive Income and Expenditure Account:</b> <ul style="list-style-type: none"> <li>'Communities Govt Grants' was amended from £(11,986,000) to £(12,282,000).</li> </ul> <b>Movement in reserves Statement:</b> <ul style="list-style-type: none"> <li>'Transfers to Earmarked Reserves' was amended from £27,330,000 to £27,626,000 in the columns for 'Council Fund Balance' and 'Earmarked Reserves'.</li> </ul> <b>Balance Sheet:</b> <ul style="list-style-type: none"> <li>'Short Term creditors' was amended from £(44,465,000) to £(44,169,000).</li> </ul>	To correctly account for revenue grant income incorrectly treated as capital grant income.
£9,510,000 (No overall effect on the I&E or balance sheet)	<b>Comprehensive Income and Expenditure Statement:</b> <ul style="list-style-type: none"> <li>'Social Services Gross Expenditure' was amended from £116,137,000 to £106,627,000.</li> <li>'Social Services Other Income' was amended from £(27,462,000) to £(17,952,000).</li> </ul> <b>Balance Sheet:</b> <ul style="list-style-type: none"> <li>Short Term Debtors was amended from £61,319,000 to £51,809,000.</li> <li>Short Term Creditors was amended from £(44,465,000) to £(34,955,000).</li> </ul>	To net down transactions in respect of a pooled budget which were incorrectly shown as gross.

Value of correction	Nature of correction	Reason for correction
£3,952,000 (No overall effect on the I&E)	<b>Comprehensive Income and Expenditure Statement:</b> <ul style="list-style-type: none"> <li>• 'Taxation and Non-Specific Grant Income' line was amended as follows: <ul style="list-style-type: none"> <li>– 'Govt Grants' column was amended to £(171,402,000).</li> <li>– 'Other Income' column was amended to £(147,225,000).</li> </ul> </li> <li>• '(Surplus) or Deficit on Provision of Services' line was amended as follows: <ul style="list-style-type: none"> <li>– 'Gross expenditure' column was amended to £475,882,000.</li> <li>– 'Govt Grants' column was amended to £(294,192,000).</li> <li>– 'Other Income' column was amended to £(190,755,000).</li> </ul> </li> </ul>	To correct casting errors within the Comprehensive Income and Expenditure Statement.
£1,354,000 (No overall effect on the balance sheet)	<b>Balance Sheet:</b> <ul style="list-style-type: none"> <li>• The comparative figures for 2019-20 were amended as follows: <ul style="list-style-type: none"> <li>– 'Cash and cash equivalents' line was amended from £3,646,000 to £5,000,000.</li> <li>– 'Bank overdraft' line was amended to include the £(1,354,000).</li> </ul> </li> </ul>	To show the 2019-20 comparative overdrawn bank balance against 'bank overdraft' for consistency with the 2020-21 balance.



Value of correction	Nature of correction	Reason for correction
£4,703,000 (No overall effect on the cash flow statement)	<b>Cash Flow Statement and supporting notes:</b> <ul style="list-style-type: none"> <li>• Cash Flow Statement: <ul style="list-style-type: none"> <li>– ‘Financing activities’ was amended from £(21,183,000) to £(16,480,000).</li> <li>– ‘Cash and cash equivalents at the end of the reporting period’ line was amended from £(3,050,000) to £1,653,000.</li> </ul> </li> <li>• Note 37 Financing Activities: <ul style="list-style-type: none"> <li>– ‘Cash receipts of short and long term borrowing’ was amended from £(4,707,000) to £(4,000).</li> </ul> </li> </ul>	To correctly disclose the year-end bank overdraft balance within the closing cash balance on the cash flow statement rather than being an adjustment within the cash flow.
Various (No overall effect on the primary statements)	<b>Note 11 Grants:</b> <ul style="list-style-type: none"> <li>• Additional table included to analyse the total COVID grant income of £24,643,000 into its various income streams.</li> <li>• Additional narrative included to explain the agency relationship with the Welsh Government in respect of COVID business grants.</li> </ul>	To provide greater analysis and explanation of the COVID grant income received.
£338,000 (No overall effect on the primary statements)	<b>Note 11 Grants:</b> <ul style="list-style-type: none"> <li>• ‘Housing Benefit Subsidy’ line was amended from £(36,794,000) to £(37,133,000).</li> <li>• ‘Others’ line was amended from £(8,340,000) to £(8,002,000).</li> </ul>	To correctly classify housing benefit subsidy grant income received.

Value of correction	Nature of correction	Reason for correction
£4,250 (No overall effect on the primary statements)	<b>Note 15 Officers' Remuneration:</b> <ul style="list-style-type: none"> <li>The Chief Officer-Finance, Performance and Change's salary disclosed within footnote 4 of Disclosure 3 was amended from £146,557 to £150,807.</li> </ul>	To reflect the actual costs paid during the year.
£2,726,000 (No overall effect on the primary statements)	<b>Note 21e Sources of Finance for Capital Expenditure:</b> <ul style="list-style-type: none"> <li>'Government Grants' line was amended from £(12,554,000) to £(15,280,000).</li> <li>'Other contributions' line was amended from £(3,029,000) to £(303,000).</li> </ul> <p>As this is a disclosure note, there was no overall effect on the primary statements.</p>	To correctly classify government grant funding.
£ Various (No overall effect on the primary statements)	<b>Note 21h Capital Receipts in Advance:</b> <ul style="list-style-type: none"> <li>Additional disclosure note included to analyse the closing balance of capital receipts in advance.</li> </ul>	To show a detailed analysis of a material balance sheet amount.
£489,000 (No overall effect on the primary statements)	<b>Note 26 Provisions:</b> <ul style="list-style-type: none"> <li>The 'Insurance' column was amended: <ul style="list-style-type: none"> <li>'Additional provisions made in 2020-21' was amended from £(489,000) to £0.</li> <li>'Amounts used/released in 2020-21' was amended from £(581,000) to £(1,070,000).</li> </ul> </li> </ul> <p>This had no impact on the closing provisions value in the balance sheet.</p>	To correctly classify in-year movements in the insurance provision.

Value of correction	Nature of correction	Reason for correction
£2,700,000 (No overall effect on the primary statements)	<b>Note 31 Financial Instrument Disclosures:</b> <ul style="list-style-type: none"> <li>Note 31 was amended to remove from the bank overdraft figure, the element relating to Coychurch Crematorium as this is a separate entity. The prior-year figure was also amended.</li> <li>The cash figures in the Balance Sheet were correct and so this adjustment only affected the disclosures in Note 31.</li> </ul>	To show the true overdraft balance relating to the Council.
Various (No overall effect on the primary statements)	<b>Narrative Report:</b> <ul style="list-style-type: none"> <li>COVID grant income figures disclosed within the 'Hardship Fund' paragraph of the Narrative Report were amended to agree with those disclosed in Note 11 Grant Income.</li> </ul>	To show the correct amounts of COVID grant income received.
Various (No overall effect on the primary statements)	<b>Various:</b> <ul style="list-style-type: none"> <li>A number of minor amendments were made to the financial statements relating to either revisions to disclosures of information, narrative changes, casting errors, typos or agreement of prior-year comparatives.</li> </ul>	To ensure accuracy of the financial statements.



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

# Bridgend County Borough Council

## Cyngor Bwrdeistref Sirol Pen-y-bont ar Ogwr



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

Direct line / Deialu uniongyrchol: (01656) 643302  
Ask for / Gofynnwch am: Gill Lewis

Our ref / Ein cyf:  
Your ref / Eich cyf:

Date / Dyddiad: 22 July 2021

Auditor General for Wales  
Audit Wales  
24 Cathedral Road  
Cardiff  
CF11 9LJ

### **Representations regarding the 2020-21 financial statements**

This letter is provided in connection with your audit of the financial statements of Bridgend County Borough Council (the Council) for the year ended 31 March 2021 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

### **Management representations**

#### **Responsibilities**

We have fulfilled our responsibilities for:

- the preparation of the financial statements in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom; in particular the financial statements give a true and fair view in accordance therewith;
- the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

#### **Information provided**

We have provided you with:

- full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
  - additional information that you have requested from us for the purpose of the audit; and

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Website/Gwefan: [www.bridgend.gov.uk](http://www.bridgend.gov.uk)

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

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

- unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- our knowledge of fraud or suspected fraud that we are aware of and that affects the Council and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements.
- our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others;
- our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements;
- the identity of all related parties and all the related party relationships and transactions of which we are aware;

### **Financial statement representations**

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

The methods, the data and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework. Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. There are no uncorrected misstatements in the financial statements.

### **Representations by the Council**

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Council's Governance and Audit Committee on 22 July 2021.

We confirm that we have taken all steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

Signed by:

Section 151 Officer  
Date: 22 July 2021

Chair of Governance and Audit Committee  
Date: 22 July 2021



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## BRIDGEND COUNTY BOROUGH COUNCIL

### REPORT TO THE GOVERNANCE AND AUDIT COMMITTEE

22 JULY 2021

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

#### PORTHCAWL HARBOUR RETURN 2020-21 ANNUAL AUDIT LETTER

#### 1. Purpose of report

- 1.1 The purpose of this report is to submit the Appointed Auditor's Annual Audit Letter 2020-21 for Porthcawl Harbour, attached as **Appendix A**, for noting.

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

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

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

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

#### 3. Background

- 3.1 The Appointed Auditor is responsible for providing an opinion:

- on whether the information contained in the Annual Return is in accordance with proper practices; and
- if any matters have come to the auditor's attention giving cause for concern that relevant legislation and regulatory requirements have not been met.

#### 4. Current situation/proposal

- 4.1 Attached at **Appendix A** is the Annual Audit Letter 2020-21 for Porthcawl Harbour, confirming that the Appointed Auditor intends to issue an unqualified audit certificate, confirming that they present a true and fair view of the Harbour's financial position and transactions.

- 4.2 The letter also confirms that the Appointed Auditor is satisfied that there were no misstatements found in the Annual Return and no other matters affecting their audit opinion.

- 4.3 It is anticipated that the Appointed Auditor will formally certify that the audit of the accounts has been completed, on 23 July 2021.

## **5. Effect upon policy framework and procedure rules**

- 5.1 There is a legal requirement for the Statement of Accounts to be signed by the responsible financial officer, approved by the relevant committee, and published by 31 July following the end of the financial year to which it relates.

## **6. Equality Act 2010 implications**

- 6.1 The protected characteristics identified within the Equality Act, Socio-economic Duty and the impact on the use of the Welsh Language have been considered in the preparation of this report. As a public body in Wales the Council must consider the impact of strategic decisions, such as the development or the review of policies, strategies, services and functions. This is an information report, therefore it is not necessary to carry out an Equality Impact assessment in the production of this report. It is considered that there will be no significant or unacceptable equality impacts as a result of 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 These are reflected in the body of the report.

## **9. Recommendation**

- 9.1 It is recommended that the Committee:
- notes the Annual Audit Letter 2020-21 at **Appendix A**.

Gill Lewis CPFA

**Interim Chief Officer – Finance, Performance and Change**

July 2021

**Contact Officer:** Deborah Exton  
Interim Deputy Head of Finance

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**Background Documents:** None

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**Reference:** PO0639221A 2020-21

**Date issued:** July 2021

Dear Members

### **Porthcawl Harbour Annual Return for the year ended 31 March 2021**

The auditor is responsible for providing an opinion:

- on whether the information contained in the Annual Return is in accordance with proper practices; and
- if any matters have come to the auditor's attention giving cause for concern that relevant legislation and regulatory requirements have not been met.

We received the draft Annual Return for the financial year ended 31 March 2021 in line with the agreed deadline. We have completed our audit work and we are reporting to you the issues arising from our work.

### **Audit certificate and opinion**

It is our intention to issue an unqualified certificate and report for the year ended 31 March 2021 and there are no matters in respect of the opinion which we wish to draw to your attention.

### **Qualification issues**

There are no qualification issues to report.

### **Misstatements in the Annual Return**

There were no misstatements found in the Annual Return.

### **Other matters not affecting our opinion**

There are no other matters affecting our audit opinion.

Yours sincerely,

pp 

**Derwyn Owen**

**Engagement Director**

Page 1 of 1 - Porthcawl Harbour Annual Return for the year ended 31 March 2021  
- please contact us in Welsh or English / cysylltwch â ni'n Gymraeg neu'n  
Saesneg.

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## BRIDGEND COUNTY BOROUGH COUNCIL

### REPORT TO GOVERNANCE AND AUDIT COMMITTEE

22 JULY 2021

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

##### ANNUAL TREASURY MANAGEMENT OUTTURN REPORT 2020-21

### 1. Purpose of report

- 1.1 The purpose of the report is to update the Governance and Audit Committee on the outturn position for treasury management activities for 2020-21, the Treasury Management Indicators for 2020-21 and to highlight compliance with the Council's policies and practices.

### 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.
- 2.2 The Annual Treasury Management Outturn Report is integral to the delivery of all of the Council's well-being objectives as the allocation of resources determines the extent to which the well-being objectives can be delivered.
- ### 3. Background
- 3.1 Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council is exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management.
- 3.2 The 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, Governance and Audit Committee received the Annual Treasury Management Outturn Report 2019-20 in September 2020, the Half Year Treasury Management Report 2020-21 in November 2020 and the TMS 2021-22 in January 2021.

- 3.3 Treasury risk management at the Council is conducted within the framework of The Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code) which requires the Council to approve a Treasury Management Strategy (TMS) before the start of each financial year and, as a minimum, a semi-annual and annual treasury outturn report. The CIPFA Code also 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, and these are included throughout this report. In addition, the Welsh Government (WG) issued revised Guidance on Local Authority Investments in November 2019 that requires the Council to approve an Investment Strategy before the start of each financial year. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the Welsh Government Guidance.
- 3.4 In 2017 CIPFA also published a new version of the Prudential Code for Capital Finance in Local Authorities (the Prudential Code). The updated Prudential Code includes a requirement for Local Authorities to provide a Capital Strategy, which is a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The definition of investments in the revised 2017 CIPFA Code now covers all the financial assets of the Council as well as other non-financial assets which the authority holds primarily for financial return. The Council's Capital Strategy 2020-21, complying with CIPFA's requirement, includes the Prudential Indicators along with details regarding 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 and were approved together by Council on 26 February 2020.
- 3.5 The Council's treasury management advisors are Arlingclose. The current services provided to the Council include:-
- advice and guidance on relevant policies, strategies and reports
  - advice on investment decisions
  - notification of credit ratings and changes
  - other information on credit quality
  - advice on debt management decisions
  - accounting advice
  - reports on treasury performance
  - forecasts of interest rates
  - training courses

## **4. Current situation/proposal**

### **4.1 Economic Context**

- 4.1.1 The coronavirus pandemic dominated 2020-21, leading to almost the entire world being in some form of lockdown during the year. The start of the financial year saw many central banks cutting interest rates as lockdowns caused

economic activity to grind to a halt. The Bank of England cut the Bank Rate to 0.1% in March 2020 and the UK government provided a range of fiscal stimulus measures, the size of which has not been seen in peacetime. Some good news came in December 2020 as two COVID-19 vaccines were given approval by the UK Medicines and Healthcare products Regulatory Agency (MHRA). The UK vaccine rollout started in earnest and by 31 March 2021 over 31 million people had received their first dose.

- 4.1.2 The Brexit transition period, which has kept the UK temporarily attached to most EU rules, expired on 31 December 2020. After months of negotiations, the UK and European Union finally agreed a last minute trade deal.
- 4.1.3 The Bank of England (BoE) held the Bank Rate at 0.1% throughout the year. In its March 2021 interest rate announcement, the BoE noted that while Gross Domestic Product (GDP) would remain low in the near-term, due to COVID-19 lockdown restrictions, the easing of these measures means growth is expected to recover strongly later in the year. Inflation is forecast to increase in the near-term and while the economic outlook has improved there are downside risks to the forecast, including unemployment which is still predicted to rise when the furlough scheme is withdrawn.
- 4.1.4 Government initiatives supported the economy and in the 2021 Budget on 3 March 2021 the Chancellor announced a further extension to the furlough (Coronavirus Job Retention) scheme until September 2021. Access to support grants was also widened, enabling more self-employed people to be eligible for government help. Since March 2020 the government schemes have helped to protect more than 11 million jobs.
- 4.1.5 Since the outbreak of the COVID-19 pandemic, the UK and Welsh Government 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)
  - Small Charities Business Rates Grants (WG)
  - Local Government Hardship Fund (WG),
  - Business Support Grants (WG)
  - Economic Resilience Fund (WG)

The local authority has administered a number of the Welsh Government Schemes including payment of over 2,400 business and charity Business Rates Grants worth over £30 million; over 1,700 Lockdown Grants totalling just over £5.4 million; and 4,500 Business Restrictions Grants totalling £14.96 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 year and measures have had to be 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 progressed more Welsh Government grants were announced and paid, so close management of the Council's cash flow was a priority.

## **4.2 Treasury Management Outturn 2020-21**

- 4.2.1 The Council has complied with its legislative and regulatory requirements during 2020-21. The TMS 2020-21 and the Half Year Report were reported to Council on 26 February 2020 and 18 November 2020 respectively. In addition, quarterly monitoring reports were presented to Cabinet during 2020-21.
- 4.2.2 A summary of the treasury management activities for 2020-21 is shown in **Appendix A**. The Council's external debt and investment position for 1 April 2020 to 31 March 2021 is shown in Table 1 below and more detail is provided in **Appendix A** section 2, Borrowing Strategy and Outturn, and section 3, Investment Strategy and Outturn. No long term borrowing was taken out in 2020-21 and no debt rescheduling was undertaken as there were no significant savings to be made, however, the loan portfolio will be reviewed during 2021-22. Favourable cash flows have provided surplus funds for investment and the balance on investments at 31 March 2021 was £51.55 million, with an average interest rate of 0.21%. This was a decrease in investments outstanding from the start of the financial year where investments were £62.0 million (average interest rate 0.37%), which was as a consequence of the significant amount of grant funding paid to the Council just as the first National Lockdown commenced in March 2020. Table 2 in Appendix A details the movement of the investments by counterparty types and shows the average balances, interest received, original duration and interest rates for 2020-21.



**Table 1: Council's external debt and investment position 1 April 2020 to 31 March 2021**

	<b>Principal 01/04/2020 £m</b>	<b>Average Rate 01/04/2020 %</b>	<b>Principal 31/03/2021 £m</b>	<b>Average Rate 31/03/2021 %</b>
<b>External Long Term Borrowing:</b>				
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
<b>Total External Borrowing</b>	<b>96.87</b>	<b>4.69</b>	<b>96.87</b>	<b>4.69</b>
<b>Other Long Term Liabilities (LTL):</b>				
Private Finance Initiative (PFI)*	16.30		15.57	
Other LTL	1.10		1.66	
<b>Total Other Long Term Liabilities</b>	<b>17.40</b>		<b>17.22</b>	
<b>Total Gross External Debt</b>	<b>114.27</b>		<b>114.09</b>	
<b>Treasury Investments:</b>				
Debt Management Office	37.00	0.06	0.00	0.00
Local Authorities	18.00	0.97	48.50	0.22
Banks	5.00	0.34	1.00	0.05
Building Societies	2.00	0.78	0.00	0.00
Money Market Fund***	-	-	2.05	0.02
<b>Total Treasury Investments</b>	<b>62.00</b>	<b>0.37</b>	<b>51.55</b>	<b>0.21</b>
<b>Net Debt</b>	<b>52.27</b>		<b>62.54</b>	

\* (PFI) arrangement for the provision of a Secondary School in Maesteg 13.5 years remaining term

\*\*the funds provide instant access

4.2.3 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 rescheduled in advance of this maturity date. The LOBO rate and term may vary in the future depending upon the prevailing rates at one of the bi-annual trigger points (these being July and January) and, therefore, the Council being given the option to accept the increase or repay the loan without incurring a penalty. The next trigger point is July 2021 although it is anticipated that the lender is unlikely to exercise this option in the current low interest rate environment.

4.2.4 The Total Other Long Term Liabilities figure of £17.22 million at 31 March 2021 includes £15.57 million for the Council's Private Finance Initiative (PFI) arrangement for the provision of a Secondary School in Maesteg. It also includes an increase in respect of increased Salix borrowing for phase 2 of the Street Lighting replacement programme.

- 4.2.5 As mentioned in paragraph 4.2.2 a significant amount of cash came into the Council at the end of 2019-20, mainly funding for the first tranche of business grants and advanced payments of revenue support grant, and this had to be invested quickly. A large amount was invested in the Debt Management Office, but over the year this was used either to pay the business grants or surplus funds reinvested in alternative, higher interest earning counterparties.
- 4.2.6 Both the CIPFA Code and 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. Investment decisions are made by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard and Poor's to ensure that this lies within the Council's agreed minimum credit rating.
- 4.2.7 The Council defines high credit quality as organisations and securities having a credit rating of A- (A3 for Moody's) or higher and the Council does not invest in any organisation below this level. **Appendix B** shows the equivalence table for credit ratings for Fitch, Moody's and Standard & Poor's and explains the different investment grades.
- 4.2.8 There were no long-term investments (original duration of 12 months or more) outstanding as at 31 March 2021. All investments at 31 March 2021 were short term deposits including instant access and notice accounts.
- 4.2.9 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, compared to the actual at year end, are shown in section 4 in **Appendix A** and these show that the Council is operating in line with the approved limits.

## **5. Effect upon policy framework and 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 Act 2010 implications**

- 6.1 The protected characteristics identified within the Equality Act, Socio-economic Duty and the impact on the use of the Welsh Language have been considered in the preparation of this report. As a public body in Wales the Council must consider the impact of strategic decisions, such as the development or the review of policies, strategies, services and functions. This is an information report, therefore it is not necessary to carry out an Equality Impact assessment in the production of this report. It is considered that there will be no significant or unacceptable equality impacts as a result of this report.

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

- 7.1 The well-being goals identified in the Act were considered in the preparation of this report. As the report is for information 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 annual treasury management activities and Treasury Management Indicators for 2020-21.

**Gill Lewis**

**INTERIM CHIEF OFFICER – FINANCE, PERFORMANCE AND CHANGE**

**July 2021**

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**Background documents:** None

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## APPENDIX A

### SUMMARY OF TREASURY MANAGEMENT ACTIVITIES 2020-21

#### 1. External Debt and Investment Position

The Council's external debt and investment position for 1 April 2020 to 31 March 2021 is shown below in Table 1; more detail is provided in section 2, Borrowing Strategy and Outturn, and section 3, Investment Strategy and Outturn:

**Table 1: External debt and investment position 1 April 2020 to 31 March 2021**

	Principal 01/04/2020 £m	Average Rate 01/04/2020 %	Principal 31/03/2021 £m	Average Rate 31/03/2021 %
<b>External Long Term Borrowing:</b>				
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
<b>Total External Borrowing</b>	<b>96.87</b>	<b>4.69</b>	<b>96.87</b>	<b>4.69</b>
<b>Other Long Term Liabilities (LTL):</b>				
Private Finance Initiative (PFI)*	16.30		15.57	
Other LTL	1.10		1.66	
<b>Total Other Long Term Liabilities</b>	<b>17.40</b>		<b>17.22</b>	
<b>Total Gross External Debt</b>	<b>114.27</b>		<b>114.09</b>	
<b>Treasury Investments:</b>				
Debt Management Office	37.00	0.06	0.00	0.00
Local Authorities	18.00	0.97	48.50	0.22
Banks	5.00	0.34	1.00	0.05
Building Societies	2.00	0.78	0.00	0.00
Money Market Fund***	-	-	2.05	0.02
<b>Total Treasury Investments</b>	<b>62.00</b>	<b>0.37</b>	<b>51.55</b>	<b>0.21</b>
<b>Net Debt</b>	<b>52.27</b>		<b>62.54</b>	

\* (PFI) arrangement for the provision of a Secondary School in Maesteg 13 years remaining term

Although not classed as treasury management activities and therefore not covered by the CIPFA Code or the WG Guidance, the Council may also purchase property for investment purposes and may also make loans and investments for service purposes, for example in shared ownership housing, or as equity investments and loans to the Council's subsidiaries. Such loans and investments will be subject to the Council's normal approval processes for revenue and capital expenditure and need not comply with the TMS. The Council's existing non-treasury investments relate to investment properties and the balance as at 31 March 2021 was £5.09 million.

It should be noted that the accounting practice to be followed by the Council requires financial instruments in the accounts (debt and investments) to be measured in a method compliant with International Financial Reporting Standards (IFRS). The figures shown in the above table and throughout the report are based on the actual amounts borrowed and invested and so may differ from those in the Statement of Accounts which include accrued interest or other different accounting adjustments.

The other long term liabilities figure of £17.22 million as at 31 March 2021 includes £15.57 million for the Council's Private Finance Initiative (PFI) arrangement (for the provision of a Secondary School in Maesteg – thirteen years remaining term) which includes the short term PFI liability of £0.801 million which is included as current liabilities in the Council's balance sheet in the Statement of Accounts. It also includes an increase in respect of increased Salix borrowing for phase 2 of the Street Lighting replacement programme.

## **2. Borrowing Strategy and Outturn for 1 April 2020 to 31 March 2021**

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.

The last time the Council took out long term borrowing was £5 million from the PWLB in March 2012. With short-term interest rates remaining much lower than long-term rates, the Authority considered it more cost effective in the near term to use internal resources or would, if necessary, take out temporary short term loans. The capital programme is anticipating new borrowing for 2021-22 and that it would likely be from the PWLB. For estimate purposes it has been assumed that this will be over 30 years.

HM Treasury issued revised lending terms for PWLB borrowing by local authorities in November 2020. As a condition of accessing the PWLB, local authorities will be asked to confirm that there is no intention to buy investment assets primarily for yield in the current or next two financial years. Local authorities' Section 151 Officers, or equivalent, will be required to confirm that capital expenditure plans are current and that the plans are within acceptable use of the PWLB. Whilst this in itself does not preclude the Council from investing in commercial activities, investing in assets for yield would preclude the Council from accessing PWLB borrowing. Given the investment and borrowing requirement to support the Capital Programme, the Council is unlikely to consider any investments in commercial assets primarily for yield.

The £19.25 million in Table 1 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 January 2021, the next trigger point

is 22 July 2022. 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 Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This is known as Internal Borrowing. This strategy is prudent as investment returns are low and counterparty risk is relatively high in the current economic climate.

### 3. Investment Strategy and Outturn 1 April 2020 to 31 March 2021

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 other local authorities but the Council will continue to look at investment options in line with the limits detailed in the Investment Strategy.

Investment decisions are made by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's to ensure that this lies within our agreed minimum credit rating. **Appendix B** shows the equivalence table for these published ratings and explains the different investment grades. Where available the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. In the current climate, relying mainly on credit ratings is considered to be inappropriate and the Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard is therefore given to other available information on the credit quality of the organisations in which it invests, including financial statements, information on potential government support and reports

in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

On a day to day basis, the Council potentially has positive cash balances arising from its cash flows e.g. timing differences between grants being received and making various payments. These are invested on the market via brokers, direct with the institution or held in deposit accounts or a money market fund with instant access. The Council usually invests for a range of periods dependent on cash flow requirements and the interest rates on offer having regard to the Investment Strategy.

The Council's primary objective for the management of its investment portfolio is to give priority to the security and liquidity of its funds before seeking the best rate of return. As shown in the tables below, the majority of investments have been held as short term investments with UK Local Authorities and banks of high credit quality. This has therefore resulted in more of the investment portfolio being moved into investment instruments with lower rates of return but higher security and liquidity.

Occasionally, investments are placed with the UK Debt Management Office (DMO - Executive Agency of UK Government) but only for very short term deposits and after all other options have been explored. The interest rates offered by this facility are lower than most other counterparties but this is commensurate with the high level of security and reduced risk offered. It provides another option when examining potential investments and ensures compliance with the Council's investment objective that security takes priority over yield. There were no deposits outstanding with the DMO as at the 31 March 2021.

Favourable cash flows have provided positive cash balances for investment and the balance on investments at 31 March 2021 was £51.55 million as shown in Table 2 below which details these investments by counterparty type.

**Table 2: Investments Profile 1 April 2020 to 31 March 2021**

Investment Counterparty Category	Balance 01 April 2020 (A)	Investments raised (B)	Investments Repaid (C)	Balance 31 March 21 (A+B-C)	Investment income received** Apr-Mar 2021	Average original duration of the Investment Days	Weighted average investment balance Apr-Mar 2021	Weighted average interest rate Apr-Mar 2021
	£m	£m	£m	£m	£'000		£m	%
Government DMO	37.00	676.22	713.22	-	5.32	15	19.89	0.03
Local Authorities	18.00	92.00	61.50	48.50	183.50	238	30.35	0.50
Banks (Fixed Maturity)	2.00	8.00	9.00	1.00	14.50	58	2.10	0.26
Banks Instant Access/Notice Period Account*	3.00	55.00	58.00	-	-	-	3.86	0.02
Building Societies	2.00		2.00	-	7.78	182	0.17	0.78
Money Market Fund (Instant Access)*	-	59.96	57.91	2.05	14.27	-	15.22	0.09
<b>Total/Average</b>	<b>62.00</b>	<b>891.18</b>	<b>901.63</b>	<b>51.55</b>	<b>225.37</b>	<b>123</b>	<b>71.59</b>	<b>0.25</b>

\* An average duration is not shown as there is no original duration as instant access or notice period and money is added and withdrawn to/from these accounts as required by cash-flow

\*\* Received in the Council's bank account not interest earned

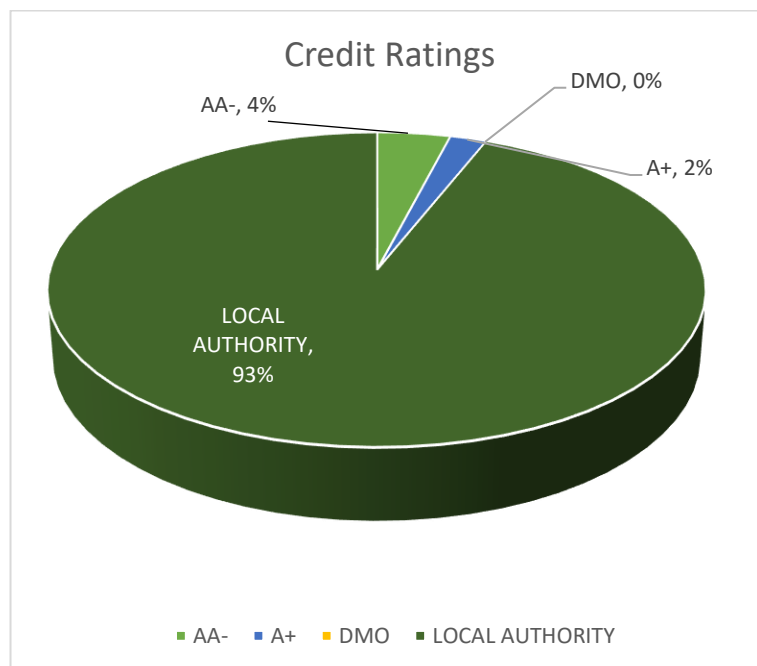


There were no long term investments (original duration of 12 months or more) outstanding at 31 March 2021. All investments at 31 March 2021 were short term deposits (including instant access and notice accounts). Table 3 below details these investments by counterparty type based on the remaining maturity period as at 31 March 2021:

**Table 3: Investments Outstanding Maturity Profile 31 March 2021**

<b>Counterparty Category</b>	<b>Instant Access</b>	<b>Deposits Maturing Within 1 Month</b>	<b>Deposits Maturing Within 2-3 Months</b>	<b>Deposits Maturing Within 4-12 Months</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Government DMO					
Local Authorities		2.00	23.50	23.00	48.50
Banks	1.00				1.00
Building Societies					0.00
Money Market Fund	2.05				2.05
<b>Total</b>	<b>3.05</b>	<b>2.00</b>	<b>23.50</b>	<b>23.00</b>	<b>51.55</b>

The Council defines high credit quality as organisations and securities having a credit rating of A- or higher. The pie chart summarises the above table by credit ratings and shows the £51.55 million investments at 31 March 2021 by percentage outstanding. Most Local Authorities do not have credit ratings but they are regarded as very low credit risk investment counterparties and the TMS contains limits on the amounts and time period for which investments can be placed in a single local authority, to spread the risk.



#### 4. Treasury Management Indicators 2020-21

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

The Council 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 4 below to manage Interest Rate Exposures.

**Table 4: Interest rate risk indicator as at 31 March 2021**

No.	Interest rate risk indicator	Indicator £'000	Actual 31-03-21 £'000
1	One year revenue impact of a 1% rise in interest rates	(140)	(214)
2	One year revenue impact of a 1% fall in interest rates	315	347

This indicator 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.

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

The 19.87% shown in the table below relates to £19.25 million Lender's Option Borrower's Option (LOBO) loans which may be re-scheduled in advance of their maturity date of 2054. The Code requires the maturity of LOBO loans to be shown as the earliest date on which the lender can require payment, i.e. the call date of July 2021 in 2021-22 so the maturity date is actually uncertain but is shown in the "Under 12 months" category as per the Code.

**Table 5. Maturity structure of borrowing indicator as at 31 March 2021**

No.	Maturity structure of fixed rate borrowing during 2020-21	TMS 20-21 Upper limit	TMS 20-21 Lower limit	Projection 31-03-21 %
3.	Under 12 months	50%	0%	19.87%
	12 months and within 24 months	25%	0%	-
	24 months and within 5 years	25%	0%	9.59%
	5 years and within 10 years	40%	0%	16.33%
	10 years and within 20 years	50%	0%	11.48%
	20 years and above	60%	25%	42.73%

The Upper Limit for Total Principal Sums invested longer than 1 year indicator controls the amount of longer term investments which mature beyond the period end. This is set to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments.

**Table 6. Upper limit for total principal sums invested as at 31 March 2021**

No.		TMS 2020-21 (Limit) £m	Principal Outstanding Over 1 year as at 31-03-21 £m
4.	Upper Limit for Total Principal Sums Invested for more than 1 year	15	0

## 5. Review of the Treasury Management Strategy 2020-21

CIPFA's Code of Practice for Treasury Management requires all local authorities to conduct an annual review of its treasury management policies, practices and activities. A review was carried out in quarter 2 from which the following changes were approved and made to investment limits as detailed below:

- increase the investment limit to Registered Providers from £3 million to £5 million. As the Council had positive cash balances this would provide the Council with wider scope in making investments at a practical level.
- increase the total amount that can be invested in Money Market Funds (MMFs) from £20 million to £30 million. This was to enable the Council to increase the number of MMFs available to it thus assisting Treasury Management activities on a practical level, whilst also providing greater diversity of funds available to the Council.

Further changes were made to the Treasury Management Strategy for 2021-22 which were approved by Council in February 2021.

Credit Rating Equivalence Table

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

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## BRIDGEND COUNTY BOROUGH COUNCIL

### REPORT TO THE GOVERNANCE AND AUDIT COMMITTEE

JULY 2021

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

#### CORPORATE RISK ASSESSMENT 2021-22

#### 1. Purpose of report

- 1.1. The purpose of the report is to provide the Governance and Audit Committee with an update on the changes to the Corporate Risk Assessment, in accordance with the Council's risk management timeline contained in the Council's Risk Management Policy.

#### 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. Good governance requires the Council to develop effective risk management processes, including an assessment of corporate risks.
- 3.2. The Governance and Audit Committee's Terms of Reference require the Committee to review, scrutinise and issue reports and recommendations on the appropriateness of the Council's risk management, internal control and corporate governance arrangements.
- 3.3. The Corporate Risk Assessment is considered and reviewed by the Corporate Management Board (CMB), Senior Management Team, and Governance and Audit Committee as part of the Council's quarterly Corporate Performance Assessment framework, and is used to inform the Overview and Scrutiny Committees' Forward Work Programme and the budget process.
- 3.4. The 2021-22 Corporate Risk Assessment is aligned with the Council's Medium Term Financial Strategy (MTFS) and Corporate Plan.
- 3.5. The 2021-22 Corporate Risk Assessment was reported to the Governance and Audit Committee on 28 January 2021, prior to approval by Council as part of the MTFS in February 2021.

#### **4. Current situation / proposal.**

- 4.1. A recent audit of risk management services was undertaken by SWAP Internal Audit Services on behalf of the Council's Regional Internal Audit Service (RIAS). Whilst the audit opinion provided 'reasonable assurance' a number of recommendations were made to strengthen the reporting process including the need to introduce a separate 'risk guidance' document, embedding processes to strengthen the link between the Corporate Risk Register (CRR) and risks identified in Directorate Business Plans, and also recommended changes to the format of the CRR. Work is currently underway to develop an internal risk guidance document, which will then need to be considered by CMB. The Insurance Officer will also liaise with Directorates over the coming months to ensure that risk processes in Directorate Business Plans are aligned with the Council's Corporate Risk Management Policy.
- 4.2. The Corporate Risk Assessment attached at **Appendix A** has been reviewed in consultation with CMB, and CCMB. It identifies the main risks facing the Council, their link to the corporate well-being objectives under the Well-being of Future Generations (Wales) Act 2015, the likely impact of these risks on Council services and the wider County Borough, identifies what is being done to manage the risks and who is responsible for the Council's response.
- 4.3. The Corporate Risk Assessment has been amended to include a change recommended by SWAP Internal Audit Services, which introduces a new column displaying the date the score was assigned. Risks 1-9 have been allocated the date of January 2019 to reflect the introduction of the new risk scoring matrix when new risk measures were introduced to capture more discernibly the key risks of the Council. Risks 10 onwards were added after January 2019 and have been assigned dates relevant to when they were first identified.
- 4.4. The Corporate Risk Assessment includes 16 risks, 7 risks scored high, 6 risks scored medium, and 3 risks scored low.
- 4.5. One new risk (risk 16) "There is a risk that the Welsh Community Care Information System (WCCIS) will fail to operate" has been added and has a High risk with a score of 15. This is an ICT system that holds all Bridgend County Borough Council social care records and is supported by an external contractor. As all of Bridgend social care records and services are held on this system if it should fail social work practitioners would be unable to check records of individuals known to the service and this could cause safeguarding issues.
- 4.6. Direction of Travel - The Majority of risk scores remain unaltered apart from risk 8 - 'Unable to attract, develop, or retain a workforce with the necessary skills to meet the demands placed upon the Local Authority and its services'. The likelihood element of the residual score has increased from 3 to 4, resulting in an increased risk score from 12 to 16, as the mitigation actions are not currently able to reduce the risk from the raw levels.

#### **5. Effect upon policy framework and procedure rules**

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



## **6. Equality Act 2010 implications**

- 6.1 The protected characteristics identified within the Equality Act, Socio-economic Duty and the impact on the use of the Welsh Language have been considered in the preparation of this report. As a public body in Wales the Council must consider the impact of strategic decisions, such as the development or the review of policies, strategies, services and functions. This is an information report, therefore it is not necessary to carry out an Equality Impact assessment in the production of this report. It is considered that there will be no significant or unacceptable equality impacts as a result of 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 directly associated with the updated Corporate Risk Assessment. Implementation actions will be progressed within approved budgets.

## **9. Recommendations**

- 9.1. It is recommended that the Committee consider the updated Corporate Risk Assessment 2021-22 (Appendix A) and receive a further report in November 2021 prior to review of the 2022-23 Corporate Risk Assessment and the Corporate Risk Management Policy in January 2022.

**Gill Lewis**  
**Interim Chief Officer – Finance, Performance and Change**  
**July 2021**

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### **Background documents:**

None

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Corporate Risk Assessment (July 2021)

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IDENTIFIED RISK						ACTION PLAN												Well-Being Objective
No.	There is a risk that if..	Consequences of risk	Raw risk score			Control method	Date Risk score assigned	How is the council addressing this risk	Key actions to be established - NB business as usual activity not reflected here	who	Last Reviewed	Next Review	Action completed by	Residual risk score				
			Li	Im	Total									Li	Im	Total		
1	The council is unable to make robust medium to long term decisions requiring service change	It is harder each year to make ongoing budget reductions as easier decisions have already been made. If more difficult decisions about cutting or reducing service levels against a background of declining budgets are not made, then the council will not deliver the changes necessary to achieve a balanced budget which will result in it being in breach of its legal responsibilities. The true impact of COVID remains unclear in terms of the Council's financial sustainability. careful planning and difficult choices will be key to ensuring that a balanced financial position is able to be maintained.	4	5	20	Treat	Jan-19	The council manages this risk through existing budget and business planning processes which include early identification of savings targets and development of options for cabinet, challenge from BREP, scrutiny and formal and informal briefings of members and political groupings. The impact of COVID has been significant in terms of both timetable and the focus on achieving savings. Due to the more generous WG settlement for 20/21 the savings targets were lower than usual and so most of those will be met. Work to deliver a balanced budget for 2021/22 and beyond is underway, but many aspects remain uncertain.	Develop proposals for a stronger focus on future and multiple year financial planning including scrutiny and outline budget decisions by elected members for multiple years.  Cabinet and Corporate Management Board are continuing to meet regularly as part of the budget planning process for 2021-22 and beyond. This has focussed not only on the immediate requirement for a possible £9 million savings for 2021-22 but also discussion to begin to shape a longer term strategy for the Council based on projected savings over the next 3-4 years. There remains significant uncertainty around the financial position, as COVID costs continue to emerge. However, WG have funded a high proportion of costs to date, which has mitigated the risk.	CMB	Jun-2021	Nov-2021	Feb-2021 then ongoing quarterly review	3	5	15	Smarter use of resources	
2	The council is unable to deliver transformation including agreed financial savings	If the council is unable to change the way that staff work, including new roles, collaborations and the acquisition of new skills, it will be unsuccessful in delivering service transformation which will lead to it not meeting its commitments within available budgets.	4	4	16	Treat	Jan-19	The council has a number of programmes and strategies in place that either directly support specific proposals for service improvement, provide wider transformation opportunities and /or financial savings. Further transformation opportunities have been identified that are intended to support a 'One Council' culture and support staff and managers through transformation.	Further development of a 'One Council' culture and transformational change has progressed in recent years and has been accelerated as a response to the Covid-19 pandemic. A much more corporate approach to service provision and transformation has been driven by CMB. Our response to the pandemic has challenged the way that we work across all services, and we will need to quickly adapt and learn any lessons from this that can be embedded into 'new normal' and recovery.  The Council has agreed a Digital Strategy and under the Digital Programme Board will progress a number of projects using digital solutions that are designed around the people that use them, to deliver seamless connectivity, and support the vulnerable in our communities. This is complemented by a more digital staff, as a result of the pandemic and the need to work differently and in a more agile way. A review of Council processes over recent months has meant that some deemed unnecessary and bureaucratic have ceased but full compliance with those that remain is required.  Examples of processes which have stopped without impacting on compliance include the cessation of wet ink signing and printing of documents as documentation is now electronically signed, physical attendance to open tenders replaced with opening on-line, a move to electronic authorisation of invoices on the Electronic Documents Record Management system and the replacement of in attendance training events with on-line remote training. The Organisational Development team are constantly reviewing the type of methods of training and development that staff have available to them to meet current challenges, whilst ensuring an appropriate balance is retained in also promoting and enhancing the wellbeing of those staff in work. Staff are able to access more on-line learning opportunities than previously, and there has been a move away from physical attendance at training courses, which used to be prohibitive. This has widened the range of opportunities, enabled more staff to participate and consequently increased skill sets. The Council is also pushing forward on its apprenticeship programme and considering a graduate programme to enable it to develop more in-house skills to enable us to take forward alternative, less traditional, delivery models, thus reducing the need to buy in expertise. Not only will this deliver future financial savings, but will also build a more resilient workforce.	CMB	Jun-2021	Nov-2021	Ongoing	2	4	8	All Well-Being Objectives	

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IDENTIFIED RISK						ACTION PLAN												Well-Being Objective
No.	There is a risk that if..	Consequences of risk	Raw risk score			Control method	Date Risk score assigned	How is the council addressing this risk	Key actions to be established - NB business as usual activity not reflected here	who	Last Reviewed	Next Review	Action completed by	Residual risk score				
			Li	Im	Total									Li	Im	Total		
7	The council is unable to plan for and recover from major threats to service continuity such as civil emergencies, school failure, cyber attack and discontinuation of funding streams and major contracts	If the council does not have the capacity and expertise to plan for and protect itself against major threats such as cyber-attack, civil emergencies and significant financial variations there is a risk that there may be a failure to deliver services and a balanced financial position which could harm citizens who rely on council services.	4	4	16	Treat	Jan-19	The council has anti virus installed which is regularly updated. All critical data is backed up and located offsite. Software update processes exist that includes the installation of patches. Security awareness training is provided to all employees. The council has established emergency planning arrangements including a Major Incident Plan and contributes to the South Wales Local Resilience Forum (SWLRF) and South Wales Resilience Team (SWRT). Contract conditions are included in relevant contracts. The terms of these conditions will vary depending on the nature of the contract, but will cover compliance with GDPR, security of personal information and general cyber security. Where contracts are awarded via a framework the necessary conditions will be imposed by the contracting agency for the framework. This has been an increased risk throughout the COVID period with significantly increased risk of attack and many more sophisticated attempts to disrupt the Council's network.	Cyber resilience training continues to be rolled out.  The council has responded swiftly and appropriately to the increased risk posed by increased reliance on ICT and the network. A number of changes - some significant - were made during this period that has helped to mitigate the increased risk. Throughout the period the Council has stayed connected and resilient with many services being delivered remotely.  The situation is being monitored on an ongoing basis.	CMB	Jun-2021	Nov-2021	TBC  Ongoing	3	4	12	All Well-Being Objectives	
8	The council is unable to attract, develop or retain a workforce with the necessary skills to meet the demands placed upon the authority and its services	If there is a continual decreasing number of suitably skilled and experienced staff then there may not be the expertise required to deliver services and protect the interests of the council. This is a particular concern for the statutory Section 151 role. This could lead to the wellbeing of citizens suffering and a loss of morale amongst the remaining staff if they feel unsupported and are seeking to work elsewhere.	4	4	16	Treat	Jan-19	The council has workforce planning in place (through directorate level service planning) and is prioritising finite training budget to ensure that key skills and qualifications are targeted with a particular focus on management development. In addition the council is using apprenticeships to actively bring in or develop key skills (such as Welsh language skills or ICT capability). This investment has been enhanced in 2020/21. In specific service areas the council is actively seeking opportunities to collaborate where this will enhance capacity or resilience. To support recruitment and retention a market supplement policy is being explored which will set out how the Council may, in exceptional circumstances, offer an additional temporary supplement to the grade of a post as identified through the Council's grading scheme. In specific service areas the council is actively seeking opportunities to collaborate where this will enhance capacity or resilience.	The council will continue to monitor the profile of the workforce and identify challenges through the business planning process. Appropriate action plans will be developed. The staff survey has been completed and a range of actions implemented. These will improve engagement and feedback and shape the learning and development programme. The council will prioritise role specific training to enable staff to do what is expected of them, it will promote good practice examples of staff development and maximise access to funded learning and development programmes. The future focus for managers will build on the current provision of training and continue to encourage inspired individuals to gain and apply knowledge, skills, insights and attitudes to their roles. Staff have been a key priority during the COVID pandemic, with many working long hours and going 'out of their way' to ensure that residents were looked after. Programmes to help with staff well-being have been made widely available and advertised on a regular basis. Managers have been requested to look after both service delivery and staff well being in a balanced way.	CMB	Jun-2021	Nov-2021	Ongoing	4	4	16	All Well-Being Objectives	

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IDENTIFIED RISK						ACTION PLAN												Well-Being Objective
No.	There is a risk that if..	Consequences of risk	Raw risk score			Control method	Date Risk score assigned	How is the council addressing this risk	Key actions to be established - NB business as usual activity not reflected here	who	Last Reviewed	Next Review	Action completed by	Residual risk score				
			Li	Im	Total									Li	Im	Total		
9	Important council services are compromised due to the failure of a key supplier	If the suppliers of council services are not resilient there is a risk that they may fail to deliver those services leading to disruption for citizens and the council, which will be impacted as it seeks to restore provision and suffers a loss of reputation.	4	4	16	Treat or Transfer	Jan-19	The council's strongest defence against this is through its procurement strategy and procurement processes. When tendering for services the council requires contingency arrangements to be in place to allow for the eventuality of supplier failure (for example in the case of refuse and recycling collection contracts). The council also seeks to shape the market where possible to avoid over reliance on single suppliers (for example in social care). Where appropriate contract conditions are included to ensure the contractor has the appropriate level of security required for the service they provide. This will differ depending on the nature of the service and the legal requirements applicable.	Social Services have quarterly forum meetings with providers where risks, issues and pressures are identified. There are regular contract monitoring visits to monitor performance and quality. This has continued throughout the pandemic.	CMB	Jun-2021	Nov-2021	Ongoing	4	3	12	Helping people and communities to be more healthy and resilient and smarter use of resources	
								Directorates to monitor the financial performance and stability of contractors on an ongoing basis. Dialogue with some major suppliers is required and contingency planning has been progressed. This has become increasingly important due to the fragility of the market and the economic situation as a result of COVID. Many suppliers are going through difficult times and we will need to monitor closely to ensure that critical services do not collapse.	Ongoing									
10	The Council is in breach of the GDPR because Directorates do not take ownership of, or properly resource, their responsibilities under the Regulation (GDPR).	If Directorates do not comply with the GDPR action may be taken by the regulator which could result in fines and in a loss of reputation for the council, including with citizens. Properly complied with, GDPR will increase public trust and citizens confidence in how their data is handled by the Council.	4	4	16	Treat	Jun-20	Prior to GDPR an implementation group was established with representation from each Directorate and each Directorate undertook an audit of the data it holds. The Information Governance Board meets quarterly. A Data Protection Officer has been appointed and the council has undertaken a review of its data protection and privacy policies and procedures, established an E-Learning model for staff and also provided training to Members. There is a data breach reporting procedure in place.	Directorates to ensure that staff have access to all the data protection policies and undertake the mandatory e-learning training. There is a risk of GDPR not being reflected by staff when performing certain activities leading to non compliance and penalties imposed by the ICO. The information Governance Board is continuing to meet. Following the move to remote working, staff have been reminded of compliance via Bridgend's messages and another message is due imminently.	CMB	Jun-2021	Nov-2021	Ongoing	3	2	6	Smarter use of resources	



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IDENTIFIED RISK						ACTION PLAN											
No.	There is a risk that if..	Consequences of risk	Raw risk score			Control method	Date Risk score assigned	How is the council addressing this risk	Key actions to be established - NB business as usual activity not reflected here	who	Last Reviewed	Next Review	Action completed by	Residual risk score			Well-Being Objective
			Li	Im	Total									Li	Im	Total	
11	Recovery/restoration of services - the restoration of some Council services will require new ways of working to be established and implemented to ensure Covid safe environments for staff and the public .	Additional measures will need to be considered, with revised protocols with potentially additional costs, and increased operational burdens, to meet relevant guidance and provide safe service and working environments. Specific measures at a Directorate level will need to be assessed for the reopening of schools, including school transport and catering arrangements and assessing the needs of pupils with additional learning needs. Assessing the additional social care implications from having to work more remotely including the impact of remote assessments and less direct face to face contact for things like day services, the additional service requirement to meet the enhanced expectation that all homeless people will be provided with housing options and wrap around services, and the safe distancing, cleansing and hygiene and enhanced ICT provision required to allow effective reopening of the Council's core office portfolio on a gradual basis as well as better supporting agile working and working from home on an ongoing and more permanent basis, ensuring all health and safety requirements are understood and addressed. There is also a general risk that some members of the public, some staff and some elected members will not necessarily understand why new and different ways of working are necessary and may not be supportive, for example increased working away from the office and services offered on a predominantly 'digital' basis. These issues may result in decreased capacity and therefore an inability to meet service demands, potential for claims against the Council based on health and safety, an increased likelihood that some residents will be unable or unwilling to take up provision of services, an increased financial burden on the Council on a recurring basis.	5	4	20	Treat	Sep-20	Full risk assessments at a service level will provide evidence of where interventions are required and new ways of working need to be implemented. A risk tool for individual members of staff and elected members will be distributed for self assessment to determine if special measures are required to be implemented to protect those individuals. Revised protocols are being developed to advise staff on good practice and business cases are prepared where additional investment is required to meet new operating procedures. Enhanced communication with staff, elected members and the public (including parents and pupils) will be necessary to mitigate some concerns and fears and ensure a better understanding of the Council's position. Local coronavirus restrictions were replaced when at the end of December 2020 higher-level restrictions came into force in all of Wales to control the spread of the virus which was accelerating and present in all local communities, these restrictions would continue to protect the public health for people living in the country. The main restrictions are: - closure of all non-essential retail including close contact services & all leisure & fitness centres - closure of all hospitality premises - tighter restrictions on household mixing, staying at home & holiday accommodation - to not create an extended household (single adults or single parents may join with one other household to form an exclusive support bubble) - to not travel without reasonable excuse.	Comprehensive service risk assessment, implement key actions from the service recovery plans completed by Directorates, identify and action the lessons learnt from the experiences of service provision over the last 5/6 months during the pandemic and lockdown, identify and consider service business cases for additional investment (as well as where there might be some savings from stopping areas of service or closing previous provision), ensuring ongoing and comprehensive communication and engagement as necessary.	CMB	Jun-2021	Nov-2021	Ongoing recovery once second wave of virus eases & subject to future peaks.	5	3	15	Smarter use of resources

IDENTIFIED RISK						ACTION PLAN												
No.	There is a risk that if..	Consequences of risk	Raw risk score			Control method	Date Risk score assigned	How is the council addressing this risk	Key actions to be established - NB business as usual activity not reflected here	who	Last Reviewed	Next Review	Action completed by	Residual risk score			Well-Being Objective	
			Li	Im	Total									Li	Im	Total		
12	Public Health/Protecting the Public - the Council will need to take an enhanced public health leadership role for a sustained period of time and that this will need to be prioritised and resourced at the expense of other services that are normally provided, and that without proper and comprehensive planning to carry out the additional functions of test, trace and protect, a potential mass vaccination programme and continued and ongoing protection of the vulnerable (including mental health services) and previously shielded individuals to ensure they have the services and support they require, as well as an advisory and enforcement role to ensure compliance with Covid regulations, Covid 19 virus infections will potentially rise locally with a significant overall impact on public health and consequential impact on	A need to divert resource to ensure adequate planning, together with our partners in the Health Board and the third sector, of programmes of work to address these matters which if they are not dealt with properly or the measures are ineffective will lead to increased local infection and potentially increased fatalities, increased sickness levels including for the Council, significantly increased demand for services and in a worst case scenario further local lockdowns.	3	5	15	Treat	Sep-20	Planning effectively with our partners a joint Cwm Taf Morgannwg TTP team has been established across the Bridgend, RCT and Merthyr area to ensure enhanced resilience and, following initial secondments, a full time team is now being appointed based in RCT. A planning team, again on a regional basis, is planning for a mass vaccination programme but the likely timescale for a vaccination is still unknown. Enhanced support for staff wellbeing has been put in place and service provision and regular contact with vulnerable individuals has been maintained even though 'shielding' has for the time being been halted. A local response plan, should local lockdown be required, has been prepared and signed off. Local coronavirus restrictions were replaced when at the end of December 2020 higher-level restrictions came into force in all of Wales to control the spread of the virus which was accelerating and present in all local communities, these restrictions would protect the public health for people living in the country. Please refer to Risk 11 for details of the restrictions in place.	Establishment of sustainable and resilient TTP team and programme of work, workstream established to plan and prepare for mass vaccination requirement, engagement and support procedures for most vulnerable established, enhanced wellbeing support offered, local response plan has been developed in the case of any need to consider local lockdown, SRS team engaged with local businesses and community groups to promote good Covid safe practice and where necessary to consider enforcement if there is an obvious and flagrant public health risk from breaches of regulations.	CMB	Jun-2021	Nov-2021	Ongoing during the remainder of the financial year and into 2021-22, particularly in view of the enhanced risk of the prevalence of the virus increasing during winter months, although some of these activities are likely to stay with us long term and will in due course need to become business as usual	3	5	15	Smarter use of resources	
13	Invigorating the economy and economic recovery - there will be a prolonged and deep economic recession following the Covid pandemic and the uncertainties of the impact of the UKs withdrawal from the European Union, compounded by local issues such as the impending closure of the Ford engine plant.	There will be an increase in unemployment and the number of local benefit claimants. This impact may increase further at the end of the UK government's 'furlough' scheme which has been extended to the end of March 2021, with the potential for further business failure at that point. In addition there is likely to be a consequential impact on town centre footfall and increased empty retail properties, as potentially there will be less disposable spending locally. Increased financial hardship may also lead to an increase in demand for some Council services including those of the economic development, council tax, employability, mental health, domestic abuse and homelessness services.	5	3	15	Treat	Sep-20	By seeking to support local businesses and individuals by signposting them to appropriate financial support, skills training and support services, and progressing schemes to develop opportunities to set up and establish new business. Local coronavirus restrictions were replaced when at the end of December 2020 higher-level restrictions came into force in all of Wales to control the spread of the virus which was accelerating and present in all local communities, these restrictions would protect the public health for people living in the country. Please refer to Risk 11 for details of the restrictions in place.	Establish the local economic recovery taskforce and identify and implement the recommended actions. Liaise closely with colleagues in the Cardiff Capital Region and Welsh Government to identify and target opportunities for investment to stimulate and invigorate the economy. Seek to signpost opportunities for training, support and new jobs by targeting the work of the Council's Employability teams. Administer and target financial grant schemes and provide support to local businesses to adapt to new circumstances. Progress existing economic development schemes to provide more opportunities for business 'start up' by developing enterprise hubs throughout the County Borough. Agreeing direct intervention initiatives where the Council controls the cost of some relevant services, for example free car parking /car parking offers in town centres, rental holidays/reductions for businesses where the Council is the landlord. Develop the economic plan and allocate the Economic Futures Fund, targeting key area's identified to support the business and economy of Bridgend.	CMB / Economic Recovery Panel	Jun-2021	Nov-2021	Ongoing	5	2	10	Supporting a successful sustainable economy	



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No.	There is a risk that if..	Consequences of risk	Raw risk score			Control method	Date Risk score assigned	How is the council addressing this risk	Key actions to be established - NB business as usual activity not reflected here	who	Last Reviewed	Next Review	Action completed by	Residual risk score			Well-Being Objective		
			Li	Im	Total									Li	Im	Total			
14	Schools closures for extended periods of time. (In particular closures related to the Covid-19 pandemic)	Not able to ensure standards, wellbeing and safeguarding of learners. Inhibits progress of those schools in special measures/in need of significant improvement.	4	5	20	Treat	Sep-20	Business resilience plan developed in partnership with schools. Use of RRRS (Recruit, Recover, Raise Standards) grant to recruit more teachers to support catch up programmes for pupils. Planning and contingencies identified. Strong emphasis of blended learning. Identification of digitally excluded learners and provision of ICT equipment and connectivity (MIFI units). Use of Hwb and CSC (Central South Consortium) resources. Strong support through ICT Schools Strategy Group and Team Bridgend.	Allocation of suitable budget to support additional ICT devices for digitally excluded learners. Ongoing use of resources made available through Welsh Government's EdTech project. CSC has provided a range of training to schools. Schools to attend professional learning webinars run by CSC. CSC provided repository of direct teaching resources to support the delivery of remote learning kept up-to-date and shared with schools. Information about resources and professional learning available can be found on the CSC website.	CMB	Jun-2021	Nov-2021	Ongoing	3	5	15	Smarter use of resources		
15	Schools are not able to maintain educational standards (whether as a direct impact of extended school closures or due to other factors)	Inhibit progress for schools currently in special measures/ in need of significant improvement	5	5	25	Treat	Sep-20	Strong support from CSC. Support from 'Team Bridgend'. Focus on developing more effective cluster working with funding from CSC used to facilitate approach. Strategy On A Page (SOAP) developed for each team/cluster. Support and challenge from School Improvement Group(SIG) and Performance and Financial Monitoring Board. Consideration of use of statutory powers.	Strong support from CSC. Liaison with Schools Executive. Focus on developing more effective cluster working with funding from CSC used to facilitate approach. Support and challenge from School Improvement Group(SIG) and Performance and Financial Monitoring Board.	CMB	Jun-2021	Nov-2021	Ongoing	4	5	20	Smarter use of resources		
16	The WCCIS (Welsh Community Care Information System) Social care system (national system) will fail to operate. This is an ICT system which holds all BCBC social care records and is supported by an external contractor.	As all of Bridgend social care records and services are held on this system when it fails social work practitioners are unable to check records of individuals known to the service, this could cause safeguarding issues as understanding previous referrals and interactions and undertaking lateral checks are critical to safeguarding decision making. On one occasion when the system failed for 2 days, the Authority was not able to provide advice to other agencies on a Safeguarding issue in a time crucial way - causing a high risk to children and adults at risk. System down time potentially leaves the authority people vulnerable in its safeguarding role. Practitioners would also be unable to update care and service plans and there is therefore a risk to front line care services. Processing of documentation which commence services to vulnerable citizens could cause potential delays to care packages. In addition, services being unable to share social care records to service providers, and partners. The foster care payments system is operated from this system so internal foster carers will not be paid this could potentially result in us losing foster carers if the payments fail regularly. There is also a risk to the ability to in a timely way provide reports and management information for key social care services to WG. The system is currently failing on a daily basis and /or running so slow that makes it unable to function. On one occasion the system has failed for more than a day sometimes these drop outs are planned but often the system fails without warning and the support from the supplier in overcoming issues experienced has not been robust. The performance of the system is causing extreme frustration for practitioners and presents a risk to retention and recruitment as workers may chose to leave and work in LAs with other systems which perform better. This risk will affect the reputation of the Council as well as affecting partnership working as the NHS and other partners (police and probation working in the MASH) will not deploy a system which performs so poorly. This presents further safeguarding risks in respect of poor information sharing. There are also risks to non compliance and the overarching risk is failure to maintain effective and safe services to vulnerable residents of Bridgend. Undertaking contract enforcement action is itself a high risk strategy as a new system would need to be procured. Implementation of a new system would move away from a single integrated system for Wales, would present risks in terms of transfer of records and would incur significant additional costs	5	3	15	Treat	Jun-21	BCBC SSWV together with the support of BCBC ICT and legal services will develop a local approach to working with the Supplier/Provider to overcome the local WCCIS issues being experienced and are also exploring all possible actions in terms of contract compliance and exit. A review of the local issues facing practitioners and users of the system will be collated jointly by the service and ICT so a full understanding can be presented to senior managers within the supplier in meetings with them to review the ongoing BCBC issues. In addition a review of the contractual obligations will be undertaken by colleagues in legal in order that BCBC can challenge any non contract compliance with the supplier. Action is also being undertaken as part of the all-Wales arrangements with regular links with the programme SRO and exploring co-ordinated action on a national basis, recognising that managing and mitigating risks and issues on a national is important when dealing with such a well resourced supplier.	SBAR (Situation, Background, Assessment, Recommendation) to be completed pulling together the local BCBC issues presenting. Review of legal documents to understand contractual options. Work with supplier and other LAs nationally and regionally to deliver corrective action plan. Arrange regular face to face meetings with the supplier to agree a local action plan for BCBC. Explore options if system performance does not improve. Ensure there is robust business continuity arrangements in place to address contract performance.	CMB	Jun-2021	Nov-2021							

Control Method Definition	
Definition	Meaning
Treat	To continue with the activity, but at the same time take action to bring the risk to an acceptable level.
Transfer	Transferring the responsibility of the risk to outside the Council.

Risk Scores

- 1-6 - Green - Low
- 8-12 - Amber - Medium
- 15-24 - Red - High

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## BRIDGEND COUNTY BOROUGH COUNCIL

### REPORT TO GOVERNANCE AND AUDIT COMMITTEE

22 JULY 2021

#### JOINT REPORT OF THE INTERIM CHIEF OFFICER – FINANCE, PERFORMANCE AND CHANGE & HEAD OF THE REGIONAL INTERNAL AUDIT SERVICE

#### ANNUAL CORPORATE FRAUD REPORT 2020-21

##### 1. Purpose of report

- 1.1 The purpose of this report is to present members of the Governance and Audit Committee with the Annual Corporate Fraud Report 2020-21 which summarises the actions undertaken in respect of counter fraud and provides an update on the National Fraud Initiative (NFI) Exercise.

##### 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 One of the core functions of an effective Governance and Audit Committee is:
- To consider the effectiveness of the Council's Risk Management arrangements, the control environment and associated anti-fraud and corruption arrangements.
- 3.2 Therefore, this report updates the Committee on the arrangements in place for managing the risks of fraud with the aim of prevention, detection and subsequent investigation and reporting of fraud.
- 3.3 The impact of fraud should never be underestimated. Fraud leaves the Council with less to spend on services for residents and costs taxpayers' money. Fraud against a local council is not a victimless crime. There is not only the lost/stolen money to consider but also the loss of working time investigating and correcting issues, liaising with police and lawyers, any subsequent court costs, increased insurance premiums, reputational damage for individuals or the Council as a whole and poor staff morale.
- 3.4 The Council sets high standards for both Members and Officers in the operation and administration of the Council's affairs and has always dealt with any allegations or suspicions of fraud, bribery and corruption promptly. It has in place policies, procedures and reporting mechanisms to prevent, detect and report on fraud, bribery

and corruption. These include the Fraud Strategy and Framework, a Whistleblowing Policy, ICT Code of Conduct, Anti-Fraud and Bribery Policy, Anti-Tax Evasion Policy and Anti Money Laundering Policy.

- 3.5 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.

#### **4. Current situation/proposal**

- 4.1 The Annual Corporate Fraud Report is at **Appendix A** which summarises the counter fraud work undertaken within the Authority during 2020-21.
- 4.2 The Council's Fraud Strategy and Framework 2018-19 to 2020-21 includes reactive and proactive work, with the proactive work included in an action plan which sets out the developments the Council is undertaking to improve its resilience to fraud and corruption. The report at **Appendix A** outlines the progress made against the action plan. For example, a fraud risk register has been developed and was presented to the Governance and Audit Committee in April 2021. The Fraud Prevention E-learning module has been completely rolled out across the council, and is mandatory for all new and existing staff and members to complete. The Action Plan and the progress made is at **Annex 1** of the appendix.
- 4.3 One activity included on the Action Plan is the National Fraud Initiative (NFI). This is a biennial exercise coordinated in Wales by Audit Wales whereby data is extracted from the Council's systems and reports. These are matched against data submitted from other bodies such as other Local Authorities, Department for Work and Pensions (DWP), NHS & Trusts, Police and Housing Associations etc. It is important to note that where a match is found, it is not in itself evidence of fraud, it may be an error or an inconsistency that requires further investigation.
- 4.4 **Appendix A** provides details of the most recently completed biennial data matching exercise which was based on data extracted in September 2018. A total of 431 frauds or errors were identified equating to £30,276.73 of recoverable funds. This sum was mostly attributable to council tax reduction or housing benefit matches. The exercise also resulted in the cancellation of 396 blue badges, where the holder was deceased, generating an estimated cabinet office saving of £227,700. More detailed results are included at **Annex 2** of **Appendix A**. The next biennial data matching exercise commenced in 2020 with data extracted in October 2020 and the new matches returned in January 2021. Work on these matches is currently ongoing.
- 4.5 The Annual Report at **Appendix A** also provides detail of the internal counter fraud work undertaken by Internal Audit and the Council's Fraud Investigator including internal investigations, council tax reduction investigations and blue badge investigations.
- 4.6 Joint working was also undertaken during 2020-21 with Bridgend Ccounty Borough Council (BCBC) working with the Single Fraud Investigation Service (SFIS) on any appropriate benefit investigations. Local networking is also in place which has enabled intelligence to be shared particularly in respect of new scams since the outbreak of COVID-19.

- 4.7 The Authority took part in a national study which was to review the effectiveness of counter fraud arrangements in the Welsh public sector. The resulting report was published in July 2020. The recommendations from this report, made by Audit Wales, have been used to form the new Fraud Strategy and Framework for 2021-22 – 2024-25. This will ensure that the work being undertaken in relation to counter fraud continually improves.

## **5. Effect upon policy framework and procedure rules**

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

## **6. Equality Act 2010 implications**

- 6.1 The protected characteristics identified within the Equality Act, Socio-economic Duty and the impact on the use of the Welsh Language have been considered in the preparation of this report. As a public body in Wales the Council must consider the impact of strategic decisions, such as the development or the review of policies, strategies, services and functions. This is an information report, therefore it is not necessary to carry out an Equality Impact assessment in the production of this report. It is considered that there will be no significant or unacceptable equality impacts as a result of 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 The financial implications are reflected within this report as any fraud impacts on the resources available to the Council.

## **9. Recommendation**

- 9.1 It is recommended that the Committee note the Annual Corporate Fraud Report 2020-21, the measures in place, the work being undertaken to prevent and detect fraud and error and the update on the National Fraud Initiative (NFI).

**Gill Lewis CPFA**  
**Interim Chief Officer – Finance, Performance and Change**  
**July 2021**

**Mark Thomas**  
**Head of Internal Audit**

**July 2021**

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**Background Documents**

The Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (Wales)  
Regulations 2013  
<http://www.legislation.gov.uk/wsi/2013/588/contents/made>



# **ANNUAL CORPORATE FRAUD REPORT**

**2020/2021**

## Section 1 – Introduction

- 1.1 The challenge presented to Councils by fraud is significant. The latest edition of the Fighting Fraud and Corruption Locally Strategy ‘*A Strategy for the 2020s*’ produced by local government, for local government states that; Local Authorities continue to face a significant fraud challenge and, while the official figures are dated, the argument about protecting funds and vulnerable people remains. The National Fraud Authority estimated local authorities face the threat of £2.1bn fraud in a year in 2013. In fact, the Annual Fraud Indicator produced by Crowe Clark Whitehill estimates that figure may be as high as £7.8bn in 2017, out of a total of £40.4bn for the public sector as a whole. More recent estimates from the Auditor General for Wales in June 2019 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.
- 1.2 The impact of fraud should never be underestimated. Fraud leaves the Council with less to spend on services for residents and costs taxpayers’ money. Fraud against a local council is not a victimless crime. There is not only the lost/stolen money to consider but also the loss of working time investigating and correcting issues, liaising with police and lawyers, any subsequent court costs, increased insurance premiums, reputational damage for individuals or the Council as a whole and poor staff morale.
- 1.3 The Council sets high standards for both Members and Officers in the operation and administration of the Council's affairs and has always dealt with any allegations or suspicions of fraud, bribery and corruption promptly. It has in place policies, procedures and reporting mechanisms to prevent, detect and report on fraud, bribery and corruption. These include the Fraud Strategy and Framework, a Whistleblowing Policy, ICT Code of Conduct, Anti-Fraud and Bribery Policy, Anti-Tax Evasion Policy and Anti Money Laundering Policy.
- 1.4 The Fraud Strategy and Framework 2018/19 to 2020/21 (now updated) underpinned the Council's commitment to prevent all forms of fraud, bribery and corruption, whether it be attempted externally or from within.
- 1.5 The Covid-19 pandemic has had a major impact on everyone during 2020-21. One consequence has been that many organisations, including Councils, are being targeted by an increase in potential scams. This growing trend has placed more importance on the roll out of fraud awareness which aims to ensure that staff are equipped to identify such threats and avoid becoming a victim of fraud.



## Section 2 – Proactive Work

- 2.1 The Fraud Strategy and Framework 2018/19 to 2020/21 includes reactive and proactive work and the proactive work is included in an action plan, which sets out the developments the Council proposes to improve its resilience to fraud and corruption. The Action Plan is at **Annex 1** and the progress that has been made against the headings is described below.

### Fraud Risk Register

- 2.2 The Council can be exposed to fraud and corruption through a variety of internal and external sources. These include:
- Council Tax Reduction Scheme (including Discounts and Exemptions)
  - Housing benefits
  - Parking concessions (Blue Badge Scheme)
  - Grants
  - Procurement
  - Employees (For example: fraudulent claiming by employees of flexi, mileage expenses and misuse of corporate credit cards).
- 2.3 These areas, and others, can be regularly subject to attack by individuals / groups intent on committing fraud, which means that there is less money and resources available for those in genuine need. It is therefore important that the Council acknowledges the risk of fraud and undertakes an assessment on how it prevents, detects and pursues monies or assets obtained fraudulently. Consideration should also be made as to how services that are more susceptible manage that risk.
- 2.4 A detailed fraud risk register has been produced and was presented to Governance and Audit Committee in April 2021. It is envisaged that this will provide a robust tool to assist in ensuring resources are targeted correctly.

### Policies

- 2.5 The current Council policies in place are used to assist and support the raising of fraud awareness and to help tackle fraud, bribery and corruption within the authority.
- 2.6 In January 2021, a new policy was drafted and added to the current suite to deal with Tax Evasion. The Governance and Audit Committee approved this in April 2021. These policies will dovetail and ensure that the public, Members and staff have clear guidance on how to identify and report suspected or known fraud, bribery or corruption.
- 2.7 Below are some of the more relevant policies currently in operation.
- Whistleblowing Policy
  - Anti-Fraud and Bribery Policy

- Anti-Money Laundering Policy
- Anti-Tax Evasion Policy
- ICT Code of Conduct
- Financial Procedure Rules
- Grants Financial Management Policy
- Various HR policies

### **Develop Fraud Awareness**

- 2.8 The Bridgenders intranet pages have recently been improved and fraud information has been made available to staff. It is the intention that fraud information will also be made available on the external website in the near future, which will also provide guidance on how reports of fraud can be made to the council by the public.
- 2.9 The action plan states that alerts and newsletters will be developed to raise awareness and notify readers of new and potential fraud risks. This information is still being developed but will be made available on the Bridgenders intranet pages so all service areas including schools will have access to this information. When the Council receives information from outside organisations concerning potential fraud that may have a direct consequence to members of the public or staff, this information is shared with the Communications Team to ensure details are published on the Council's social media platforms.
- 2.10 Fraud awareness training continues to be delivered remotely by the Senior Fraud Investigator. During 2020-21 training was delivered to staff within Benefits, Council Tax, Payroll and Customer Services. Fraud awareness also continues to form part of the induction process for all new Benefits staff.

### **Training**

- 2.11 A Fraud Prevention e-learning module has been developed to support the Anti-Fraud and Bribery, Anti-Money Laundering and other relevant policies that have been approved by Cabinet. The training will enhance staff understanding of how fraud may occur, encourage prevention and promote detection of suspicious activities. This will enable staff to act with integrity and to respond effectively when incidents occur. The E-Learning module has been rolled out across the council and is now mandatory for all new and existing staff and Members to complete.

### **Data Analytics**

- 2.12 A data analytic tool and techniques have been developed during the year to enable data held within the financial systems to be extracted and analysed. This has enabled increased testing within planned audits and has provided an opportunity to identify any trends that may be occurring.

### Section 3 – National Fraud Initiative Data Matches 2018 & 2020

- 3.1 The National Fraud Initiative (NFI) is included as an activity on the action plan. This is a biennial exercise coordinated in Wales by Audit Wales whereby data is extracted from the Council's systems and reports. This data is matched against data submitted from other bodies such as other Local Authorities, DWP, NHS & Trusts, Police and Housing Associations etc. It is important to note that where a match is found, it is not in itself evidence of a fraud; it may be an error or an inconsistency that requires further investigation.
- 3.2 Internal Audit together with the Council's Senior Fraud Investigator facilitates the upload of data and user account management and provides assistance, training and advice to officers reviewing the data matches.
- 3.3 A data matching exercise began in September 2018 and the matches were released in January 2019. The exercise was concluded in August 2020. A total of 2,155 matches across areas including housing benefit, payroll, blue badges, personal budgets, care homes and licencing were identified. Of these, 1,052 were categorised as high or medium risk. In addition, another 4,867 creditor matches were issued. The review of these data matches resulted in 431 frauds or errors being identified. Table 1 summarises the results and more details are provided in **Annex 2**.

**Table 1 – National Fraud Initiative Results 2018 Matching Exercise - Results**

Type	Fraud/ Error Number	Fraud/ Error Value	Recoverable	NFI Projected Savings
Housing Benefit	12	£17,165.08	£16,972.88	£14,469.00
Council Tax Reduction Scheme	6	£10,698.65	£10,698.65	£19,760.00
Blue Badge	396	-	-	£227,700.00
Creditors	17	£2,605.00	£2,605.00	-
<b>Total</b>	<b>431</b>	<b>£30,468.73</b>	<b>£30,276.53</b>	<b>£261,929.00</b>

- 3.4 This exercise has resulted in a total of £30,468.73 being identified as potential fraud or error with £30,276.53 being recoverable.
- 3.5 The latest biennial NFI data matching exercise started in October 2020 when data was extracted and forwarded to the NFI. The new matches were produced in January 2021. Data matches were also produced for potential Covid-19 Grant anomalies during the 2020 exercise and these were issued to the Council in May 2021. The latest exercise has produced 7,181 matches for investigation.
- 3.6 NFI projected savings are a Cabinet Office defined methodology, which predicts the potential or projected loss if the fraud/error had not been identified. Audit Wales also publish the projected savings in their fraud related reports. It is not 'real' money

to the authority and cannot be reflected in bottom line savings. **Annex 3** provides a summary of the Cabinet Office methodology.

### Single Person Discount (SPD)

- 3.7 The NFI also produce an annual exercise relating to SPD, generated within the Council Tax system. These matches highlight where there may be more than one adult at a property currently in receipt of SPD.
- 3.8 In total, 1,189 households were produced for review during 2020. The review of these data matches resulted in 114 frauds or errors being identified. Table 2 summarises the results and more detail is provided in **Annex 4**.

**Table 2 – NFI Single Person Discount Results 2020**

Type	Fraud/ Error Number	Fraud/ Error Value	Recoverable	NFI Projected Savings
Single Person Discount	114	£72,160.69	£43,636.45	£100,700.00

- 3.9 Further SPD data was extracted and forwarded to the NFI in December 2020 and these matches were produced for review later that same month. In total a further 3,367 matches have been produced for investigation and work has commenced on these.

## Section 4 – Internal Fraud & Corruption Work

- 4.1 Under the Public Sector Internal Audit Standards (PSIAS), internal audit is defined as an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. It is widely recognised that effective internal audit is good practice and provides support to the Council's Section 151 Officer in discharging their responsibilities as contained in legislation. As part of the assurance gathering process used to prepare the Council's Annual Governance Statement, the Head of Audit provides an annual report, which gives their opinion on the adequacy and effectiveness of the Council's control environment.
- 4.2 The Head of Audit's annual report and opinion includes details of any counter fraud work undertaken by Internal Audit during the year. Two matters were referred to Internal Audit for review during 2020/21. One was missing money in Supported Living and the other a potential security breach. The findings of the investigation into the missing money identified weaknesses in processes and improvements were identified and agreed. Subsequently the money was found. The second matter regarded a potential security breach where it was alleged that data was accessed or browsed for non-work-related reasons. The investigational work undertaken found that adequate processes, policies, and training were in place to mitigate the

risks of this occurring. This matter is being dealt with through the disciplinary process.

- 4.3 Due to the outbreak of the COVID-19 pandemic, scams have been circulating. All staff, as well as residents, are made aware of these by information being circulated through the Council's Communications Team or, via the Council's Fraud Department.
- 4.4 A report of impersonation fraud was made to the Council in March 2021. Details became known that someone impersonating the Council's Chief Executive Officer was approaching different companies across the UK and placing orders for high value items. It was established that the perpetrator was using a fake email account and fake purchase orders purporting to be from Bridgend County Borough Council. The matter was referred to the Police due to its serious nature and possible implications for the Council. This investigation is still currently ongoing but no financial loss has been incurred by the Council.

### **Council Tax Reduction (CTR) fraud**

- 4.5 In 2015, investigation work for Housing and Council Tax Benefit transferred to the Department for Works and Pensions (DWP) Single Fraud Investigation Service (SFIS) but the responsibility to provide support for council tax, and the funding associated with it, was devolved to the Welsh Government.
- 4.6 Cases of fraud in CTR are investigated by the Council's Fraud Investigation department, based on information received regarding claimants circumstances, undertakes these investigations. Table 3 below, illustrates the source of fraud referrals received during the period 2020/21.

**Table 3 – Source of Referrals**

Source of Referrals	2020/21
NFI	0
Benefit/Taxation Staff	10
HBMS* data match	2
Department of Work and Pensions (DWP)	0
Claim Review	1
Anonymous (letter/telephone/email)	51
Verify Earnings and Pensions (VEP) alerts**	4
Other organisation/department	0
<b>Total</b>	<b>68</b>

\*DWP Housing Benefit Matching Service

\*\*A data match with HMRC

- 4.7 A proportion of the referrals received related to DWP benefits or housing benefits, and consequently these were forwarded to DWP's SFIS to investigate. Fraud referrals are normally forwarded to SFIS in the following circumstances:
- The referral relates to the entitlement to a DWP benefit such as Income Support, Jobseeker's Allowance or Employment and Support Allowance
  - The Housing Benefit overpayment is expected to exceed £3,000 (the DWP's threshold for criminal action)

- It is in the public's interest that a prosecution should result.

- 4.8 During 2020/21 the Fraud Investigator referred 31 cases to the DWP, the DWP do not provide feedback on the outcome of the referrals.
- 4.9 Table 4 illustrates a breakdown of the types of allegations that were referred during the period 2020/21.

**Table 4 – Type of Allegation 2020/21**

Type of Allegation	2020/21
Undeclared income	18
Undeclared increase in income	0
Undeclared capital/savings	4
Living together	25
Non-residency	8
Discrepancy – non-dependant	8
Discrepancy – household occupants (e.g. SPD*)	2
Other (e.g. DLA**/Tax Credits/Contrived)	3
<b>Total</b>	<b>68</b>

\*Single person discount      \*\* Disability Living Allowance

- 4.10 During 2020/21, 38 cases were closed. The closure categories are detailed in Table 5 below.

**Table 5 – Reason for Closure**

Reason for closure	2020/21
No fraud	0
Not investigated	29
Fraud proven*	9
<b>Total</b>	<b>38</b>

\*i.e. sufficient evidence to instigate legal proceedings

- 4.11 Cases closed not investigated either lacked sufficient details to instigate an investigation, or there was no evidence of fraud (e.g. the person was not claiming benefits).
- 4.12 Table 6 below provides the CTR, and incidental housing benefit savings that have been achieved as a result of the fraud investigations concluded during 2020/21.

**Table 6 – Savings**

Savings	2020/21
CTR excess reduction	£13,756.33
Future CTR saving	£2,022.92
Council Tax Benefit	£0.00
Housing Benefit	£34,274.16
<b>Total</b>	<b>£50,053.41</b>

- 4.13 Once a case has been closed as fraud proven and the CTR adjustment (known as an excess reduction) is calculated, the case is referred to the Benefits and Financial

Assessments Manager to determine whether a sanction is appropriate. The sanctions available to the Council are prosecutions, issuing a financial penalty or a fine.

- 4.14 The level of a financial penalty, which is offered as an alternative to prosecution, is prescribed in the Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (Wales) Regulations 2013. The amount of the penalty is 50% of the amount of the excess reduction subject to a minimum amount of £100, and a maximum amount of £1,000. As an alternative to this type of penalty, fines may be issued as follows:

- £100 – may be offered as an alternative to prosecution for acts or omissions that could have led to an incorrect award of CTR
- £70 – may be imposed for:
  - an incorrect statement, information or evidence that leads to a CTR award that is greater than entitlement; or
  - a failure to notify of a change in circumstances meaning that a CTR award is greater than entitlement

- 4.15 Table 7 illustrates the penalties and fines issued in the relevant period. It also provides information on the amount of successful prosecutions in 2020/21:

**Table 7 – Successful Sanctions**

Successful sanctions	2020/21	Amount
Prosecutions	0	N/A
Penalties	6	£3,833.48
Fines	1	£70.00
<b>Total</b>	<b>7</b>	<b>£3,903.48</b>

- 4.16 In addition to the penalties and fines, administration penalties are raised on behalf of the DWP, following their investigations into claims for Housing Benefit and Council Tax Reduction. Due to the Covid-19 pandemic however, no such penalties have been issued.

### **CTR prosecutions**

- 4.17 Three CTR investigations, approved by the Council's legal department for prosecution, are awaiting proceedings in court. These cases have encountered substantial delay due to the Covid-19 pandemic and the judicial system being unable to operate as normal. As a result, the outcomes of these investigations are still unknown.

### **Blue Badge misuse**

- 4.18 The Council's Fraud Department undertakes work on blue badge misuse. During 2020/21, three reports were received, the majority of which involved people dishonestly displaying another person's badge. Lack of evidence in these cases resulted in them being closed, with no further enforcement action taken.

- 4.19 As reported in last year's annual report, in July 2019 the Council worked in partnership with a specialist team from Portsmouth City Council to undertake blue badge enforcement action. As a result of the two-day drive, 12 cases were taken forward for prosecution with 10 of these found guilty by the Magistrates Court. Of the remaining two, one case was found not guilty and the other listed for trial at Crown Court. Due to the Covid-19 pandemic, proceedings were severely delayed and the case was not heard until October 2020. The defendant was found guilty by the Crown Court and fined £80, ordered to pay £250 costs and a £30 Victim's surcharge.
- 4.20 It is the intention of the Fraud Department to arrange future specialist training for the Council's Civil Enforcement Officers. This will enable them to identify potential blue badge misuse, and deal with this misuse correctly at street level. Cases would then be referred to the Fraud Department, where appropriate, to take forward for investigation. This training will be arranged as soon as restrictions allow along with further fraud drives within the borough.
- 4.21 The work of the Fraud Department was severely impacted during 2020/21 due to the Fraud Investigator's inability to Interview Under Caution (IUC) because of the restrictions in place at the time. This had a detrimental effect on the results obtained. An approved risk assessment meant that interviews could re-commence from the end of 2020.

## **Section 5 – Joint Working & Partnerships**

- 5.1 Bridgend CBC became part of a joint counter fraud initiative with SFIS in April 2019. To date, only one suitable investigation has been referred to the Council by SFIS, and this joint investigation was concluded successfully in March 2021 with an overpayment identified. Unfortunately, due to the Covid-19 pandemic, this joint work arrangement was put on hold. It is currently unknown when this activity will recommence.
- 5.2 The authority is an active member of the Wales wide network of Local Authority Fraud investigators, which provides the opportunity to share knowledge, intelligence, and best practice. The group has been meeting virtually during 2020/21.
- 5.3 The authority has a good working relationship with the Police and other outside agencies which all share information/intelligence. In addition, as new grants have become available due to COVID-19, intelligence, procedures, local risks and threats have been shared with other local authorities to actively try to prevent fraudulent claims.



**Section 6 – National Studies**

- 6.1 During 2019/20, the authority took part in a national study, the objective being to review the effectiveness of counter fraud arrangements in the Welsh public sector. Information including policies, resources and good practice in respect of counter fraud work was provided which was supplemented by more in-depth questioning and information gathering by Audit Wales.
- 6.2 The resulting Audit Wales report, *'Raising Our Game - Tackling Fraud in Wales'* was published in July 2020. The report and any recommendations, along with the *'Fighting Fraud and Corruption Locally a Strategy for the 2020's'* guidance will be fully considered and integrated into future action. The reports have formed the basis for the next Fraud Strategy and Framework 2021/22 – 2024/25.

Annex 1  
 Fraud Strategy and Framework Action Plan – 2018/19 to 2020/21

Activity	Scope	Progress	Complete / Further Action
Fraud Risk Registers	To develop Fraud Risk Register(s) and align to complement the existing risk management approach.	Fraud Risk Register developed and presented to Governance and Audit Committee in April 2021.	complete
	Maintain the fraud risk register and regularly monitoring trends to identify areas of high risk	Fraud risk register to be used as a live resource to ensure risks are appropriately managed and escalated as necessary.	ongoing
National Fraud Initiative (NFI)	To facilitate the timely delivery of NFI 2018 data matches.	All data was extracted and the matches returned. These have all now been completed.	complete
	Undertake integrity checks on a sample of cleared matches to ensure robustness / quality of review and select a sample of high-risk matches across the spectrum to investigate.	Of the 2155 matches received fraud or errors were identified in 431	complete
	Regularly monitor progress against recommended matches throughout the duration of the exercise.	The 2018/20 NFI exercise has been completed.  The 2020/22 exercise is now underway and regular meetings of relevant Officers across the Council take place.	ongoing
Develop devoted fraud internet / intranet pages	To enable a clear and concise point of reference for necessary information on fraud and irregularity maximising the potential of digital technology to enhance the user experience.	The Bridgend intranet pages have been improved and fraud information has been made available to staff.	complete
	Maintain the fraud internet / intranet pages to ensure they are kept up to date.	It is the intention to update the main Council website with information on fraud and how to report it.	ongoing
Training & Awareness	Develop an effective fraud awareness-training programme for Members and Officers.	E-Learning module developed and fully rolled out across the council. This is mandatory for all new and existing staff and Members.	complete
	Provide ongoing training as required for the duration of the action plan	Fraud awareness training and training sessions specifically around NFI have taken place virtually during 2020/21 for relevant staff. Bespoke training focusing on Benefits and Blue badge misuse is currently under development. Training for	ongoing

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Activity	Scope	Progress	Complete / Further Action
		CEO's around blue badge misuse will also take place when restrictions allow.	
Data Analytics	To maximise the use of data analytics and data matching to match electronic data to detect and prevent fraud.	Techniques using a data analytic tool have been developed during 2020/21 to enable data held within the financial systems to be extracted and analysed. This has enabled increased testing within planned audits and has provided an opportunity to identify any trends that may be occurring	complete
Develop alerts and newsletters to raise awareness and notify readers of new and potential fraud risks.	Develop alerts and newsletter across the Council.	This is still being developed but once completed the alerts and newsletters will also be made available on the Bridgenders intranet pages so all service areas including schools will have access to this information.	ongoing
	Produce Newsletters at regular intervals throughout the duration of the action plan.		ongoing
No Recourse to Public Funds	With a national increase in applications, there has been a consequent increase in attempts by fraudsters to obtain public funds via false applications. In addition, a developing trend for individuals to make multiple applications across different authorities. This can be linked to the NFI 2018 data matching exercise.	RBV Risk Based Verification system provides assurance that all new benefit applications are genuine.  All relevant departments are also active contributors to the NFI and ReCheck (SPD) applications, which over the period of Action Plan, identified over £300k in potential recoveries.	complete
Annual Report on Fraud & Irregularity	To produce an end of year report to those charged with governance covering all reactive and proactive fraud initiatives.	Produced and distributed to Governance & Audit Committee on an annual basis.	complete
Schools	Conduct a "Fraud Health Check" across school establishments to attain assurance over the controls and governance in place to mitigate the potential for fraud.	Due to Covid 19 work progress in this area has been delayed	Include in 2021/22 action plan

## National Fraud Initiative Breakdown 2018-2020

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## Annex 3

## Cabinet Office Methodology

Data Match	Basis of Calculation of Estimated Savings
Welfare Benefits	Value of sanctions applied plus weekly benefit reduction multiplied by 21
Pensions	Annual pension multiplied by the number of years until the pensioner would have reached the age of 85
Blue Badges	Number of badges confirmed as deceased multiplied by £575 to reflect lost parking and congestion charge revenue
Concessionary Travel	Number of passes cancelled multiplied by £24, based on the cost of reimbursement to bus operators for journeys made under the concessionary pass scheme
Tenancy Fraud	£93,000 per property recovered based on average four-year fraudulent tenancy. Includes: temporary accommodation for genuine applicants; legal costs to recover property; re-let cost; and rent foregone during the void period between tenancies
Right to Buy	£65,000 per application withdrawn based on average house prices and the minimum right to buy discount available
Payroll	£5,000 per standard case - £10,000 for an immigration case
Council Tax SPD	Annual value of the discount cancelled multiplied by two years
Housing Waiting Lists	£3,240 per case, based on the annual cost of housing a family in temporary accommodation and the likelihood a waiting list applicant would be provided a property
Personal Budgets	Monthly reduction in personal budget payment multiplied by three months
Residential Care Homes	£7,000 per case based on the average weekly cost of residential care multiplied by 13
Other Immigration	£50,000 for a removal from the UK case.

# Annual Corporate Fraud Report 2020/21

## Annex 4

### Single Person Discount 2020

Type / Area	NFI	Frauds/ Errors	Fraud/Error Amount	Recoverable	NFI Projected Savings
Council Tax SPD and Electoral Register	Yes	81	£56,694.95	£41,455.59	£81,200.00
Council Tax SPD rising 18s	Yes	10	£2,473.50	£2,309.50	£8,000.00
		91	£59,168.45	£43,765.09	£89,200.00
Colour Coding:					
Recoverable by BCBC over an undefined period.					
Cabinet Office projected savings during financial year (SPD saving based on 2 years) .					

## BRIDGEND COUNTY BOROUGH COUNCIL

### REPORT TO THE GOVERNANCE AND AUDIT COMMITTEE

22 JULY 2021

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

#### UPDATED FORWARD WORK PROGRAMME 2021-22

#### 1. Purpose of report

- 1.1 The purpose of this report is to seek approval for the updated Forward Work Programme for 2021-22.

#### 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 to deliver the Council's well-being objectives.

#### 3. Background

- 3.1 The core functions of an effective Governance and Audit Committee include the responsibility to:
- consider the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting, governance processes, performance assessment and complaints arrangements.
  - seek assurances that action is being taken on risk-related issues identified by auditors and inspectors.
  - consider the effectiveness of the Council's anti-fraud and corruption arrangements.
  - 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 governance, 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 2021-22 is attached at Appendix A. 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.

4.2 As requested at the meeting of Governance and Audit Committee held on 18 June 2021, an additional meeting of the Committee will be scheduled for 9 September 2021. Shown below are the items scheduled to be presented at this meeting.

<b>Proposed Agenda Items – 9 September 2021</b>	
1	Governance and Audit Committee Action Record
2	Audit Wales Governance and Audit Committee Reports
3	Complaints Process
4	Internal Audit Progress Reports
5	Updated Forward Work Programme 2021-22

4.3 There may be additional agenda items presented to the Committee as the Local Government and Elections (Wales) Act 2021 comes into effect, particularly in respect of the Committee's new responsibilities in relation to performance and self-assessment, and these will be added to the Forward Work Programme as necessary.

#### **5. Effect upon policy framework and procedure rules**

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

#### **6. Equality Act 2010 implications**

6.1 The protected characteristics identified within the Equality Act, Socio-economic Duty and the impact on the use of the Welsh Language have been considered in the preparation of this report. As a public body in Wales the Council must consider the impact of strategic decisions, such as the development or the review of policies, strategies, services and functions. This is an information report, therefore it is not necessary to carry out an Equality Impact assessment in the production of this report. It is considered that there will be no significant or unacceptable equality impacts as a result of this report.

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

7.1 The well-being goals identified in the Act were considered in the preparation of this



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

## **8. Financial implications**

8.1 There are no financial implications arising from this report.

## **9. Recommendation**

9.1 That the Committee considers and approves the proposed Updated Forward Work Programme for 2021-22.

**Gill Lewis**  
**Interim Chief Officer – Finance, Performance and Change**  
**July 2021**

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Deputy Head of Finance

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**Background Documents:** None

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GOVERNANCE AND AUDIT COMMITTEE FORWARD WORK PROGRAMME 2021-22	9 September 2021	11 November 2021	27 January 2022	31 March 2022
<b>Standing Items</b>				
Governance and Audit Committee Action Record	✓	✓	✓	✓
Audit Wales Governance and Audit Committee Reports	✓	✓	✓	✓
Updated Forward Work Programme	✓	✓	✓	✓
<b>Annual Accounts</b>				
Statement of Accounts 2020-21 (unaudited)				
Porthcawl Harbour Return 2020-21 (unaudited)				
Audited Statement of Accounts and Annual Governance Statement				
Audited Harbour Return ( <i>if amended</i> )				
<b>Internal Audit Reports</b>				
Internal Audit Annual Strategy and Audit Plan 2021-22				
Internal Audit Shared Service Charter 2021-22				✓
Annual Internal Audit Report 2020-21				
Internal Audit Progress Reports	✓	✓	✓	✓
<b>Governance</b>				
Annual Governance Statement 2020-21				
Review of the Annual Governance Statement		✓		
Audit Wales Annual Audit Plan ( <i>included in Audit Wales Governance and Audit Committee Reports item</i> )				✓
Annual Audit Summary ( <i>included in Audit Wales Governance and Audit Committee Reports item</i> )		✓		
<b>Treasury Management</b>				
Treasury Management Outturn 2020-21				
Treasury Management Half Year Report 2021-22		✓		
Treasury Management Strategy 2022-23			✓	
<b>Risk Assurance</b>				
Corporate Risk Assessment 2021-22		✓		
Corporate Risk Assessment, Corporate Risk Management Policy And Incident And Near Miss Reporting Procedure				✓
<b>Counter Fraud</b>				
Corporate Fraud Report 2020-21				
Fraud Risk Assessment				✓
Anti Tax Evasion Policy				✓
<b>Others</b>				
Complaints Process	✓			
Annual Self Evaluation Report (to be determined)				

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