

# 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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Annwyl Cyngorydd,

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

Deialu uniongyrchol / Direct line /: 01656 643148 / 643513 / 643694

Gofynnwch am / Ask for: Democratic Services/ Gwasanaethau Democrataidd

Ein cyf / Our ref:

Eich cyf / Your ref:

**Dyddiad/Date:** Dydd Gwener, 19 Ionawr 2024

#### **PWYLLGOR LLYWODRAETHU AC ARCHWILIO**

Cynhelir Cyfarfod Pwyllgor Llywodraethu ac Archwilio Hybrid yn Siambr y Cyngor - Swyddfeydd Dinesig, Stryd yr Angel, Pen-y-bont ar Ogwr, CF31 4WB / O Bell Trwy Timau Microsoft ar **Dydd Iau, 25 Ionawr 2024 am 10:00.**

#### **AGENDA**

- Ymddiheuriadau am absenoldeb  
Derbyn ymddiheuriadau am absenoldeb gan Aelodau.
- Datganiadau o fuddiant  
Derbyn datganiadau o ddiddordeb personol a rhagfarnol (os o gwbl) gan Aelodau / Swyddogion yn unol â darpariaethau'r Cod Ymddygiad Aelodau a fabwysiadwyd gan y Cyngor o 1 Medi 2008.
- Cymeradwyaeth Cofnodion 3 - 10  
I dderbyn am gymeradwyaeth y Cofnodion cyfarfod y 09/11/23.
- Cofnod Gweithredu'r Pwyllgor Llywodraethu ac Archwilio 11 - 14
- Diweddariad Traciwr Rheoleiddio 15 - 24
- Adroddiadau Pwyllgor Llywodraethu ac Archwilio Cymru 25 - 44
- Asesiad Risg Corfforaethol 45 - 50
- Strategaeth Rheoli'r Trysorlys 2024-25 51 - 96
- Datganiad Cyfrifon Archwiliedig 2022-23 97 - 238
- Dychwelyd Harbwr Porthcawl 2022-23 239 - 246
- Cynnydd yn erbyn Cynllun Seiliedig ar Risg Archwilio Mewnol 2023-24 247 - 256

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12. Monitro Argymhellion Archwilio Mewnol 257 - 268
13. Grantiau Cyfleusterau i'r Anabl - Adroddiad Cynnydd a Datganiad Sefyllfa 269 - 274
14. Rhaglen Gwaith Cychwynnol 2023-24 a 2024-25 275 - 280
15. Materion Brys  
I ystyried unrhyw eitemau o fusnes y, oherwydd amgylchiadau arbennig y cadeirydd o'r farn y dylid eu hystyried yn y cyfarfod fel mater o frys yn unol â Rhan 4 (pharagraff 4) o'r Rheolau Trefn y Cyngor yn y Cyfansoddiad.

Nodyn: Bydd hwn yn gyfarfod Hybrid a bydd Aelodau a Swyddogion mynychu trwy Siambr y Cyngor, Swyddfeydd Dinesig, Stryd yr Angel, Pen-y-bont ar Ogwr / o bell Trwy Timau Microsoft. Bydd y cyfarfod cael ei recordio i'w drosglwyddo drwy wefan y Cyngor. Os oes gennych unrhyw gwestiwn am hyn, cysylltwch â cabinet\_committee@bridgend.gov.uk neu ffoniwch 01656 643148 / 643694 / 643513 / 643696.

Yn ddiffuant

**K Watson**

Prif Swyddog, Gwasanaethau Cyfreithiol a Rheoleiddio, AD a Pholisi Corfforaethol

#### **Dosbarthiad:**

##### Cynghorwyr

S J Bletsoe  
S J Griffiths  
R M Granville  
A Williams

##### Cynghorwyr

C Davies  
E Richards  
M L Hughes  
MJ Williams

##### Aelodau Lleyg:

G Chapman  
A Bagley  
B Olorunnisola

Presennol

A Bagley – Cadeirydd (Aelod Ileyg)

S J Bletsoe  
A Williams

C Davies  
M Williams

RM Granville

SJ Griffiths

M Hughes

Aelodau Ileyg:

B Olorunnisola

Ymddiheuriadau am Absenoldeb

G Chapman

Swyddogion:

Mark Shephard  
Carys Lord  
Kelly Watson

Deborah Exton  
Nigel Smith  
Anthony Veale  
Sara-Jane Byrne  
Andrew Wathan  
Kate Pask  
Stephen Griffiths  
Oscar Roberts

Prif Weithredwr  
Prif Swyddog – Cyllid, Perfformiad a Newid  
Prif Swyddog Gwasanaethau Cyfreithiol a Rheoliadol,  
Adnoddau Dynol a Pholisi Corfforaethol  
Dirprwy Bennaeth Cyllid  
Rheolwr Grŵp – Prif Gyfrifydd  
Archwilio Cymru (allanol)  
Archwilio Cymru (allanol)  
Pennaeth y Gwasanaeth Archwilio Mewnol Rhanbarthol  
Swyddog Gwella Corfforaethol - Perfformiad  
Swyddog y Gwasanaethau Democrataidd - Pwyllgorau  
Prentis Gweinyddol Busnes – y Gwasanaethau  
Democrataidd

Datganiadau o Fuddiannau

Dim

112. Cymeradwyaeth Cofnodion

Y Penderfyniad Wnaed	<u>PENDERFYNWYD:</u>  Cymeradwyo Cofnodion cyfarfod 28 Medi 2023 fel cofnod gwir a chywir.
Dyddiad Gwneud y Penderfyniad	9 Tachwedd 2023

113. Cofnod Gweithredu'r Pwyllgor Llywodraethu ac Archwilio

Y Penderfyniad Wnaed	<u>PENDERFYNWYD:</u>  Nododd y Pwyllgor y Cofnod Gweithredu a gwnaeth sylwadau ar nifer o faterion, gan gynnwys y canlynol: <ul style="list-style-type: none"><li>• Y Bwrdd Cyfalaf oedd newydd ei sefydlu, yn enwedig ei rôl a'i ddiben a'i drefniadau adrodd. Nodwyd mai ei rôl allweddol oedd gweithredu fel system rhybudd buan. Gofynnodd y Cadeirydd i weithred gael ei chofnodi i'r Pwyllgor gael sicrwydd, ar ryw adeg, fod y Bwrdd yn gweithio fel y bwriadwyd.</li><li>• Cerbydau Ysgol a'r pryderon a godwyd gan Aelodau yn y cyfarfod diwethaf. Codwyd y pryderon gyda'r Bwrdd Rheoli Corfforaethol (CMB), ac ysgrifennodd y Cyfarwyddwr Addysg at bob ysgol ynghylch y mater. Gofynnodd Aelod am i gynnwys y llythyr gael ei rannu â'r Aelodau. Addawodd Pennaeth y Gwasanaeth Archwilio Mewnol Rhanbarthol wneud hyn.</li><li>• Argymhellion oedd yn Weddill. Bod y rhain wedi cael eu cyflwyno i'r CMB ac y caiff adroddiad ar y canlyniadau ei gyflwyno i'r Pwyllgor ym mis Ionawr.</li></ul>
Dyddiad Gwneud y Penderfyniad	9 Tachwedd 2023

114. Adroddiadau Pwyllgor Llywodraethu ac Archwilio Cymru

Y Penderfyniad Wnaed	<u>PENDERFYNWYD:</u>  Nododd y Pwyllgor Adroddiadau Archwilio Cymru ar y Pwyllgor Llywodraethu ac Archwilio yn Atodiad A ac Atodiad B.
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	Bu'r Aelodau'n trafod nifer o faterion mewn ymateb i adroddiadau Archwilio Cymru, gan gynnwys materion ffioedd, newidiadau mewn safonau archwilio, a gwerthuso gwerth y broses archwilio.
Dyddiad Gwneud y Penderfyniad	9 Tachwedd 2023

115. Adolygiad Hanner Blwyddyn o'r Datganiad Llywodraethu Blynyddol

Y Penderfyniad Wnaed	<p><u>PENDERFYNWYD:</u></p> <p>Bu'r Pwyllgor yn ystyried Cynllun Gweithredu Datganiad Llywodraethu Blynyddol 2023-24 a'r camau a gymerwyd hyd at 30 Medi 2023.</p> <p>Cododd yr Aelodau nifer o faterion mewn ymateb i'r adroddiad hwn, gan gynnwys y canlynol:</p> <ul style="list-style-type: none"><li>• Chwyddiant. Nodwyd bod tâl, tanwydd, a materion yn ymwneud â chadwyni cyflenwi yn cael effaith neilltuol ar gyllidebau llywodraeth leol.</li><li>• Gwerth Hunanasesu.</li><li>• Grantiau Cyfleusterau i'r Anabl. Derbyniodd yr Aelodau gadarnhad y byddai'r adroddiad ar hyn yn dod i gyfarfod nesaf y Pwyllgor ym mis Ionawr 2024. Nodwyd bod ceisiadau'n cael eu prosesu ac nad oedd neb wedi cael eu gohirio yn aros i'r fframwaith newydd fod yn weithredol.</li><li>• Datgarboneiddio a' cyllid a ddyrannwyd<sup>15</sup>.</li><li>• Yr angen am rywfaint o eglurder ychwanegol ynglŷn â'r ffordd y mae'r Cyngor wedi ymateb i rai argymhellion yn adroddiadau Archwilio Cymru, yn enwedig o ran, er enghraifft, Rheoli Asedau'n Strategol.</li><li>• Yr angen am gyd-destun yn yr adroddiad o ran y farn sicrwydd archwilio amodol ar Fudd-dal Tai, ac am fwy o fanylion am ymateb y Cyngor mewn perthynas â llywodraethu a rheoli risg.</li></ul>
Dyddiad Gwneud y Penderfyniad	9 Tachwedd 2023

116. Adroddiad Hanner Blwyddyn ar Reoli'r Trysorlys 2023-24

Y Penderfyniad Wnaed	<p><u>PENDERFYNWYD:</u></p> <p>Nododd y Pwyllgor Llywodraethu ac Archwilio weithgareddau rheoli'r trysorlys am 2023-24 am y cyfnod o hanner blwyddyn o 1 Ebrill 2023 hyd 30 Medi 2023 a Dangosyddion Rheoli'r Trysorlys rhagdybiedig ar gyfer 2023-24.</p> <p>Mewn ymateb i'r Adroddiad, bu'r Aelodau yn trafod ystod o faterion, gan gynnwys y canlynol:</p> <ul style="list-style-type: none"><li>• Cronfeydd y farchnad arian a'u gwerth fel rhan o strategaeth rheoli'r Trysorlys.</li><li>• Tueddiadau o ran y ddyled net a chydbwysedd y buddsoddiadau.</li><li>• Meincnod atebolrwydd, yn enwedig ei werth fel offeryn.</li><li>• Gofynion cyllid cyfalaf y Cyngor, yn enwedig yn 2025-26 a thu hwnt.</li></ul> <p>Natur gymhleth a thechnegol adroddiadau rheoli'r trysorlys a phwysigrwydd monitro datblygiadau yn y maes gweithgaredd hwn.</p>
Dyddiad Gwneud y Penderfyniad	9 Tachwedd 2023

117. Hunanasesiad - 2022/23

Y Penderfyniad Wnaed	<p><u>PENDERFYNWYD:</u></p> <p>Bu'r Pwyllgor yn ystyried a chymeradwyo'r newidiadau i adroddiad hunanasesu corfforaethol 2022/23 yn Atodiad 1.</p> <p>Wrth ystyried yr adroddiad, cododd Aelodau nifer o faterion, gan gynnwys y canlynol:</p> <ul style="list-style-type: none"><li>• Yr angen i symud oddi wrth ddull anecdotaidd yn bennaf i un oedd yn seiliedig ar sampl gynrychioliadol o'r boblogaeth. Yr angen i ddefnyddio dulliau ystadegol i gael ddarlun llawnach o farn yn y Fwrdeistref Sirol.</li><li>• Blaenoriaethu gwasanaethau a'r graddau y cefnogir y rhain yn lleol.</li><li>• Gwerth meincnodi.</li><li>• Nad yw cludiant yn cael ei ystyried yn yr adroddiad, ac nad oedd y Strategaeth Gludiant Leol wedi cael ei diweddarau ers 2015. Nodwyd mai Pwyllgor Trosolwg a Chraffu Pwnc 3 (SOSC3) fyddai'r</li></ul>
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	<p>pwyllgor priodol i edrych i mewn i'r mater hwn ymhellach. Nodwyd tri cham gweithredu:</p> <ul style="list-style-type: none"> <li>▪ Gofynnodd Aelod am gysylltu â Chadeirydd SOSC3 i ofyn iddynt edrych i mewn i'r mater.</li> <li>▪ Ymrwymodd y Prif Weithredwr i edrych i mewn i'r mater fel paratoad ar gyfer yr adroddiad hunanasesu nesaf.</li> <li>▪ Gofynnodd Aelod am ymateb ysgrifenedig gan y Prif Weithredwr ar gynnydd yn erbyn cynllun 2015.</li> </ul> <ul style="list-style-type: none"> <li>• Pwysigrwydd cyfleu'r pethau da a bod yn eiriolwyr dros yr hyn a wnawn.</li> <li>• Er bod y fframwaith yn ei ddyddiau cynnar ei fod yn ddechrau da ac y byddai'n mynd â'r Cyngor yn ei flaen.</li> </ul>
Dyddiad Gwneud y Penderfyniad	9 Tachwedd 2023

#### 118. Adroddiad Monitro - Cwynion Corfforaethol

Y Penderfyniad Wnaed	<p><b><u>PENDERFYNWYD:</u></b></p> <p>Nododd y Pwyllgor yr adroddiad a phenderfynodd a oedd yn dymuno gwneud unrhyw argymhellion gyda golwg ar allu'r Awdurdod i ymdrin â chwynion yn effeithiol.</p> <p>Mewn ymateb i'r adroddiad, bu'r Aelodau'n trafod nifer o faterion, gan gynnwys y canlynol:</p> <ul style="list-style-type: none"> <li>• Cwynion Ffurfiol (Cam 2) a dadansoddiad o'r achosion sylfaenol pam nad atebwyd pob un o fewn 5 diwrnod. Y byddai'r tîm sy'n gyfrifol am gwynion yn gwneud eu gorau glas i sicrhau bod yr ymateb yn 100% o fewn 5 diwrnod.</li> <li>• Fel yr amlinellwyd yn y Llythyr Blynnyddol gan Ombwdsmon Gwasanaethau Cyhoeddus Cymru (OGCC), nifer y cwynion yn erbyn yr Awdurdod ar gyfer y cyfnod 2022-23 oedd 55 o gymharu â 55 yn 2021-22 a 31 yn 2020-21. Mae'r ffigur ar gyfer 2022-23 yn cynrychioli 0.38 o gwynion a dderbyniwyd fesul 1000 o drigolion.</li> <li>• Yr angen i roi proses yn ei lle i adolygu'r Polisi Cwynion Blinderus yn rheolaidd.</li> <li>• Gwerth cael argraffnod safonol ar ddogfennau polisi i grynhoi prosesau adolygu.</li> <li>• Gallai'r Cynghorwyr fod angen canllawiau ychwanegol ynghylch ymdrin â sefyllfaoedd a allai fod yn heriol yn ymwneud ag etholwyr mewn perthynas â'r broses gwyno.</li> <li>• Yr angen i sicrhau bod gwersi'n cael eu dysgu oddi wrth gwynion er mwyn gwella gwasanaethau.</li> </ul>
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	<p>Gwnaeth y Prif Swyddog Gwasanaethau Cyfreithiol a Rheoleiddiol, Adnoddau Dynol a Pholisi Corfforaethol ymrwymiad i rannu'r dadansoddiad o ganlyniadau'r broses gwyno â'r Aelodau.</p> <ul style="list-style-type: none"> <li>• Yr angen i ddwyn ynghyd yr holl ffynonellau cwynion i mewn i broses gyffredin. Mae prosiect ar y gweill a arweinir gan y Tîm Gwasanaethau Cwsmeriaid i edrych i mewn i'r mater hwn.</li> <li>• O ran cwynion ffurfiol a dderbyniwyd gan bob Cyfarwyddiaeth, roedd y rhan fwyaf wedi eu crynhoi yng Nghyfarwyddiaeth y Cymunedau. Mae'n debyg bod y rhesymau am hyn yn gymhleth ond efallai mai'r rheswm allweddol yw bod natur y rhan fwyaf o'u gwasanaethau yn wynebu'r cyhoedd.</li> <li>• Roedd angen sicrhau bod y broses gwynion yn gweithio fel y dylai a bod y Gwasanaeth Archwilio Mewnol Rhanbarthol (RIAS) yn adeiladu adolygiad i mewn i'w raglen waith i'r dyfodol.</li> </ul>
Dyddiad Gwneud y Penderfyniad	9 Tachwedd 2023

119. Adroddiad Blynyddol y Pwyllgor Llywodraethu ac Archwilio 2022/23

Y Penderfyniad Wnaed	<p><b><u>PENDERFYNWYD:</u></b></p> <p>Cymeradwyodd y Pwyllgor Adroddiad Blynyddol y Pwyllgor Llywodraethu ac Archwilio 2022/23 a'i gyflwyno i'r Cyngor llawn.</p> <p>Mewn ymateb i'r adroddiad, bu'r Aelodau'n trafod nifer o faterion, gan gynnwys y canlynol:</p> <ul style="list-style-type: none"> <li>• Er bod gan y Pwyllgor ei nifer llawn o Aelodau ar gyfer cyfnod yr adroddiad blynyddol, roedd aelod llewyg wedi ymddiswyddo yn ystod y flwyddyn gyfredol ac roedd y broses recriwtio i benodi rhywun y ei le wedi cychwyn.</li> <li>• Roedd angen ystyried y trefniadau llywodraethu ar gyfer gwneud newidiadau i'r cynllun archwilio mewnol.</li> <li>• Yn nhermau effeithiolrwydd yr amgylchedd rheoli, nododd y Cadeirydd fod yr adroddiad yn dawl ynghylch yr hyn oedd i'w wneud o ran camau gweithredu cytunedig mewn ymateb i argymhellion blaenoriaeth uchel RIAS ac Archwilio Cymru. Unwaith y byddai dadansoddiad wedi cael ei gynnal o ble rydym gyda'r camau gweithredu rheoli cytunedig a'r ymateb i ganfyddiadau'r archwiliad, byddai datganiad yn yr adroddiad ynghylch hyn yn ychwanegu mwy o drylwyredd i'r hyn a ysgrifennwyd am yr amgylchedd rheoli.</li> </ul>
Dyddiad Gwneud y Penderfyniad	9 Tachwedd 2023

120. Blaenraglen Waith 2023-24

Y Penderfyniad Wnaed	<p><u>PENDERFYNWYD:</u></p> <p>Bu'r Pwyllgor yn ystyried, a chymeradwyodd y Flaenraglen Waith ar gyfer 2023-24.</p> <p>Wrth ystyried yr adroddiad, nododd yr Aelodau nifer o faterion:</p> <ul style="list-style-type: none"><li>• Cynigiodd Aelod y dylai'r Pwyllgor gael rhestr o strategaethau cyhoeddus a pholisïau a gyhoeddir yn rheolaidd i sicrhau eu bod yn cael eu hadolygu a'u diweddarau yn unol ag amserlen a benderfynwyd.</li><li>• Gofynnodd y Cadeirydd am i ddrafft cychwynnol o'r Flaenraglen Waith ar gyfer y flwyddyn yn dechrau ym mis Ebrill 2024 gael ei baratoi i'w ystyried yn y cyfarfod nesaf.</li></ul>
Dyddiad Gwneud y Penderfyniad	9 Tachwedd 2023

121. Materion Brys

Y Penderfyniad Wnaed	Dim
Dyddiad Gwneud y Penderfyniad	9 Tachwedd 2023

I arsylwi dadl bellach a gynhaliwyd ar yr eitemau uchod, cliciwch ar y ddolen [hon](#).

Terfynwyd y cyfarfod yn 12:18.

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<b>Meeting of:</b>	<b>GOVERNANCE AND AUDIT COMMITTEE</b>
<b>Date of Meeting:</b>	<b>25 JANUARY 2024</b>
<b>Report Title:</b>	<b>GOVERNANCE AND AUDIT COMMITTEE ACTION RECORD</b>
<b>Report Owner / Corporate Director:</b>	<b>CHIEF OFFICER – LEGAL AND REGULATORY SERVICES, HR AND CORPORATE POLICY</b>
<b>Responsible Officer:</b>	<b>MARK GALVIN – SENIOR DEMOCRATIC SERVICES OFFICER - COMMITTEES</b>
<b>Policy Framework and Procedure Rules:</b>	<b>There is no impact on the policy framework and procedure rules.</b>
<b>Executive Summary:</b>	<b>This report seeks to update Members of the Governance and Audit Committee on follow-up actions or further information requested on reports considered by Members and/or requested by Committee, including any other related information in relation to previous agenda items.</b>

## 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. Background

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

## 3. Current situation / proposal

- 3.1 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.

## 4. Equality implications (including Socio-economic Duty and Welsh Language)

- 4.1 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. It is considered that there will be no significant or unacceptable equality impacts as a result of this report.

**5. Well-being of Future Generations implications and connection to Corporate Well-being Objectives**

- 5.1 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.

**6. Climate Change Implications**

- 6.1 There are no climate change implications arising from this report.

**7. Safeguarding and Corporate Parent Implications**

- 7.1 There are no safeguarding or corporate parent implications arising from 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.

**Background documents**

None.



Number	Date of Committee	Item	Lead	Target Date	Action	Date for action to be brought to GAC	Completed Date
1.	13 Oct 2022/ 1 Jun 23	Corporate Complaints	Chief Officer – Legal and Regulatory Services, HR and Corporate Policy	Nov 23	To prepare and submit a report on Corporate Complaints to GAC bi-annually.  The next report will be prepared for the meeting in November 2023.  The report will include consideration of ways to enrich the data set, to include such matters as the location of the complainant, under-reporting, and complaints made to Councillors (and noted in the referral system).	Nov 23	Nov 23
2.	26 July 23	Annual Corporate Fraud Report 2022-23	Department for Work and Pensions		That members receive a presentation from the Department for Work and Pensions (DWP).	To be confirmed	
3.	9 Nov 23	Capital Programme – Governance Issues	The Chief Officer – Finance, Performance and Change/ Head of RIAS	Jul 23	RIAS to carry out an audit of good governance, and will include the Capital Board, commencing in Q4.	Q4	
4.	9 Nov 23	School Vehicles	Head of RIAS/ Director of Education	Jan 24	The concerns of Members were raised with the Corporate Management Board (CMB).	Nov 23	Oct 23
					The Director of Education wrote to all schools about the matter.	Nov 23	Oct 23
					The Head of the Regional Internal Audit Service undertook to obtain and share the letter.	Jan 24	Jan 24
5.	9 Nov 23	Local Transport Strategy	Corporate Director - Communities		A Member requested a written response on progress against the 2015 plan.  It should be noted that the Subject Overview and Scrutiny Committee 3 considered the issue of Strategic Transport Projects at its meeting on 27 November 2023.	To be determined	
6.	9 Nov 23	Complaints: Handling Difficult Situations	Democratic Services Manager		That Councillors could need additional guidance on handling potentially challenging situations involving constituents in respect of the complaints process.	To be determined	
7.	9 Nov 23	Complaints Process	Head of RIAS		There was a need to ensure the complaints process was working as it should be and that the Regional Internal Audit Service	To be determined	

					(RIAS) would consider building a review into its work programme for 2024-25.		
8.	9 Nov 23	Appointment of a Lay Member	The Chief Officer – Finance, Performance and Change/ Head of RIAS		The recruitment process to appoint a lay member to fill the outstanding position was underway.	To be determined	
9.	9 Nov 23	Forward Work Programme, 2024-25	Deputy Head of Finance		The Chairperson requested that an initial draft of the Forward Work Programme for the year starting in April 2024 be prepared for consideration at the next meeting.	Jan 24	Jan 24

<b>Meeting of:</b>	<b>GOVERNANCE AND AUDIT COMMITTEE</b>
<b>Date of Meeting:</b>	<b>25 JANUARY 2024</b>
<b>Report Title:</b>	<b>REGULATORY TRACKER UPDATE</b>
<b>Report Owner / Corporate Director:</b>	<b>CHIEF OFFICER- LEGAL, HR AND REGULATORY SERVICES</b>
<b>Responsible Officer:</b>	<b>ALEX RAWLIN POLICY AND PUBLIC AFFAIRS MANAGER</b>
<b>Policy Framework and Procedure Rules:</b>	The regulatory tracker forms part of the Council's Performance Management Framework.
<b>Executive Summary:</b>	<ul style="list-style-type: none"> <li>• The regulatory tracker has been updated to the end of quarter 2 of 2023-24.</li> <li>• Improvements requested by Governance and Audit Committee (GAC) have been completed.</li> <li>• Since the previous report to GAC in July 2023 – <ul style="list-style-type: none"> <li>○ No new inspections have been added</li> <li>○ 5 recommendations have been closed</li> <li>○ 58 recommendations are on the tracker</li> </ul> </li> <li>• Consider the summary points and detailed regulatory tracker and raise any issues of concern for follow-up.</li> </ul>

## 1. Purpose of Report

- 1.1 The purpose of this report is to provide an update to the Governance and Audit Committee on the Regulatory Tracker.

## 2. Background

- 2.1 A report to the Governance and Audit Committee (GAC) on 10 November 2022 set out issues raised by Audit Wales about the use of their reports and recommendations, and a need to improve the way findings are logged, scrutinising them and using them to improve the Council's activities. It was proposed that a 'regulatory tracker' be created to cover all regulators and all completed inspections and their recommendations for the Council. It was proposed that this 'regulatory tracker' be considered at GAC twice yearly. This report covers quarter 2 of 2023-24.
- 2.2 As stated within the Performance Management Framework, the performance judgement awarded to recommendations included within the regulatory

tracker uses this key with clear definitions for Blue, Red, Amber, Yellow, Green (BRAYG) statuses.

	What does this Status mean?		
	How are we doing	Commitments, projects or regulatory improvements	Performance Indicators
<b>COMPLETE (BLUE)</b>	Not applicable	Project is completed	Not applicable
<b>EXCELLENT (GREEN)</b>	Very strong, sustained performance and practice	As planned - within timescales, on budget, achieving outcomes	On target AND performance has improved / is at maximum
<b>GOOD (YELLOW)</b>	Strong features, minor aspects may need improvement	Minor issues. One of the following applies – deadlines show slippage, project is going over budget or risk score increases	On target
<b>ADEQUATE (AMBER)</b>	Needs improvement. Strengths outweigh weaknesses, but important aspects need improvement	Issues – More than one of the following applies - deadlines show slippage, project is going over budget or risk score increases	Off target (within 10% of target)
<b>UNSATISFACTORY (RED)</b>	Needs urgent improvement. Weaknesses outweigh strengths	Significant issues – deadlines breached, project over budget, risk score up to critical or worse	Off target (target missed by 10%+)

- 2.3 At the Committee’s meeting on 26 July 2023, members were asked to consider how best to improve follow-up mechanisms for regulatory reports and reduce the tracker’s size. Members requested that the performance team remove closed recommendations from the tracker, and from the next tracker in January 2024 receive only amber and red rated recommendations as well as a summary of recommendations closed in the previous period. In addition, they asked that Subject Overview and Scrutiny Committees receive the report to include blue and green rated recommendations twice yearly so they can scrutinise those ratings.

### 3. Current situation / proposal

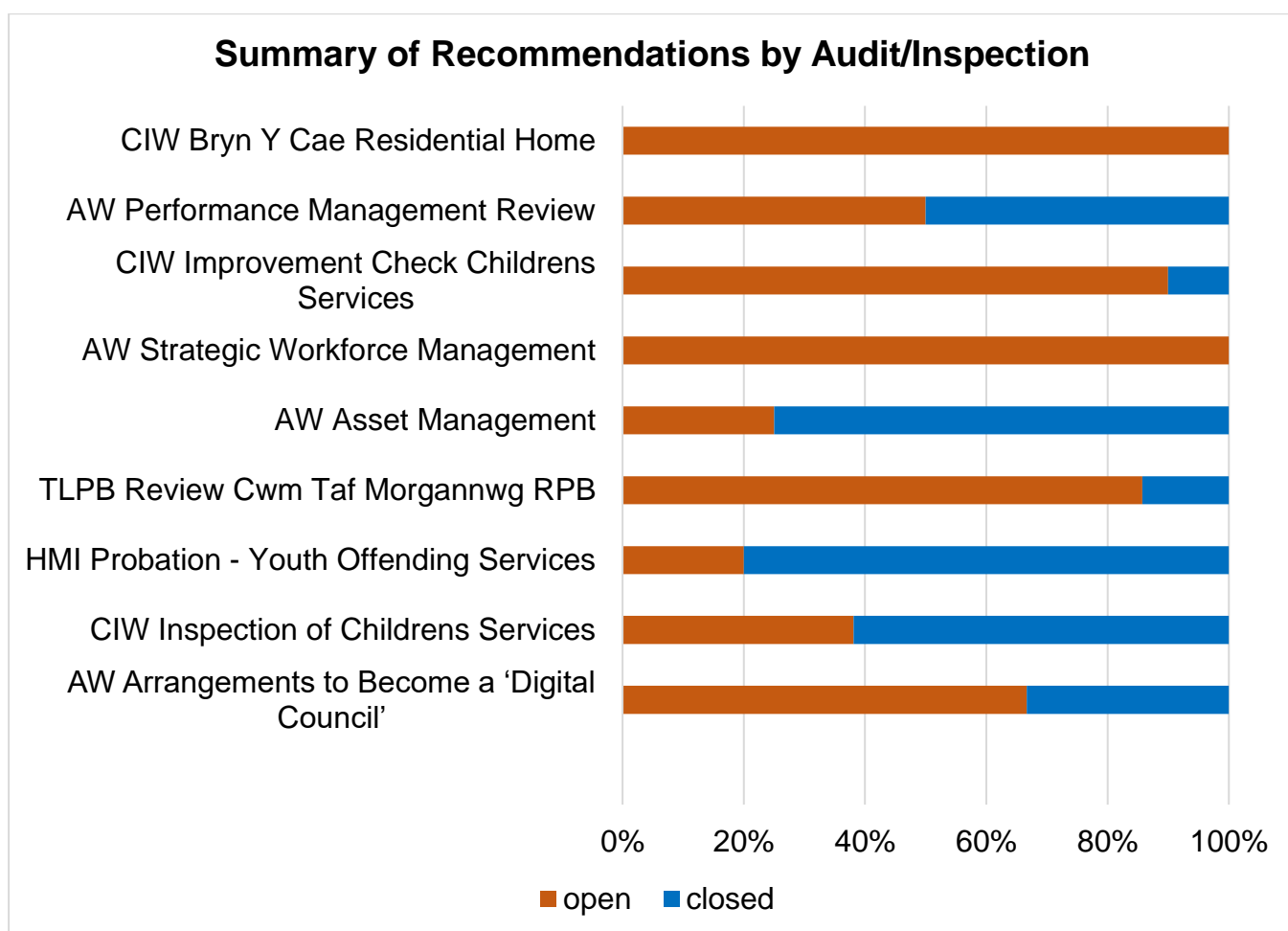
- 3.1 The improvements and changes requested by Governance and Audit Committee (summarised in paragraph 2.3) have been addressed in the regulatory tracker included in **Appendix 1**, an extract of the full tracker document only including recommendations with red or amber status, and **Appendix 2**, a summary of recommendations closed in the previous period (since the last report produced for Q4 2022-23). An information report with the full version of the tracker has been included on each Subject Overview and Scrutiny Committees forward work programmes. If additional referrals are needed, **it is recommended that Governance and Audit Committee refer specific audits / recommendations to the relevant Subject Overview and Scrutiny Committee. Alternatively, GAC could request an update be added to their own forward work plan for 6 months after any new audit or inspection is reported to the Committee.**
- 3.2 There are currently 58 regulator recommendations for the Council included on the full tracker report, from 9 Audits/Inspections. As the performance team is no longer reporting the entire tracker to Governance and Audit Committee, these are summarised below -

Audit/Inspection	Recommendations
Audit Wales, Review of Arrangements to Become a 'Digital Council'	3
Care Inspectorate Wales (CIW) Performance Evaluation Inspection of Children's Services	21
HM Inspectorate of Probation, Inspection of youth offending services in Bridgend	5
Transformational Leadership Programme Board, Baseline Governance Review Cwm Taf Morgannwg Regional Partnership Board	7
Audit Wales, Springing Forward Asset Management	4
Audit Wales, Springing Forward, Strategic Workforce Management	3
CIW Improvement Check Visit to Children's Social Care Services	10
Audit Wales, Performance Management Review	4
CIW, Bryn Y Cae Residential Home Priority Action Notices	1

- 3.3 Since the previous report to GAC on 26 July 2023, no new audits / inspections have been added to the tracker.

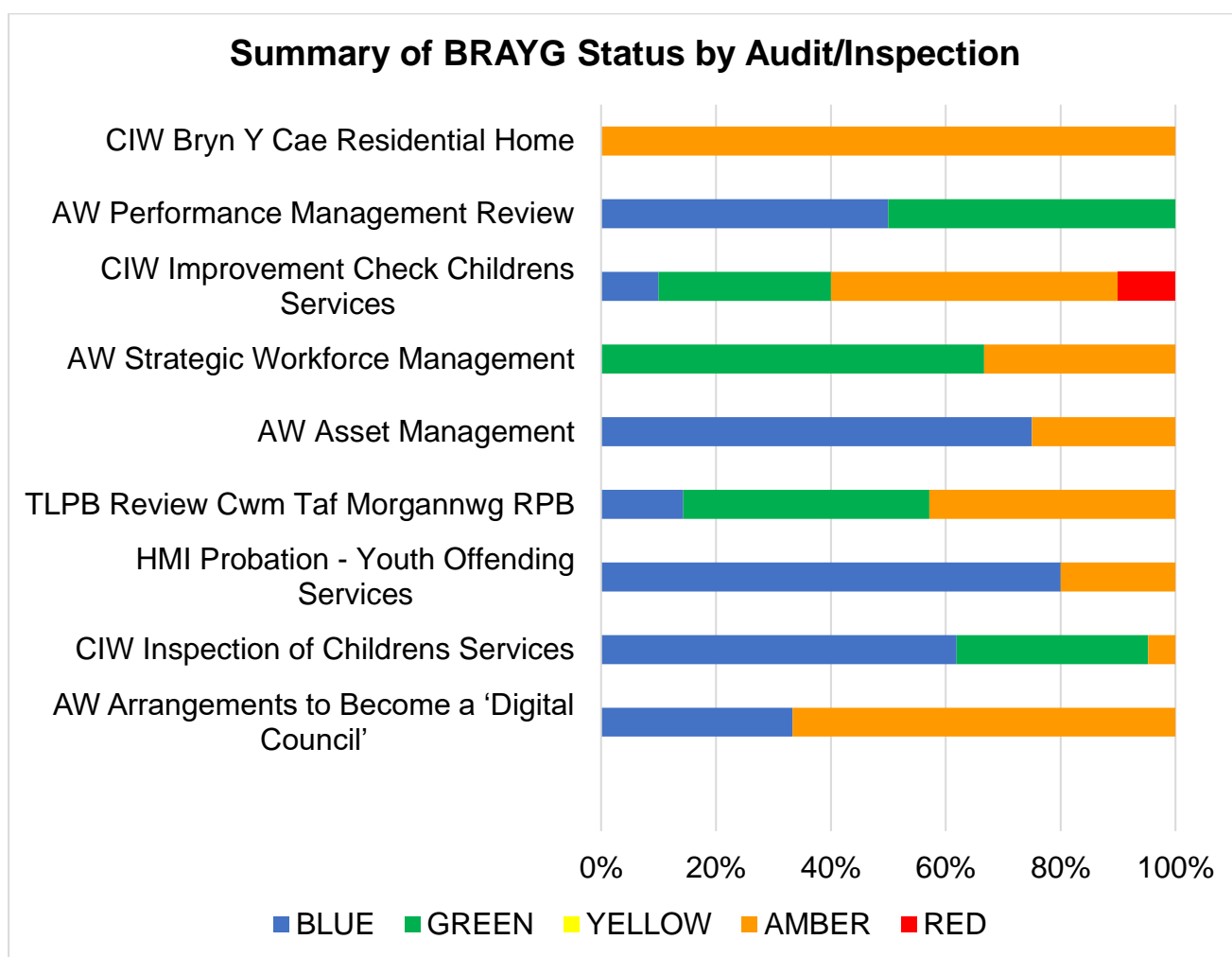
- 3.4 Since the previous report, 5 recommendations have been closed. Full commentary is included in **Appendix 2**. They are –
- Audit Wales, Performance Management Review (2 recommendations closed, 2 remain open)
  - Audit Wales, Spring Forward Asset Management (further 1 recommendation closed, 1 remains open)
  - CIW Performance Evaluation Inspection of Children's Services (further 2 recommendations closed, 8 remain open)
- 3.5 A breakdown of the open/closed status for the 58 current recommendations is below. This has also been summarised by audit / inspection on the following page to draw Governance and Audit Committee's attention to specific areas of concern.

Date	Recommendations	Open	Closed	% Open
10/11/2022	37	36	1	97.30
12/01/2023	66	48	18	72.73
15/07/2023	82	38	44	46.34
<b>25/01/2024</b>	<b>58</b>	<b>33</b>	<b>25</b>	<b>56.90</b>



- 3.6 A breakdown of red, amber, yellow, green, blue status for recommendations is below. This has also been summarised by audit / inspection on the following page to draw Governance and Audit Committee's attention to specific areas of concern.

Date	Recommendations	Blue	Green	Yellow	Amber	Red	No status
10/11/2022	37	1	18	n/a	11	0	7
12/01/2023	66	18	26	n/a	14	1	7
15/07/2023	82	44	22	0	15	1	0
<b>25/01/2024</b>	<b>58</b>	<b>25</b>	<b>17</b>	<b>0</b>	<b>15</b>	<b>1</b>	<b>0</b>



#### 4. Equality implications (including Socio-economic Duty / Welsh Language)

- 4.1 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. It is considered that there will be no significant or unacceptable equality impacts as a result of this report.

## **5. Well-being of Future Generations implications and connection to Corporate Well-being Objectives**

5.1 This report forms part of the measurement of progress against the following corporate well-being objectives under the Well-being of Future Generations (Wales) Act 2015 that form part of the Council's Corporate Plan 2023-28:-

1. A county borough where we protect our most vulnerable
2. A County Borough with fair work, skilled, high-quality jobs and thriving towns
3. A County Borough with thriving valleys communities
4. A County Borough where we help people meet their potential
5. A County Borough that is responding to the climate and nature emergency
6. A County Borough where people feel valued, heard and part of their community
7. A County Borough where we support people to live healthy and happy lives

## **6. Climate Change Implications**

6.1 There are no specific implications of this report on climate change.

## **7. Safeguarding and Corporate Parent Implications**

7.1 There are no specific implications of this report on safeguarding or corporate parenting.

## **8. Financial Implications**

8.1 There are no financial implications associated with these arrangements.

## **9. Recommendation**

9.1 Governance and Audit Committee is recommended to: -

- Consider the summary points and detailed regulatory tracker and raise any issues of concern for follow-up.
- Consider the recommended referral process in paragraph 3.1.

## **Background documents**

None.



Name of Audit / regulator (Directorate)	Report issued	Oversight and Date	Recommendation / proposal for improvement	Responsible Officer	Delivery Date	Action Update Q2 2023-24	BRAYG Q2	Open/ Closed
CIW Bryn Y Cae Residential Home Priority Action Notices (SSWB)	Mar-23	SOSC2 FWP 19 Jan 2024	The Provider must ensure Fire Safety work is carried out promptly to reduce the risk of fire at the services	Group Manager, Residential Manager, Corporate Landlord	Sep-23	Work is in progress	AMBER	Open
CIW Improvement Check Children's Social Care Services (SSWB)	Nov-22	SOSC2 27 March 2023	Pe9 - Continue to work towards ensuring a sufficient and sustainable workforce, with the capacity and capability to consistently meet statutory responsibilities	Director and Workforce Board	Continuous	Fortnightly workforce planning meetings take place to closely monitor the workstreams and their impact. The challenges continue with ongoing reliance on agency staff but there has been some successful recruitment of permanent staff in recent months. Some of the positive impacts will not be achieved until the medium/long terms e.g. 'grow our own', full team of international recruits etc.	AMBER	Open
			Pe10 - Continue to monitor the quality of social care records ensuring recording in relation to siblings, ethnicity, language, religion is strengthened, and a consistent approach taken	PO Training	Apr-23	No update currently Audit tools to be reviewed to ensure these factors are captured and monitored.	AMBER	Open
			Pr6 - Continue to closely monitor the position of children's social services and early help services to ensure any indicators of risks to achieving and sustaining improvement and compliance with statutory responsibilities, and pressure/ gaps in service provision are quickly identified and the required action is taken	Director/HoS/Deputy HoS	Jun-23	Bronze and silver meetings are taking place as indicated where comprehensive data/dashboards are presented by every part of the service. In addition, monitoring and analysis of cross directorate activity and performance is monitored by the shared dataset that is presented at every EH and SG Board meeting. A commissioning strategy is under development to assess need and set out the prioritised to meet need in a preventative way	AMBER	Open
			PR8 - Ensure children are not placed in unregistered services and must continue its efforts to identify suitable, registered placements	GM Commissioning	Continuous	Children's commissioning strategy to be finalised which will include placement/sufficiency. Children are only placed in unregistered services in exceptional circumstances and when this does happen the arrangements are closely monitored and reported to CIW for consideration by their enforcement panel. The process of developing a BCBC Strategic Commissioning Plan, which will be taken into Scrutiny in Dec 2023, prior to wider engagement and finalisation. This plan covers both Early Help and regulated Children's Services. A key element of the plan will be the updating of the Placement Sufficiency Strategy – which will be a standalone document with the key findings included in the above strategic plan.	RED	Open
			Pi4 - Ensure clarity and consistency of thresholds for access to early help and statutory services. The local authority must prioritise this work to ensure children and families access the right support at the right time and ensure smooth access to services, and where required smooth transition between early help / preventative and statutory services	Director/Head of Service	Jun-23	Growing our own Social Work Programme continues with further new starters commencing in Sept 2023. A project group continues to oversee international recruitment and to date 11 social workers have been offered posts, 8 have started and 3 have passed their 6 month probation. The social work charter was launched on world social work day 2023. A BCBC Strategic Commissioning Plan, is currently being finalised and this will be presented to Scrutiny in January 2023, prior to wider engagement and finalisation. The deputy head of service is leading a piece of work with the partners to agree a threshold document for the regional safeguarding board	AMBER	Open
			W7 - Implement and embed consistent practice regarding identifying and responding to child exploitation, progress work as a matter of urgency	GM Practice improvement	Jun-23	A referral pathway for identifying and assessing exploitation has been developed and a multi-agency panel established. Interactive guidance is being developed by a subgroup of the regional safeguarding board	AMBER	Open
Audit Wales, Springing Forward – Strategic Workforce Management (CEX)	Oct-22	COSC	R2 The Council should develop a suite of strategic quantitative and qualitative measures to enhance its ability to understand the impacts and affordability of its workforce plans and actions.	Kelly Watson	Sep-23	The current budget position has meant that all services have had to review how they deliver in the future, it is envisaged that this will be the immediate workforce priority.	AMBER	Open
Audit Wales, Springing Forward - Asset Management (COMM)	Oct-22	SOSC3	R2 The Council should address as a priority its health and safety related statutory building compliance performance so that it is meeting its statutory duties relating to electrical, gas, asbestos, legionella, and fire risk testing.	Justin Kingdon	Sep-23	In Q2 statutory compliance will be over 90% for the first time on 4 of the 5 Big Risk areas, including Gas, Electricity, Fire and Asbestos. The new Legionella Officer has unfortunately resigned and will be leaving the authority, so the post will be vacant. The responsibilities of this post will be covered within the team. A new Integrated Works Management Package (IWMS) is being procured.	AMBER	Open

Name of Audit / regulator (Directorate)	Report issued	Oversight and Date	Recommendation / proposal for improvement	Responsible Officer	Delivery Date	Action Update Q2 2023-24	BRAYG Q2	Open/ Closed
Transformational Leadership Programme Board – Baseline governance Review – Cwm Taf Morgannwg Regional Partnership Board (SSWB)	Aug-22	SOSC2	R4 Risk Management Our work found areas of risk management that need to be improved, particularly in relation to regional workforce planning. The TPLB should strengthen regional risk management arrangements by improving the identification and prioritisation of shared risks and ensuring mitigating actions are robust and clearly articulated.	Head of Regional Commissioning Unit	ongoing	There remains uncertainty over any additional resource to implement further faster (noting AHP funding being received) and recognition that there exists an ever-increasing financial challenge the need to accelerate the rebalancing of the health and care system, ensuring that existing resources are utilised most effectively and stive towards the Further Faster ambitions remains. Effective transformation of our existing model of care including engagement, understanding resistance to change, create a learning environment that studies each change and is flexible to respond to new knowledge and data is needed.  At RPB meeting in October financial challenges paper presented for discussion to highlight and discuss financial challenges and risks to programme delivery.	AMBER	Open
			R6 Use of Resources Improving the health and social care outcomes of the region will require efficient and effective use of combined resources. Our work found that there had been some limited examples of pooled budgets and other arrangements for sharing resources. The TPLB needs to explore more innovative ways of sharing and pooling core resources across the region to maximise its impact and outcomes for the Cwm Taf Morgannwg population	Head of Regional Commissioning Unit	2023-24	Welsh Government officials are currently working to review Part 2 and Part 9 Codes of Practice (Social Services and Wellbeing Act 2014) which will further strengthen partnership arrangement and collaborative service delivery (Consultation planned Autumn 2023). As part of the amendments to codes of practice the duty to co-operate will be established as lying equally on Local Authorities and Health Boards and the role of the RPB as a key vehicle through which that duty should be exercised. Furthermore within chapter 5, pooled funds positioned more clearly within joint commissioning context and greater flexibility given in relation to pooling resources at Regional, sub-regional pan cluster, cluster and individual levels.  Section 33 agreement in Bridgend.	AMBER	Open
			R7 Regional workforce planning Like many parts of the public sector, the region is experiencing significant workforce challenges. The TLPB needs to consider how it can facilitate a regional and strategic approach to addressing these challenges and to help it deliver its priorities.	Head of Regional Commissioning Unit	ongoing	One of the four aims outlined in 'A Healthier Wales: Our Plan for Health and Social Care', is to have a motivated and sustainable health and social care workforce that delivers a seamless system of health and care, and calls for a fundamental shift in our understanding of who constitutes the workforce, and how we support the contribution that each individual makes. Requiring not only 'greater parity of esteem' between health and social care professionals, but also recognising and supporting the vital role played by the informal workforce of unpaid carers and of volunteers. To support new models of care, health and social care services must strengthen the support, training, development and services available to the workforce, with a focus on building skills across a whole career and supporting their health and wellbeing. New seamless models of health and care that emerge, require a clear and coherent approach to developing and planning the whole workforce. To meet this need, WG commissioned Health Education and Improvement Wales (HEIW) and Social Care Wales (SCW) to develop a long-term workforce strategy, in partnership with NHS and Local Government, the voluntary and independent sectors, as well as regulators, professional bodies, and education providers. The workforce strategy aims to address the Parliamentary Review's call for joint regional workforce planning. The workforce strategy also identifies dynamic leadership will be needed to instigate change, empower others and lead by example, as well as create conditions for continuous innovation and improvement, to drive up the quality and value of services.	AMBER	Open
HM Inspectorate of Probation, inspection of youth offending services in Bridgend (EFS)	Jun-22	SOSC1	2. The Chair of the YJS Management Board should: review the format and purpose of the Bureau, and ensure that it has the relevant information and input from the necessary agencies so that the out-of-court disposal meets the needs of the child.	Mark Lewis	Mar-24	The Out of Court Decision (O OCD) Decision Making Panel has been expanded to include colleagues from Health and Victim Support. To further develop the panel and make it truly multi-agency representatives from Education and Childrens Services have also been approached to join. This move will ensure that the views of key agencies working with a child inform decision making and that any plan subsequently drawn up aligns with those that may already be in place.	AMBER	Open
CIW, Report of Performance Evaluation Inspection of Children's Services (SSWB)	May-22	SOSC2 3 Nov 2022	PR3 - Placement sufficiency and support	HoS/GM Placements and Provider Services	Mar-23	Meadows View (assessment and emergency residential provision ) has been registered and opened. Radical reform funding from WG has also been granted for us to establish a Placement Support team for fostering and residential care and this project is underway. This funding is short term so it is anticipated there will be challenges in recruiting to short term contracts. The regional children's programme board has an accommodation workstream which is driving the development and bids for associated funding for specialist provision. There are several targeted fostering recruitment activities for the year and a dedicated recruitment officer has been appointed to drive this forward.	AMBER	Open
Audit Wales, Review of Arrangements to Become a 'Digital Council' (CEX)	Jun-21	COSC	P1 The Council could improve its digital strategy	Martin Morgans	Dec-23	This is the final year of the existing Digital Strategy, we have committed available resources to developing a new and more relevant revised strategy, aligned to our business priorities	AMBER	Open
			P3 - The Council should consider improving communication with staff / members to evoke the culture necessary to change	Martin Morgans	Dec-23	A Peer assessment of our communications and marketing function was carried out during quarter 4, a part of that relates to improving communication with staff and members and will be picked up as part of the action plan	AMBER	Open

Name of Audit / regulator (Directorate)	Report issued	Oversight and Date	Recommendation / proposal for improvement	Responsible Officer	Delivery Date	Action Update Q2 2023-24	BRAYG Q2	Open/ Closed
Audit Wales, Performance Management Review (CEX)	Feb-23	COSC FWP 23 Oct 2023	R1 Ensure that service level business plans are complete, having a full range of performance indicators to support its wellbeing objectives.	Alex Rawlin	Aug-23	Corporate Plan was signed off by Council in March 2023, Delivery Plan in July 2023, and targets in October 2023. Service Plans are complete and available on the intranet	BLUE	Closed
			R2 Ensure that all performance indicators are meaningful, outcome focused and have clear links to the Council's wellbeing objectives	Alex Rawlin	Jul-23	Corporate Plan delivery plan was designed to do exactly this and was agreed by Council in July 2023 alongside a new performance framework.	BLUE	Closed
Audit Wales, Springing Forward - Asset Management (COMM)	Oct-22	SOSC3	R3 The Council should develop a suite of strategic quantitative and qualitative measures to enhance its ability to understand the impacts of its assets plans and actions as part of its strategy development during 2022.	Janine Nightingale	Apr-23	Complete - This was undertaken as part of the review of the Self-Assessment, Communities Business Plan and Asset Management Strategy	BLUE	Closed
CIW, Report of Performance Evaluation Inspection of Children's Services (SSWB)	May-22	SOSC2 3 Nov 2022	PE7 - Review of direct payments scheme	Dep HoS/GM Commissioning	Mar-23	In May 2023 Cabinet approved the new public-facing Direct Payments policy for implementation across the Directorate. A 7 Minute Briefing has been developed and cascaded to staff. A staff handbook is under development which will contain more operational information to support staff in the implementation and use of direct payments.	BLUE	Closed
			PI2 - The local authority will need to ensure its communication strategy is sufficiently robust to effectively communicate to staff and partners the vision for children's services and the many developments taking place/planned to take place	Director/HoS	ongoing	Partnership working has been strengthened through the Regional Safeguarding Board Executive Steering Group and the Bridgend Joint Operational Group.	BLUE	Closed

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<b>Meeting of:</b>	<b>GOVERNANCE AND AUDIT COMMITTEE</b>
<b>Date of Meeting:</b>	<b>25 JANUARY 2024</b>
<b>Report Title:</b>	<b>AUDIT WALES GOVERNANCE AND AUDIT COMMITTEE REPORTS</b>
<b>Report Owner / Corporate Director:</b>	<b>CHIEF OFFICER – FINANCE, PERFORMANCE AND CHANGE</b>
<b>Responsible Officer:</b>	<b>DEBORAH EXTON DEPUTY HEAD OF FINANCE</b>
<b>Policy Framework and Procedure Rules:</b>	<b>There is no impact on the policy framework and procedure rules.</b>
<b>Executive Summary:</b>	<ul style="list-style-type: none"> <li>• The Council's external auditors, Audit Wales, undertake a range of financial and performance audit work during the financial year.</li> <li>• They publish a number of reports in respect of the audit work undertaken.</li> <li>• Some of the reports are national across all local authorities and others are local and specific to Bridgend.</li> <li>• Audit Wales also present a quarterly work programme and timetable to the Governance and Audit Committee to outline work completed, audits in progress and those still due to be undertaken.</li> <li>• The report provides details of the quarterly update on the Work Programme to the end of December 2023.</li> </ul>

## 1. Purpose of Report

- 1.1 The purpose of this report is to submit to the Committee reports from Audit Wales.

## 2. Background

- 2.1 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.

- 2.2 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.
- 2.3 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.

### **3. Current situation / proposal**

- 3.1 Audit Wales has produced one report for the Governance and Audit Committee to consider:-
- **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' (Care Inspectorate Wales and Estyn). At the meeting of the Governance and Audit Committee in July 2021, Audit Wales reported that they will provide an updated version of this report to the Council on a quarterly basis. **Appendix A** is an updated position as at 31<sup>st</sup> December 2023.

### **4. Equality implications (including Socio-economic Duty and Welsh Language)**

- 4.1 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.

### **5. Well-being of Future Generations implications and connection to Corporate Well-being Objectives**

- 5.1 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.

### **6. Climate Change Implications**

- 6.1 There are no climate change implications arising from this report.

**7. Safeguarding and Corporate Parent Implications**

- 7.1 There are no safeguarding or corporate parent implications arising from 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 Report at **Appendix A**.

**Background documents**

None

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

**Quarterly Update: 31 December 2023**

### Annual Audit Summary

Description	Timetable	Status
A report summarising completed audit work since the last Annual Audit Summary, which was issued in April 2023.	Spring 2024	Planning

### Financial Audit work

Description	Scope	Timetable	Status
<b>Audit of the Council's 2022-23 statement of accounts</b>	We are required to issue a certificate and report on your financial statements which includes an opinion on their 'truth and fairness' and an assessment as to whether the Narrative Report and Annual Governance Statement is prepared in line with the CIPFA Code and relevant guidance and is consistent with your financial statements and my knowledge of the Authority.	30 November 2023	The accounts are scheduled to be approved by GAC on 25/1/24 and certified by the AGW on 26/1/24

Description	Scope	Timetable	Status
<b>The limited assurance audits of Coychurch Crematorium and Porthcawl Harbour 2022-23 accounts</b>	Per the Accounts and Audit (Wales) Regulations 2014 both bodies are classed as smaller bodies and a limited set of audit procedures is required. Neither body is subject therefore to a full audit.	30 November 2023	Coychurch Crematorium was certified on 20/12/23 and Porthcawl Harbour will be certified following their re-approval by GAC.
<b>Certification of several of the Council's 2022-23 grant claims and returns</b>	We are required to certify a small number of returns and grant claims in regard to the Council.	Various	Two of the returns have been submitted (NDR and Teachers Pension). Our work on the remaining one (the Housing Benefit subsidy claim) is due to commence shortly.

## Performance Audit work

2022-23 Performance Audit work	Scope	Timetable	Status
<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 and acting in accordance with the sustainable development principle.</p>		
	<ul style="list-style-type: none"> <li>Financial position</li> </ul>	Ongoing monitoring of financial position	Ongoing
	<ul style="list-style-type: none"> <li>Capital programme management</li> </ul>	September – December 2023	AW will not undertake detailed work at all councils as part of our 2022-23 work programme. We are currently exploring our options for undertaking a detailed piece of work on this topic either in 2023-24 or future years.
	<ul style="list-style-type: none"> <li>Use of performance information – with a focus on service user feedback and outcomes</li> </ul>	February – September 2023	Complete Final report issued 22nd September 2023

<b>2022-23 Performance Audit work</b>	<b>Scope</b>	<b>Timetable</b>	<b>Status</b>
<b>Thematic Review – Unscheduled Care</b>	A cross-sector review focusing on the flow of patients out of hospital. This review will consider how the Council is working with its partners to address the risks associated with the provision of social care to support hospital discharge, as well as prevent hospital admission. The work will also consider what steps are being taken to provide medium to longer-term solutions.	August 2022 – October 2023	Reporting from February 2024 onward.
<b>Thematic review – Digital</b>	A review of councils' strategic approach to digital, and the extent to which this has been developed in accordance with the sustainable development principle; and that it will help to secure value for money in the use of councils' resources.	January – September.	Draft report issued 24 <sup>th</sup> November 2023
<b>Local project – Review of performance management arrangements</b>	We will review the Council's performance management arrangements and establish how well they inform the Council of progress in meeting its priorities.	July to October 2022	Complete

<b>2023-24 Performance Audit work</b>	<b>Scope</b>	<b>Timetable</b>	<b>Status</b>
<b>Assurance and Risk Assessment</b>	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 and acting in accordance with the sustainable development principle.	2023-24	Ongoing
	Setting of well-being objectives	Jan to Apr 2024	Draft PB issued 10 <sup>th</sup> January 2024
<b>Thematic review – commissioning and contract management</b>	A review focusing on how councils' arrangements for commissioning, and contract management apply value for money considerations and the sustainable development principle.	January – July 2024	Scoping
<b>Thematic review – Financial Sustainability</b>	A review of councils' financial sustainability including a focus on the actions, plans and arrangements to bridge funding gaps and address financial pressures over the medium term.	March – June 2024	Scoping
<b>Local project</b>	Highways/Transport – currently scoping this piece of work	2023-24	Scoping

## Local government national studies planned/in progress

Study	Scope	Timetable	Status	Fieldwork planned at Bridgend County Borough Council
<b>Planning for sustainable development – Brownfield regeneration</b>	Review of how local authorities are promoting and enabling better use of vacant non-domestic dwellings and brownfield sites	October 2022 – September 2023	Report drafting – publication due January 2024	Yes – interview with nominated officer at seven councils and survey.
<b>Governance of special purpose authorities – National Parks</b>	Review of systems and effectiveness of governance	November 2022 – September 2023	Report drafting – publication due February 2024.	No
<b>Governance in Fire and Rescue Authorities</b>	Review of systems and effectiveness of governance	September 2023 – August 2024	Fieldwork underway	No
<b>Homelessness</b>	Examining how services are working together to progress the response to homelessness.	tbc	Scoping	tbc

## Estyn

Our link inspectors are continuing to work with Torfaen as part of our follow-up process for an authority causing significant concern. We inspected Conwy local government education service in the week beginning 6 November 2023, and the report will be published early in January 2024. We will be piloting our new inspection arrangements in the Vale of Glamorgan on the week beginning 11 March 2024. We will also be inspecting the Vale of Glamorgan's youth work services on the week beginning 19 February 2024, and the findings of that inspection will contribute to the evidence base for the LGES inspection.

We have published a report outlining the approaches of local authorities and secondary schools in promoting attendance. The report will be published on 18 January 2024.

## Care Inspectorate Wales (CIW)

CIW planned work 2023-25	Scope	Timetable	Status
<b>Thematic reviews</b>			
<b>Community Learning Disability Team (CLDT)</b>	Working with HIW we will complete a small sample of joint CLDT inspections in 2024. We will use this approach to evaluate and consider our approach to joint inspection.	2024-25	Planning
<b>Stroke pathway</b>	Working in collaboration with HIW a <u>National Review of Patient Flow: a journey through the stroke pathway (hiw.org.uk)</u> has recently been published.	Complete	Published

CIW planned work 2023-25	Scope	Timetable	Status
<b>National review of Care Planning for children and young people subject to the Public Law Outline pre-proceedings</b>	<p>Purpose of the review</p> <p>To provide external scrutiny, assurance and to promote improvement regarding the quality of practice in relation to the care planning for children and young people subject to the public law outline pre-proceedings.</p> <p>To consider the extent to which practice has progressed since the publication of both the CIW 'National Review of care planning for children and young people subject to public law outline pre-proceedings' and the publication of the PLO working group report 2021 including best practice guidance.</p>	Awaiting publication	Publication January 2024
<b>Child Protection Rapid Review</b>	<p>The review looked at to what extent the current structures and processes in Wales ensure children's names are appropriately placed on, and removed from, the child protection register (CPR) when sufficient evidence indicates it is safe to do.</p> <p><u><a href="#">Rapid review of child protection arrangements, Care Inspectorate Wales</a></u></p> <p><u><a href="#">Rapid review of child protection arrangements - interim findings, Care Inspectorate Wales</a></u></p>	Published	Published
<b>Deprivation of Liberty Safeguards Annual Monitoring Report for Health and Social Care 2022-23</b>	<p>The <u><a href="#">2020-21 report</a></u> was published on 7 February 2021</p> <p>The 2021-2022 report is underway</p>	<p>Published</p> <p>To be confirmed</p>	<p>Published</p> <p>Preparing</p>



CIW planned work 2023-25	Scope	Timetable	Status
<b>Joint Inspection Child Protection Arrangements (JICPA)</b>	<p>We will complete a further two multi-agency joint inspections in total.</p> <p>The findings following Denbighshire County Council have been published - <a href="#">Joint Inspectorate Review of Child Protection Arrangements (JICPA): Denbighshire 2023   Care Inspectorate Wales</a></p> <p>The findings following Bridgend County Borough Council have been published - <a href="#">Joint Inspectorate Review of Child Protection Arrangements (JICPA): Bridgend 2023   Care Inspectorate Wales</a></p> <p>The findings from Powys County Council are underway</p> <p>We will publish a national report in late spring 2024.</p>	April 2023 – April 2024	Delivery
<b>Performance review of Local Authorities</b>	<p>We continue to inspect Local Authorities in line with our updated Code of Practice for our local authority inspection activity   <a href="#">Care Inspectorate Wales</a></p> <p><a href="#">How we inspect local authority services and CAFCASS Cymru</a></p>	Ongoing	Ongoing

## Audit Wales national reports and other outputs published since December 2022

Report title	Publication date and link to report
Corporate Joint Committees – commentary on their progress	<a href="#">November 2023</a>
Governance arrangements relating to an employment dispute at Amgueddfa Cymru – National Museum Wales	<a href="#">November 2023</a>
Failures in financial management and governance and losses incurred – Harlech Community Council	<a href="#">November 2023</a>
Putting out the false alarms: Fire and Rescue Authorities’ responses to Unwanted Fire Signals	<a href="#">October 2023</a>
Covering teachers’ absence – follow-up (letter to the Public Accounts and Public Administration Committee)	<a href="#">October 2023</a>
NHS workforce – data briefing	<a href="#">September 2023</a>
Income Diversification for National Park Authorities in Wales	<a href="#">September 2023</a>
Approaches to achieving net zero across the UK	<a href="#">September 2023</a>
Springing Forward: Lessons learnt from our work on workforce and assets (in local government)	<a href="#">September 2023</a>
Local Government Financial Sustainability Data tool update (further update planned in January 2024)	<a href="#">September 2023</a>
NHS finances data tool – to 31 March 2023	<a href="#">September 2023</a>

Report title	Publication date and link to report
Public interest reports – Ammanford Town Council and Llanferres Community Council	<a href="#"><u>September 2023</u></a>
Cwm Taf Morgannwg University Health Board - Quality Governance Arrangements Joint Review Follow-up	<a href="#"><u>August 2023</u></a>
'Cracks in the Foundations' – Building Safety in Wales	<a href="#"><u>August 2023</u></a>
Maximising EU funding – the Structural Funds Programme and the Rural Development Programme	<a href="#"><u>June 2023</u></a>
Digital inclusion in Wales (including key questions for public bodies)	<a href="#"><u>March 2023</u></a>
Orthopaedic Services in Wales – Tackling the Waiting List Backlog	<a href="#"><u>March 2023</u></a>
Betsi Cadwaladr University Health Board – Review of Board Effectiveness	<a href="#"><u>February 2023</u></a>
Welsh Government purchase of Gilestone Farm	<a href="#"><u>January 2023</u></a>
Together we can – Community resilience and self-reliance	<a href="#"><u>January 2023</u></a>
A Picture of Flood Risk Management	<a href="#"><u>December 2022</u></a>
'A missed opportunity' – Social Enterprises	<a href="#"><u>December 2022</u></a>

## Audit Wales national reports and other outputs (work in progress / planned)<sup>1, 2</sup>

Title	Indicative publication date
Ukrainian refugee services	February 2024
Betsi Cadwaladr University Health Board – review of board effectiveness follow up	February 2024
A465 Section 2 – update	February 2024
NHS quality governance	March 2024
Local government digital strategy review – national summary	March 2024
Local government use of performance information, outcomes and service user perspective – national summary	March 2024
Affordable housing	Spring 2024
Active travel	Spring 2024

<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. Follow up work could also lead to other outputs, as may other local audit work where we consider there is merit in a national summary output of some kind.

<sup>2</sup> We have also published to our website a paper – [Our work programme for 2023-2026](#) – that provides additional detail about our national work (including local thematic reviews). In addition to new work that we will be taking forward in 2023-24, the paper includes details about indicative topics for work to start in 2024-24 or 2025-26.

Title	Indicative publication date
Audit Committees. 'What does good look like?'. R&D work to understand the broad audit committee landscape across all sectors in Wales. Outputs to support Good Practice Exchange events and potential future audit work.	R&D work Sept – Dec 2023 Good Practice Event Spring 2024
NHS Workforce planning (national messages)	Late spring 2024
Cancer services	Late summer 2024
The senior public service	To be confirmed (scoping early 2024)
Challenges for the cultural sector	To be confirmed (starting in 2023-24)
Rebalancing care and support	To be confirmed (starting in 2023-24)
Tackling NHS waiting lists (local audit work at health boards)	To be confirmed (starting in 2023-24)
Access to education for children with Additional Learning Needs	To be confirmed (starting in 2023-24)
Addressing biodiversity decline (pan-public sector and at Natural Resources Wales)	R&D work underway September to December 2023. Data gathering with representative groups. Outputs will inform any further audit work. Pan-public sector review – Autumn 2024
Velindre Cancer Centre	To be confirmed (scoping)
Welsh Government capital and infrastructure investment	To be confirmed (scoping)

Title	Indicative publication date
Further and higher education funding and oversight – Commission for Tertiary Education and Research	To be confirmed (scoping)

## Good Practice Exchange events and resources

Title	Link to resource
The Good Practice Exchange – Our yearly round up <b>of events and resources</b>	<a href="#">December 2023</a>
<b>Integrity in the Public Sector</b> ‘Trust is built and maintained through competence, reliability, and honesty, as well as the building of genuine and sound relationships between the public sector and the public it serves. That means the public sector must be accountable for the management and delivery of public services and outcomes, for the direction and control of the work it does, the resources it manages, and for its behaviour and ethics.’ This event will look at how public services can promote a culture of integrity.	5 December 2023 10:00 – 12:00 Online
<b>Working in partnership to improve wellbeing</b> This event will bring together the North Wales Insight Partnership, the Public Service Boards and the C4C community to share wellbeing plans across the North Wales region, as well as sharing the innovative work being undertaken by a range of sectors around wellbeing in our communities. The event will provide opportunities to discuss how we can connect all of this work to deliver real change.	24 October 2023 09:30 – 16:30  Cardiff date TBC
<b>Strategy to Action: How digital makes a difference to everyday lives</b> This event will take a practical and honest view at the digital landscape in Wales and will offer practical ideas for public and third sector organisations which will help them achieve the best value for money.	27 September 2023 09:00 – 13:00 – North Wales  5 October 2023 09:00 – 13:00 – Cardiff

Title	Link to resource
<p><b>Podcast: Auditing Community Resilience</b> In this edition of The Exchange, our Local Government team discuss some of the factors that cause poverty in Wales, as well as the value provided by social enterprises, and the importance of keeping wealth in communities.</p>	<p><u><b>To listen</b></u></p>

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<b>Meeting of:</b>	<b>GOVERNANCE AND AUDIT COMMITTEE</b>
<b>Date of Meeting:</b>	<b>25 JANUARY 2024</b>
<b>Report Title:</b>	<b>CORPORATE RISK ASSESSMENT</b>
<b>Report Owner / Corporate Director:</b>	<b>CHIEF OFFICER – FINANCE, PERFORMANCE AND CHANGE</b>
<b>Responsible Officer:</b>	<b>KAREN DAVIES RISK MANAGEMENT AND INSURANCE OFFICER</b>
<b>Policy Framework and Procedure Rules:</b>	<b>There is no impact on the policy framework or procedure rules</b>
<b>Executive Summary:</b>	<ul style="list-style-type: none"> <li>• <b>The Corporate Risk Assessment is reviewed by the Governance and Audit Committee as part of the Council's quarterly Corporate Performance Assessment framework.</b></li> <li>• <b>The Corporate Risk Assessment has been considered and reviewed in consultation with Corporate Management Board</b></li> <li>• <b>All risks have been updated to reflect the current corporate risks being managed by the Authority.</b></li> </ul>

## **1. Purpose of Report**

- 1.1. The purpose of this report is to provide the Governance and Audit Committee with an updated Corporate Risk Assessment.

## **2. Background**

- 2.1 Good governance requires the Council to develop effective risk management processes, including an assessment of corporate risks.
- 2.2 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 controls, and corporate governance arrangements.
- 2.3 The Corporate Risk Assessment is considered and reviewed by the Corporate Management Board (CMB) and the 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.

- 2.4 The Corporate Risk Assessment at Appendix A is aligned with the Council's Medium Term Financial Strategy and Corporate Plan.

### 3. Current situation / proposal

- 3.1 The Corporate Risk Assessment, attached at **Appendix A**, has been reviewed in consultation with the Corporate Management Board. 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. It also identifies what actions are being taken to manage the risks and who is responsible for the Council's response. The risk assessment is aligned with the Medium-Term Financial Strategy.

- 3.2 There are currently 12 risks on the Corporate Risk Assessment. Every risk has been reviewed by CMB. It is proposed that the following risks are removed from the Corporate Risk Register as they refer specifically to the pandemic and the immediate recovery period. Where individual issues are still relevant they have been included in other risks within the Assessment as appropriate

COR - 2020 - 02 : Recovery/restoration of services

COR – 2022 – 01 : Hang over effects from the pandemic

- 3.3 All risks on the Corporate Risk Assessment are in the High category. The table below outlines how this has changed in recent years with the Authority managing increased risk across all service areas.

	Score	October 2022	Jan 2023	May 2023	Jan 2024
Low	1-9	3	0	0	0
Medium	10-12	1	0	0	0
High	15-25	10	11	11	10

### 4. Equality implications (including Socio-economic Duty and Welsh Language)

- 4.1 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 conduct an Equality Impact assessment in the production of this report. It is considered that there will be no significant or unacceptable equality impacts because of this report.

### 5. Well-being of Future Generations implications and connection to Corporate Well-being Objectives

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

## **6. Climate Change Implications**

6.1 There are no climate change implications as a result of this report.

## **7. Safeguarding and Corporate Parent Implications**

7.1 There are no Safeguarding or Corporate Parent implications as a result of this report.

## **8. Financial Implications**

8.1 There are no financial implications directly associated with the Corporate Risk Assessment. Implementation actions will be progressed within approved budgets

## **9. Recommendation**

9.1 It is recommended that:

- the Committee consider the Corporate Risk Assessment (**Appendix A**); and
- the Committee agrees to the deletion of the risks detailed in para 3.2 prior to submission of the Corporate Risk Assessment to Council for approval on 28 February.

## **Background documents**

None

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Corporate Risk Assessment

IDENTIFIED RISK			ACTION PLAN													
No.	There is a risk that	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	Residual risk score			Well-Being Objective
			Li	Im	Total								Li	Im	Total	
COR - 2019 - 01	The council is unable to deliver a balanced budget and sustain services into the medium term	The Council has been making budget reductions since 2010 and identified revenue savings of £75m in that time. Therefore it is harder each year to identify and deliver ongoing budget reductions . The more difficult decisions to cut or reduce service levels must be made or the Council will not deliver the changes necessary to achieve a balanced budget which will result in the council being in breach of its legal responsibilities. Careful planning and difficult choices will be key to ensuring that a balanced financial position is maintained. Due to funding shortages across the public sector, the longer term predictions with regards to funding received from Welsh Government are challenging. Continuing increases in inflationary pressure, most acutely in areas such as energy and pay awards, mean that there is inevitably a greater focus on the "here and now". The increased demand for services due to demographic pressures and increased levels of need in our communities also put pressure on the financial resources that the Council has. The Council has previously been able to make the identified budget savings but since 2021/2022 this has not been possible for all service areas. In recent years the Council has had to manage unprecedented in year financial pressures which has impacted on the financial resilience of the Council for future years. Ultimately if the Council fails to balance its budget or manage the increased pressures, the Sec 151 Officer would have to issue a Sec114 notice which could result in the management of the council being undertaken by Commissioners appointed by the government.	5	5	25	Treat	Jan-24	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 scrutiny and formal and informal briefings of members and political groupings. The in year pressures during 2022/23 were unprecedented due to inflationary pressures on both pay and non pay costs and this has continued into 2023/2024 and a 5 point action plan was implemented in the third quarter of the year. Elected members were all briefed on this position during the year. In setting the 2023/2024 budget, difficult decisions had to be made re budget savings and limited growth across the budget.	Continuously review the assumptions built into the MTFS to promote multi year forecasting and longer term financial planning. Keep elected members informed of updated position and re-align MTFS as appropriate. Earlier discussion with members on possible scenarios to get early buy in to the direction of travel. For MTFS 2024-28, more focus on potential areas of saving, even if not currently proposed, rather than just proposed savings. Focus to be more deep dives into targeted areas, with the benchmarking report being used to identify possible service areas for review. MTFS to consider longer term pressures and ensure these are fully considered beyond the life of the 4 year MTFS. It is clear that in the short term there will need to be a concerted "One Council" approach to identify and agree the immediate priorities while continuing to try to put the right changes and measures in place to develop an effective and sustainable longer term financial plan for the organisation. The impact of grant fall out on individual services will be monitored to determine financial and service impact. In the longer term, difficult policy decisions will have to be made regarding future levels of service delivery to ensure that the Council is able to set a balanced budget going forward. Ensure that during the period of significant change, robust governance is maintained to ensure the all decisions are made on the basis of information, financial and service risk analysis and taking account of the long term impact of decisions made.	CMB	Jan-2024	May-2024	4	5	20	All Wellbeing Objectives
COR - 2019 - 02	The council is unable to deliver transformation including projects and 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 and capital projects, which will lead to it not meeting its commitments within available budgets. Of particular importance here is the actions required to tackle change service to meet financial pressures and external requirements such as the Climate Emergency, the delivery of the universal free school meal offer and the Sustainable Communities for Learning Programme, the consequences of which will have a detrimental impact on all areas of the Borough. Our ability to have the amount of resource and expertise to implement significant transformation programmes is compromise,[ eg Digital, by a lack of senior management strategic capacity , more limited back office corporate support , and insufficient specialist skilled resource, as well as an increased and large number of service ' change ' programme requirements.	4	5	20	Treat	Jan-24	The council has a number of programmes and strategies in place that either directly support specific proposals for service improvement, deliver large scale capital regeneration projects, provide wider transformation opportunities and /or financial savings. Further transformation opportunities will be required to support a 'One Council' culture and support staff and managers through transformation. The Council does have programme boards in place to shape and deliver these programmes.	The development of a 'One Council' culture and transformational change has progressed in recent years and accelerated resulting in a more corporate approach to service provision and transformation that has been driven by CMB. The Council has changed the way it operates in recent years . The new Service Delivery Programme and increased activity in areas such as "Grow Your own" together with helping to change the way the Council does its business and other strategically important projects such as our Digital Transformation Programme continue to progress. The current financial pressures will impact on priorities such as 2030 decarbonisation and areas where significant investment is required, so this will have to continue to be monitored and reviewed regularly. To ensure the key transformation priorities for the Council are delivered, the key priorities must be reviewed and agreed.	CMB	Jan-2024	May-2024	4	4	16	All Well-Being Objectives
CEX- 2019-01	The council is unable to identify and deliver infrastructure improvements required in the medium to longer term due to the cessation of external grants, the increased cost of borrowing and the increased costs of construction and building works	If the council does not have sufficient capital to maintain, improve and replace its infrastructure, including roads, street lights, school buildings and technology then they will deteriorate bringing financial and safety risks which could lead to adverse incidents, reports, publicity, fines and ultimately prosecution. There is an increased risk that the Council will no longer be able to deliver capital investment to the same level making it more difficult for the Council to afford all of its ambitions around investing in its infrastructure to improve and enhance service delivery due to the impact on the revenue budget. Due to reduced capital finance, the Council will have to prioritise more effectively and there is a risk of reduced investment in some important infrastructure moving forward.	5	5	25	Treat	Jan-24	The council has a ten year capital programme. The development of this programme and arrangements for its review and updating are well established. However the council has identified scope to improve upon this to ensure that these needs are balanced with other demands for capital (such as new schools) through the development of the Capital Board. The capital programme is regularly reviewed, updated and reported to Members but it is evident that the costs of projects have risen, sometimes significantly, and the availability of contractors has often become more limited reducing competition. The procurement process has been reviewed to reduce the number of returned tenders that exceed the budget available.	The Council will continue to seek external and match funding for projects where possible, in order to maximise its capital programme spending capability. Where feasible the capital earmarked reserve will be replenished on an annual basis to mitigate the decline in available and potential new capital receipts, although this will be challenging due to the financial pressures in the revenue budget. The Council will continue to operate a strategy where capital receipts are not ring-fenced, to ensure that maximum flexibility is available. All capital bids will be fully considered by CMB and CCMB in line with the Capital Strategy, before inclusion in the capital programme. Schemes must have been subject to a full feasibility assessment. These assessments will take account of the financial and supplier issues and manage the expectations of service users and managers at the planning stage. This should inform more accurate costings and profiling of spend to avoid potential overspends or delays in schemes. The procurement process will also be considered and qualification criteria updated to try and avoid supplier issues. The establishment of the capital programme board will enhance the monitoring of the programme.	CMB	Jan-2024	May-2024	4	5	20	All Wellbeing Objectives
SS-2019-01	The council fails to meet statutory responsibilities to respond to situations where individuals are at risk of neglect or abuse. This would include children, adults in need of social care, homeless individuals etc.	Risks to the safety and wellbeing of children and adults at risk of neglect or abuse are significant and require an effective, highly skilled response from the multi-agency safeguarding partnership with leadership from the local authority. There is a risk that, without adequate budgets and due to the lack of a sufficiently experienced workforce, the Council's safeguarding arrangements will not be effective, and that children and adults at risk will not be kept safe and will experience harm. The demand for services continues to increase which is particularly evident in referrals into MASH/Information Advice and Assistance and the level of assessment activity. Numbers on the Child Protection Register remains high indicating the level of concern of partners in respect of safeguarding risks to children. Whilst work has been done to strengthen staff teams, there is still on over reliance on agency staff in some areas. The Council has statutory duties to provide sufficient resources to safeguard children and adults as well as to set a balanced budget and could face intervention from Welsh Government if it fails in either duty.	5	5	25	Treat	Jan-19	The Council continues to prioritise this area of work. A number of different actions are being taken to address these concerns. In relation to staffing matters additional staff have been employed to ensure the service is able to meet the increasing demand for services, the Council's Market Supplement Policy has been invoked to support the recruitment of staff to the childcare teams, resource has been found to support increased numbers of staff accessing the social work training scheme and work has been done to establish an overseas recruitment programme. Working practices in the service are being reviewed and the Council continues to work effectively with key partners. There is a reporting structure in the service to monitor the work required to address the range of issues and this feeds up to Social Services Improvement Board which consists of senior officers, the Leader and Deputy Leader of the Council and other elected members. Council approved a sustainability plan for children services and resources were made available to support this.	A new Corporate Safeguarding Officer has been appointed to enhance the support to corporate safeguarding arrangements. The Regional Safeguarding Board is developing common quality and performance reporting via the steering group to include clear trigger points of escalated action. A reflective lessons learned exercise has been undertaken into the issues which led to the critical incident in IAA services to ensure lessons have been learned and sustainable improvements made to reduce the risk of such an escalated position being required again. Work is being undertaken to develop a sustainable model for the service which includes practice, workforce and funding issues.	CMB	Jan-2024	May-2024	4	5	20	A county Borough where we protect our most vulnerable
COR - 2019-03	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, fragility in our schools and significant financial variations there may lead to a failure to deliver services, both in the short and long term, and a balanced financial position which could harm citizens who rely on council services. The consequence of this risk would include a threat to business continuity due to lack of key resources such as ICT, the closure of a key building or asset due to structural damage, loss of confidence in the public regarding the ability of the council to manage in a time of emergency and increased demand for support from those effected.	4	4	16	Treat	Jan-19	The council has anti virus software 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. Training is being provided to staff who will be involved in any civil emergency activity and this is updated on a regular basis.	A review will be completed in relation to out of hours cover for the Council as a whole to ensure a timely and effective response can be made when required. 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. Ongoing work on resilience and business continuity will help mitigate the risks but keeping the Council services running effectively this winter and beyond becomes more challenging.	CMB	Jan-2024	May-2024	4	4	16	All Well-Being Objectives
COR- 2019 - 04	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 continued reduction in the number of suitably skilled and experienced staff then there will not be the expertise in the workforce to deliver services and protect the interests of the council. This could lead to the wellbeing of citizens suffering, a reduction in service quality, a delay in service provision and a loss of morale amongst the remaining staff if they feel unsupported and therefore seek to work elsewhere.	4	5	20	Treat	Jan-19	The labour market remains very challenging in many disciplines , including social care and the communities directorate. Some measures have been implemented to seek to mitigate and treat the risks including use of the new market supplement policy, an enhanced grow your own programme for both apprentices and graduates and more innovative practise around things like international recruitment . However, out of necessity, while clearly undesirable, the use of agency staff remains high in some areas and vacancies impact on the capacity of the organisation to deliver all of its objectives and can lead to an impact on wellbeing and increased pressure on the depleted number of staff in work, and some frustration among the public and elected members about the pace of some responses and action.	There is a need to continue to seek alternative approaches to recruit to service areas, acknowledging that one size does not fit all. The benefits of working for the council will continue to be promoted alongside different methods of attracting staff. Consideration will also be given to how the council's agency provider can support this agenda. Different recruitment, advertising and selection methods are being introduced for recruiting Apprentices, to improve the level and quality of applicants and with the aim of developing a pool of Apprentices. Action plans are in place and being developed to address challenges in the Social Services and Wellbeing Directorate.	CMB	Jan-2024	May-2024	4	5	20	All Well-Being Objectives
COR- 2019-05	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. There is increasing evidence that this risk is becoming more apparent and prevalent. In particular in areas such as Home to School Transport, but also in residential care and construction there are increasing numbers of cases of market failure, companies falling into administration and increased costs being demanded to provide services or contracts will be handed back, which are difficult to mitigate as often there are very limited options to provide services, some of which are statutory.	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. Services are also doing more to work with providers to ensure an early dialogue when services are under pressure to work towards an agreed outcome.	Social Services have quarterly forum meetings with providers where risks, issues and pressures are identified. There are regular contract monitoring visits to monitor performance and quality. Directorates to monitor the financial performance and stability of contractors on an ongoing basis. Dialogue with some major suppliers is required and contingency planning has been progressed. This has become increasingly important due to the fragility of the market and the current economic situation. Many suppliers are going through difficult times and we will need to monitor closely to ensure that critical services do not collapse.	CMB	Jan-2024	May-2024	4	4	16	All wellbeing objectives

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IDENTIFIED RISK			ACTION PLAN													Well-Being Objective
No.	There is a risk that	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	Residual risk score			
			Li	Im	Total								Li	Im	Total	
COR-2020-02	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 .	The return of many individuals and staff groups to the office has been successfully managed and the introduction of the new ' hybrid working policy ' has been broadly supported by Trade Unions in line with the preference of most of their staff members for a more flexible approach to working. Hybrid meetings for both public Council meetings and internal officer/member meetings has also been introduced. Clearly new ways of working are yet to be fully embedded and we must be aware of new waves of Covid during the winter period. We must also be cognisant of the potential impact of the Cost of Living crisis on the working patterns of individuals. Overall however evidence suggests that with a continued focus on ' business first ' there is no detriment to productivity from new ways of working but there is increased demand for many services and ever increasing expectations create further challenges around capacity in the organisation as we continue to see some of the post Covid impact continue in areas such as homelessness and social care	5	4	20	Treat	Sep-20	Full risk assessments at a service level 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 has been distributed for self assessment to determine if special measures are required to be implemented to protect those individuals. Revised protocols have been 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.	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 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. The Council continues to move to a 'recovery' position whereby as well as continuing to deliver some Covid related services and respond to some of the Covid legacy issues such as significantly increased demand for social care, early help and homelessness services, there is an expectation from the public that other Council services will have returned to 'normal'.	CMB	Jan-2024	May-2024	4	4	16	Smarter use of resources
COM - 2020 - 01	Invigorating the economy and economic recovery following the Covid pandemic, the cost of living crisis, and local issues such as the closure of businesses in the area.	The ongoing cost of living crisis and political and market / financial uncertainty is impacting both individuals and local businesses. There has been increased demand for financial support with increased applications for Council Tax reduction requests, reduced payment of Council Tax and business rates and a corresponding increase for other relevant Council advice and support services . May local businesses are particularly impacted by the huge inflationary increases particularly in energy costs meaning it is inevitable that there will be increased fragility in this sector.	5	4	20	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. The Council continues to act on behalf of Welsh Government through the administration of small business rates relief.	Support the aims set out by local economic recovery taskforce and identify and implement the recommended actions through the development of a new Economic Strategy . Liaise closely with colleagues in the Cardiff Capital Region and Welsh Government to identify and target opportunities for investment to add to investment provided by BCBC 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. Implement proposals for the UK Government's Levelling Up Fund and the Shared Prosperity Fund which can be used to fund Employability/ skills based initiatives.	CMB / Economic Recovery Panel	Jan-2024	May-2024	4	4	16	a County Borough with fair work, skilled, high quality jobs and thriving towns
COR- 2022 - 01	The hangover effects of the pandemic, coupled with heightened geo-political tensions emerging from invasion of Ukraine, is impacting global economy, financial systems, supply chains and energy security	The continuing impact of Brexit and the war in the Ukraine are resulting in *Increased supply issues in relation to workforce for contractors and materials for major projects Increased inflationary pressures impacting costs of pricing and materials in construction sector, delaying or disrupting capital projects *Increased pricing of commodities –gas, oil and silicon chips could have a direct impact on certain projects, costs and performance of key sectors *Increased risks around energy supply and capability, to potentially impact delivery of the Energy Strategy	4	5	20	Treat	Apr-22	*Ongoing economic analysis *Agreed energy strategy *Heat reduction schemes	The impact on the Council will be continually monitored as the position becomes clearer. To achieve this, we will work closely with suppliers either via existing forums or through the contract management process. Work is being undertaken regionally to develop frameworks which will achieve economies of scale. As new services are tendered, potential inflationary costs and timeline pressures are being factored into the procurement process at an early stage. The impact on service delivery and the budget will be determined as part of this process and will be reported to Cabinet and Council as part of the normal reporting processes.	CMB	Jan-2024	May-2024	4	5	20	All Wellbeing Objectives
SS- 2023 01	Significant service pressures in the health and social care services could impact on the ability of services to support vulnerable individuals	The health and social care system is not able to meet the health and care needs of people in a timely way resulting in harm and excess deaths. The immediate risk is that there is not sufficient capacity in community health and social care services to prevent hospital admissions and support timely discharge from hospital.	5	5	25	Treat	Jan-23	There are very regular meetings at senior levels across Health and the Local Authority to understand the current position and to agree the joint actions required to try to address the issues.	The Cwm Taf Morgannwg health and social care partners have developed a range of immediate, short, medium and long term actions to enhance community capacity and review pathways of care. The most immediate actions are the enhancement of community beds through additional care home capacity and the implementation of Discharge to Recover and Assess pathways of care. There are timescales attached to the actions agreed. There is also a comprehensive plan to address the capacity issues in care and support at home services. The system has experienced significant pressures so despite the actions the residual risk remains at a very high level and the service continues to evaluate whether immediate actions have impacted.	CMB	Jan-2024	May-2024	5	5	25	A county Borough where we support people to live healthy and happy lives
EDFS - 2024 - 01	There is an increase in the financial fragility of schools in the Borough	Whilst the council seeks to mitigate the impact of the overall financial positions for schools, current financial planning includes the need to reduce the level of support previously given to schools. The consequences of this include schools having to use their balances to fund activity with increased risk of schools going into deficit. It is a requirement that schools address a deficit within 3 years, 5 in exceptional circumstances. This will be more difficult as funding to schools reduces.	5	5	25	Treat	Jan-24	There are structures in place to escalate issues to senior officers and Members. There is a Schools Budget Forum in place that is a consultative body in relation to the schools funding formula and overall finance issues for schools. School governors are responsible for monitoring and reporting school finance positions. Schools are supported with the development and monitoring of individual school budgets by the central finance team.	Further work to be done with schools to understand the impact on any budget reductions on individual schools.	CMB	Jan-2024	May-2024	5	4	20	A county borough where we help people to meet their potential

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
1-9 - Green - Low
10-12 - Amber - Medium
15-25 - Red - High

Risk ID number follows the sequence
Directorate - year identified - risk number
Directorate codes mentioned above are:
SS - Social Service
COR - Corporate
COM - Communities
CEX - Chief Executives
EDFS - Education and Family Services

<b>Meeting of:</b>	<b>GOVERNANCE AND AUDIT COMMITTEE</b>
<b>Date of Meeting:</b>	<b>25 JANUARY 2024</b>
<b>Report Title:</b>	<b>TREASURY MANAGEMENT STRATEGY 2024-25</b>
<b>Report Owner / Corporate Director:</b>	<b>CHIEF OFFICER – FINANCE, PERFORMANCE AND CHANGE</b>
<b>Responsible Officer:</b>	<b>NIGEL SMITH, GROUP MANAGER – CHIEF ACCOUNTANT</b>
<b>Policy Framework and Procedure Rules:</b>	<b>Paragraph 22.3 of the Finance Procedure Rules (FPRs) within the Council’s Constitution requires that all investments and borrowing transactions shall be undertaken in accordance with the Council’s Treasury Management Strategy as approved by Council. Paragraph 22.8 of the FPRs sets the Governance and Audit Committee’s responsibility to ensure the effective scrutiny of the Treasury Management policies and practices.</b>
<b>Executive Summary:</b>	<ul style="list-style-type: none"> <li>• The Treasury Management Strategy 2024-25 (TMS) incorporates the Borrowing Strategy, Investment Strategy and Treasury Management Indicators.</li> <li>• The role of the Governance and Audit Committee is to ensure effective scrutiny of the TMS and the associated performance indicators.</li> <li>• The Council’s treasury activities are regulated by regulation and the Chartered Institute of Public Finance and Accountancy’s (CIPFA) Code of Practice. The Council operates within these requirements.</li> <li>• Council is required to approve the TMS in advance of the financial year. The TMS will be presented to Council on 28 February 2024.</li> </ul>

## 1. Purpose of Report

- 1.1 The purpose of this report is to present to the Governance and Audit Committee the draft Treasury Management Strategy 2024-25, which includes the:
- Borrowing Strategy 2024-25
  - Treasury Investment Strategy 2024-25
  - Treasury Management Indicators for the period 2024-25 to 2026-27.

## **2. Background**

- 2.1 To ensure effective scrutiny of treasury management in accordance with the Treasury Management Strategy (TMS), the Governance and Audit Committee has been nominated to be responsible for ensuring effective scrutiny of the TMS and policies in accordance with the Treasury Policy Statement and Treasury Management Prudential Indicators.
- 2.2 The Council's treasury management activities are regulated by the Local Government Act 2003 which provides the powers to borrow and invest as well as providing controls and limits on this activity. The Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 as amended, develops the controls and powers within the Act. This requires the Council to undertake any borrowing activity with regard to the Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code for Capital Finance in Local Authorities (2021) and to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services (2021) (TM Code). This includes a requirement for the Council to approve a TMS before the start of each financial year which sets out the Council's and Chief Financial Officer's responsibilities, delegation, and reporting arrangements.
- 2.3 In addition the Welsh Government (WG) issued revised Guidance on Local Authority Investments in November 2019, which requires the Council to approve an Investment Strategy prior to the start of each financial year.
- 2.4 Treasury investments covers all of the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return. The Prudential Code for Capital Finance in Local Authorities (the Prudential Code) 2021 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 Council's Capital Strategy and TMS will be presented for approval by Council on 28 February 2024. The Capital Strategy and TMS are interlinked as borrowing and investments are directly impacted by capital plans.

## **3. Current situation / proposal**

- 3.1 The draft TMS 2024-25 at **Appendix A** confirms the Council's compliance with the CIPFA Treasury Management in the Public Services: Code of Practice (2021), which requires that formal and comprehensive objectives, policies and practices, strategies and reporting arrangements are in place for the effective management and control of treasury management activities, and that the effective management and control of risk are the prime objectives of these activities.
- 3.2 The TMS has been updated to reflect the current economic context, including the impact of higher inflation and higher interest rates which for January is 5.25%.
- 3.3 The maturity of long-term debt has been included, and the forecast is that the Council may need to borrow over the next 3 years to support the Capital Programme. However, this is based on the capital programme position as at quarter 2, as reported to Council on 18 October 2023, and the anticipated use of earmarked reserves at that time. It is likely that the capital programme position as at quarter 3 will show slippage



of a number of schemes. As a result, the timing at when there is a need to borrow will also slip. To date the Council has been able to use reserves to support its capital expenditure, known as internal borrowing. As the capital programme includes a number of schemes that are still in development stages, it is likely that forecast expenditure will slip as will the forecast use of reserves. The use of reserves to fund capital expenditure is a short-term position and as reserves are used and balances reduced, it will be necessary to borrow. This will be closely monitored during the year as changes to the Capital Programme influence the use of reserves.

- 3.4 The CIPFA Prudential Code for Capital Finance in Local Authorities (2021) (the Prudential Code) states that, in order to comply with the Code, an authority must not borrow to invest primarily for financial return. The Code does not require existing commercial investments, including property, to be sold, however, it does set out that authorities who have a need to borrow should review options for exiting their financial investments for commercial purposes. The Council's investment properties are valued annually, to ensure that their values are reflected fairly within the Statement of Accounts. It is considered that the level of these investments is reasonable, and the Council does not intend to invest further purely for financial return.
- 3.5 The TMS 2024-25 will be presented to Council for approval on 28 February 2024 and, whilst the main body will remain unchanged, there may be variations to some of the figures as a result of changes to the capital programme and forecast use of reserves, to reflect the most up to date information.

#### **4. Equality implications (including Socio-economic Duty and Welsh Language)**

- 4.1 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. It is considered that there will be no significant or unacceptable equality impacts as a result of this report.

#### **5. Well-being of Future Generations implications and connection to Corporate Well-being Objectives**

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

#### **6. Climate Change Implications**

- 6.1 The Climate Change implications were considered in the preparation of this report. It is considered that there will be no significant or unacceptable impacts upon the environment because of this report.

#### **7. Safeguarding and Corporate Parent Implications**

- 7.1 The Safeguarding and Corporate Parenting implications were considered in the preparation of this report. It is considered that there will be no significant or

unacceptable impacts upon Safeguarding and Corporate parenting because of this report.

## **8. Financial Implications**

8.1 There are no financial implications arising from this report.

## **9. Recommendation**

9.1 It is recommended that the Committee:

- Consider the draft Treasury Management Strategy for 2024-25; and
- Recommend that the final updated Treasury Management Strategy, reflecting the latest financial information available as at 31 December 2023, be presented to Council for approval on 28 February 2024.

## **Background documents**

None

# Draft Treasury Management Strategy 2024-25

## 1.0 INTRODUCTION

The Council carries out its treasury management activities in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) *Treasury Management in the Public Services: Code of Practice (2021) (the 'Code')*. The Code was first adopted in full for the financial year 2023-24 and continues to require the Council to set out the policies and objectives of its treasury management activities and to manage its treasury risks in accordance with the Code.

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

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

The definition of 'Investments' above includes:

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

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

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

The Council has an integrated TMS where borrowing and investments are managed in accordance with best professional practice, which is assessed either from internal expertise or consultation with our external advisers. The Council will look to borrow money if needed to either meet short-term cash flow needs or to fund expenditure within the approved capital programme. Any actual loans taken are not generally associated with particular items of expenditure or assets. The Council is exposed to financial risks including the potential loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risks are therefore central to the Council's TMS. Should any of these factors change significantly, a revised TMS will be presented to Council for approval. A half year review of treasury management performance will also be presented to Council for approval as will an annual report for the financial year.

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

## 2.0 ECONOMIC CONTEXT

### Economic background:

The impact on the UK from higher interest rates and inflation, a weakening economic outlook, an uncertain political climate due to an upcoming general election, together with war in Ukraine and the Middle East, will all likely have a major influence on the Authority's Treasury Management Strategy for 2024-25.

The Bank of England (BoE) increased Bank Rate to 5.25% in August 2023 and maintained this level through the period and confirmed the rate again at their December meeting. Members of the BoE's Monetary Policy Committee voted 6-3 in favour of keeping Bank Rate at 5.25%. Those voting against wanted to increase rates by another 0.25%.

The November quarterly Monetary Policy Report (MPR) forecast a prolonged period of weak Gross Domestic Product (GDP) growth with the potential for a mild contraction due to ongoing weak economic activity. The outlook for CPI inflation was deemed to be highly uncertain, with near-term risks to CPI falling to the UK Government's 2% target coming from potential energy price increases, strong domestic wage growth and persistence in price-setting.

The Office for National Statistics (ONS) figures showed CPI inflation was 3.9% in the 12 months to November 2023, down from a 4.6% rate in the previous month and, in line with the recent trend, lower than expected. Core CPI (excluding energy, food,



alcohol and tobacco) rose by 5.1% in the 12 months to November 2023, down from 5.7% in October. Looking ahead, using the interest rate path implied by financial markets the Bank of England expects CPI inflation to continue falling slowly, but taking until early 2025 to reach the 2% target before dropping below target during the second half 2025 and into 2026.

ONS figures showed the UK economy contracted by 0.1% in the quarter to September 2023. The Bank of England forecasts GDP will likely stagnate through 2024. The Bank of England forecasts that higher interest rates will constrain GDP growth, which will remain weak over the entire forecast horizon.

The UK labour market appears to be loosening, but only very slowly. The unemployment rate rose slightly to 4.2% between June and August 2023, from 4.0% in the previous 3-month period, but the lack of consistency in the data between the two periods made comparisons difficult. Earnings growth remained strong, but has shown some signs of easing; regular pay (excluding bonuses) up 7.3% over the period and total pay (including bonuses) up 7.2%. Adjusted for inflation, the growth in regular pay was 1.4% and total pay 1.3%. Looking forward, the Monetary Policy Report showed the unemployment rate is expected to be around 4.25% in the second half of the 2023 calendar year, but then rising steadily over the forecast horizon to around 5% in late 2025/early 2026.

### **Credit outlook:**

Moody's revised its outlook on the UK sovereign to stable from negative to reflect its view of restored political predictability following the volatility after the 2022 mini-budget. Moody's also affirmed the Aa3 rating in recognition of the UK's economic resilience and strong institutional framework.

Following its rating action on the UK sovereign, Moody's revised the outlook on five UK banks to stable from negative and then followed this by the same action on five rated local authorities. However, within the same update the long-term ratings of those five local authorities were downgraded.

There remain competing tensions in the banking sector, on one side from higher interest rates boosting net income and profitability against another of a weakening economic outlook and likely recession that increase the possibility of a deterioration in the quality of banks' assets.

However, the institutions on our adviser Arlingclose's counterparty list remain well-capitalised and their counterparty advice on both recommended institutions and maximum duration remain under constant review and will continue to reflect economic conditions and the credit outlook.

### **Interest rate forecast:**

Although UK inflation and wage growth remain elevated, the Authority's treasury management adviser Arlingclose forecasts that Bank Rate has peaked at 5.25%. It believes the Bank of England's Monetary Policy Committee will start reducing rates in

2024 to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second-round inflation effects. Arlingclose predicts rate cuts from Quarter 3 2024 (July – September) to a low of around 3% by early-mid 2026.

Arlingclose expects long-term gilt yields to be broadly stable at current levels (amid continued volatility), following the decline in yields towards the end of 2023. Yields will remain relatively higher than in the past, due to quantitative tightening and significant bond supply. As ever, there will undoubtedly be short-term volatility due to economic and political uncertainty and events. A more detailed economic and interest rate forecast provided by Arlingclose is attached at **Appendix 1**.

### 3.0 EXTERNAL DEBT AND INVESTMENT POSITION

At 30 September 2023, the Council held £99.79 million of Long Term Borrowing comprising Public Works Loan Board (central government) at fixed rates and duration, Lender's Option Borrower's Option which may be rescheduled ahead of their maturity of 22 January 2054, and £2.92 million of Salix interest-free loans on a repayment basis. In addition, the Council had £85.50 million of investments. The external debt and investment position is shown in Table 1 below and more detail is provided in sections 4.0 Borrowing Strategy and 5.0 Treasury Investment Strategy.

**Table 1: Council's external debt and investment position as at 30 September 2023**

	Principal as at 30/9/2023 £m	Average Rate 30/9/2023 %
<b>External Long Term Borrowing</b>		
Public Works Loan Board	77.62	4.70
Lender's Option Borrower's Option	19.25	4.65
Salix Loan's (interest Free)	2.92	NIL
<b>Total External Long Term Borrowing</b>	<b>99.79</b>	<b>4.69*</b>
<b>Other Long Term Liabilities</b>		
Private Finance Initiative**	13.23	
Other Long Term Liabilities	0.13	
<b>Total Other Long Term Liabilities</b>	<b>13.36</b>	
<b>Total Gross Debt</b>	<b>113.15</b>	
<b>Treasury Investments</b>		
Debt Management Office	12.00	5.22
Local Authorities	43.00	4.16
Banks	18.50	5.32
Money Market Funds (instant access)	12.00	3.19
<b>Total Treasury Investments</b>	<b>85.50</b>	<b>4.42</b>
<b>Net Debt</b>	<b>27.65</b>	

\* Excludes Salix loans which are interest free

\*\* the provision of a Secondary School in Maesteg 10.75 years remaining term

The current profile of repayment for the Council's long-term debt is set out in Chart 1 below. The table assumes that the Public Works Loan Board and Lender's Option Borrower's Option loans will be repayable on their maturity date. However, although shown as maturing in 2054 the £19.25 million of Lender's Option Borrower's Option loans may be rescheduled ahead of their maturity date of 22 January 2054.

**Chart 1: Maturity Profile of long term debt**

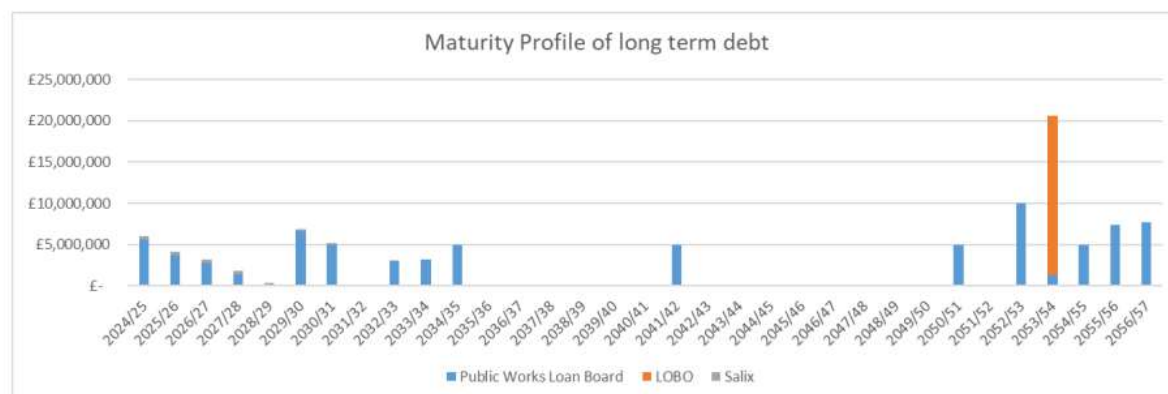


Table 2 below shows forecast changes in borrowing and investments and has been produced using estimates of capital spend and forecasts on usable reserves for the current and next three financial years. The Table shows that the Loans Capital Financing Requirement (CFR), which is the Council's need to borrow to fund capital expenditure, is anticipated to increase from current levels moving forward.

**Table 2: Balance sheet summary and forecast**

	31 March 2023 Actual £m	31 March 2024 Estimate £m	31 March 2025 Estimate £m	31 March 2026 Estimate £m	31 March 2027 Estimate £m
<b>Capital Financing Requirement</b>	176.21	179.56	185.75	182.45	178.99
Less: Other Debt Liabilities	(13.90)	(12.97)	(11.97)	(10.90)	(9.73)
<b>Loans Capital Finance Requirement</b>	<b>162.31</b>	<b>166.59</b>	<b>173.78</b>	<b>171.55</b>	<b>169.26</b>
Less: External Borrowing*	(99.93)	(99.61)	(93.71)	(89.69)	(86.58)
<b>Internal Borrowing</b>	<b>62.38</b>	<b>66.98</b>	<b>80.07</b>	<b>81.87</b>	<b>82.68</b>
Less: Usable Reserves	(133.46)	(88.60)	(48.34)	(42.03)	(40.01)
Plus Working Capital	(5.60)	(5.60)	(5.60)	(5.60)	(5.60)
<b>(Investments)/New Borrowing Requirement**</b>	<b>(76.68)</b>	<b>(27.22)</b>	<b>26.12</b>	<b>34.24</b>	<b>37.07</b>

\*The accounting practice followed by the Council requires financial instruments in the accounts (debt and investments) to be measured in a method compliant with International Financial Reporting Standards (IFRS) so these figures will differ from other figures in the TMS which are based on the actual amounts borrowed and invested. £6.04 million of the movement to 31 March 2025 relates to the recognition of operating leases as a right of use asset and an associated liability. It shows only loans to which the Authority is committed and excludes optional refinancing.

\*\* Any surplus borrowing requirement will be invested in line with the investment strategy

Where a Council finances capital expenditure by borrowing it must put aside revenue resources to repay that debt in later years, known as 'Minimum Revenue Provision' or MRP. The *Local Authority (Capital Finance and Accounting) (Amendment) (Wales) Regulations 2008* requires the Council to produce and approve an Annual Minimum Revenue Provision (MRP) Statement before the start of the financial year that details the methodology for the charge as detailed in the Council's Capital Strategy. The



underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR). This is the amount of capital expenditure which is not funded via grants, capital receipts or contributions from revenue and earmarked reserves, so represents the need to borrow. Usable reserves and working capital are the underlying resources available for investment. The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing. This strategy is prudent as investment returns are relatively low and the Council has resources in the short-term it can use and can delay borrowing until necessary. The Council is forecasting an increased CFR from current levels due to the increased level of prudential borrowing in the capital programme and due to a change to the method for accounting for leases under International Financial Reporting Standard (IFRS) 16, which must be implemented by all Councils from April 2024. This new standard requires that operating leases are brought onto the balance sheet as a 'right of use' asset and a lease liability created. Whilst the asset and liability values will be equal, the impact of this is that it will increase the Council's reported liabilities. It is also currently anticipated that the Council may need to consider borrowing long-term during 2024-25, however, this is based on the current forecast expenditure within the Capital Programme and the use of capital receipts and earmarked reserves set aside to fund significant schemes. Based on the Quarter 2 reported position, the forecast use of capital receipts and reserves during 2023-24 is £33.860 million with a further amount of £28.253 million in 2024-25. Capital receipts and earmarked reserves, in addition to the brought forward commitment of capital grants, have been set aside for schemes including Sustainable Communities for Learning, City Deal and Waterton Depot upgrade. A number of these schemes are still in development stages and therefore expenditure is likely to slip. Furthermore, due to significant cost increases in many capital programmes at tender stages there is likely to be a significant impact on the delivery of schemes within the Capital Programme.

The need to borrow will also be affected by the addition of any new capital schemes to the Capital Programme that are not fully funded by grant or revenue contributions and requiring debt financing. If any of these change and long-term borrowing is not required during 2024-25, it may be necessary to borrow short term to manage the Council's day-to-day cash flow requirements. A further impact of the change to the treatment of leases will be that interest charges will be recognised as a financing cost in the comprehensive income and expenditure statement rather than as lease payments within directorate budgets. The overall interest charge will not change, only its presentation within the financial statements.

CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Authority's total debt should be lower than its highest forecast Capital Financing Requirement (CFR) over the next three years. Table 2 above shows that the Authority expects to comply with this recommendation over this period.

### Liability Benchmark

To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated. The liability benchmark is a tool which helps to assess the lowest borrowing options available to an authority, by looking at debt levels

in relation to future liquidity to plan for financing. In other words, what is the minimum amount the Council needs to borrow by using available cash balances to fund capital expenditure in the short term. This assumes the same forecasts as Table 2 above, but that cash and investment balances are kept at a minimum level of £10 million at each year-end to maintain sufficient liquidity but minimise credit risk. CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. Table 3 and the Chart 2 below shows that the Council anticipates its borrowing will be below the liability benchmark as a result of using reserves in the short-term to fund capital expenditure, known as internal borrowing. It should be noted that this is a short-term position and as reserves are used for the purpose they were set aside, the need to borrow will become necessary. More detail is provided in the Capital Strategy.

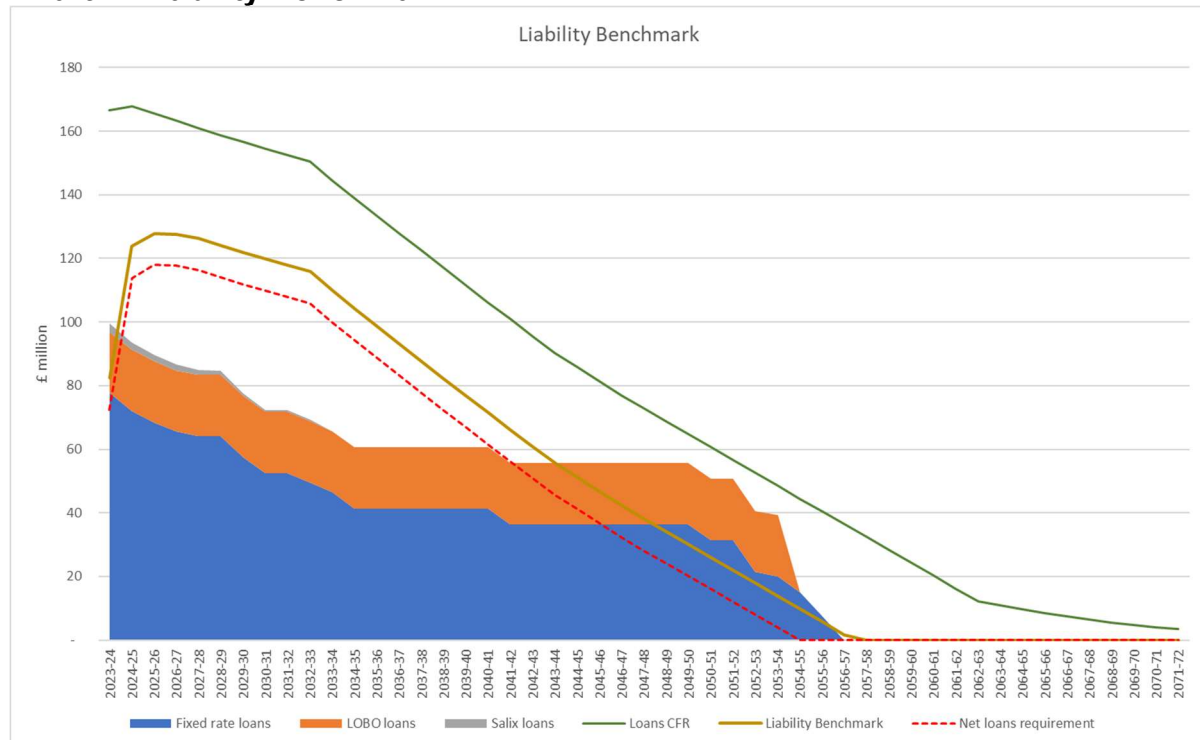
**Table 3: Liability benchmark**

	31 March 2023 Actual £m	31 March 2024 Estimate £m	31 March 2025 Estimate £m	31 March 2026 Estimate £m	31 March 2027 Estimate £m
<b>Loans Capital Financing Requirement</b>	162.31	166.59	173.78	171.55	169.26
Less: Balance Sheet resources	(139.06)	(94.20)	(53.95)	(47.63)	(45.61)
<b>Net Loans Requirement</b>	<b>23.25</b>	<b>72.39</b>	<b>119.83</b>	<b>123.92</b>	<b>123.65</b>
Add: Liquidity allowance	10.00	10.00	10.00	10.00	10.00
<b>Liability Benchmark</b>	<b>33.25</b>	<b>82.39</b>	<b>129.83</b>	<b>133.92</b>	<b>133.65</b>

The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shapes its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

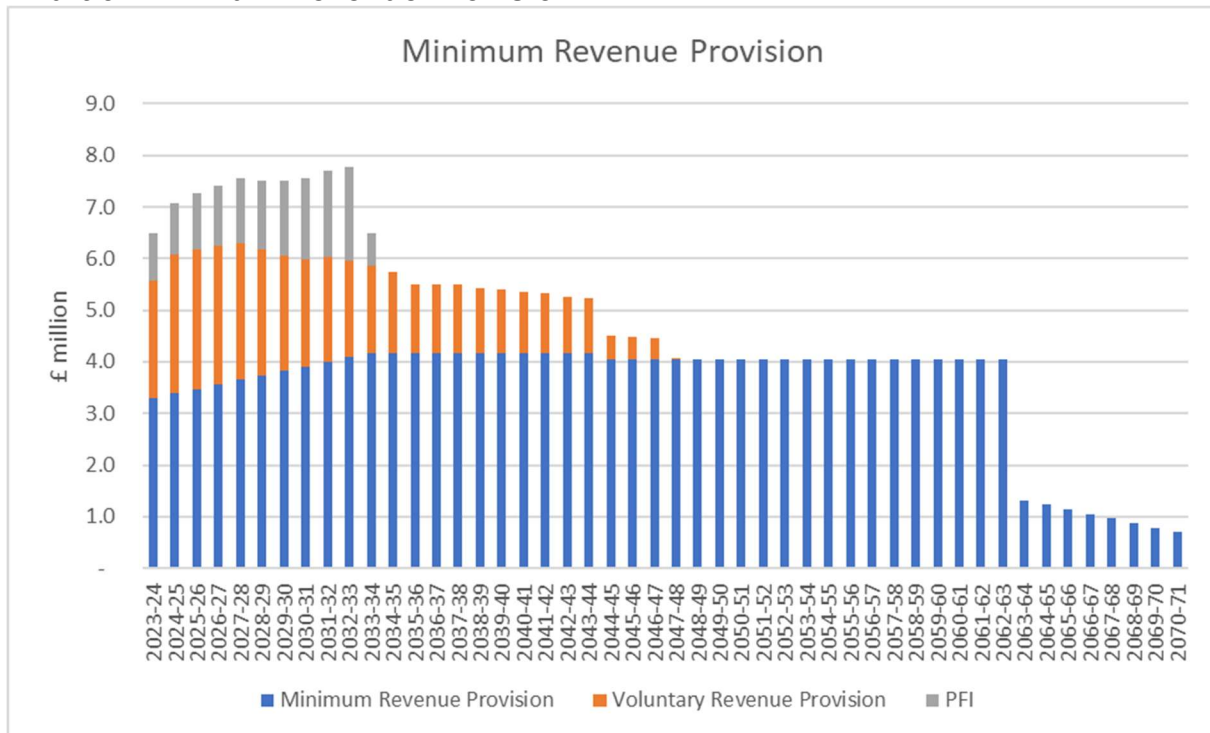
The forecasts in Table 3 above are on the basis that the long-term liability benchmark assumes capital expenditure funded by existing borrowing of £99.93 million and minimum revenue provision on new capital expenditure over a 45 year basis.

The information shown in Table 3 is shown in chart format below over the period of the current debt maturity.

**Chart 2: Liability Benchmark**

The liability benchmark above is based on current **known** borrowing as set out in the latest Capital Programme. Adding any new debt-financed schemes will result in **increasing** the loans Capital Financing Requirement, and therefore the net loans requirement and so the need to borrow. This will have the effect of moving the curves in the above graph to the right, and increasing their height, the result of which would be to increase borrowing and therefore increasing the cost of borrowing, which has to be funded via revenue budgets.

Revenue resources are set aside to fund the repayment of debt, known as Minimum Revenue Provision (MRP) and Voluntary Revenue Provision (VRP). Based on existing schemes within the Capital Programme cumulative MRP and VRP is forecast to increase on average each year until 2032-33. This includes the repayment of debt on the Maesteg School PFI scheme, which finishes in 2033-34. Any additional schemes will result in additional MRP. The current forecast MRP, VRP and PFI provision is shown in Chart 3 below. Further information can be found in the Capital Strategy.

**Chart 3: Minimum Revenue Provision**

#### 4.0 BORROWING STRATEGY

At 30 September the Council held £99.79 million of Long-Term Borrowing, £96.87 million of which is fixed long term loans as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in Table 2 above shows that the Council is **currently** expected to have a new borrowing requirement in 2024-25 of £26.12 million with a further requirement in the next two years as detailed in Table 4, however this should be considered in light of the balance sheet forecast narrative in the section above.

**Table 4: New Borrowing**

	31 March 23 Actual £m	31 March 24 Estimate £m	31 March 25 Estimate £m	31 March 26 Actual £m	31 March 27 Actual £m
<b>New Borrowing</b>	0.00	0.00	26.12	34.24	37.07

The requirement to borrow will need will be monitored on an on-going basis and any new borrowing will be considered alongside any changes in the Capital Programme that may affect the level of borrowing required, and the impact on revenue budgets in line with the Medium Term Financial Strategy, as any new borrowing will have a revenue impact.

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

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

Therefore, the major **objectives** to be followed in 2024-25 are:

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

The **strategy** that will be adopted in 2024-25 will give regard to the key issues below.

Given the significant challenges to public sector budgets and in particular to local government funding to meet service expectations, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to take out short-term loans instead, if necessary.

By doing so, the Council is able to reduce net borrowing costs (despite foregoing investment income) and reduce overall treasury risk. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Council with any assessment of the need to borrow.

The Council has previously raised the majority of its long-term borrowing from the Public Works Loan Board (PWLb). This was the source used the last time the Council took long term borrowing of £5 million in March 2012. The Council will however consider long term loans from other sources including banks, pension funds and other local authorities if appropriate. The Council will also investigate the possibility of

issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code.

The Council has loans from PWLB maturing within the next 3 years that it will need to repay. Depending on the level of reserves available these could be repaid or, if insufficient reserves are available, there will be a need to refinance these loans. The value of the loans over the next 3 years are:

	2024-25 £ million	2025-26 £ million	2026-27 £ million
Value of maturing debt	5.897	4.026	3.104

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. In practice, the Council will not seek to invest in any investment assets due to the need to borrow to finance the Capital Programme. In December 2021 CIPFA published a new edition of the Prudential Code for Capital Finance in Local Authorities (the Prudential Code). This update includes a significant change in the Code, which is that in order to comply with the Code, an authority must not borrow to invest primarily for financial return. The Code does not require existing commercial investments, including property, to be sold however, it does set out that authorities who have a need to borrow should review options for exiting their financial investments held for commercial purposes. Further information regarding the Council's investment assets is included at section 7.

The Council can arrange forward starting loans during 2024-25 where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period. In addition, the Council may borrow short-term (which can be up to 12 months) to cover unexpected cash flow shortages.

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

- HM Treasury PWLB lending facility (formerly the Public Works Loan Board)
- UK Infrastructure Bank Ltd
- any institution approved for investments (see Investment Strategy below)
- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except the Council's Pension Fund)
- capital market bond investors
- UK Municipal Bonds Agency and other special purpose companies created to enable local authority bond issues.

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



- leasing
- hire purchase
- Private Finance Initiative
- sale and leaseback
- similar asset based finance

The Council has previously raised the majority of its long-term borrowing from the PWLB (currently representing 80.13% of long term debt (excluding Salix Loans)) but will consider long-term loans from other sources such as Welsh Government and local authority loans and bank loans, which may be available at more favourable rates.

**Municipal Bonds Agency:** UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to Council.

**LOBOs:** The £19.25 million (currently representing 19.87%) shown in Table 1 above, relates to Lender's Option Borrower's Option (LOBO) loans which have a maturity date of 2054, however, these may be re-scheduled in advance of this maturity date. The LOBO rate and term may vary in the future depending upon the prevailing market rates, the lender exercising their option to increase rates at one of the bi-annual trigger points and therefore the Council being given the option to accept the increase or to repay the loan without incurring a penalty. The current interest rate of these loans is 4.65%. There are two trigger points in 2024-25 being in July and January each year. With interest rates having risen recently, there is now an increasing chance that lenders will exercise their options; thus, an element of refinancing risk remains. In this case the Council would take the option to repay these loans at no cost if it has the opportunity to do so in the future. At present total borrowing via LOBO loans will be limited to the £19.25 million which has currently been accrued.

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

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

**Treasury Management Prudential Indicators:** The local authority measures and manages its exposures to treasury management risks using the following indicators:

- Maturity Structure of Borrowing (Table 5)
- Principal sums invested for periods longer than a year (Table 8)
- Interest Rate exposures (Table 10)

**Maturity structure of borrowing indicator:** This indicator is set for the forthcoming financial year to control the Council's exposure to refinancing risk with respect to the maturity of the Council's external borrowing and has been set to allow for the possible restructuring of long-term debt where this is expected to lead to an overall saving or reduction in risk. The indicator is the amount of projected borrowing maturing in each period as a percentage of total projected borrowing. Only long-term fixed maturity debt has been included as the Salix loans are subject to repayments throughout the duration of the loans. The upper and lower limits on the maturity structure of borrowing are:

**Table 5: Treasury Management Indicator Maturity Structure of Borrowing 2023-24**

Refinancing rate risk indicator Maturity structure of borrowing 2023-24	Upper limit	Lower limit	Actual amount at 30/9/23 £'M	At 30/9/23
Under 12 months	50%	0%	19.65	19.69%
12 months and within 24 months	25%	0%	8.75	8.77%
24 months and within 5 years	25%	0%	6.23	6.24%
5 years and within 10 years	40%	0%	15.63	15.66%
10 years and within 20 years	50%	0%	13.14	13.17%
20 years and above	60%	25%	36.39	36.47%

## 5.0 TREASURY INVESTMENT STRATEGY

The preparation each year of a Treasury Investment Strategy is central to the Welsh Government Statutory Guidance on Local Authority Investments and the CIPFA code. It encourages the formulation of policies for the prudent investment of the surplus funds that authorities hold on behalf of their communities. In addition, the need for the Strategy to be approved by full Council ensures that these policies are subject to the scrutiny of elected Members.

The Council holds surplus funds representing income received in advance of expenditure plus balances and reserves as shown in Table 1 in Section 3 above. Surplus funds are invested in order to achieve a return whilst ensuring the security of the invested amounts. During 2023-24 the Council's investment balances were £74.50 million at the start of the year and were £85.50 million at 30 September 2023, and it is expected to be around this level at 31 March 2024. This is based on an assumption regarding the use of earmarked reserves and capital receipts in the final quarter of 2023-24 and does not make any provision for any additional funding received from Welsh Government to 31 March 2024. It is anticipated that the Council's investment balances in 2024-25 will range between £40 million to £80 million with an average investment rate of between 4.0% and 6.0%, depending on the Bank Rate and



investment types, based on Arlingclose's interest rate forecast at **Appendix 1**, which will be reviewed at the half year stage and reported to Council as part of the half-year review report. The actual balance varies because of the cash flow during the year in respect of when income is received (such as specific grant income, housing benefits subsidy and Revenue Support Grant) and when payments are made (such as salaries and wages, major capital expenditure and loan repayments).

The Council holds investment properties with a view to securing a financial return, such as rental income. The Council has held these for a number of years and given recent changes to the rules for accessing PWLB borrowing, the Council is unlikely to consider any further investment opportunities. As at 30 September 2023, the Council held investment properties valued at £5.845 million, with an expected return of £0.46 million per annum excluding any vacant or rent-free periods, providing a return of approximately 7.87%. This is a slightly lower percentage return than 2022-23 which was 8.13%, but this is due to the total property fair value - or the estimated current market value of the assets, having increased from £5.585 to £5.845 million (see Table 11). The lessees are responsible for maintenance of these assets.

Both the CIPFA Code and the Welsh Government Guidance require the Council to invest its funds prudently, have regard to the security and liquidity of its investments whilst also seeking the highest rate of return, or yield. The Council's main objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal to or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested. However, this may not always be possible.

The objectives of the Council in order of priority are:

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

**Strategy:** The Council's investments have historically been placed in mainly short-term bank unsecured deposits and with local and central government. Investments can also be made with any building society or public or private sector organisations that meet the credit criteria detailed below.

Whilst the Council will need to repay some of its long-term debt at the end of 2024-25, there may be a need to take out new debt for the longer term to support the expenditure within the Capital Programme. However, this is very much dependent on the forecast spend therein. Short-term borrowing may be appropriate to manage day-to-day cash flow until such time as longer-term borrowing is needed to finance capital expenditure. In the short-term, should the Council have available cash resources, these will be invested primarily to manage day-to-day cash flow.

Given the increasing risk and relatively low returns of short-term unsecured bank investments, the Council will consider further diversifying into more secure and/or higher yielding asset classes as appropriate, in consultation with the Council's treasury management advisers. The majority of the Council's surplus cash invested as at 30 September 2023 was with Local Authorities (LAs), Banks, Debt Management Office (DMO) and Money Market Funds (MMF), but the Council will continue to look at investment options in line with the limits detailed below.

Short-term interest rates have risen during 2022-23 and 2023-24, and although they are lower, the variation between long-term rates has reduced, especially since Bank rate is forecast to be at or close to its peak. Due consideration will also be given to using surplus funds to make early repayments of long-term borrowing if appropriate opportunities become available as referred to in section 4.0 Borrowing Strategy.

**ESG Policy:** ESG stands for Environmental, Social and Governance. In investing terms, it means the consideration of ESG factors alongside financial factors in the investment decision-making process. An organisation with a high carbon footprint would not score well on environmental impact; one that negatively affects people's health would not score well for social impact; and one without appropriate structures and processes to ensure good corporate decision-making behaviour would not rate highly for governance.

When considering investing its available resources (short-term cash flows), the Council needs to consider the Environmental, Social and Governance implications of decisions to invest. Treasury Management Practice note 1 in the CIPFA Code sets out the following:

*'The organisation's credit and counterparty policies should set out its policy and practices relating to environmental, social and governance (ESG) investment considerations. This is a developing area, and it is not implied that the organisation's ESG policy will currently include ESG scoring or other real-time ESG criteria at individual investment level.'*  
(Emphasis applied)

Many local authorities have declared a climate emergency and Councils are taking steps to reduce their own carbon emissions within their area. The target for the UK is to achieve net-zero by 2050. Some Councils consider 2050 too long and are working towards achieving zero net carbon well ahead of 2050. The Welsh Government published its [Net Zero Strategic Plan](#) in September 2022 setting out the Welsh Ministers' ambition for the public sector to be collectively net zero by 2030. Local authorities have a huge role to play in terms of alleviating the climate crisis by encouraging greener infrastructure, increased cycle to work schemes, more flexible working and home working to reduce home to work commuting and implementing a range of energy efficiency measures such as solar panels and low carbon heating.

Local authorities are significant providers of social value in their services. The provision of social housing and social care to those in need are key services. Councils are also providers of recreational services such as parks, playgrounds, community land and provide opportunities for healthy living and exercise.

Local Authorities, as public bodies, are accountable for the actions they take and, being in the public eye, look very much to uphold the highest standards of conduct and behaviour, therefore demonstrating strong governance. Decisions must be lawful and based on objectivity and reliable advice where needed. Meeting agendas and minutes are posted to websites and meetings of Council, Cabinet and Scrutiny are now webcast, increasing transparency and scrutiny of their decision making.

The Council's Treasury Advisors, Arlingclose, provide some information as regards organisations that have signed up to some major ESG-related initiatives, their latest update being October 2023. The Council will consider these organisations when lending monies, though would not limit its decisions to solely these organisations. Local authorities are included as appropriate organisations for ESG purposes. The Council's current bankers, Barclays Group, have signed up to UN Principles for Responsible Banking. The UN Principles support banks to take action to align their core strategy, decision-making, lending and investment within the UN Sustainable Development Goals, and international agreements such as the Paris Climate Agreement. The Principles for Responsible Banking include the Net-Zero Banking Alliance, which is the climate-focussed initiative of this global framework. Other banks also signed up that the Council use include: Handelsbanken (through Svenska Handelsbanken) and Lloyds Banking Group (including Bank of Scotland).

Arlingclose have also provided information regarding investment bodies. The Council uses Money Market Funds and the four funds it uses have signed up to the UN Principles for Responsible Investment, UK Stewardship Code 2020 and the Net-Zero Asset Managers Initiative. The UN Principles for Responsible Investment provides possible actions for incorporating ESG issues into investment practice. In implementing the Principles, organisations contribute to developing a more sustainable global financial system.

The UK Stewardship Code sets high stewardship standards for those investing money on behalf of UK savers and pensioners. Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society. The Code applies to asset managers who manage assets on behalf of UK clients or invest in UK assets. The Net Zero Asset Managers initiative is an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius; and to supporting investing aligned with net zero emissions by 2050 or sooner.

The Council is committed to being a responsible investor. This means recognising the importance of long-term financial health and stability of the financial markets, and to understand that external non-financial factors, such as the environment, social stability and strong governance are key factors to consider.

The Council has recognised climate change as a long-term and material risk. The Council declared a climate emergency in June 2020 and set up its Climate Emergency Response programme, which has a commitment to achieve Net Zero carbon emissions by 2030 across its operations. The Council developed its 2030 Net Zero

Carbon Strategy, approved by Council on 13 December 2022. It is recognised that the resource challenge faced by all public bodies in Wales to achieve net zero carbon by 2030 is significant.

In terms of its Treasury Management activities, the Council adopts the following commitments:

- Ensure, as far as possible, that its investment parties are committed to the principles of ESG,
- The Council and its counterparties will seek to act with integrity at all times in their dealings,
- The Council will seek to encourage positive ESG behaviour,
- The Council will comply with any industry standard ESG guidelines that may arise and always seek to ensure best practice in managing its treasury investments.

As noted above, local authorities will, by their very nature, meet ESG requirements. The Council **does not invest in any specific schemes** of any other local authority to which it lends money but lends purely for short-term cash flow purposes. As such it is not intended that any further checking of other local authorities will be undertaken (other than if the advice from our Treasury Advisors is to not invest due to specific financial concerns).

The Money Market Funds that the Council use have also signed up to relevant ESG commitments and so no further checks will be undertaken when using these funds.

The Council will continue to review any updated guidance received from the Council's Treasury Advisors in relation to ESG considerations. This is a developing area for Treasury Management and the Council will continue to monitor progress and develop its policies in line with guidance from both CIPFA and the Council's Treasury Management Advisors.

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

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

#### **Table 6: Approved investment counterparties and limits**

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

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	50 years	Unlimited	n/a
Other government entities	25 years	£12,000,000	Unlimited
Local Authorities	2 years	£10,000,000	Unlimited
Secured investments *	25 years	£6,000,000	Unlimited
Banks (unsecured) *	13 months	£3,000,000	Unlimited
Building societies (unsecured) *	13 months	£3,000,000	£6,000,000
Registered providers (unsecured) *	5 years	£5,000,000	£5,000,000
Money market funds *	n/a	£6,000,000	Unlimited
Strategic pooled funds	n/a	£6,000,000	£6,000,000
Real estate investment trusts	n/a	£3,000,000	£6,000,000
Other investments *	5 years	£3,000,000	£6,000,000

*This table must be read in conjunction with the notes below.*

**\*Minimum Credit rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than (A-). Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account. **Schedule A** shows the equivalence Table for credit ratings for three of the main rating agencies Fitch, Moody's and Standard & Poor's and explains the different investment grades.

For entities without published credit ratings, investments may be made where external advice indicates the entity to be of similar credit quality.

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

**Secured Investments:** These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency. The amount and quality

of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

**Government:** Loans to, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in a method which rescues a failing financial institution by cancelling some of its deposits and bonds, the impact of which could result in a reduction in the amount of the deposit and a loss to the investor. Investors may suffer a reduction in their investment but may be given shares in the bank as part compensation. There is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Central Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

**Local Authority to Local Authority:** These are loans made to other Local Authorities throughout the UK normally for a duration of less than a year, although they can be for longer. Despite concern over the volatility of funding such organisations receive, the level of risk associated with default is thought to be extremely low. However, where an authority issues a section 114 notice, or our Treasury Advisors advise against a loan to a particular local authority, the Council will comply with that advice. Any existing loans will continue to maturity with the expectation of repayment on the due date.

**Other Investments:** These are loans, bonds and commercial paper issued by companies that are not covered above. These investments cannot be bailed-in but are exposed to the risk of the company going insolvent, placing any investment in them at risk. Loans to unrated companies will only be made following an external credit assessment and consultation with the Council's treasury management advisers.

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

**Money market funds:** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. These funds have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Authority will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

**Strategic pooled funds:** Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short-term. These allow the Council to



diversify into asset classes other than cash without the need to own and manage the underlying investments. As these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

**Operational bank accounts:** The Council may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept to a minimum. As set out in Table 6 - Approved investment counterparties and limits - the maximum we would hold in our operational bank account is £3 million. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.

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

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

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

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

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

**Bank of England UK Money Markets Code:** The UK Money Markets Code's fundamental purpose is to ensure trust exists in the UK money markets. The Code establishes high-level principles of appropriate standards in the UK Markets. The overriding principle is always to act in a manner to promote the integrity and effective functioning of the markets. The Code is intended to promote an open, fair, effective and transparent market. One of the practical aspects of this code is in relation to concluding a deal. The Code notes that principles (those agreeing an investment) are bound to a deal once the price and any other key commercial terms have been agreed, barring any breach of other contractual provisions. All form of agreement, including both oral and via electronic messaging, are considered binding. However, holding UK

Market Participants unreasonably to an erroneous price is viewed as unprofessional and against the over-arching principle of the Code.

**Reputational aspects:** The Council is aware that investment with certain counterparties, while considered secure from a purely financial perspective, may leave it open to criticism, valid or otherwise, that may affect its public reputation, and this risk will therefore be taken into account when making investment decisions.

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

The authority is aware that investments with certain counterparties, while considered secure from a purely financial perspective, may leave it open to criticism, valid or otherwise, that may affect its public reputation, and this risk will therefore be taken into account when making investment decisions.

When deteriorating financial market conditions affect the creditworthiness of all organisations as happened in 2008, 2020 and 2022, it is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will likely cause a reduction in the level of investment income earned but will protect the principal sum invested.

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

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

The Council defines "**high credit quality**" organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country



with a sovereign rating of AA+ or higher. For money market funds and other pooled funds “high credit quality” is defined as those having a credit rating of A- or higher.

**Non-specified investments:** Any investment that does not meet the definition of a specified investment or a loan. Given the wide definition of a loan, this category only applies to units in pooled funds and shares in companies. The Council does not intend to make any investments denominated in foreign currencies.

The *Welsh Government Statutory Guidance on Local Government Investments* requires the Council’s Investment Strategy to set an overall limit for non-specified investments. Table 7 below shows the limits on non-specified categories. .

**Table 7: Non-specified investment limits**

	Category Cash limit
Total units in pooled funds without credit ratings or rated below the Council’s definition of “high credit quality” (A-) (Except the UK Government and UK local authorities)	£10m
Total other investments	£5m
Total Non-Specified Investments Outstanding	£15m

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

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

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

Price risk indicator	2024-25 £m	2025-26 £m	2026-27 £m	No fixed date £m
Limit on principal invested beyond financial year end	15	10	10	NIL

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

**Table 9: Investments limits**

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

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

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

**Liquidity Management:** The Council forecasts on a prudent basis the maximum period for which funds may be committed therefore minimising the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. A limit of £15 million (Table 8 above) has been set for long term investments and this has been set with reference to the Medium Term Financial Strategy and cash flow forecast as shown in the principal sums invested for periods longer than a year indicator in Table 7 above. This represents just under 18.75% of the maximum average amount of investments that the Council anticipates having at any one point in time in 2024-25 of £80 million. However, if it was in line with the lowest average amount of investments it expects would be held, it would be 37.5%.

The Council will seek to spread its liquid cash over at least four providers (e.g. bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

## 6.0 INTEREST RATE EXPOSURES BORROWING AND INVESTMENTS

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

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

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

**Table 10: Treasury Management Indicator Interest Rate Exposures**

The following Table is based on investments at 30 September 2023.

Interest rate risk indicator	£'000
One year revenue impact of a 1% rise in interest rates	(637)
One year revenue impact of a 1% fall in interest rates	830

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

## 7.0 NON-TREASURY INVESTMENTS

The Council recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activities include investments in subsidiaries and investments in property.

A schedule of the Council's existing non-treasury investments (currently limited to owned property) is set out in Table 11 below:

**Table 11: Non-treasury investments**

This category covers non-financial assets held primarily or partially to generate a profit, primarily investment property. These assets are valued on an annual basis, which provides security of their value and continued benefit to the Council.

<b>Non-treasury investments</b>	<b>Fair Value £'000</b>
Bridgend Science Park - Units 1 & 2	3,985
Waterton Cross Land	600
Brynmenyn Industrial Estate Plot 53	675
Village Farm Plots 32,119 & 120	385
Tyrewise Bridgend	200
<b>Total</b>	<b>5,845</b>

The Council considers that the scale of its investment properties is proportionate to the resources of the Council, since such investment represents less than 1% of its total long-term assets. In addition, the value of these investments has increased from £5.585 million at 31 March 2022 to £5.845 million as at 31 March 2023.

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

## 8.0 LOANS TO THIRD PARTIES

The Council may borrow to make grants or loans to third parties for the purpose of capital expenditure. Welsh Government Guidance defines a loan as a written or oral agreement where the Council temporarily transfers cash to a third party, joint venture, subsidiary or associate who agrees a return according to the terms and conditions of receiving the loan, except where the third party is another local authority. Loans are only made after the Council's formal decision-making process has been followed. This includes formal approval by Council following advice from the Chief Finance Officer. As part of the formal decision to make the loan, the security for the loan will be assessed as to its adequacy in the event of the third party defaulting on repayment. The Council can demonstrate that its financial exposure to loans is proportionate by setting the limit as set out in Table 12 below.

**Table 12: Loan Limits**

<b>Borrower</b>	<b>£'000</b>
Wholly owned companies	3,000
Joint ventures	3,000
Treasury management investments meeting the definition of a loan	Unlimited

## 9.0 IFRS9 – LOCAL AUTHORITY OVERRIDE

The Welsh Government legislated in the Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2020 for a statutory override for fair value gains and losses on most pooled investment funds not to be funded via the Comprehensive Income and Expenditure Statement. This ended 31 March 2023 and any unrealised capital gains or losses arising from qualifying investments held as at 31

March will be charged to the Comprehensive Income and Expenditure. As the Council does not hold any pooled funds, this change will not affect it.

## 10.0 REPORTING ARRANGEMENTS

Council will receive the following reports for 2024-25 as standard in line with the requirements of the Code of Practice:

- Annual Treasury Management Strategy
- Mid-Year Treasury Monitoring Report
- Annual Treasury Outturn Report

The Chief Officer – Finance, Performance and Change (the Council's s151 Officer) will inform the Cabinet Member with responsibility for finance of any long-term borrowing or repayment undertaken or any significant events that may affect the Council's treasury management activities. They will maintain a list of staff authorised to undertake treasury management transactions on behalf of the Council.

The Chief Officer – Finance, Performance and Change is authorised to approve any movement between borrowing and other long-term liabilities within the Authorised Limit. Any such change will be reported to the next meeting of the Council.

## 11.0 OTHER ITEMS

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

**Financial Derivatives:** Derivatives embedded into loans and investments including pooled funds and forward starting transactions may be used both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in section 24 of the Local Government and Elections (Wales) Act 2021 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative

exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.

In line with the CIPFA Code, the Authority will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

**Climate Change:** The Council is working to reduce its impact on the climate and to reduce its carbon footprint..

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

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

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

**Investment advisers:** The Council's current treasury management advisors are Arlingclose Ltd who provide advice and information relating to the Council's borrowing and investment activities and capital finance issues. The contract is reviewed annually and either party may at any time terminate this agreement on 3 months prior written notice. The current contract runs until 31 August 2024. The Council will be required to retender the service during the first quarter of 2024-25. The quality of this service is controlled by having regular meetings with the advisers and regularly reviewing the service provided. Arlingclose was incorporated in 1993 and is regulated by the Financial Conduct Authority, reference number 417722.

**Investment of money borrowed in advance of need:** CIPFA's Prudential Code sets out that authorities should never borrow for the explicit purpose of making an investment return. Therefore, borrowing in advance of need purely to profit from the investment of the extra sums borrowed is against the principles, however, the Council could potentially borrow in advance of need where this is expected to provide the best long-term value for money. Since amounts borrowed will be invested until spent, the Council is aware that it will be exposed to the risk of loss of the borrowed sums, and

the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Council's overall management of its treasury risks.

As the Council has an integrated TMS, borrowing is not linked to the financing of specific items of expenditure. The Council's forecast Capital Financing Requirement (CFR) projected as at 31 March 2024, is in excess of the actual debt of the Council as shown in Table 2 above indicating there is no borrowing in advance of need. More detail is provided in the Prudential Indicators in the Council's Capital Strategy 2024-25.

The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Chief Officer – Finance, Performance and Change, having consulted the Cabinet Member with responsibility for finance, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and / or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Deb interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest cost will initially be lower	Increases in debt interest cost will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain



## Schedule A

Credit Rating Equivalence Table

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



## GLOSSARY

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

Building Society	A mutual organisation that performs similar functions to a <i>retail bank</i> but is owned by its customers.
Capital	(1) Long-term, as in capital expenditure and capital receipts, (2) Principal, as in capital gain and capital value, (3) Investments in financial institutions that will absorb losses, before senior unsecured creditors.
Capital Expenditure	Expenditure on the acquisition, creation or enhancement of fixed asset that are expected to provide value for longer than one year, such as property and equipment, plus expenditure defined as capital in legislation such as the purchase of certain investments.
Capital Finance	Arranging and managing the cash required to finance <i>capital expenditure</i> , and the associated accounting.
Capital Financing Requirement (CFR)	A local authority's underlying need to hold debt for capital purposes, representing the cumulative capital expenditure that has been incurred but not yet financed. The CFR increases with capital expenditure and decreases with capital finance and MRP.
Capital Receipt	Cash obtained from the sale of an item whose purchase would be capital expenditure. The law only allows local authorities to spend capital receipts on certain items, such as new capital expenditure. They are therefore held in a capital receipts reserve until spent.
Capital strategy	An annual policy document required by the Prudential Code that sets out a local authorities' high-level plans for capital expenditure, debt and investments and its Prudential Indicators for the forthcoming financial year.
CIPFA	The Chartered Institute of Public Finance and Accountancy – the professional body for accountants working in the public sector. CIPFA also sets various standards for local government – e.g. Treasury Management Code and Prudential Code.
Cost of Carry	When a loan is borrowed in advance of need, the difference between the interest payable on the loan and the income earned from investing the cash in the interim.
Counterparty	The other party to a loan, investment or other contract.
Counterparty limit	The maximum amount an investor is willing to lend to a counterparty, in order to manage credit risk.
Credit Default Swap	A credit default swap (CDS) is a financial derivative or contract that allows an investor to "swap" or offset his or her credit risk with that of another investor.

Credit rating	Formal opinion by a credit rating agency of a counterparty's future ability to meet its financial obligations. As it is only an opinion, there is no guarantee that a highly rated organisation will not default.
Credit rating agency	An organisation that publishes credit ratings. The three largest agencies are Fitch, Moody's and Standard & Poor's but there are many smaller ones.
Credit risk	The risk that a counterparty will default on its financial obligations.
Debt	(1) A contract where one party owes money to another party, such as a loan, deposit, or bond. (2) In the Prudential Code, the total outstanding borrowing plus other long-term liabilities.
Default	Failure to meet an obligation under a debt contract, including the repayment of cash, usually as a result of being in financial difficulty.
Deposit	A regulated placing of cash with a financial institution. Deposits are not tradable on financial markets.
DMO	Debt Management Office – an executive agency of HM Treasury that deals with central government's debt and investments.
Fair value	IFRS term for the price that would be obtained by selling an investment, or paid to transfer debt, in a market transaction.
FCA	Financial Conduct Authority – UK agency responsible for regulating financial markets and the conduct of financial institutions, brokers, custodians, fund managers and treasury management advisors.
Financial institution	A bank, building society or credit union. Sometimes the term also includes insurance companies.
Financial instrument	IFRS term for investments, borrowing and other cash payable and receivable.
Financing costs	In the Prudential Code, interest payable on debt less investment income plus premiums less discounts plus MRP.
Forward deal	An arrangement where a loan or deposit is made in advance of the cash being transferred, with the advance period being longer than the standard period (if any) for such a transaction.
GDP	Gross domestic product – the value of the national aggregate production of goods and services in the economy. Increasing GDP is known as economic growth.
General Fund	A local authority reserve that holds the accumulated surplus or deficit on revenue income and expenditure, except on council housing.

Gilt	Bond issued by the UK Government, taking its name from the gilt-edged paper they were originally printed on.
IFRS	International Financial Reporting Standards, the set of accounting rules in use by UK local authorities since 2010.
Impairment	A reduction in the value of an investment caused by the counterparty being in financial difficulty.
Inflation risk	The risk that unexpected changes in inflation rates cause an unplanned loss, for example by costs rising faster than income.
Interest	Compensation for the use of cash paid by borrowers to lenders on debt instruments.
Interest rate risk	The risk that unexpected changes in interest rates cause an unplanned loss, for example by increased payments on borrowing or lower income on investments.
Internal borrowing	A local government term for when actual “external” debt is below the capital financing requirement, indicating that difference has been borrowed from internal resources instead; in reality this is not a form of borrowing.
Investment property	Land and buildings that are held purely for rental income and/or capital growth. Investment properties are not owner-occupied and provide no direct service benefit.
Investment strategy	A document required by investment guidance that sets out a local authority’s investment plans and parameters for the coming year. Sometimes forms part of the authority’s treasury management strategy.
Lease	A contract where one party permits another to make use of an asset in return for a series of payments. It is economically similar to buying the asset and borrowing a loan, and therefore leases are often counted as a type of debt.
Lessee	Party to a lease contract that uses an asset owned by the lessor.
Lessor	Party to a lease contract that own an asset but permits another (the lessee) to use it.
Liability benchmark	Term in CIPFA’s Risk Management Toolkit which refers to the minimum amount of borrowing required to keep investments at a minimum liquidity level. Used to compare against the actual and forecast level of borrowing.
Liquidity risk	The risk that cash will not be available to meet financial obligations, for example when investments cannot be recalled and new loans cannot be borrowed.

Loan	Contract where the lender provides a sum of money (the principal) to a borrower, who agrees to repay it in the future together with interest. Loans are not normally tradable on financial markets. There are specific definitions in government investment guidance.
Loans CFR	The capital financing requirement less the amount met by other long-term liabilities, i.e. the amount to be met by borrowing.
LOBO	Lender's option borrower's option – a long-term loan where the lender has the option to propose an increase in the interest rate on pre-determined dates. The borrower then has the option to either accept the new rate or repay the loan without penalty. LOBOs increase the borrower's interest rate risk and the loan should therefore attract a lower rate of interest initially.
Long-term	Usually means longer than one year.
Market risk	The risk that movements in market variables will have an unexpected impact. Usually split into interest rate risk, price risk and foreign exchange risk.
Maturity	(1) The date when an investment or borrowing is scheduled to be repaid. (2) A type of loan where the principal is only repaid on the maturity date.
MiFID II	The second Markets in Financial Instruments Directive - a legislative framework instituted by the European Union to regulate financial markets in the bloc and improve protections for investors.
Monetary policy	Measures taken by central banks to boost or slow the economy, usually via changes in interest rates. Monetary easing refers to cuts in interest rates, making it cheaper for households and businesses to borrow and hence spend more, boosting the economy, while monetary tightening refers to the opposite. See also fiscal policy and quantitative easing.
Monetary Policy Committee (MPC)	Committee of the Bank of England responsible for implementing monetary policy in the UK by changing Bank Rate and quantitative easing with the aim of keeping CPI inflation at around 2%.
Money market fund (MMF)	A collective investment scheme which invests in a range of short-term assets providing high credit quality and high liquidity. Usually refers to CNAV and LVNAV funds with a WAM under 60 days which offer instant access, but the European Union definition extends to include cash plus funds.

Money markets	The markets for short-term finance, including deposits and T-bills. See also capital markets.
MRP	Minimum revenue provision - an annual amount that local authorities are required to set aside and charge to revenue for the repayment of debt associated with capital expenditure. Local authorities are required by law to have regard to government guidance on MRP.
Net borrowing	Borrowing minus treasury investments.
Net revenue stream	In the Prudential Code, income from general government grants, Council Tax and rates.
Non-specified investments	Government term for investments not meeting the definition of a specified investment or a loan upon which limits must be set. Since 2018, the term does not apply to treasury investments in England. Not applicable in Scotland.
Other long-term liabilities	Prudential Code term for credit arrangements.
Operational boundary	A prudential indicator showing the most likely, prudent, estimated level of external debt, but not the worst-case scenario. Regular breaches of the operational boundary should prompt management action.
Operational risk	The risk that fraud, error or system failure leads to an unexpected loss.
Pension Fund	Ringfenced account for the income, expenditure and investments of the local government pension scheme. Pension fund investments are not considered to be part of treasury management.
Private Finance Initiative (PFI)	A government scheme where a private company designs, builds, finances and operates assets on behalf of the public sector, in exchange for a series of payments, typically over 30 years. Counts as a credit arrangement and debt.
Property fund	A collective investment scheme that mainly invests in property. Due to the costs of buying and selling property, including stamp duty land tax, there is usually a significant fee charged on initial investment, or a significant difference between the bid and offer price.
Prudential borrowing	Another term for unsupported borrowing.
Prudential Code	Developed by CIPFA and introduced in April 2004 as a professional code of practice to support local authority capital investment planning within a clear, affordable, prudent and sustainable framework and in accordance with good professional practice. Local authorities are required by law to have regard to the Prudential Code.

Prudential indicators	Indicators required by the Prudential Code and determined by the local authority to define its capital expenditure and asset management framework. They are designed to support and record local decision making in a manner that is publicly accountable.
PWLB	Public Works Loans Board - a statutory body operating within the DMO that lends money from the National Loans Fund to local authorities and other prescribed bodies and collects the repayments.
Refinancing risk	The risk that maturing loans cannot, be refinanced, or only at higher than expected interest rates leading to an unplanned loss. Managed by maintaining a smooth maturity profile.
SONIA	Sterling Overnight Index Average – SONIA is based on actual transactions and reflects the average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and other institutional investors.
Supported borrowing	Borrowing for which the repayment costs are supported by government grant.
T-bill	Treasury bill - a bill issued by a government.
TMS	(1) Treasury management strategy. (2) Treasury management system.
Treasury bill	See T-bill.
Treasury investments	Investments made for treasury management purposes, as opposed to commercial investments and service investments.
Treasury management	The management of an organisation's cash flows, investment and borrowing, with a particular focus on the identification, control and management of risk. Specifically excludes the management of pension fund investments.
Treasury management advisor	Regulated firm providing advice on treasury management, capital finance and related issues.
Treasury Management Code (TM Code)	CIPFA's Code of Practice for Treasury Management in the Public Services and Cross-Sectoral Guidance Notes, to which local authorities are required by law to have regard.
Treasury management indicators	Indicators required by the Treasury Management Code to assist in the management of credit risk, interest rate risk, refinancing risk and price risk.
Treasury management policy statement	Document required by the Treasury Management Code setting out a local authority's definition of and objectives for treasury management.

Treasury management practices (TMPs)	Document required by the Treasury Management Code setting out a local authority's detailed processes and procedures for treasury management.
Treasury management strategy	Annual report required by the Treasury Management Code covering the local authority's treasury management plans for the forthcoming year.
Unsupported borrowing	Borrowing where the cost is self-financed by the local authority. Sometimes called prudential borrowing since it was not permitted until the introduction of the Prudential Code in 2004. See also supported borrowing.
Working capital	The cash surplus or deficit arising from the timing differences between income/expenditure in accounting terms and receipts/payments in cash terms.



## APPENDIX 1

### *Arlingclose Economic & Interest Rate Forecast – December 2023*

#### **Underlying assumptions:**

- UK inflation and wage growth remain elevated but have eased over the past two months fuelling rate cuts expectations. Near-term rate cuts remain unlikely, although downside risks will increase as the UK economy likely slides into recession.
- The MPC's message remains unchanged as the Committee seeks to maintain tighter financial conditions. Monetary policy will remain tight as inflation is expected to moderate to target slowly, although some wage and inflation measures are below the Bank's last forecasts.
- Despite some deterioration in activity data, the UK economy remains resilient in the face of tighter monetary policy. Recent data has been soft but mixed; the more timely Purchasing Managers Index (PMI) figures suggest that the services sector is recovering from a weak Q3. Tighter policy will however bear down on domestic and external activity as interest rates bite.
- Employment demand is easing. Anecdotal evidence suggests slowing recruitment and pay growth, and we expect unemployment to rise further. As unemployment rises and interest rates remain high, consumer sentiment will deteriorate. Household and business spending will therefore be weak.
- Inflation will fall over the next 12 months. The path to the target will not be smooth, with higher energy prices and base effects interrupting the downtrend at times. The MPC's attention will remain on underlying inflation measures and wage data. We believe policy rates will remain at the peak for another 10 months, or until the MPC is comfortable the risk of further 'second-round' effects has diminished.
- Maintaining monetary policy in restrictive territory for so long, when the economy is already struggling, will require significant loosening in the future to boost activity.
- Global bond yields will remain volatile. Markets are currently running with expectations of near-term US rate cuts, fuelled somewhat unexpectedly by US policymakers themselves. Term premia and bond yields have experienced a marked decline. It would not be a surprise to see a reversal if data points do not support the narrative, but the current 10-year yield appears broadly reflective of a lower medium-term level for Bank Rate.
- There is a heightened risk of fiscal policy and/or geo-political events causing substantial volatility in yields.

**Forecast:**

- The MPC held Bank Rate at 5.25% in December. We believe this is the peak for Bank Rate.
- The MPC will cut rates in the medium term to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second-round effects. We see rate cuts from Q3 2024 to a low of around 3% by early-mid 2026.
- The immediate risks around Bank Rate have become more balanced, due to the weakening UK economy and dampening effects on inflation. This shifts to the downside in the short term as the economy weakens.
- Long-term gilt yields are now substantially lower. Arlingclose expects yields to be flat from here over the short-term reflecting medium term Bank Rate forecasts. Periodic volatility is likely.

	Current	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26
<b>Official Bank Rate</b>													
Upside risk	0.00	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.00
Central Case	5.25	5.25	5.25	5.25	5.00	4.75	4.25	4.00	3.75	3.50	3.25	3.00	3.00
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
<b>3-month money market rate</b>													
Upside risk	0.00	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.00
Central Case	5.40	5.40	5.40	5.30	5.15	4.80	4.30	4.10	3.80	3.50	3.25	3.05	3.05
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
<b>5yr gilt yield</b>													
Upside risk	0.00	0.25	0.75	0.85	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.77	3.75	3.75	3.75	3.70	3.60	3.50	3.50	3.40	3.30	3.30	3.30	3.35
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
<b>10yr gilt yield</b>													
Upside risk	0.00	0.25	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.72	3.75	3.80	3.80	3.80	3.80	3.80	3.80	3.75	3.65	3.60	3.65	3.70
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
<b>20yr gilt yield</b>													
Upside risk	0.00	0.25	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	4.16	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.25
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
<b>50yr gilt yield</b>													
Upside risk	0.00	0.25	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.76	3.80	3.85	3.90	3.90	3.90	3.90	3.90	3.90	3.90	3.95	3.95	3.95
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00







<b>Meeting of:</b>	<b>GOVERNANCE AND AUDIT COMMITTEE</b>
<b>Date of Meeting:</b>	<b>25 JANUARY 2024</b>
<b>Report Title:</b>	<b>AUDITED STATEMENT OF ACCOUNTS 2022-23</b>
<b>Report Owner / Corporate Director:</b>	<b>CHIEF OFFICER – FINANCE, PERFORMANCE AND CHANGE</b>
<b>Responsible Officer:</b>	<b>NIGEL SMITH, GROUP MANAGER – CHIEF ACCOUNTANT</b>
<b>Policy Framework and Procedure Rules:</b>	<b>The Accounts and Audit (Wales) Regulations 2014 (as amended) require Local Authorities to publish audited statement of accounts. The regulations require this to be completed by 31 July following the end of the financial year, however, the audit of the 2022-23 accounts was delayed and the audited accounts will be published as soon as practicable following audit certification.</b>
<b>Executive Summary:</b>	<ul style="list-style-type: none"> <li>• The unaudited statement of accounts were passed to Audit Wales on 18 July 2023 and presented to the Governance and Audit Committee on 26 July 2023.</li> <li>• The audit commenced on 23 October 2023 and has now been significantly completed.</li> <li>• A number of amendments to the accounts have been made which are outlined in Appendix B.</li> <li>• It is the intention of the auditor to issue an unqualified audit report.</li> </ul>

## 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 2022-23 for approval, which is due to be certified by the external auditors, Audit Wales, along with the associated Letter of Representation of the Council, the Annual Governance Statement included as part of the Statements, and the auditors letter in relation to the audit of the accounts.
- 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 2022-23 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. Background

- 2.1 The preparation of the Statement of Accounts is a requirement of the Accounts and Audit (Wales) Regulations 2014 (as amended 2018) and its content is defined by the

Chartered Institute of Public Finance and Accountancy's 'Code of Practice on Local Authority Accounting in the United Kingdom' (the Code).

- 2.2 The unaudited Statement of Accounts 2022-23 was signed by the responsible financial officer on 18 July 2023 and presented to the Governance and Audit Committee on 26 July 2023 for noting. The audit was undertaken during October 2023 to January 2024 and has now been substantially completed.

### **3. Current situation / proposal**

- 3.1 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 26 January 2024, subject to Governance and Audit Committee approval of the accounts.

- 3.2 As part of their audit, a number of amendments were identified and these are noted below.

- 3.3 Amendments that impacted on the primary statements:

- An amount of £0.278 million was inadvertently included in 2022-23 which should have been excluded, as it related to 2023-24. This amendment reduced the income figure in the Comprehensive Income and Expenditure Statement and had a consequential equal reduction in the Council Fund within the Balance Sheet.

- 3.4 Amendments that had no overall impact on the primary statements:

- The Minimum Revenue Provision (MRP), which is the provision set aside to repay debt, has been amended by £0.612 million, in line with the Council's approved MRP Policy.

- 3.5 Amendments to the notes to the accounts, not affecting the primary statements:

- Non-current asset capital commitments (Note 21a) have been amended to correctly disclose the outstanding commitments as at 31 March 2023.
- Financial Instruments disclosure of the fair value of the PFI and other long-term liabilities has been amended from £19.419 million to £16.846 million due to the inclusion of an incorrect table in the unaudited accounts.
- Additional disclosure in Note 32 – Events after the reporting period in relation to Reinforced Autoclaved Aerated Concrete (RAAC).

- 3.6 Other amendments identified during the audit:

- Consolidation of Bridgend County Borough Council's share of Cardiff Capital Region City Deal (CCRCD) income and expenditure and balance sheet. When the unaudited accounts were presented to the Governance and Audit Committee in July 2023, the draft CCRCD accounts were not yet available and therefore no amounts were entered for the activity for 2022-23, but prior year balances were carried forward. The draft accounts were subsequently received and the Council's accounts amended to reflect this. The amendments are to the Comprehensive Income and Expenditure Statement

(CIES), Balance Sheet, Movement in Reserves (MIRS), Cash Flow and associated notes. These have had no impact on Council resources.

- Minor amendments to other notes including the updated audit fee which was agreed subsequent to the completion of the unaudited Statement of Accounts.

3.7 The amended audited Statement of Accounts 2022-23 is attached at **Appendix A**. The detail of all the amendments are contained within the Auditor's Audit of Accounts Report at **Appendix B**.

3.8 The audited Statement of Accounts 2022-23 is required to be signed by the Chief Financial Officer and the Chair of the Governance and Audit Committee as presenting a 'true and fair view' of the financial position of the Council as at 31 March 2023.

3.9 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 adjustments made to the accounts as a result of the audit, as described above. It is anticipated that the accounts will receive an unqualified audit opinion.

3.10 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** and is required to be signed by the Chair of the Governance and Audit Committee and Section 151 Officer.

#### **4. Equality implications (including Socio-economic Duty and Welsh Language)**

4.1 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. It is considered that there will be no significant or unacceptable equality impacts as a result of this report.

#### **5. Well-being of Future Generations implications and connection to Corporate Well-being Objectives**

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

#### **6. Climate Change Implications**

6.1 The Climate Change implications were considered in the preparation of this report. It is considered that there will be no significant or unacceptable impacts upon the environment because of this report.

## **7. Safeguarding and Corporate Parent Implications**

- 7.1 The Safeguarding and Corporate Parenting implications were considered in the preparation of this report. It is considered that there will be no significant or unacceptable impacts upon Safeguarding and Corporate parenting because of this report.

## **8. Financial Implications**

- 8.1 These are reflected in the report.

## **9. Recommendation**

- 9.1 It is recommended that the Committee:
- Approves the audited Statement of Accounts 2022-23 (**Appendix A**);
  - Notes the appointed auditors' Audit of Accounts report (**Appendix B**);
  - Notes and agrees that the final Letter of Representation to Audit Wales be signed by the Chair of the Committee and Section 151 Officer (**Appendix C**).

## **Background documents**

None



# Statement of Accounts

**Bridgend County Borough Council • 2022-23**

**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 2022-23 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 Chartered Institute of Public Finance and Accountancy's (CIPFA's) Code of Practice on Local Authority Accounting in the United Kingdom 2022-23. The Council produces its Statement of Accounts to explain the Council's finances, to give assurance that public money is properly accounted for, and that the Council is operating on a financially secure basis. The accounts must provide a 'true and fair' view of the Council's financial position as at 31 March 2023, and of its income and expenditure for the year then ending.

Since austerity began in 2010 the Council has made almost £73 million of budget reductions and further efficiencies and savings are required moving forward. The process of identification of savings and changing the way the Council works to ensure modern, improved and resilient services, is on-going. Given significant economic uncertainty, the war in Ukraine and unprecedented inflation levels, 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 County is conveniently situated between Wales' capital city, Cardiff, to the east and the city of Swansea to the west, approximately 20 miles from each. The County has a diverse geography with valleys in the north and 12.5 miles of coastline and beaches to the South. The M4 runs through the centre of the Borough, and there are main-line rail links to Cardiff, London and Swansea. Bridgend County Borough it is at the heart of the South Wales industrial and coastal belt. Bridgend Council covers an area of 98.5 miles<sup>2</sup> and is home to nearly 146,000 residents. To the north is the residential town of Maesteg, to the southwest 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.

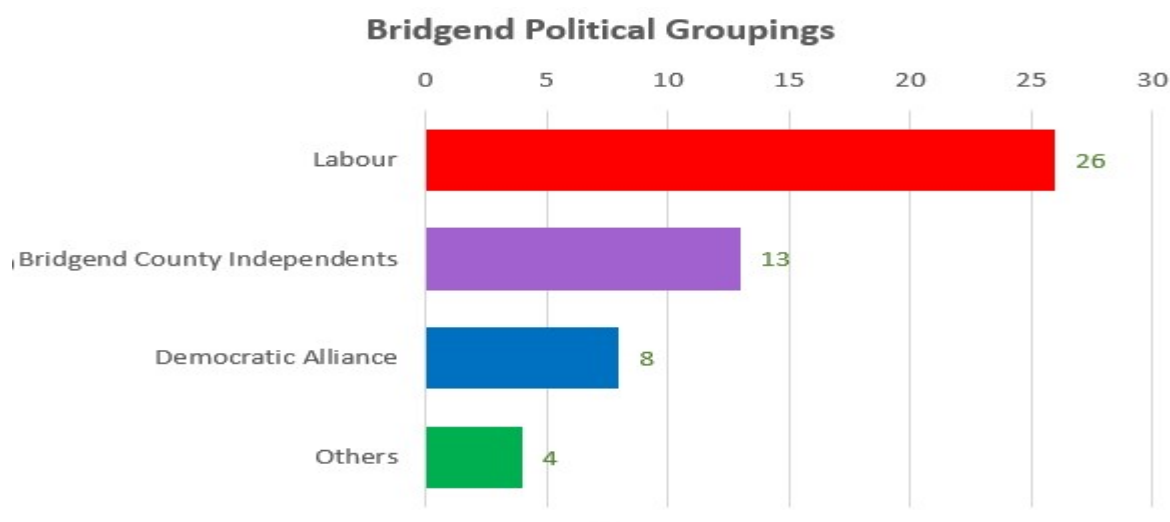


- The Council manages a long-term asset base of £658 million to deliver its services.
- The Council employs over 5,900 staff, both full and part time, to deliver a wide range of services including education, social care, highways maintenance and economic development.
- A number of services are provided by third parties including waste collection, leisure centres, social enterprises and social care, including residential and home care and supported living services.

#### Council Democracy

The Council has 51 elected Councillors who represent the people of Bridgend and set the overall Council strategy and budget framework.





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

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

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

- monitoring decisions of the Cabinet
- considering service provision, planning, management and performance of service areas
- allowing all Councillors, citizens and stakeholders to have a say in matters concerning the Council
- considering policies, protocols and plans and producing reports and recommendations thereon
- contributing to the annual budget consultation process
- 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 the delivery of Council services. Council has given the 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.

### How the Council works

The Council had three priorities during the year to improve the quality of life of people in the county borough while significantly changing the nature of the Council.

These three priorities were 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 Well-being goals. The Council's [Corporate Plan](#) 2022-23 set out what the Council's objectives were and how it planned to achieve them.

## 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*

Every year the Council must publish a Corporate self-assessment report. This report assures the public, Welsh Government and other regulators, that the Council is performing well, making decisions in a sensible, open way and using its money and other resources properly. Most importantly, the report tells local residents, businesses and stakeholders how the Council is performing. The [Corporate Self-Assessment 2022-23](#) which reports how the Council was performing against each of its objectives is set out below.

**Supporting a successful, sustainable economy:** prosperity boosts health and well-being and creates more resilient communities that need fewer services. Education is the most important part of improving the life chances of young people. The main ways of achieving this objective are through **improving learner outcomes** – support children, adults and families to get better education outcomes; and **growth and prosperity** – promote the conditions for growth and prosperity by helping people and business to succeed. The Council's assessment of its progress against this objective was **GOOD**.

**Helping people and communities to be more healthy and resilient:** a focus on prevention and wellbeing helps the Council to support people to lead independent lives and reduces the likelihood of them becoming dependent on Council services. The main ways of achieving this objective are through: **community support and services** - provide support and services to those who need the Council's help and help them to stay independent for as long as possible; **resilient communities** – develop innovative ways to improve well-being and deliver services; and **Health and well-being** – improve the physical, mental and emotional well-being of children and young people and vulnerable citizens. The Council's assessment of its progress against this objective was **ADEQUATE**.

**Smarter use of resources:** Over the period 2018-2019 to 2022-23, the Council was required to make budget reductions of over £20 million. As austerity continues, it becomes harder each year to make further cuts. The main ways of achieving this objective were: **transforming our estate** – using land and buildings to improve service delivery, reduce running costs, minimise the impact on the environment and meet the needs of service users; **corporate change** – embracing innovation and technology, developing the skills and approaches of staff and new ways of working; and **environmental sustainability** – protecting and safeguarding the environment by lowering the Council's carbon footprint, looking at waste reduction, re-use and recycling and promoting environmental responsibility in communities.

The Council's assessment of its progress against this objective was **GOOD**.

For management purposes the Council's operations are organised into Directorates, each of which report into the Chief Executive. The Chief Executive also manages the Chief Executive's Directorate. The Directorates and the services they deliver are:

**Education & Family Support:** Schools, Learner Support, Family Support, Schools Support, School Modernisation, Vulnerable Groups Support, Education & Family Support, and Business Support.

**Social Services & Wellbeing:** Adult Social Care, Residential Care, Domiciliary Care, Day Opportunities, Children's Social Care – Care Experienced Children, Family Support Services, Adoption and Social Work. Prevention and Wellbeing – Leisure Centres, Community Centres, Cultural Trust Partnership,

**Communities:** Planning & Development, Corporate Landlord, Strategic Regeneration, Economy, Natural Resources and Sustainability, Cleaner Streets & Waste Management, Highways & Green Spaces.

**Chief Executives:** Finance, Human Resources, Partnerships, Legal, Democratic and Regulatory Services, ICT, Elections, Housing & Homelessness, and Business Support.

## 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.

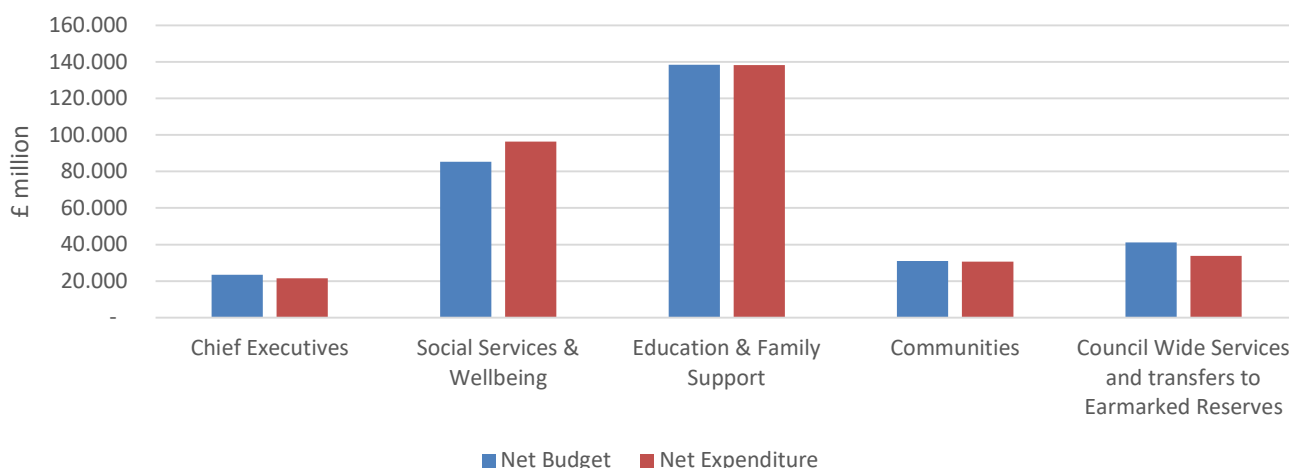
## Financial Performance

The Council's budget for 2022-23 was approved by Council in February 2022. The budget was set in the context of responding to the increasing pressures on public sector services exacerbated by the COVID-19 pandemic. The Council is required to set a balanced budget and set the Council Tax rates for the County Borough. A net revenue budget of £319.514 million was approved for 2022-23 as well as a Medium Term Financial Strategy based on a four-year period from 2022-23 to 2025-26, ensuring that resources are aligned to the Corporate Plan. Taking into account expenditure funded by specific grants and fees and charges, the Council's gross budget was around £459 million for 2022-23. The Council's annual revenue budget covers the day-to-day running costs of the Council including staff, waste collection, schools, care workers, foster carers and leisure services. The final revenue outturn, including transfers to earmarked reserves is shown below.

Directorate	Net Budget £ million	Net Expenditure £ million	(Under)/ overspend £ million	(Under)/ overspend %
Chief Executives	23.498	21.446	(2.052)	(8.70)
Social Services & Wellbeing	85.387	96.255	10.868	12.70
Education & Family Support	138.368	138.245	(0.123)	(0.10)
Communities	31.040	30.879	(0.161)	(0.01)
Council Wide Services and transfers to Earmarked Reserves	41.221	33.741	(7.480)	(18.10)
<b>Directorate outturn subtotal</b>	<b>319.514</b>	<b>320.566</b>	<b>1.052</b>	<b>0.33</b>
Funding and Financing	319.514	320.288	(0.774)	(0.20)
<b>Total Council outturn</b>	<b>-</b>	<b>0.278</b>	<b>0.278</b>	<b>-</b>

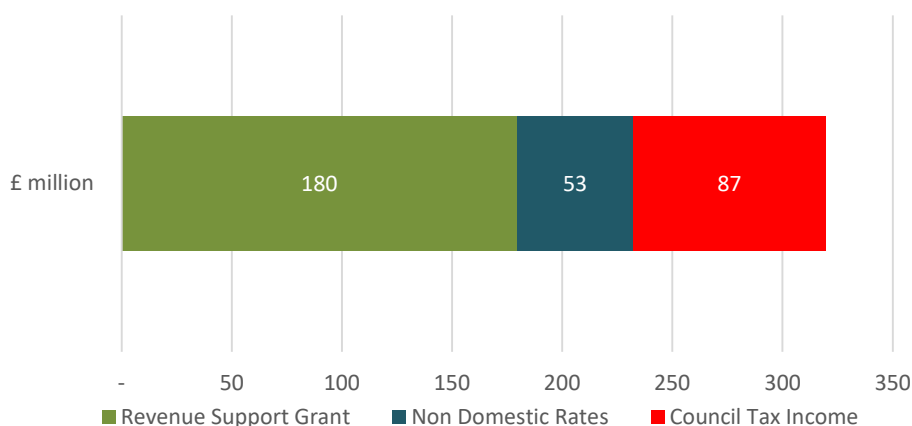
The Council's net budget and net expenditure by Directorate is shown in the graph below.

## Directorate Outturn 2022-23



The Council received Revenue Support Grant from the Welsh Government of £179.595 million. The net Non-Domestic Rates (NDR) collectable on behalf of Welsh Government by the Council for the year was £43.123 million. The Council's amount of NDR due for the year towards the cost of its services was £52.773 million.

## How the Revenue budget was funded



2022-23 has been a challenging year for the Council's finances. The Council made additions to earmarked reserves of £17,816 and drew down or unwound £32.052 million, a net reduction in reserves of £14.236 million. A transfer of £0.278 million has been made from the Council Fund this year. The Council's outturn report for the year can be found on the Council's website [here](#).

## Capital Expenditure and Funding

Capital investment forms a large part of the Council's spending. The Council's original capital programme for 2022-23, approved by Council on 23 February 2022, was £69.979 million.



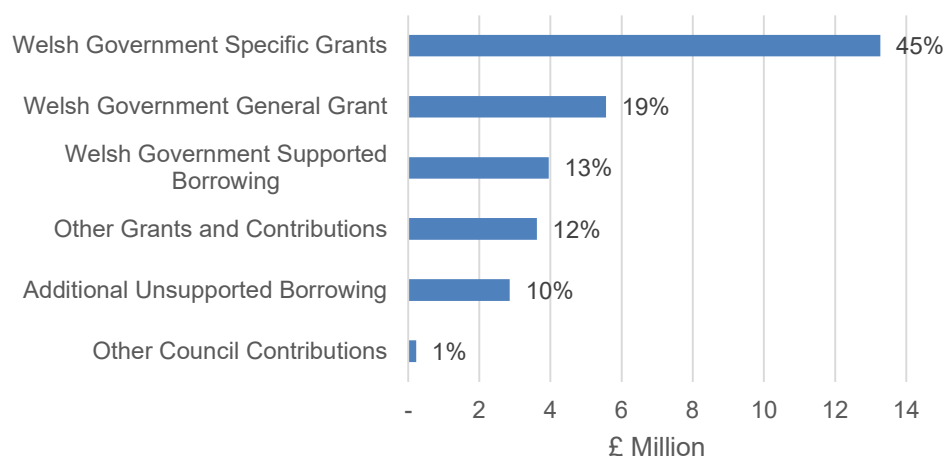
Directorate	Original approved budget £'000	Revised budget £'000	Outturn £'000	Variance £'000
Education and Family Support	10,589	8,614	5,037	3,577
Social Services and Wellbeing	2,374	4,109	2,901	1,208
Communities	50,924	39,015	17,807	21,208
Chief Executives	2,720	6,169	3,485	2,684
Corporate/unallocated	3,372	853	-	853
<b>TOTAL</b>	<b>69,979</b>	<b>58,760</b>	<b>29,230</b>	<b>29,530</b>

Budget adjustments take place during the year to reflect new schemes added to the Capital Programme, schemes being removed from the programme and slippage of schemes to future years. Due to slippage across a number of schemes the final outturn for 2022-23 was £29.230 million. Schemes undertaken during the year included;

- Brynmenyn Children's Hub, which will provide a specifically designed and purpose built residential placements hub, from which the newly implemented children's residential service model can be effectively delivered, enabling better outcomes for young people;
- Active Travel Bridgend to Pencoed Phase 3 – installing improved cycle- and walk-ways;
- Carriageway resurfacing and renewal of footways across the borough
- Redevelopment of Porthcawl Cosy Corner site providing improved facilities for community groups, marina users and the wider community. Facilities will include a children's play area, public seating, landscaping and an outdoor event space.

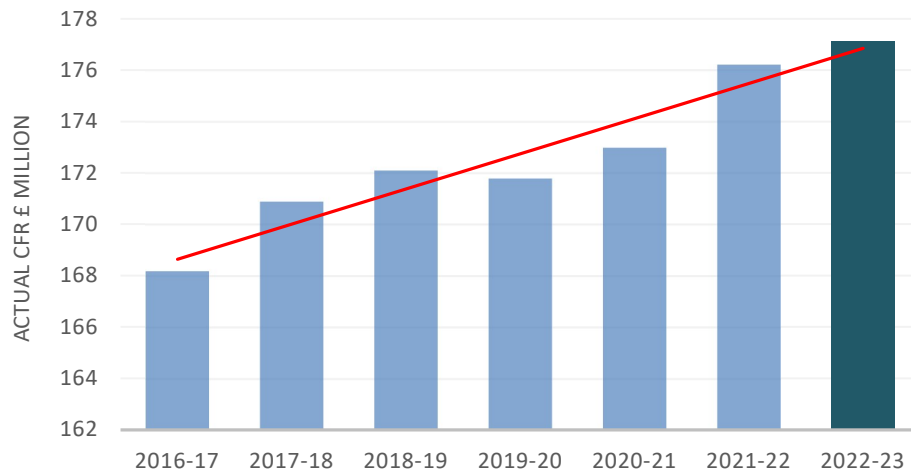
The Council pays for its capital expenditure from a number of sources. The local government capital settlement for 2022-23 provided the Council with £12.235 million of capital funding, of which £3.951 million was supported borrowing and £8.282 million was capital grant. An analysis of the capital funding is shown below.

### Sources of Capital Financing



Capital expenditure funded historically by borrowing but to be paid for from future revenue or capital income is termed the Capital Financing Requirement (CFR). The CFR over the last 7 years is shown below with the red line representing the trend over that period. Revenue amounts are set aside each year to repay the borrowing, which is known as Minimum Revenue Provision (MRP), and is put aside over a 40-year period in line with the Minimum Revenue Provision Policy.

## Capital Financing Requirement Trend



It is expected that the CFR and associated financing costs - interest and repayment (MRP) - of capital investment will increase in the short term as borrowing is required to fund the Capital Programme at least over the short-term. Borrowing will be managed in line with the Council's Capital and Treasury Management Strategies, which set out a range of indicators for affordability, prudence and sustainability of the Council's Capital Investment plans. Each year a prudent amount of MRP is charged to the revenue budgets to reduce the CFR.

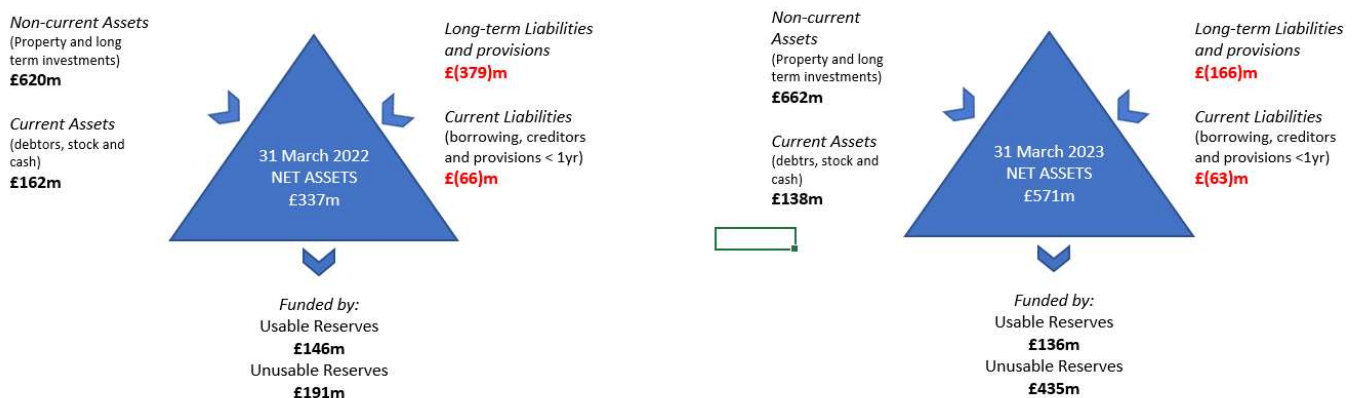
### Financial position

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

- Held £662 million of long-term assets, including £641 million of operational assets for delivering services, £5.8 million investment properties, £5.089 million long term investments, and £1.4 million of intangible assets
- Received £304.022 million in grant funding, of which £179.595 million was the Welsh Government Revenue Support Grant
- Council Tax income amounted to £107.255 million, of which £16.486 million was paid to the Police and Crime Commissioner for South Wales and £2.848 million to Community Councils.
- Generated £41.151 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 2022-23.

## Balance Sheet Position at 31 March 2023



Unusable reserves have increased significantly primarily as a result of a reduction in the net liability of the pension fund of £213.92 million to £35.85 million as at 31 March 2023 (£249.50 million at 31 March 2022). As these are unusable they represent accounting adjustments rather than actual cash flows.

### Long term assets

Property, plant and equipment are revalued on a 3-year rotation. This is a shorter period than the Code of Practice suggests but enables the Council to ensure values recorded in the accounts are materially correct. The valuation of assets involves a number of assumptions, however movements in asset values as well as accounting charges such as depreciation have no impact on the council tax, as these charges are required to be reversed out from unusable reserves. Details of the movements in assets, capital expenditure and its financing are included at note 21.

- Assets revalued during 2022-23 as part of the Council's rolling programme included cemeteries, day care centres, enterprise and business centres, depots, industrial plots, arts theatres and museums and sports centres.
- Investment properties, surplus assets and assets held for sale are revalued annually.
- Due to significant movements in asset values, assets in the top 75 assets by value, other than those above, were also revalued, to ensure the figures included in the accounts were materially correct.

### Short term assets & liabilities

Short term assets include investments made in line with the approved Treasury Management Strategy, to support the short term cash flow needs of the Council. Investments and cash held for Treasury Management purposes was £74.97 million of which £69.91 million including accrued interest, were short term (less than 12 months) as at 31 March 2023. These investments are primarily temporary cash balances deposited with financial institutions and Central Government Debt Management Office. The average rate of interest earned for the year was 1.65%.

### Borrowing

The Council has long-term borrowing outstanding as at 31 March 2023 of £100.028 million. This is a mixture of Public Works Loan Board (PWLB) of £77.617 million, Lender Option Borrower Options (LOBOs) of £19.757 million, and £2.654 million of Salix loans to finance capital expenditure. In addition, the Council's PFI balance outstanding at 31 March 2023 was £13.902 million, of which £12.973 million was due after one year. 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 £658 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. Whilst interest rates have started to increase, they are still relatively low. As such, it is unlikely the opportunity to repay the LOBO loans will arise in the near future.

### Pensions Liability: £35.85 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. The Local Government Pension Scheme (LGPS) is a funded defined benefit plan with benefits earned up to 31 March 2014 being linked to final salary. Benefits after 31 March 2014 are based on a Career Average Revalued Earnings scheme. The fund is revalued every 3 years, the last valuation being as at 31 March 2022.

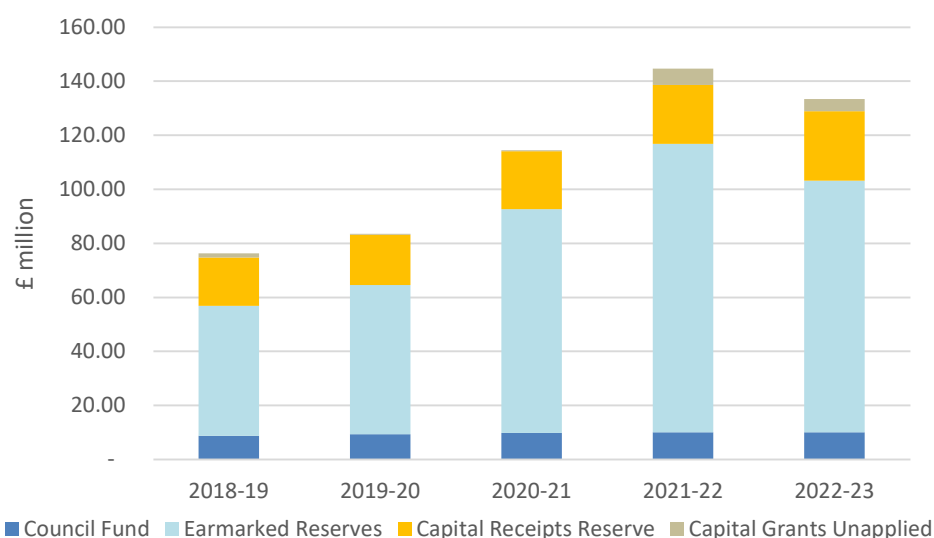
A pensions reserve and a pension liability are incorporated within the Council's accounts, reflecting the amount by which the Bridgend element of the Rhondda Cynon Taff Pension Fund is under-funded compared with the assessed payment liabilities to pensioners now and in the future. The cost to the Council during the year for

pension liabilities was £19.35 million. The overall pensions' liability of the Council at 31 March 2023 was £35.85 million, a reduction of £213.65 million from 31 March 2022 when the liability was £249.50 million. This reduction is as a result of changes in the financial assumptions used by the actuary informing the valuation. Primarily the discount rate used has increased by 2%. Other assumption changes are CPI rate reduced by 0.3% and the salary increase assumption by 0.3%. This has resulted in a more positive balance sheet position as at the 31 March 2023. 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.

## Balances and Reserves

Balances and Reserves are sums of money put aside for specific purposes or for general contingencies and cash flow management. Their use, creation and assessment of sufficiency also considers risks to financial resilience. During the last year the Council has faced significant financial challenges and the opportunity to set aside new earmarked reserves for specific purposes has been limited. Earmarked revenue and other usable reserves are detailed in note 28 of the accounts, whilst unusable reserves are shown in note 29.

### Usable Reserves



## Addressing future challenges

The Council faces significant challenges moving forward. These include demographic pressures, such as an ageing population, increasing dementia rates, an increasing number of young people with complex disabilities living into adulthood and the long-term impact of Covid-19 adding progressively to the demand for care. Children Services has seen an exponential increase in need for children's social care as evidenced through increasing contacts, increasing numbers of assessments and high numbers of children on the child protection register. There has been significant pressure placed on the Multi Agency Safeguarding Hub and Information, Advice and Assistance Service, safeguarding localities and the Care Experienced Children's Team and the Children's Social Work Team in children's social care. In addition to this there are inflationary pressures arising from specific contractual commitments, the impact of the cost-of-living crisis and potentially significant increases in staffing costs arising from the pay award for all staff and above inflation increases in the national living wage, and the implementation of the real living wage. There is also the need to focus on climate change and the need to meet the 2030 decarbonisation target. The published Welsh Government settlement for Bridgend for 2023-24 is an increase of 7.7% against an all-Wales average of 7.9%. However, this needs to be taken in the context of higher than anticipated pay increases in recent years, unprecedented levels of inflation and significant pressures arising across all Directorates. The indicative settlement from Welsh Government for the next two financial years is an

increase of 3.5% for 2024-25 and 2.4% for 2025-26 however due to the pressures outlined above forward planning is difficult particularly in the current economic climate.

Whilst the Council continues to face increasing pressures on its budget, it approved a balanced budget for 2023-24. The uncertain economic climate will require the Council to continually review its priorities and budgets.

### **Decarbonisation 2030**

Welsh Government declared a Climate Emergency in April 2019. Following this the Welsh Government committed to achieving a carbon neutral public sector by 2030. In June 2020 Bridgend County Borough Council's Cabinet approved a report that set out the crucial role the Council has to play through the management of its own resources, as well as its work with other organisations and businesses and the Council declared its own climate emergency in June 2020. Cabinet approved the Council's 2030 Net Zero Carbon Strategy on 13 December 2022. The Strategy includes six priority actions aimed at reducing the organisation's greenhouse gas emissions to achieve a net zero position by the 1 April 2030. The Action Plans include carbon management, buildings, transport, procurement, land use and waste. This strategy will be an integral part of the Council's Corporate Plan and Wellbeing Plan, whilst policies, strategies and ongoing plans will all reflect the commitment to Net Zero. This will ensure it is fully embraced across the organisation. Whilst Council has agreed £0.4 million capital allocation per annum to 2030-31, the level of resources to deliver 2030 Net Zero will be substantially more than this. Whilst there is some funding available within Directorates to delivery initiatives, significantly more will be needed to accelerate the Council's transition to Net Zero. Development of feasibility studies will be necessary to quantify scheme costs and funding applications submitted to external funding sources wherever possible. The Council has already progressed schemes including solar panels, energy efficient lighting, electric vehicle charging points and ultra low emission vehicles. The Council's Re:fit programme, which has been run in partnership with energy experts Ameresco, has seen schools and public buildings fitted with a range of measures including LED lighting, lighting controls, Building Management Systems and solar PV systems.

## **The Financial Statements**

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

### **The 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 and 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 Financial Statements

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.

# 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: \_\_\_\_\_ 25 January 2024

## 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.

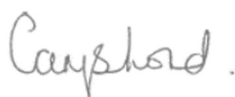
The Chief Financial Officer has also:

- 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 2023 and of its income and expenditure for the year ended 31 March 2023

Signed:



12 January 2024







## Comprehensive Income and Expenditure Statement

2021-22					2022-23				Notes
Gross Expen- Diture £'000	Govt Grants £'000	Other Income £'000	Net Expen- diture £'000		Gross Expen- diture £'000	Govt Grants £'000	Other Income £'000	Net Expen- diture £'000	
172,989	(42,877)	(6,592)	123,520	Education and Family Support	205,641	(37,660)	(8,364)	159,617	
114,644	(17,113)	(18,746)	78,785	Social Services and Wellbeing	140,653	(11,077)	(20,790)	108,786	
62,341	(14,959)	(7,527)	39,855	Communities	62,506	(8,922)	(8,821)	44,763	
78,347	(52,016)	(2,802)	23,529	Chief Executives	76,735	(45,176)	(2,626)	28,933	
29,573	(5,506)	(206)	23,861	Council Wide Services	21,007	(2,130)	(378)	18,499	
483	(432)	(269)	(218)	Cardiff Capital Region City Deal (CCRCD)	2,062	(1,995)	(172)	(105)	
<b>458,377</b>	<b>(132,903)</b>	<b>(36,142)</b>	<b>289,332</b>	<b>Cost Of Services</b>	<b>508,604</b>	<b>(106,960)</b>	<b>(41,151)</b>	<b>360,493</b>	
				<b>Other Operating Expenditure</b>					
18,490			18,490	Precepts payable	19,334			19,334	7
7,774			7,774	Levies payable	8,026			8,026	7
573			573	(Gain) / loss on disposal of non current assets			(971)	(971)	
<b>26,837</b>			<b>26,837</b>	<b>Other Operating Expenditure</b>	<b>27,360</b>	<b>-</b>	<b>(971)</b>	<b>26,389</b>	
				<b>Financing and Investment Income and Expenditure</b>					
4,558			4,558	Interest payable on debt	4,624			4,624	31
32			32	Interest element of finance leases (lessee)	22			22	31
1,145			1,145	Interest payable on PFI unitary payments	1,084			1,084	13
6,100			6,100	Net Interest on Net Defined Benefit Liability	6,470			6,470	30
		(840)	(840)	Investment Income & Other Interest Receivable			(2,503)	(2,503)	31
		(495)	(495)	Changes in fair value of investment properties			(260)	(260)	22
		(16)	(16)	Interest & Investment Income CCRCD			(147)	(147)	
11			11	Change in Fair Value of Investment Properties CCRCD	227			227	
<b>11,846</b>	<b>-</b>	<b>(1,351)</b>	<b>10,495</b>	<b>Financing and Investment Income and Expenditure</b>	<b>12,427</b>	<b>-</b>	<b>(2,910)</b>	<b>9,517</b>	
				<b>Taxation and Non-Specific Grant Income</b>					
	(166,107)		(166,107)	Revenue Support Grant		(179,595)		(179,595)	8
		(48,787)	(48,787)	National Non-Domestic Rates			(52,773)	(52,773)	9
	(1,151)	(106,566)	(107,717)	Council Tax			(107,255)	(107,255)	10
	(18,844)		(18,844)	Recognised capital grants and contributions		(19,462)		(19,462)	11
	(489)		(489)	Recognised capital grants and contributions CCRCD		(2,587)		(2,587)	
46			46	Tax Expenses CCRCD			(15)	(15)	
<b>46</b>	<b>(186,591)</b>	<b>(155,353)</b>	<b>(341,898)</b>	<b>Taxation and Non-Specific Grant Income</b>	<b>-</b>	<b>(201,644)</b>	<b>(160,043)</b>	<b>(361,687)</b>	
<b>497,106</b>	<b>(319,494)</b>	<b>(192,846)</b>	<b>(15,234)</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>548,391</b>	<b>(308,604)</b>	<b>(205,075)</b>	<b>34,712</b>	

1,669		(61,794)	(61,794)	(Surplus) or deficit on revaluation of Property, Plant and Equipment			(27,750)	(27,750)	<b>29a</b>
			1,669	Impairment losses on non-current assets charged to the Revaluation reserve	2,212			2,212	<b>29a</b>
		(79,020)	(79,020)	Actuarial (gains) / losses on pension liabilities			(243,050)	(243,050)	<b>30</b>
			<b>(139,145)</b>	<b>Other Comprehensive (Income) and Expenditure</b>				<b>(268,588)</b>	
			<b>(154,379)</b>	<b>Total Comprehensive (Income) and Expenditure</b>				<b>(233,876)</b>	

## Movement in Reserves Statement

	Council Fund Balance	Earmarked Reserves	Capital Receipts Reserves	Capital Grants Unapplied	CCRCD Usable Reserves	Total Usable Reserves	CCRCD Unusable Reserves	Total Unusable Reserves	Total Council Reserves Restated £'000
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2021 brought forward	9,772	82,848	21,519	288	933	115,360	3,218	66,989	182,349
<b><u>Movement in Reserves during 2021-22</u></b>									
(Surplus)/deficit on the provision of services	14,568				666	15,234	-	139,145	154,379
Adjustments between accounting basis & funding basis under regulations (Note 20)	9,655		254	5,759	(235)	15,433	235	(15,433)	-
Transfers to Earmarked Reserves (Note 28)	(23,885)	23,885							-
<b>Increase/(Decrease) in 2021-22</b>	<b>338</b>	<b>23,885</b>	<b>254</b>	<b>5,759</b>	<b>431</b>	<b>30,667</b>	<b>235</b>	<b>123,712</b>	<b>154,379</b>
Balance at 31 March 2022 carried forward	10,110	106,733	21,773	6,047	1,364	146,027	3,453	190,701	336,728

	Council Fund Balance	Earmarked Reserves	Capital Receipts Reserves	Capital Grants Unapplied	CCRCD Usable Reserves	Total Usable Reserves	CCRCD Unusable Reserves	Total Unusable Reserves	Total Council Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2022 brought forward	10,110	106,733	21,773	6,047	1,364	146,027	3,453	190,701	336,728
<b><u>Movement in Reserves during 2022-23</u></b>									
(Surplus)/deficit on the provision of services	(37,339)				2,627	(34,712)	-	268,588	233,876
Adjustments between accounting basis & funding basis under regulations (Note 20)	22,824		3,955	(1,536)	(1,831)	23,412	1,831	(23,412)	-
Transfers to Earmarked Reserves (Note 28)	14,237	(14,237)	-	-					-
<b>Increase/(Decrease) in 2022-23</b>	<b>(278)</b>	<b>(14,237)</b>	<b>3,955</b>	<b>(1,536)</b>	<b>796</b>	<b>(11,300)</b>	<b>1,831</b>	<b>245,176</b>	<b>233,876</b>
Balance at 31 March 2023 carried forward	9,832	92,496	25,728	4,511	2,160	134,727	5,284	435,877	570,604

## Balance Sheet

31 March 2022 £'000		31 March 2023 £'000	Notes
607,335	Property, Plant & Equipment	641,074	21c
220	Heritage Assets	220	
5,585	Investment Property	5,845	22
2,733	CCRCD Investment Property	6,002	31
189	CCRCD Equity	708	
1,910	Intangible Assets	1,428	21d
-	Long term Investments	5,214	31
1,538	CCRCD Long Term Debtors	1,555	
<b>619,510</b>	<b>Long Term Assets</b>	<b>662,046</b>	
45,525	Short Term Investments	48,333	31
2,500	Assets Held for Sale	65	24
469	Inventories	345	
68,789	Short Term Debtors	62,167	23
38,580	Cash and Cash Equivalents	21,574	31
6,205	Cash CCRCD	4,854	31
126	Deferred Tax CCRCD	170	
283	Financial Assets CCRCD	284	31
<b>162,477</b>	<b>Current Assets</b>	<b>137,792</b>	
(3,372)	Bank overdraft	(2,926)	31
(1,291)	Short Term Borrowing	(1,338)	31
(56,749)	Short Term Creditors	(55,087)	25
(4,610)	Provisions due in 1 year	(4,222)	26
<b>(66,022)</b>	<b>Current Liabilities</b>	<b>(63,573)</b>	
(4,277)	Provisions due after 1 year	(4,550)	26
(100,074)	Long Term Borrowing	(100,034)	31
	<b>Other Long Term Liabilities</b>		
(14,129)	PFI & Other Long Term Liabilities	(13,024)	27
(2,385)	Long term creditors (CCRCD)	(4,127)	27
(249,500)	Net Pensions Liability	(35,850)	30
(8,872)	Capital Receipts in Advance	(8,076)	21h
<b>(379,237)</b>	<b>Long Term Liabilities</b>	<b>(165,661)</b>	
<b>336,728</b>	<b>Net Assets</b>	<b>570,604</b>	
	<b>Usable reserves</b>		
10,110	Council Fund	9,832	28b
106,733	Earmarked reserves	92,496	28b
21,773	Capital Receipts Reserve	25,728	28a
6,047	Capital Grants Unapplied	4,511	21i
1,364	Usable Reserves CCRCD	2,160	
	<b>Unusable Reserves</b>		
203,699	Revaluation Reserve	222,430	29a
(249,500)	Pensions Reserve	(35,850)	29b
240,672	Capital Adjustment Account	254,429	29c
(687)	Financial Instruments Adjustment Account	(677)	
(3,484)	Short-term Accumulating Compensated Absences Account	(4,453)	
1	Unusable Reserves CCRCD	(2)	
<b>336,728</b>	<b>Total Reserves</b>	<b>570,604</b>	

## Cash Flow Statement

2021-22 £'000		2022-23 £'000	
(15,234)	Net (surplus)/deficit on the Provision of Services	34,712	
(40,687)	Adjustments to net deficit on the provision of services for non-cash movements	(51,590)	<b>34</b>
19,099	Adjustments for Items included in the net deficit on the provision of services that are investing and financing activities	23,296	
<b>(36,822)</b>	<b>Net Cash Flows from Operating Activities</b>	<b>6,418</b>	<b>35</b>
21,610	Investing Activities	33,902	<b>36</b>
(23,289)	Financing Activities	(22,410)	<b>37</b>
<b>38,501</b>	<b>Net (Increase) / Decrease in Cash &amp; Cash Equivalents</b>	<b>17,910</b>	
(3,195)	Cash & Cash Equivalent at the beginning of the Reporting Period	(41,696)	
<b>(41,696)</b>	<b>Cash &amp; Cash Equivalent at the end of the Reporting Period</b>	<b>(23,786)</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 2022-23 financial year and its position at the year end of 31 March 2023. 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) 2022-23 and the *Service Reporting Code of Practice 2022-23* 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 2022-23 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. At the balance sheet date there are no new relevant standards or amendments to existing standards that have been published but not yet adopted by the Code that will have any impact on the financial statements. However, the following details are provided for information purposes.

Standard	Effective date	Further details
<b>IFRS 16 Leases</b>	<b>01 April 2024</b>	The Standard removes the previous lease classifications of operating and finance leases and will require local authorities that are lessees to recognise all leases on their balance sheet as right-of-use assets (there are exemptions for short-term and low value leases) with a corresponding lease liability representing the lessee's obligation to make lease payments for the asset. However, it should be noted that CIPFA/LASAAC have again deferred implementation of IFRS 16 for local government to 1 April 2024.
<b>Infrastructure Assets</b>	<b>01 January 2023</b>	CIPFA issued temporary relief with an update to the Code on infrastructure assets. These are shown separately to other non-current assets to exclude gross cost and accumulated depreciation.
<b>IAS 8</b>	<b>01 January 2023</b>	Amendments in relation to the Definition of Accounting Estimates issued in February 2021
<b>IAS 1 and IFRS Practice Statement 2</b>	<b>01 January 2023</b>	Amendments in relation to the Disclosure of Accounting Policies. Issued in February 2021
<b>IAS 12</b>	<b>01 January 2023</b>	Amendments in relation to Deferred Tax related to Assets and Liabilities arising from a Single Transaction. Issued in May 2021.
<b>IFRS 3</b>	<b>01 January 2023</b>	Updating a reference to the Conceptual Framework. Issued in May 2020.

### 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 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. Additional asset valuations have been undertaken in 2022-23 to ensure that the values held in the balance sheet are materially correct. 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 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, such as Disabled Facilities 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 consolidated the income and expenditure, and the assets and 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 the Coychurch Crematorium joint arrangement 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. Whilst the Welsh Government has issued indicative funding allocations for the next year, this is at an all-Wales not a local authority level. 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 has been recognised as Property, Plant and Equipment on the Council's Balance Sheet and is separately identified under note 21c. The school is the Council's only PFI asset.

The Council has a number of interests in other entities however these are not sufficiently material to include within the 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 2023 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. Additional valuations have been undertaken in the current year to ensure that the assets in the balance sheet are materially correct.

#### 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 2022 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

The expenditure and funding analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the Council in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices are presented more fully in the Comprehensive Income and Expenditure Statement.

2021-22				2022-23		
Net Expenditure Chargeable to the Council Fund Restated	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
128,118	(4,598)	123,520	Education and Family Support	138,246	21,371	159,617
70,395	8,390	78,785	Social Services & Wellbeing	96,846	11,940	108,786
28,456	11,399	39,855	Communities	30,879	13,884	44,763
18,184	5,345	23,529	Chief Executives	20,856	8,077	28,933
47,096	(23,235)	23,861	Council Wide Services	23,561	(5,062)	18,499
	(218)	(218)	Cardiff Capital Region City Deal (CCRCD)		(105)	(105)
<b>292,249</b>	<b>(2,917)</b>	<b>289,332</b>	<b>Net Cost Of Services</b>	<b>310,388</b>	<b>50,105</b>	<b>360,493</b>
(292,587)	(11,530)	(304,117)	Other income and Expenditure	(310,110)	(13,149)	(323,259)
	(449)	(449)	Cardiff Capital Region City Deal (CCRCD)		(2,522)	(2,522)
<b>(338)</b>	<b>(14,896)</b>	<b>(15,234)</b>	<b>Surplus or Deficit</b>	<b>278</b>	<b>34,434</b>	<b>34,712</b>
9,772			Opening Council Fund Balance	10,110		
338			Surplus or (Deficit) on Council Fund for year	(278)		
<b>10,110</b>			<b>Closing Council Fund Balance as at 31 March</b>	<b>9,832</b>		

**5. Note to the Expenditure and Funding Analysis**

<b>Adjustments between Funding and Accounting Basis 2021-22</b>				
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	(6,290)	9,060	(7,368)	(4,598)
Social Services & Wellbeing	29	7,452	909	8,390
Communities	7,763	3,634	2	11,399
Chief Executives	1,565	3,504	276	5,345
Council Wide Services	(4,659)		(18,576)	(23,235)
Cardiff Capital Region City Deal (CCRCDC)			(218)	(218)
<b>Net cost of services</b>	<b>(1,592)</b>	<b>23,650</b>	<b>(24,975)</b>	<b>(2,917)</b>
Other income and expenditure from the Expenditure and Funding Analysis	(18,766)	6,100	1,136	(11,530)
Cardiff Capital Region City Deal (CCRCDC)			(449)	(449)
<b>Difference between Council Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(20,358)</b>	<b>29,750</b>	<b>(24,288)</b>	<b>(14,896)</b>

<b>Adjustments between Funding and Accounting Basis 2022-23</b>				
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	3,541	9,003	8,827	21,371
Social Services & Wellbeing	1,066	7,194	3,680	11,940
Communities	8,441	3,262	2,181	13,884
Chief Executives	3,611	3,470	996	8,077
Council Wide Services	(3,501)	-	(1,561)	(5,062)
Cardiff Capital Region City Deal (CCRCDC)	(17)		(88)	(105)
<b>Net cost of services</b>	<b>13,141</b>	<b>22,929</b>	<b>14,035</b>	<b>50,105</b>
Other income and expenditure from the Expenditure and Funding Analysis	(20,693)	6,470	1,074	(13,149)
Cardiff Capital Region City Deal (CCRCDC)			(2,522)	(2,522)
<b>Difference between Council Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(7,552)</b>	<b>29,399</b>	<b>12,587</b>	<b>34,434</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.**



2021-22 £'000		2022-23 £'000
	<b>Expenditure</b>	
227,131	Employee expenses	256,774
224,812	Other services expenses	233,825
6,491	Depreciation, amortisation, impairment	18,232
11,835	Interest payments	12,200
26,264	Precepts and levies	27,360
573	(Gain)/Loss on disposal of assets	-
<b>497,106</b>	<b>Total expenditure</b>	<b>548,391</b>
	<b>Income</b>	
(36,142)	Fees, charges and other service income	(41,151)
(155,353)	Income from council tax, non-domestic rates	(160,028)
(319,494)	Government grants and contributions	(308,604)
(856)	Investment Income and other Interest Receivable	(2,650)
-	(Gain)/Loss on disposal of assets	(971)
(495)	Other income	(275)
<b>(512,340)</b>	<b>Total income</b>	<b>(513,679)</b>
<b>(15,234)</b>	<b>(Surplus) or Deficit on the provision of services</b>	<b>34,712</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:

2021-22 £'000		2022-23 £'000
	<b>Precepts</b>	
15,632	Police and Crime Commissioner for South Wales	16,486
2,858	Community Councils	2,848
<b>18,490</b>	<b>Total Precepts</b>	<b>19,334</b>
	<b>Levies</b>	
7,364	South Wales Fire and Rescue Authority	7,544
286	Coroners Service	348
106	Archive Service	116
18	Swansea Bay Port Authority	18
<b>7,774</b>	<b>Total Levies</b>	<b>8,026</b>
<b>26,264</b>	<b>Total Precepts and Levies</b>	<b>27,360</b>

### 8. Revenue Support Grant (RSG)

This is the principal source of finance towards revenue expenditure received from Welsh Government. The amount received in 2022-23 was £179.595 million (£166.107 million for 2021-22).

### 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 2022-23 (53.5p in 2021-22). The total rateable value of the Council equalled £97,646,775 on 31 March 2023 (£97,485,244 on 31 March 2022). 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 £52.773 million in 2022-23 (£48.787 million in 2021-22).

### 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 54,568.51 Band D equivalents for 2022-23 (54,329.46 in 2021-22). The average charge for a Band D property is £1,951.31 in 2022-23 (£1,937.33 in 2021-22 on average) and this is multiplied by the factor specified for the 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	27	10,261	14,988	14,415	10,717	7,738	4,271	1,436	290	89

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

2021-22 £'000		2022-23 £'000
(106,566)	Council Tax Collectable	(107,255)
(1,151)	Welsh Government Hardship Fund	-
	Less:	
2,858	Payable to Community Councils	2,848
15,632	Payable to Police and Crime Commissioner for South Wales	16,486
1,273	Provision for non-payment of Council Tax increase/(decrease)	1,051
<b>(87,954)</b>		<b>(86,870)</b>

The Welsh Government Hardship Fund did not provide local authorities with any funding for loss of council tax income in 2022-23 (£1.151 million in 2021-22).

## 11. Grants

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

2021-22 RESTATE £'000	Specific Grants credited to Services	2022-23 £'000
(34,347)	Housing Benefit Subsidy	(32,287)
(6,895)	Post 16 Grant	(7,887)
(4,963)	Education Improvement Grant	(4,976)
(6,067)	Pupil Development Grant	(5,953)
(7,427)	Housing Support Grant (previously Supporting People)	(7,954)
(13,565)	Other Education & Family Support	(10,196)
(4,546)	Other Social Services & Wellbeing	(3,904)
(13,204)	Others	(9,398)
-	Homelessness Prevention – No one left behind	(2,364)
(3,041)	Concessionary Fares Grant	(2,304)
(3,205)	Flying Start	(3,444)
(3,574)	Recruit Recover & Raise Standards (inc. Accelerated Learning Programme)	(1,394)
(2,916)	Social Care Recovery Fund	-
(2,221)	Social Care Pressures Grant	-
(2,221)	Social Care Workforce Grant (previously Sustainability Grant)	(1,999)
(456)	Housing/Council Tax Benefit Administration	(390)
(2,304)	Regional Integrated Fund (previously Integrated Care Fund)	(1,912)
(1,690)	Families First	(1,776)
-	Home for Refugees - Ukraine	(1,781)
(13,527)	Covid Grants	(3,500)
(1,236)	Cost of Living	(259)
(39)	General Capital Grant	(550)
(5,027)	Other Capital Grants	(737)
(432)	Cardiff Capital Region City Deal (CCRCD)	(1,995)
<b>(132,903)</b>	<b>Total Specific Grants Credited to Services</b>	<b>(106,960)</b>

2021-22 £'000	Other Government Grants credited to Taxation and Non-specific Grant Income	2022-23 £'000
(18,844)	Capital Grants and Contributions	(19,462)
(489)	CCRC	(2,587)
<b>(19,333)</b>	<b>Total Other</b>	<b>(22,049)</b>
<b>(152,236)</b>	<b>Total Grants</b>	<b>(129,009)</b>

The tables above includes £3.363m Covid-19 grant income (£13.527m in 2021-22). This includes an element of Hardship Funding which is now ending and a couple of small grant streams still funded throughout 2022-23. This is made up of the following:

2021/22 £'000	Covid Grants	2022/23 £'000
(12,864)	Hardship Funding	(3,411)
(421)	Test, Trace & Protect	(89)
(242)	Other Covid Support Grants	-
<b>(13,527)</b>	<b>Total</b>	<b>(3,500)</b>

In addition to this, the Council administered a number of other 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 Comprehensive Income and Expenditure Statement. These can be found in the table below.

2021/22 £'000	Agency Grants	2022/23 £'000
(1,729)	Winter Fuel	(3,571)
-	Unpaid Carers	(1,325)
(3,603)	Social Care Bonus Scheme	(5,615)
(183)	Statutory Sick Pay Enhancement Scheme	(119)
(1,737)	Self Isolation Payments Scheme	(607)
-	Energy Bill Support	(425)
-	Alternative Fuel	(81)
<b>(7,252)</b>	<b>Total</b>	<b>(11,743)</b>

## 12. Leases

### Council as a Lessee

#### Operating Leases

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

2021-22 £'000		2022-23 £'000
(376)	Not later than one year	(376)
(968)	Later than one year but less than five years	(765)
(6,319)	Later than five years	(6,146)
<b>(7,663)</b>	<b>Total</b>	<b>(7,287)</b>

Expenditure charged in the year to the Service areas was £0.383 million made up of minimum lease payments of £0.008 million and £0.375 million for contingent rents (2021-22: £0.428 million made up of £0.016 million minimum lease payments and £0.412 million contingent rents).

Council as a LessorOperating Leases

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

2021-22 £'000		2022-23 £'000
102	Not later than one year	107
159	Later than one year but less than five years	156
1,689	Later than five years	1,741
<b>1,950</b>	<b>Total</b>	<b>2,004</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:

2021-22 £'000	Unitary Charge	2022-23 £'000
703	Service Charge Element	766
1,145	Interest Element	1,084
801	Finance Lease Liability	863
<b>2,649</b>	<b>Total</b>	<b>2,713</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	2023-24 £'000	2024-25 to 2028-29 £'000	2029-30 to 2033-34 £'000	TOTAL £'000
Service Charge Element	502	2,512	2,504	5,518
Interest Element	1,018	3,895	1,288	6,201
Finance Lease Liability	929	5,839	7,134	13,902
<b>Total</b>	<b>2,449</b>	<b>12,246</b>	<b>10,926</b>	<b>25,621</b>

**14. Pooled Fund Arrangements**

There are a number of 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	2021-22	(644)	644	322
		2022-23	(691)	691	345
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	2021-22	(3,272)	3,436	761
		2022-23	(3,168)	3,164	851
Provision of integrated community support services	Cwm Taf-Morgannwg University Health Board	2021-22	(4,795)	4,795	2,133
		2022-23	(5,275)	5,275	2,473
Cwm Taf Morgannwg Care Home Accommodation	Rhondda Cynon Taff CBC Merthyr Tydfil CBC Cwm Taf Morgannwg University Health Board	2021-22	(52,717)	52,704	9,692
		2022-23	(60,544)	60,484	12,044

## 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 5.89 (2021-22 6.30). The median remuneration of all employees was £24,948 (2021-22: £23,023).

### **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.

2021-22 including Redundancy Costs	Remuneration Band	Number of Employees			
		2022-23 inc Redundancy Costs (Note 1)	2022-23 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)
41	£60,000 - £64,999	53	52	42	10
21	£65,000 - £69,999	29	27	20	7
16	£70,000 - £74,999	15	14	13	1
5	£75,000 - £79,999	15	14	14	-
5	£80,000 - £84,999	4	4	4	-
7	£85,000 - £89,999	7	7	5	2
1	£90,000 - £94,999	4	4	1	3
3	£95,000 - £99,999	5	5	3	2
3	£100,000 - £104,999	2	2	2	-
2	£105,000 - £109,999	1	1	1	-
2	£110,000 - £114,999	3	3	3	-
2	£115,000 - £119,999	4	4	1	3
1	£120,000 - £124,999	-	-	-	-
-	£125,000 - £129,999	1	1	1	-
-	£130,000 - £134,999	-	-	-	-
-	£135,000 - £139,999	-	-	-	-
-	£140,000 - £144,999	-	-	-	-
1	£145,000 - £149,999	1	1	-	1
<b>110</b>		<b>144</b>	<b>139</b>	<b>110</b>	<b>29</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 139 individuals with remuneration of £60,000 or more, including:

- a) 110 Headteachers, Deputy Headteachers and Assistant Headteachers
- b) 29 Senior Managers of the Council, including the Senior Officers shown in Disclosure 3 below, and Heads of Service.

Note 3: The above includes 4 instances of there being two people for one role which has occurred due to the post becoming vacant and being filled during the year.

Note 4: The above includes employees from Voluntary-aided and Voluntary-controlled Schools.

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

Job Title	Salary		Pension Contributions (note 1)		Total Remuneration including Pension Contributions	
	2021-22 £	2022-23 £	2021-22 £	2022-23 £	2021-22 £	2022-23 £
Chief Executive Officer & Head of Paid Service (Note 2)	145,099	147,024	28,730	29,111	173,829	176,135
Corporate Director - Education and Family Support	115,188	117,113	22,807	23,188	137,995	140,481
Corporate Director - Communities	112,741	117,113	22,323	23,188	135,064	140,346
Corporate Director - Social Services & Wellbeing	115,188	117,113	22,807	23,188	137,995	140,301
Chief Officer – Finance, Performance and Change (Note 3)	30,400	99,113	6,019	19,624	36,419	119,176
Chief Officer – Legal and Regulatory Services, Human Resources and Corporate Policy	91,785	99,113	17,685	19,624	109,470	121,609

**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 Officer figures excludes payment for Election Duties which amounted to £14,166 for the Bridgend County local elections (£12,837 for the Senedd and Police and Crime Commissioner elections in 2021-22) and £407 for Bridgend County By-elections in 2022-23.
- Note 3 The Chief Officer – Finance, Performance and Change post was appointed to on 6 December 2021. Prior to this appointment the role was undertaken on an interim arrangement which ended 16 December 2021. The Interim Chief Officer – Finance, Performance and Change was appointed under a contractual arrangement with the Welsh Local Government Association. The costs incurred in this arrangement during 2021-22 were £101,960.
- Note 4 The 2021-22 salary figure for the Chief Officer – Legal and Regulatory Services, Human Resources and Corporate Policy included £2,872.18 benefit in kind amount.

**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	
	2021-22 £	2022-23 £	2021-22 £	2022-23 £	2021-22 £	2022-23 £	2021-22 £	2022-23 £
£0 - £20,000	3	5	2	9	5	14	22,161	159,450
£20,001 - £40,000	3	5	1	-	4	5	96,970	162,241
£40,001 - £60,000	1	2	-	-	1	2	57,306	102,498
£60,001 - £80,000	1	-	-	-	1	-	60,860	-
	<b>8</b>	<b>12</b>	<b>3</b>	<b>9</b>	<b>11</b>	<b>21</b>	<b>237,297</b>	<b>424,189</b>



## 16. Members' Allowances

The allowances for Councillors are shown in the table below.

2021-22 £'000		2022-23 £'000
580	Basic Salary (all Members)	665
492	Senior Salary	563
52	Civic Salary	59
<b>1,124</b>	<b>Total</b>	<b>1,287</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.

2021-22 £'000		2022-23 £'000
188	Financial Statement Audit	217
101	Performance Audit	106
<b>289</b>	<b>External Audit Services</b>	<b>323</b>
34	Grant Claims and Returns	39
<b>323</b>	<b>Total</b>	<b>362</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.

	2021-22 £'000 RESTATED	2022-23 £'000
Cardiff Capital Region City Deal (CCRCD)	109	115
Central South Consortium Joint Education Service	549	554
Joint Adoption Service	949	976
Shared Regulatory Service	1,685	1,673
Shared Internal Audit Service	138	209
Glamorgan Archives	106	116
Joint Vehicle Maintenance	124	120
Coychurch Crematorium	-	-
Margam Crematorium	-	-
<b>Total</b>	<b>3,660</b>	<b>3,763</b>

The Council participated in Joint Committee's for Coychurch and Margam Crematorium and received a cash payment from Margam Crematoria in 2022-23 of £44,800. There was no contribution in 2021-22.

## 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) £1,256,323 (£1,438,302 in 2021-22), Bridgend County Borough Citizens Advice Bureau £303,519 (£275,112 in 2021-22) and Bridgend Association of Voluntary Organisations £618,256 in 2022-23 (£749,780 in 2021-22). 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 £1,208,822 (£684,834 in 2021-22) as shown in the table below;

	2022-23 £
Pencoed Town Council	10,172
Bryncethin Rugby Club	11,285
HOKDigi	12,050
Cefn Cribwr Community Council	17,562
Baobab Bach	20,107
Sarn Centre Association	22,385
Run 4 Wales	23,000
Bridgend Athletic RFC	26,300
Cefn Cribwr Athletic Club Bowls Club	27,412
Maesteg Town Council	29,938
Cornelly Community Council	30,037
Bridge Mentoring Plus Scheme	30,592
V2C Management Board	55,731
Maesteg Harlequins RFC	65,989
Garw Valley Community Council	79,332
Brynawel Rehab, Llanharan	103,865
Cwmpas (Social Business Wales)	111,647
Bridgend County Credit Union	124,285
Welsh Local Government Association	159,277
Hafod Housing	196,772
Various less than £10k	51,084
<b>Balance as at 31 March</b>	<b>1,208,822</b>

Balances owed by the Council as at 31 March 2023 included Care & Repair £28,376 (£176,075 in 2021-22) and Bridgend Lifesavers Credit Union Ltd £9,035 (Nil 2021-22). Amounts owed to the Council as at 31 March 2023 included Welsh Local Government Association £103,370 (nil in 2021-22), Sarn Centre Association £8,318 (£8,318 in 2021-22), Maesteg Town Council £nil (£29,437 in 2021-22) and Porthcawl Town Council £5,568 (£10,094 in 2021-22).

### **Chief Officers**

During 2022-23 the Head of Adult Social Care sat on the Board of WSP Glamorgan Consultancy (previously known as 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 2022-23 the Council was charged £1,229,566 (2021-22: £958,936) in respect of goods, services and capital works. The balance owed by the Council at the 31 March 2023 was £232,604 (£37,647 in 2021-22). 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.

### **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 2022-23 was £2,817,529 (2021-22: £3,732,670). The balance owed by the Council to Awen as at 31 March 2023 is £27,263 (2021-22 - nil) and a balance outstanding of £15,723 was owed to the Council at the 31 March 2023 (2021-22 - £61,151). 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 2021-22 for comparative purposes and the adjustments for 2022-23.

2021-22	Usable Reserves			Unusable Reserves
	Council Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'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)	29,750			(29,750)
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	(10)			10
Holiday Pay (transferred to the Accumulated Absences Reserve)	273			(273)
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)	7,084			(7,084)
<b>Total Adjustments to Revenue Resources</b>	<b>37,097</b>	<b>-</b>	<b>-</b>	<b>(37,097)</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(254)	254		
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(7,324)			7,324
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(1,020)			1,020
<b>Total adjustments between Revenue and Capital Resource</b>	<b>(8,598)</b>	<b>254</b>	<b>-</b>	<b>8,344</b>
<b>Adjustments to Capital Resources</b>				
Use of the Capital Receipts Reserve to finance capital expenditure				-
Application of capital grants to finance capital expenditure	(18,844)			18,844
Cash payments in relation to deferred capital receipts			5,759	(5,759)
<b>Total adjustments to Capital Reserves</b>	<b>(18,844)</b>	<b>-</b>	<b>5,759</b>	<b>13,085</b>
<b>CCRC</b>	<b>(235)</b>			<b>235</b>
<b>Total Adjustments</b>	<b>9,419</b>	<b>254</b>	<b>5,759</b>	<b>(15,433)</b>

2022-23	Usable Reserves			Unusable Reserves
	Council Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'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)	29,400			(29,400)
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	(10)			10
Holiday Pay (transferred to the Accumulated Absences Reserve)	969			(969)
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)	22,541			(22,541)
<b>Total Adjustments to Revenue Resources</b>	<b>52,900</b>			<b>(52,900)</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(3,834)	3,834		-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(6,524)			6,524
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(256)			256
<b>Total adjustments between Revenue and Capital Resource</b>	<b>(10,614)</b>	<b>3,834</b>		<b>6,780</b>
<b>Adjustments to Capital Resources</b>				
Use of the Capital Receipts Reserve to finance capital expenditure		29		(29)
Application of capital grants to finance capital expenditure	(19,462)			19,462
Cash payments in relation to deferred capital receipts			(1,536)	1,536
Other amounts		92		(92)
<b>Total adjustments to Capital Reserves</b>	<b>(19,462)</b>	<b>121</b>	<b>(1,536)</b>	<b>20,877</b>
<b>CCRC</b>	<b>(1,831)</b>			<b>1,831</b>
<b>Total Adjustments</b>	<b>20,993</b>	<b>3,955</b>	<b>(1,536)</b>	<b>(23,412)</b>

## Notes to the Balance Sheet

### 21. Non-current Assets

#### a) Capital commitments

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

2021-22 £'000		2022-23 £'000
	Porthcawl Metrolink	3,261
-	Cosy Corner	875
-	Maesteg Town Hall	2,167
-	<b>Total</b>	<b>6,303</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. For 2022-23 additional valuations were carried out to ensure that the assets as stated in the Balance Sheet are materially correct. 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. Cooke & Arkwright also valued a number of surplus assets.



Summary of Property, Plant & Equipment (PPE) Restated	Other Land and Buildings £'000	Vehicle, Plant and Equipment £'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 2021	449,340	14,929	4,987	14,090	2,332	<b>485,678</b>	22,868
<b>Additions</b>	7,819	1,156	38	5	3,410	<b>12,428</b>	
Accumulated Depreciation and Impairment written out to Gross Carrying Amount	(25,450)	-	-	-	-	<b>(25,450)</b>	(3,635)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	60,230	-	-	(76)	-	<b>60,154</b>	6,783
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	13,938	-	-	-	-	<b>13,938</b>	9
Derecognition - Disposals	(842)	-	-	-	-	<b>(842)</b>	
Derecognition - other	(1,335)	-	-	-	-	<b>(1,335)</b>	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-
Other Movements in Cost or Valuation	(3,562)	-	-	(29)	3,591	-	-
CCRCD Assets		394			(159)	<b>235</b>	
<b>At 31 March 2022</b>	<b>500,138</b>	<b>16,479</b>	<b>5,025</b>	<b>13,990</b>	<b>9,174</b>	<b>544,806</b>	<b>26,025</b>
<b>Accumulated Depreciation and Impairments</b>							
At 1 April 2021	(18,777)	(7,086)	(36)	-	-	<b>(25,899)</b>	(2,429)
Depreciation Charge for the year	(10,674)	(1,821)	(3)	-	-	<b>(12,498)</b>	(1,213)
Accumulated Depreciation and Impairment written out to Gross Carrying Amount	25,450	-	-	-	-	<b>25,450</b>	3,635
Accumulated impairment written off ( where no account balance at 1 April )	-	-	-	-	-	-	-
Acc. Depreciation WO to GCA	-	-	-	-	-	-	-
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	(28)	-	-	-	-	<b>(28)</b>	-
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	(2,103)	-	-	-	-	<b>(2,103)</b>	-
Derecognition - disposals	15	-	-	-	-	<b>15</b>	-
Derecognition - other	1,335					<b>1,335</b>	
Other Movements	42	1	-	-	(42)	<b>1</b>	
CCRCD Depreciation		(56)				<b>(56)</b>	
<b>At 31 March 2022</b>	<b>(4,740)</b>	<b>(8,962)</b>	<b>(39)</b>	<b>0</b>	<b>(42)</b>	<b>(13,783)</b>	<b>(7)</b>
<b>NBV as at 1 April 2021</b>	<b>430,563</b>	<b>7,843</b>	<b>4,951</b>	<b>14,090</b>	<b>2,332</b>	<b>459,779</b>	<b>20,439</b>
<b>NBV as at 31 March 2022</b>	<b>495,398</b>	<b>7,517</b>	<b>4,986</b>	<b>13,990</b>	<b>9,132</b>	<b>531,023</b>	<b>26,018</b>

Summary of Property, Plant & Equipment (PPE)	Other Land and Buildings £'000	Vehicle, Plant and Equipment £'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 2022	500,138	16,479	5,025	13,990	9,174	<b>544,806</b>	26,025
<b>Additions</b>	4,854	1,990	68	7	8,041	<b>14,960</b>	
Accumulated Depreciation and Impairment written out to Gross Carrying Amount	(10,914)					<b>(10,914)</b>	(1,315)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	26,749			(1,211)		<b>25,538</b>	2,380
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	3,234		(83)	(94)		<b>3,057</b>	
Derecognition - Disposals	(166)	(87)		(205)		<b>(458)</b>	
Derecognition - other	(1,535)					<b>(1,535)</b>	
Assets reclassified (to)/from Held for Sale				(65)		<b>(65)</b>	
Other Movements in Cost or Valuation	1,012				(1,012)	-	
CCRCDC Assets		198			60	<b>258</b>	
<b>At 31 March 2023</b>	<b>523,372</b>	<b>18,580</b>	<b>5,010</b>	<b>12,422</b>	<b>16,263</b>	<b>575,647</b>	<b>27,090</b>
<b>Accumulated Depreciation and Impairments</b>							
At 1 April 2022	(4,740)	(8,962)	(39)	0	(42)	<b>(13,783)</b>	(7)
Depreciation Charge for the year	(11,868)	(1,982)	(3)			<b>(13,853)</b>	(1,316)
Accumulated Depreciation and Impairment written out to Gross Carrying Amount	10,913					<b>10,913</b>	1,316
Accumulated impairment written off ( where no account balance at 1 April )							
Acc. Depreciation WO to GCA							
Impairment Losses/(Reversals) recognised in the Revaluation Reserve							
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services							
Derecognition - disposals	8	87				<b>95</b>	
Derecognition - other							
Other Movements							
CCRCDC Depreciation		(116)				<b>(116)</b>	
<b>At 31 March 2023</b>	<b>(5,687)</b>	<b>(10,973)</b>	<b>(42)</b>	<b>0</b>	<b>(42)</b>	<b>(16,744)</b>	<b>(7)</b>
<b>NBV as at 1 April 2022</b>	<b>495,398</b>	<b>7,517</b>	<b>4,986</b>	<b>13,990</b>	<b>9,132</b>	<b>531,023</b>	<b>26,018</b>
<b>NBV as at 31 March 2023</b>	<b>517,685</b>	<b>7,607</b>	<b>4,968</b>	<b>12,422</b>	<b>16,221</b>	<b>558,903</b>	<b>27,083</b>

In accordance with the Temporary Relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The Council has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

2021-22 £'000	Infrastructure	2022-23 £'000
69,593	Net Book Value at 1 April	76,312
11,919	Additions	11,217
-	Derecognition	(84)
(5,181)	Depreciation	(5,274)
(19)	Impairment	-
<b>76,312</b>	<b>Net Book Value at 31 March</b>	<b>82,171</b>

The Council has determined in accordance with Regulation 24L of the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 (as amended) that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

#### Summary of Property, Plant & Equipment (PPE)

2021-22 £'000	Property, Plant & Equipment (PPE) Reconciliation	2022-23 £'000
76,312	Infrastructure Assets	82,171
531,023	Other PPE assets	558,903
<b>607,335</b>	<b>Total PPE Assets</b>	<b>641,074</b>

#### d) Intangible Assets.

The Intangible asset refers to the Wales Community Care Information System, WCCIS. As at 31 March 2023 the remaining life of the asset was 3 years.

2021-22 £'000		2022-23 £'000
	<b>Cost or valuation</b>	
6,040	At 1 April	6,040
<b>6,040</b>	<b>At 31 March</b>	<b>6,040</b>
	<b>Accumulated amortisation and impairments</b>	
(3,569)	At 1 April	(4,130)
(561)	Amortisation for year	(482)
<b>(4,130)</b>	<b>At 31 March</b>	<b>(4,612)</b>
2,471	Net Book Value at 1 April	1,910
<b>1,910</b>	<b>Net Book Value at 31 March</b>	<b>1,428</b>

e) Sources of finance for Capital Expenditure

2021-22 £'000		2022-23 £'000
(10,569)	Loans	(6,811)
(17,830)	Government grants	(21,073)
-	Reversal of previous funding of capital receipts	29
(1,020)	Revenue contribution	(256)
(322)	Other contributions	(1,119)
<b>(29,741)</b>	<b>Total</b>	<b>(29,230)</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.

2021-22 £'000	2021-22 CCRCD £'000	2021-22 Total £'000		2022-23 £'000	2022-23 CCRCD £'000	2022-23 Total £'000
5,394	37	5,431	Revenue Expenditure Funded from Capital Under Statute	3,054	1,465	4,519
(5,066)	(37)	(5,103)	Grants and Contributions	(1,287)	(1,465)	(2,752)
<b>328</b>	<b>-</b>	<b>328</b>	<b>Total</b>	<b>1,767</b>	<b>-</b>	<b>1,767</b>

g) Capital financing requirement and the financing of capital expenditure

2021-22 £'000	Capital Financing Requirement	2022-23 £'000
172,971	Opening Capital Financing Requirement	176,216
	<b>Capital Investment</b>	
24,347	Property, Plant and Equipment and Intangible Assets	26,176
5,394	Revenue Expenditure Funded from Capital under Statute	3,054
	<b>Sources of Finance</b>	
(18,152)	Grants & Contributions	(22,192)
-	Capital receipts applied	29
(1,020)	Revenue Contributions	(256)
(2,970)	Minimum Revenue Provision	(3,529)
(3,553)	Unsupported Borrowing MRP	(2,132)
(801)	PFI School MRP	(863)
<b>176,216</b>	<b>Closing Capital Financing Requirement</b>	<b>176,503</b>
	<b>Explanation for Movements in Year</b>	
983	Increase/(Decrease) in Underlying Need to Borrow (supported by government financial assistance)	424
3,063	Increase/(Decrease) in Underlying Need to Borrow (unsupported by government financial assistance)	726
(801)	Assets acquired under PFI Contract	(863)
<b>3,245</b>	<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>287</b>

h) Capital Receipts In Advance

This includes a combination of capital grants received in advance in respect of proposed capital schemes for 2022-23, which was £0.579 million (2021-22: £2.649 million) 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 of £7.497 million (2021-22: £6.223 million).

i) Capital Grants Unapplied

This includes a combination of capital grants received where the expenditure to be financed from the grants has yet to be incurred, therefore it is held for future use. This value of grants held is £4.511m 2022-23 (£6.047m 2021-22).

**22. Investment Properties**

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

2021-22 £'000	CCRCD £'000	Total £'000		2022-23 £'000	CCRCD £'000	Total £'000
5,090	2,731	7,821	<b>Opening Balance at 1 April</b>	5,585	2,733	8,318
495	2	497	Net gain / (loss) from fair value adjustments	260	3,269	3,529
<b>5,585</b>	<b>2,733</b>	<b>8,318</b>	<b>Balance as at 31 March</b>	<b>5,845</b>	<b>6,002</b>	<b>11,847</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;

2021-22 £'000		2022-23 £'000
9,236	Trade Receivables	8,814
5,169	Prepayments	2,934
53,803	Other Receivable Amounts	49,244
581	CCRCD	1,175
<b>68,789</b>	<b>Balance as at 31 March</b>	<b>62,167</b>

The Council collects NNDR payments on behalf of Welsh Government. As at 31 March 2023, the Council had paid over more cash than it collected, this excess was included in the Balance Sheet as a debtor of £2.280 million. The equivalent for 2021-22 was a debtor of £1.829 million.

**24. Assets Held for Sale**

2021-22 £'000		2022-23 £'000
2,500	Balance at 1 April	2,500
-	Assets newly classified as held for sale: Property, Plant & Equipment	65
-	Assets Sold	(2,500)
<b>2,500</b>	<b>Balance as at 31 March</b>	<b>65</b>

**25. Short Term Creditors**

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

2021-22 £'000		2022-23 £'000
(4,694)	Trade Payables	(7,495)
(47,421)	Other Payables	(44,002)
(4,635)	CCRCD	(3,590)
<b>(56,749)</b>	<b>Balance as at 31 March</b>	<b>(55,087)</b>

## 26. Provisions

The Council has provisions as detailed below:

	Insurance £'000	Other Provisions £'000	Total £'000
<b>Balance at 1 April 2022</b>	5,154	3,733	<b>8,887</b>
Additional provisions made in 2022-23	827	-	<b>827</b>
Amounts used/released in 2022-23	(970)	-	<b>(970)</b>
CCRCD		28	<b>28</b>
<b>Balance at 31 March 2023</b>	<b>5,011</b>	<b>3,761</b>	<b>8,772</b>

Provisions < 1 yr	722	3,500	<b>4,222</b>
Provisions > 1 yr	4,289	261	<b>4,550</b>
<b>Balance at 31 March 2023</b>	<b>5,011</b>	<b>3,761</b>	<b>8,772</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 2022-23 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

In August 2019 the Court of Appeal in Brazel v The Harper Trust handed down a ruling regarding the calculation of annual leave entitlement impacting permanent staff employed on a term time contract, stating that their basic statutory annual leave entitlement could not be pro-rated to reflect the number of weeks actually worked. The Council has been reviewing its current and past contracts to ensure it is compliant with the new ruling and has setup this provision to cover the potential financial liability associated with any backdated adjustments.

## 27. PFI and Other Long Term Liabilities

2021-22 £'000		Movement in year £'000	Moved to Short Term Creditors £'000	2022-23 £'000
13,902	Maesteg School PFI Lease		(928)	12,974
127	Innovation Centre		(127)	-
100	Waste Contract		(50)	50
2,385	CCRCD	1,742		4,127
<b>16,514</b>	<b>Balance as at 31 March</b>	<b>1,742</b>	<b>(1,105)</b>	<b>17,151</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 2022-23, the amount written down was £863,000 and £929,000 has been transferred to Short Term Creditors leaving an outstanding long term liability of £12.974 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 2022-23 was £116,000 and £127,000 was transferred to Short Term Creditors resulting in no long-term financial liability outstanding at 31 March 2023.

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

## 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.

2021-22 £'000		2022-23 £'000
21,519	Balance at 1st April	21,773
254	Capital Receipts Received	3,926
-	Receipts Used to Finance Capital Expenditure	29
<b>21,773</b>	<b>Balance as at 31 March</b>	<b>25,728</b>

### b) Earmarked Reserves

The Earmarked Reserves in the Balance Sheet as at 31 March 2022 are detailed below:

Opening Balance 2021-22 £'000 RESTATED	Reserve	Movement during 2022-23		Closing Balance 2022-23 £'000
		Additions/ Re-classification/ Unwound £'000	Drawdown by Directorates £'000	
<b>10,110</b>	<b>Council Fund</b>	-	(278)	<b>9,832</b>
	<b>Corporate Reserves:</b>			
<b>40,024</b>	Capital Programme Contribution	9,106	-	<b>49,148</b>
<b>3,706</b>	Major Claims Reserve	(1,575)	(1,582)	<b>549</b>
<b>3,592</b>	Service Reconfiguration	-	(700)	<b>2,892</b>
<b>11,873</b>	Other Corporate Reserves	4,898	(8,629)	<b>8,124</b>
<b>59,195</b>	<b>Total Corporate Reserves</b>	<b>12,429</b>	<b>(10,911)</b>	<b>60,713</b>
	<b>Other Reserves:</b>			
<b>18,094</b>	Directorate Reserves	3,552	(9,022)	<b>12,624</b>
<b>5,970</b>	City Deal Reserve	588	-	<b>6,558</b>
<b>24,064</b>	<b>Total Directorate Reserves</b>	<b>4,140</b>	<b>(9,022)</b>	<b>19,182</b>
14,228	Delegated Schools Balance		(7,330)	6,898
<b>97,487</b>	<b>Total Reserves excluding Equalisation Reserves</b>	<b>16,569</b>	<b>(27,263)</b>	<b>86,793</b>
<b>9,245</b>	<b>Equalisation and Grant Reserves</b>	<b>1,247</b>	<b>(4,789)</b>	<b>5,703</b>
<b>106,732</b>	<b>TOTAL EXCLUDING COUNCIL FUND</b>	<b>17,816</b>	<b>(32,052)</b>	<b>92,496</b>
<b>116,842</b>	<b>TOTAL INCLUDING COUNCIL FUND</b>	<b>17,816</b>	<b>(32,330)</b>	<b>102,328</b>



## Council Fund

The transfer from the Council Fund for 2022-23 was £0.278 million. This has resulted in the balance on the Fund being £9.832 million at 31 March 2023 (£10.110 million at 31 March 2022).

## Other Earmarked Reserves

The balance on Earmarked Reserves excluding the Council Fund was a net decrease of £14.236 million in 2022-23 (net increase of £23.885 million in 2021-22). 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 2022-23. Examples include reserves to support pressures within Social Services and Care Experienced Children; and wider regeneration investment.

## 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

2021-22 Closing Balance £'000	School Types	No's in Category	2022-23 Funding Available £'000	2022-23 Spend £'000	2022-23 Closing Balance £'000
6,994	Primary Schools	48	59,822	56,947	2,875
6,524	Secondary Schools	9	59,779	56,045	3,734
710	Special Schools	2	12,234	11,945	289
<b>14,228</b>	<b>Total</b>	<b>59</b>	<b>131,835</b>	<b>124,937</b>	<b>6,898</b>

*The 2021-22 Closing Balance figure is included within the 2022-23 Budget. This accounting treatment of including the prior year's closing balance in the current year's 'Funding Available' 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 2022-23 there were £1.247 million (2021-22 - £5.422 million) of 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. £4.789 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.

2021-22			2022-23	
£'000	£'000		£'000	£'000
61,794	148,639	<b>Balance at 1 April</b>	27,750	203,699
		Upward Revaluation of Assets		
(1,669)		Downward Revaluation of Assets and Impairment Losses not charged to the Surplus/Deficit on the Provision of Services	(2,212)	
	<b>60,125</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>25,538</b>
(4,244)		Difference between fair value depreciation and historical cost depreciation (charged to the Capital Adjustment Account)	(5,326)	
(821)		Accumulated gains on assets sold or scrapped	(1,481)	
	(5,065)	Amount written off to the Capital Adjustment Account		(6,807)
	<b>203,699</b>	<b>Balance as at 31 March</b>		<b>222,430</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.

2021-22 £'000		2022-23 £'000
(298,770)	<b>Balance at 1 April</b>	(249,500)
79,020	Actuarial gains or losses on pensions assets and liabilities	243,050
(46,870)	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	(48,750)
17,120	Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	19,350
<b>(249,500)</b>	<b>Balance as at 31 March</b>	<b>(35,850)</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.

2021-22			2022-23	
£'000	£'000		£'000	£'000
	217,810	Opening Balance		237,220
	3,215	CCRC D Balance		3,452
	221,025	Total Balance at 1 April		240,672
		<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>		
(18,239)		Charges for depreciation and impairment of non-current assets	(19,608)	
11,816		Revaluation gain/(losses) on Property, Plant and Equipment	1,437	
(328)		Revenue Expenditure funded from Capital Under Statute	(1,767)	
		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	(1,382)	
(6)				
	(6,757)			(21,320)
	4,244	Adjusting amounts written out to the Revaluation Reserve		5,327
	(2,513)	<b>Net written out amount of the cost of non-current assets consumed in the year</b>		<b>(15,993)</b>
		<b>Capital financing applied in the year:</b>		
-		Use of the Capital Receipts Reserve to finance capital expenditure	(29)	
13,085		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that has been applied to capital financing	20,905	
7,323		Statutory provision for the financing of capital investment charged against the Council Fund	6,524	
1,020		Capital expenditure charged against the Council Fund	256	
	21,428			27,656
	495	Movement in the market value of Investment Properties credited to the Comprehensive Income and Expenditure Statement		260
	237	Movement in CCRC D Capital Adjustment Account balance		1,834
	240,672	<b>Balance as at 31 March</b>		<b>254,429</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 on 31 March 2022.

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. Information is also available at: <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 2022-23 include information provided by the pension administrators, Rhondda Cynon Taff CBC and Aon Hewitt Associates Limited as the pension fund scheme's actuary.

All mortality assumptions are based on an analysis of the Fund's recent mortality experience that was carried out in advance of the 2022 Valuation. There is likely to be an initial 'experience gain' to pension Funds from excess deaths in 2020 and 2021 from Covid 19. This effect will be captured this year as part of the update of employer accounting figures to the results of the 2022 valuation with no further allowance being proposed for after 31 March 2022.

### **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.

Restated Local Govt Pension Scheme	LGPS Unfunded Benefits	Teachers' Unfunded Benefits	Restated Total	Comprehensive Income & Expenditure Statement	Local Govt Pension Scheme	LGPS Unfunded Benefits	Teachers' Unfunded Benefits	Total
2021-22 £m	2021-22 £m	2021-22 £m	2021-22 £m		2022-23 £m	2022-23 £m	2022-23 £m	2022-23 £m
				<b>Cost of Services :</b>				
				<b>Service cost comprising:</b>				
40.74	-	-	<b>40.74</b>	Current service cost	42.20	-	-	<b>42.20</b>
-	-	0.03	<b>0.03</b>	Past service costs	0.08	-	-	<b>0.08</b>
				<b>Financing &amp; Investment Income &amp; Expenditure :-</b>				
5.90	0.14	0.06	<b>6.10</b>	Net interest expense	6.25	0.16	0.06	<b>6.47</b>
				<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>48.53</b>	<b>0.16</b>	<b>0.06</b>	<b>48.75</b>
				<b>Other Post Employment Benefit Charged to the Comprehensive Income &amp; Expenditure Statement</b>				
				<i>Remeasurements of the net defined benefit liability comprising:</i>				
(2.23)	-	-	<b>(2.23)</b>	Return on plan assets (excluding the amount included in the net interest expense)	86.68	-	-	<b>86.68</b>
(69.39)	(0.15)	(0.05)	<b>(69.59)</b>	Actuarial (gains) / losses due to changes in financial assumptions	(393.85)	(1.01)	(0.28)	<b>(395.14)</b>
(10.47)	(0.10)	(0.05)	<b>(10.62)</b>	Actuarial (gains) / losses due to changes in demographic assumptions	(0.38)	0.01	-	<b>(0.37)</b>
3.39	0.02	0.01	<b>3.42</b>	Actuarial (gains) / losses due to liability experience	65.04	0.53	0.21	<b>65.78</b>
<b>(78.70)</b>	<b>(0.23)</b>	<b>(0.09)</b>	<b>(79.02)</b>	<b>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>(242.51)</b>	<b>(0.47)</b>	<b>(0.07)</b>	<b>(243.05)</b>
				<b>Movement in Reserves Statement:-</b>				
(46.64)	(0.14)	(0.09)	<b>(46.87)</b>	Reversal of net charges made for retirement benefits in accordance with IAS 19	48.53	0.16	0.06	<b>48.75</b>
				<b>Actual amount charged against the Council Fund Balance for pensions in the year</b>				
16.35	0.47	0.30	<b>17.12</b>	Employer's Contributions payable to the scheme	18.59	0.47	0.29	<b>19.35</b>
(26.21)	(0.47)	(0.30)	<b>(26.98)</b>	Retirement Benefits Paid Out	(25.71)	(0.47)	(0.29)	<b>(26.47)</b>

### 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
2021-22 £m	2021-22 £m	2021-22 £m	2021-22 £m		2022-23 £m	2022-23 £m	2022-23 £m	2022-23 £m
(1,036.77)	(6.14)	(2.48)	(1,045.39)	Present value of defined benefit obligation	(757.64)	(5.36)	(2.18)	(765.18)
795.89	-	-	795.89	Fair Value of Plan Assets	729.33	-	-	729.33
(240.88)	(6.14)	(2.48)	(249.50)	Net liability arising from defined benefit obligation	(28.31)	(5.36)	(2.18)	(35.85)

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

2021-22 £m		2022-23 £m
782.07	Opening fair value of scheme assets at 1 April	795.89
16.38	Interest income on assets	21.48
2.23	The return on plan assets, excluding the amount included in the net interest expense	(86.68)
17.12	Contributions by Employer	19.35
5.07	Contributions by Participants	5.76
(26.98)	Net Benefits Paid Out	(26.47)
795.89	Balance as at 31 March	729.33



## 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
2021-22	2021-22	2021-22	2021-22		2022-23	2022-23	2022-23	2022-23
£m	£m	£m	£m		£m	£m	£m	£m
1,071.36	6.70	2.81	1,080.87	<b>Opening balance at 1 April</b>	1,036.77	6.14	2.48	1,045.39
40.74	-	-	40.74	Current Service Cost	42.20	-	-	42.20
22.28	0.14	0.06	22.48	Interest Cost	27.73	0.16	0.06	27.95
5.07	-	-	5.07	Contributions from scheme participants	5.76	-	-	5.76
				<i>Remeasurement (gains) and losses:</i>				
(69.39)	(0.15)	(0.05)	(69.59)	Actuarial gains / losses arising from changes in financial assumptions	(393.85)	(1.01)	(0.28)	(395.14)
(10.47)	(0.1)	(0.05)	(10.62)	Actuarial gains / losses arising from changes in demographic assumptions	(0.38)	0.01	-	(0.37)
3.39	0.02	0.01	3.42	Actuarial gains / losses arising from changes in liability experience	65.04	0.53	0.21	65.78
-	-	-	-	Past Service Cost	0.08	-	-	0.08
(26.21)	(0.47)	(0.3)	(26.98)	Benefits Paid	(25.71)	(0.47)	(0.29)	(26.47)
-	-	-	-	Liabilities extinguished on settlements				
<b>1,036.77</b>	<b>6.14</b>	<b>2.48</b>	<b>1,045.39</b>	<b>Balance as at 31 March</b>	<b>757.64</b>	<b>5.36</b>	<b>2.18</b>	<b>765.18</b>

**Local Government Pension Scheme assets comprised:**

Restated Fair Value of Scheme Assets 2021-22 £m	Asset Split 2021-22 %		Fair Value of Scheme Assets 2022-23 £m	Asset Split 2022-23 %
536.43	67.4	Equities	496.67	68.10
58.1	7.30	Property	56.89	7.80
95.51	12.00	Government bonds	76.58	10.50
102.67	12.90	Corporate bonds	90.44	12.40
3.187	0.40	Cash and cash equivalents	8.75	1.20
<b>795.89</b>	<b>100.00</b>	<b>Total assets</b>	<b>729.33</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:

2021-22 % pa		2022-23 % pa
2.7	Discount rate	4.7
3.0	CPI Inflation	2.7
3.0	Rate of pension increases	2.7
4.25	Rate of salary increases	3.95
<i>Mortality Assumptions:</i>		
Longevity at 65 for current pensioners :-		
21.6	Men	21.6
23.9	Women	24.2
Longevity at 65 for future pensioners :-		
22.6	Men	22.9
25.4	Women	25.7

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 2021-22 £m	Decrease in Assumption 2021-22 £m		Increase in Assumption 2022-23 £m	Decrease in Assumption 2022-23 £m
(20.74)	20.74	Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(12.88)	12.88
2.07	(2.07)	Rate of increase in salaries (increase or decrease by 0.1%)	0.76	(0.76)
18.66	(18.66)	Rate of increase in pensions (increase or decrease by 0.1%)	12.12	(12.12)
36.29	(35.25)	Longevity (increase or decrease in 1 year)	19.70	(20.24)

### 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 2024 are:

	2023-24 £m
Local Government Pension Scheme	20.14
LGPS Unfunded	0.24
Teachers Unfunded	0.09
<b>Total</b>	<b>20.47</b>

The weighted average duration of the defined benefit obligation for the scheme members is 20.47 years.

### Teachers

In 2022-23, the Council paid £14.186 million (£13.348 million for 2021-22) 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 2022-23, these amounted to £0.368 million (£0.341 million for 2021-22).

### 31. Financial Instruments Disclosures

#### Categories of Financial Instruments

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

#### Financial Assets

31 March 2022					31 March 2023				
Current		Non-current			Current		Non-current		
Investments £'000	Debtors £'000	Investments £'000	Total £'000		Investments £'000	Debtors £'000	Investments £'000	Debtors £'000	Total £'000
80,732	9,236	-	89,968	Amortised Cost	66,981	8,814	5,089	-	80,884
6,488	-	-	6,488	CCRCD	5,138	-	-	1,555	6,693
<b>87,220</b>	<b>9,236</b>	<b>-</b>	<b>96,456</b>	<b>Total financial assets</b>	<b>72,119</b>	<b>8,814</b>	<b>5,089</b>	<b>1,555</b>	<b>87,577</b>
-	-	5,585	5,585	Non-financial assets	-	-	5,845	-	5,845
-	-	2,733	2,733	CCRCD	-	-	6,002	-	6,002
-	-	<b>8,318</b>	<b>8,318</b>	<b>Total Non-financial assets</b>	-	-	<b>11,847</b>	-	<b>11,847</b>
<b>87,220</b>	<b>9,236</b>	<b>8,318</b>	<b>104,774</b>	<b>Total</b>	<b>72,119</b>	<b>8,814</b>	<b>16,936</b>	<b>1,555</b>	<b>99,424</b>

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

The £8.814m (2021-22: £9.236 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 £62.167 million (2021-22: £68.789 million) included in the balance sheet. More information in relation to debtors can be found at note 23.

#### Financial Liabilities

31 March 2022					31 March 2023			
Current		Non-current			Current		Non-current	
Borrowing £'000	Creditors £'000	Borrowing & Other Long-Term Liabilities £'000	Total £'000		Borrowing £'000	Creditors £'000	Borrowing & Other Long-Term Liabilities £'000	Total £'000
(1,291)	(5,176)	(114,203)	(120,670)	Amortised Cost	(1,338)	(7,913)	(113,051)	(122,302)
		(2,385)	(2,385)	CCRCD			(4,127)	(4,127)
<b>(1,291)</b>	<b>(5,176)</b>	<b>(116,588)</b>	<b>(123,055)</b>	<b>Total</b>	<b>(1,338)</b>	<b>(7,913)</b>	<b>(117,178)</b>	<b>(126,429)</b>

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

The current creditors figure of £7.913 million (2021-23: £5.176 million) relates to trade creditors for goods and services received of £7.495 million (2021-22: £4.694 million) and £0.418 million (2021-22: £0.482 million) monies held by the Council on behalf of third parties and is included in the overall creditors figure of £55.087 million (2021-22: £56.749 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 2022 Gross Assets (Liabilities) £'000	Offsetting of Financial Assets and Liabilities	31 March 2023 Gross Assets (Liabilities) £'000
6,303	Bank Accounts in Credit	4,282
<b>6,303</b>	<b>Total Financial Assets</b>	<b>4,282</b>
(9,302)	Bank Overdrafts	(6,933)
<b>(9,302)</b>	<b>Total Financial Liabilities</b>	<b>(6,933)</b>
<b>(2,999)</b>	<b>Net Position</b>	<b>(2,651)</b>
(373)	Bank uncleared amounts	(275)
<b>(3,372)</b>	<b>Net position in Balance Sheet</b>	<b>(2,926)</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 2022				31 March 2023		
Financial Liabilities Amortised Cost £'000	Financial Assets Amortised Cost £'000	Total £'000		Financial Liabilities Amortised Cost £'000	Financial Assets Amortised Cost £'000	Total £'000
5,735	-	5,735	Interest Expense	5,730		5,730
	(840)	(840)	Investment Income and Other		(2,503)	(2,503)
	(16)	(16)	Interest Receivable		(147)	(147)
			CCRC		(147)	(147)
<b>5,735</b>	<b>(856)</b>	<b>4,879</b>	<b>Net (gain)/loss for the year</b>	<b>5,730</b>	<b>(2,650)</b>	<b>3,080</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 2022-23.

31 March 2022		Financial Liabilities	31 March 2023	
Carrying amount £'000	Fair Value £'000		Carrying amount £'000	Fair Value £'000
		<b>Financial liabilities held at amortised cost:</b>		
(77,617)	(98,909)	PWLB	(77,617)	(75,568)
(19,774)	(29,400)	LOBOs	(19,757)	(22,561)
(2,683)	(2,436)	Salix Loans	(2,654)	(2,573)
(14,129)	(19,325)	PFI and other long term liabilities	(13,023)	(16,846)
<b>(114,203)</b>	<b>(150,070)</b>	<b>Total</b>	<b>(113,051)</b>	<b>(117,548)</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 2022-23 [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 2023 the Council had the following exposure to credit risk. £53 million of the £74.50 million investments outstanding at 31 March 2023 were invested with other Local Authorities, where an expected loss allowance is not required. For those financial assets where a 12-month expected credit loss is calculable, the calculated credit loss is £3,596. 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+ AA- AA A+ A	- (10,500) (3,000) (5,000) (3,000)
Simplified approach	LA	(53,000)
<b>TOTAL</b>		<b>(74,500)</b>

Council does not generally allow credit for its customers (trade debtors) such that all the trade debtors are recognised as short term, however, £3.482 million balance of debtors is past due date for payment. These are not included in the credit risk table above.

### Liquidity Risk

The Council manages its liquidity risk through its cash-flow management to ensure that cash is available when required. It has ready access to instant access deposit accounts, overdraft facilities and borrowing from the Money Markets or other local authorities to cover any day to day cash flow need. In addition the Council can access Public Works Loan Board (PWLb) borrowing. 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 2022 £'000	Maturity Analysis Financial Liabilities	31 March 2023 £'000
(7,495)	Less than 1 year	(10,357)
(1,459)	Between 1 and 2 years	(7,351)
(13,570)	Between 2 and 5 years	(12,519)
(24,027)	Between 5 and 10 years	(23,226)
(18,934)	Between 10 and 20 years	(13,759)
(36,389)	More than 20 years	(36,389)
(19,774)	Uncertain date*	(19,757)
<b>(121,648)</b>	<b>Total Financial Liabilities</b>	<b>(123,358)</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 2022, 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	0
Interest receivable on variable rate investments	(501)	(501)
<b>Impact on Surplus or Deficit on Provision of Services</b>	<b>(368)</b>	<b>501</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 2023) that relates to conditions existing at 31 March 2023, 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. Reinforced Autoclaved Aerated Concrete (RAAC) is a lightweight form of concrete used in many public buildings from the mid-1950s to the mid-1990s. During August 2023 the UK Government announced new guidance on RAAC as a result of heightened

safety risks. As a result, the Council commenced surveys of its estate to determine the existence of RAAC. To date the presence of RAAC has been confirmed at one asset – Bridgend Indoor Market – that the Council leases on a long-term arrangement. As a result, the Council has closed the Indoor Market and the Council has commissioned a surveyor to determine the extent of the RAAC at the market and the associated estimated cost of remedial works. The report has yet to be received but is expected early 2024.

### **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 2023 the Council was not aware of any contingent liabilities.

## Notes to the Cash Flow Statement

### 34. Adjustments for Non-cash Movements

2021-22 £'000		2022-23 £'000
(6,480)	Depreciation & Impairment of Assets	(18,232)
(294)	Movement in Inventories, Debtors & Creditors	(5,996)
(29,750)	Pension Fund Adjustments	(29,400)
(4,740)	Provisions	143
(827)	Disposal of Non Current Asset	(2,863)
484	Changes in Fair Value of Investment Property	33
920	CCRCD Revenue and Capital contributions recognised in CIES	4,725
<b>(40,687)</b>	<b>Adjustments to net deficit on the provision of services for non-cash movements</b>	<b>(51,590)</b>

### 35. Operating Activities

The cash flows for operating activities include the following items:

2021-22 £'000		2022-23 £'000
(41,674)	Cash Flow on Revenue Activities	1,324
4,552	Interest Paid	4,594
1,178	Interest element of finance lease and PFI rental payments	1,106
(856)	Interest Received	(2,037)
(22)	CCRCD	1,431
<b>(36,822)</b>	<b>Net Cash Flows from Operating Activities</b>	<b>6,418</b>

### 36. Investing Activities

The cash flows for investing activities include the following items:

2021-22 £'000		2022-23 £'000
24,590	Purchase of Property, Plant and Equipment and Intangibles	27,456
(3,021)	Purchase / (Proceeds) from Short Term Investments	7,897
(254)	Proceeds from sale of Property, Plant and Equipment and Investment Property	(3,833)
295	CCRCD Long Term Debtors/Investments	2,382
<b>21,610</b>	<b>Net Cash Flows from Investing Activities</b>	<b>33,902</b>

### 37. Financing Activities

The cash flows for financing activities include the following items:

2021-22 £'000		2022-23 £'000
(3,401)	Cash Receipts of short and long term borrowing	(1)
(19,731)	Other Receipts from financing activities	(20,149)
2,000	Repayments of short and long term borrowing	-
(2,157)	CCRCD – HMT and other grants received	(2,260)
<b>(23,289)</b>	<b>Net Cash Flows from Financing Activities</b>	<b>(22,410)</b>

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

## Opinion on financial statements

I have audited the financial statements of Bridgend County Borough Council for the year ended 31 March 2023 under the Public Audit (Wales) Act 2004.

Bridgend County Borough Council's financial statements comprise the Expenditure and Funding Analysis, 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 UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23.

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 2023 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23.

## 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 2022-23.
- 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**

**26 January 2024**

*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





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# 1 Foreword

## “Delivering together”

The Council’s [Corporate Plan 2023-28](#), approved by Council in March 2023, sets out what the Council’s long-term well-being objectives are so that amongst all of the complexity of increased demand and reduced resources the Council can keep a clear focus on what is really important for our communities.

The plan is about the people of Bridgend. The Council worked with residents, staff, trade unions, elected members and businesses to shape our ambitions for everyone over the next 5 years. The plan responds to the short- and medium-term issues, like the financial crisis, while protecting the natural environment and helping young people meet their potential for the long-term. Sustainability is at the centre of all we do, including our commitment to achieving net-zero carbon status by 2030.

The Corporate Plan sets out the Council’s 7 Wellbeing Objectives:

- A County Borough where we protect our most vulnerable
- A County Borough with fair work, skilled, high-quality jobs and thriving towns
- A County Borough with thriving valleys communities
- A County Borough where we help people meet their potential
- A County Borough that is responding to the climate and natural emergency
- A County Borough where people feel valued, heard and part of their community
- A County Borough where we support people to live healthy and happy lives

It is necessary to ensure that our communities and those that use and pay for our services, those who deliver our services, and our partners and suppliers, have confidence in our governance arrangements. They must be assured that our services are provided effectively and efficiently and delivered on a consistent basis, that public money is safeguarded and properly accounted for and that decisions are taken transparently and lawfully. This is especially the case given the challenges arising from the cost-of-living crisis and the ramifications arising from the current conflict in Ukraine.

The Council 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 2023-24 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 2023.

It also sets out how the Council has responded to governance issues identified during 2022-23 and actions to be undertaken during 2023-24 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).



*Bridgend Market*

## 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 of Corporate Governance](#) is on the Council's website.

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</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

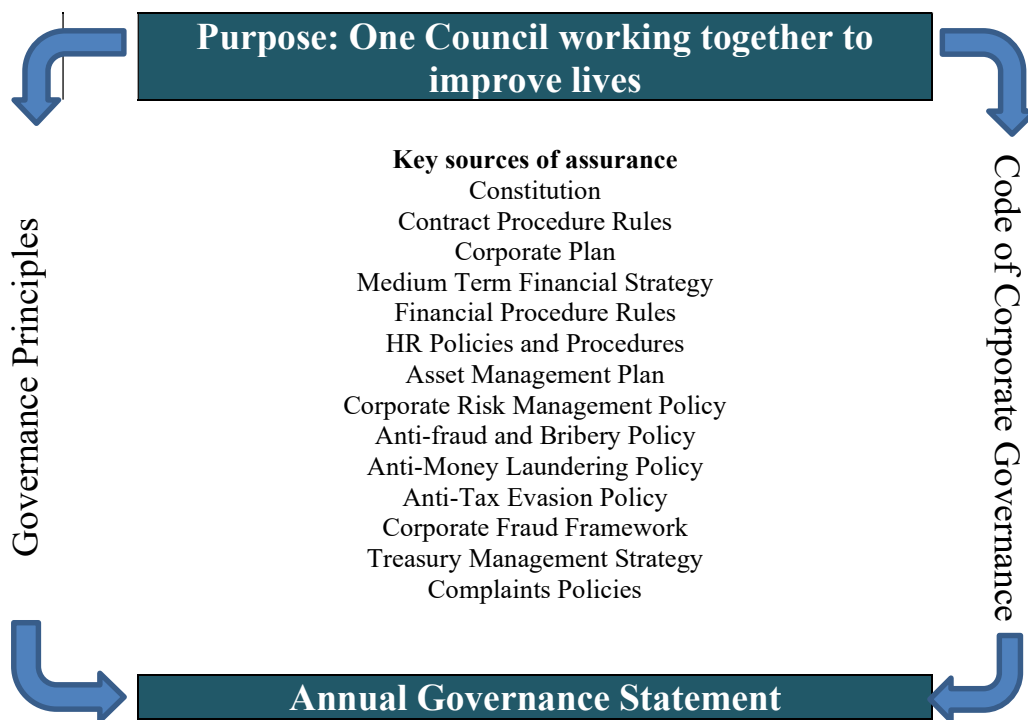
## The Council's Governance Framework

**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, Standards Committee, 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

- The Local Government and Elections (Wales) Act provides Ministers with the powers to establish Corporate Joint Committees covering the four functions of economic wellbeing, transport, strategic planning and school improvement. The Welsh Government's South East Wales Corporate Joint Committee Regulations 2021 established a Corporate Joint Committee (CJC) for the Cardiff City Deal region (CCRCD) and provided that the three core functions (economic well-being, transport and strategic planning) would be conferred on the South East Wales CJC. A transition plan has been developed and regular updates on progress are presented to the Cabinet of the CCRCD and to the Corporate Joint Committee.
- The Council works closely with Health and there is in place regional arrangements managed by the Cwm Taf Regional Partnership Board. The Regional Safeguarding Board and Regional Partnership Board provide leadership across the region for safeguarding and integrated planning of health and social care services though the Adoption Service continues to 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 County Borough Council and Merthyr Tydfil County Borough Council.

## Decision Making and Responsibilities

**The Council consists of 51 elected Members (a reduction of 3 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. The Constitution has been updated to take into account the new legislative requirements placed on local authorities under the Local Government and Elections (Wales) Act 2021. It was approved by Council on 19 October 2022 and implemented from 1 December 2022. A [guide to the Constitution](#) has also been produced and published on the website, which will enable a better understanding of the Constitution for members of the public.

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 brought the relevant provisions into force on a series of dates between March 2021 and 5 May 2022.

The Act will continue to have a wide-ranging impact on the organisation, powers, performance measurement and governance of the Council. From May 2022 the composition of the Governance and Audit Committee has changed, and one-third of its members are required to be lay members, including the Chair of the Committee. For the Council the Governance and Audit Committee now comprises 8 elected members and 4 lay members. New responsibilities, some of which the Committee has already started to assume, include:

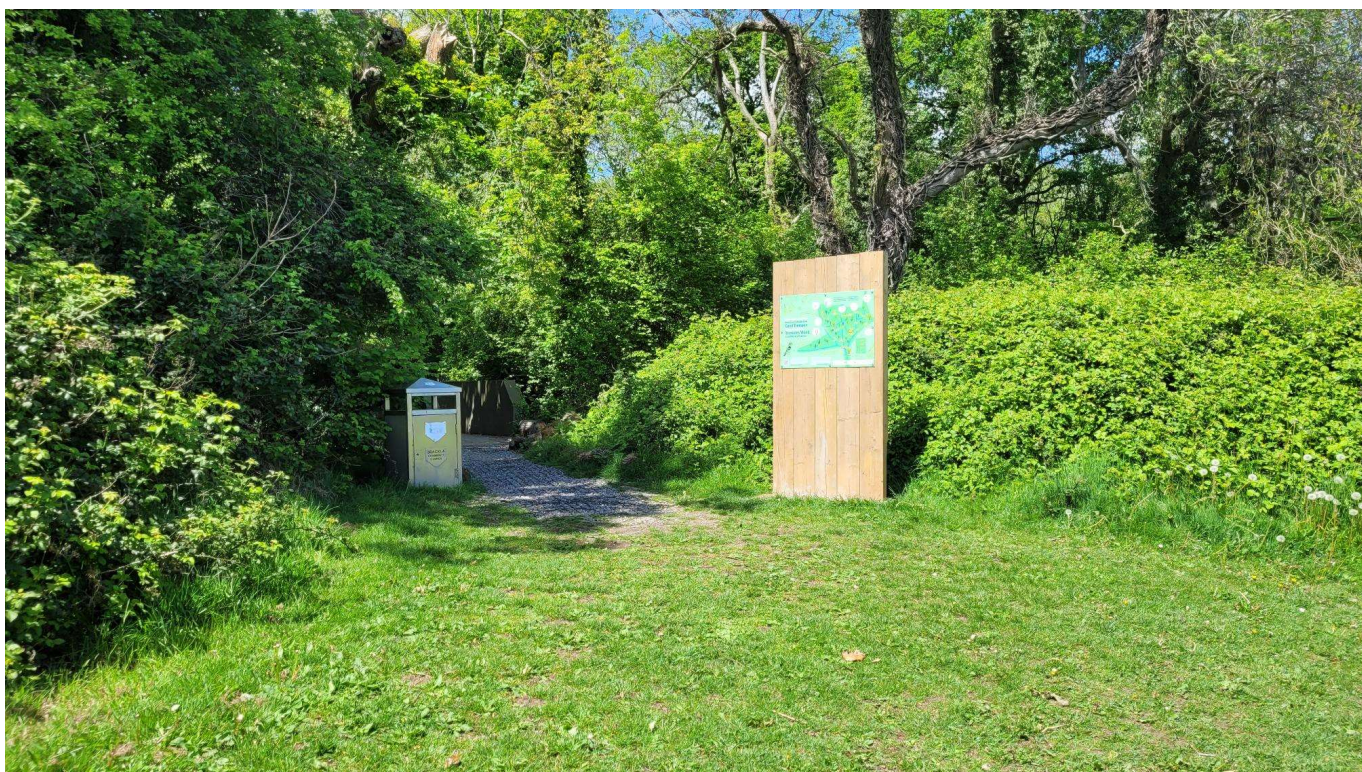
- a role in reviewing the Council's self-assessment report and making any recommendations for change;
- consideration of the outcome and response to a panel performance assessment of the Council, and;
- responsibility for making reports and recommendations in relation to the authority's ability to handle complaints effectively.



### 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 for the duration of 2021-22 consisted of 11 Councillors and 1 Lay Member. Following implantation of the Local Government and Elections Act, from 2022-23 it consists of 8 Councillors and 4 Lay Members. 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
- To review and assess the Council's ability to handle complaints effectively and make recommendations in this respect
- To review the Council's draft self assessment report on its performance and, if deemed necessary, make recommendations for changes to the conclusions



*Tremains Wood*



### 3 Assessing Performance

Under the Local Government and Elections (Wales) Act 2021 the Council has a duty to report on its performance through an [annual self-assessment report](#). This is a wider assessment than the previous [Annual Report](#), which was an annual self-evaluation of progress against the Council's Corporate Plan. The Annual Report looked back on the progress made during the year on the steps to meet the well-being objectives. The self-assessment report is much wider and must set out the Council's conclusions on the extent to which it met the performance requirements during that financial year, and any actions it intends to take, or has already taken, to increase the extent to which it is meeting the performance requirements. The duty includes a requirement for Governance and Audit Committee to review the draft report, which they did in June 2022, and for the final report to be submitted to at least the Auditor General for Wales, His Majesty's Chief Inspector of Education and Training in Wales and Welsh Ministers.

#### The Corporate Plan

The Corporate Plan 2023-28, approved in March 2023 sets out the Council's ambition: '**Delivering Together**'. The Plan defines the Council's seven well-being objectives and its organisational values and principles that underpin how it will work to deliver its priorities. Over the next 5 years the Council wants to invest in the right things, the things that make the biggest difference and are most valued by its customers. However, the Council faces difficult choices in how it prioritises spending and will not be able to do everything for everyone. The Plan sets out how the Council will work.



Your Council's Wellbeing Objectives							
National Wellbeing Goal	Protecting our most vulnerable	Fair work, skilled, jobs and thriving towns	Creating thriving valleys communities	Helping people meet their potential	Responding to the climate and nature emergency	Making people feel valued, heard and part of their community	Supporting people to be healthy and happy
	A prosperous Wales	●	●	●	●	●	●
	A resilient Wales	●	●	●	●	●	●
	A healthier Wales	●	●	●	●	●	●
	A more equal Wales	●	●	●	●	●	●
	A Wales of cohesive communities	●	●	●	●	●	●
	Vibrant culture and thriving Welsh language	●	●	●	●	●	●
	A globally responsible Wales	●	●	●	●	●	●

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

























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

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

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

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

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

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

**Welsh language** – Wales has two official languages, Welsh and English, and services and information should be equally available in both. The Council has a statutory duty under the Welsh Language (Wales) Measure 2011 to promote the Welsh language and to facilitate the use of the Welsh language more widely within the Borough. The Council has a [Welsh Language Promotion Strategy 2021 to 2026](#) as required under the Measure. 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

## Future Service Delivery

The UK has emerged from the COVID-19 pandemic and although the virus still is in circulation, its impacts are much reduced. A Future Service Delivery Model for the Council has been developed, which outlines plans for future service delivery going forward. The Council has introduced a Hybrid Working Policy for many staff, which offers a blended approach that can take account of the wide range of services delivered by the Council. The application of hybrid working is dependent on the demands and needs of the role undertaken by the employee and the service within which the role is based. It also offers employees greater flexibility in their work practices, promoting a better work-life balance. The Council has also implemented a new Flexitime Working Hours Scheme which works alongside the Hybrid Working Policy and enables employees to have an element of flexibility in relation to working hours where this meets the operational requirements and needs of the service.

## Cost of Living crisis

The rising costs of fuel, food and other essentials and inflation at the highest levels in many years, households in the Borough and across the UK are facing significant financial pressures. On 15 February 2022 the Welsh Government announced a package of measure to help people with support towards the increased cost of living. This included a £150 cost-of-living payment which would be provided to those living in council tax bands A-D and all households who were recipients of the Council Tax Reduction Scheme in properties in council tax bands A-I. Welsh Government also announced a discretionary support scheme would be available to be used by each local authority to support other households who were outside the criteria for the main scheme that it considered to be in need of assistance with their living costs. The discretionary scheme included £60 payments to households in council tax bands E to F and £50 vouchers for each pupil entitled to free school meals. A total of £1,260,415 was paid out including £729,390 for Council Tax, £499,440 for free school meals and £31,585 for homelessness and food banks/warm banks. The Council and its partners have also actively worked to provide support to residents in need. This includes the provision of food support, warm spaces and financial support. All Awen libraries in the county borough are taking part in Awen's Warm Welcome Programme with free tea, coffee, hot chocolate and cup-a-soup and an enhanced activity programme. Financial support from the Council includes the Council Tax Reduction benefit for people on low incomes; various grants for education support including free school meals; and supporting the delivery of the Welsh Government's Fuel Support Scheme and HM Government Energy Bills Support Scheme Alternative Funding and Alternative Fuel Payment Alternative Fund schemes.

The rate of inflation increases has also had a significant effect. The annual rate of inflation reached 11.1% in October 2022, a 41-year high, before easing in subsequent months. It rose again however from 10.1% in January 2023 to 10.4% in February. Not only is this impact felt by households, but it is also affecting businesses as they struggle with increasing costs and the pressures that places on businesses.

## Decarbonisation 2030

Welsh Government declared a [Climate Emergency](#) in April 2019. Following this the Welsh Government committed to achieving a carbon neutral public sector by 2030. In June 2020 Bridgend County Borough Council Cabinet

approved a report that set out the crucial roles that the Council has to play through the management of its own resources, organisations and businesses to respond to the challenges set out in the United Nations Intergovernmental Panel on Climate Change (IPCC) October 2018 report.

The Council declared its own climate emergency in June 2020 and set up its [Climate Emergency Response programme](#), which has a commitment to achieve net zero carbon emissions by 2030 across its operations. The Council developed its [2030 Net Zero Carbon Strategy](#) over the period April 2021 to August 2022. The Council undertook a series of officer workshops to contribute to the draft strategy, and a 12-week public consultation during June to August 2022. The final strategy was approved by Cabinet on 13 December 2022. It is recognised that the resource challenge faced by all public bodies in Wales to achieve net zero carbon by 2030 is significant. The delivery of the Strategy is a corporate responsibility and all Directorates will have a role to play in achieving net zero. Delivery will also require an on-going partnership with external stakeholders and a wide range of funders. Council agreed a specific annual 2030 Decarbonisation capital budget of £0.4 million each year to 2030-31 as part of the Medium-Term Financial Strategy 2023-24 to 2026-27, however the level of resources to deliver 2030 Net Zero will be substantially more than this. Schemes to deliver 2030 Net Zero will require feasibility funding to finalise detailed costs and delivery profiles, and proposals will be submitted wherever possible to funding sources to secure external resources to fund initiatives. There are existing schemes that contribute to the 2030 Net Zero targets including the provision of electric vehicle charging points; energy efficient lighting and LED street lighting; and installed roof-mounted solar panels. The Council has undertaken coastal protection, extended areas of local nature reserves and tree-planting and approved a socially responsible [Procurement Strategy](#).

## Inspections

Care Inspectorate Wales carry out regulatory inspections of the Council's registered care provision. The Council is a significant provider of adult and children's regulated care services. In the last year leadership has been strengthened through the appointment of dedicated Responsible Individuals for children's and adults social care registered provision. Responsible Individuals have legal responsibilities in accordance with the Regulation and Inspection of Care (Wales) Act (2018). There have been a number of regulatory inspections in 2022-23. 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, this was followed by a Performance Evaluation Inspection of Children's Services in May 2022 and an improvement check in November 2022. The Cabinet has approved a 3 year strategic plan to improve outcomes in children's social care, and the improvements in this plan, and the Care Inspectorate Wales inspection, are being overseen by a board chaired by the Chief Executive and advised by an independent expert in children's social care. There is also a Social Services Member Improvement Panel which is chaired by the Deputy Leader, which is also advised by an independent advisor.

The findings of the performance evaluation inspection and follow up check are set out below:

Principle	Areas of improvement identified from PEI – May 2022	Progress identified from improvement check – November 2022
People	Seeking, hearing (including the use of direct work) and recording the voice of the child	Significant improvements made and must be sustained
People	People consistently feel listened to and treated with dignity and respect	Some improvements made; further action is required
People	Workforce recruitment and retention	Some improvements made; further action is required

People	Management oversight	Significant improvements made; further action is required
People	Staff support, supervision and training	Some improvements made; further action is required
Prevention	Provision of information, advice, and assistance. People receive the right support at the right time	Some improvements made; further action is required
Partnerships	Thresholds for early help and statutory services	Some improvements made; further action is required
Partnerships	Learning from reviews and audits	Some improvements made; further action is required
Well-being	Compliance with statutory responsibilities	Some improvements made; further action is required
Well-being	Arrangements for supervised contact between children and their families	Some improvements made; further action is required
Well-being	Identification and response to child exploitation	Some improvements made; further action is required

The Inspection noted that many of the pressures experienced by the Council's Children's Services reflected recovery from the Covid pandemic, including high levels of demand and increased complexity of people's needs. Critical defects in the number of social workers, because of recruitment and retention issues, along with staff absences and a highly competitive market, had resulted in the loss of experienced staff and a reliance on newly qualified and agency social workers. Recruitment and retention remain a significant pressure point for the service. The inspection noted that the workforce position remains fragile.

As part of the response to the inspection, the Council set up the Improving Outcomes for Children Board, which was set up in March 2022 and is chaired by the Chief Executive. Care Inspectorate Wales noted that this Board has made a positive impact through improved oversight of Children's Services and early help services, ensuring there is sufficient information about, and scrutiny of, performance.

There continues to be a strong focus and considerable work to make improvements. The Council has commissioned external expertise to support with identifying how well services are working, and how they can be improved or refined to maximise their impact and outcomes for children and families.

On 24 November 2022 the Cwm Taf Morgannwg Safeguarding Board published the Child Practice Review in relation to the tragic death of Logan Mwangi. The Board has accepted in full the findings of the Child Practice Review and the Safeguarding Board and the Council will implement the review recommendations. Care Inspectorate Wales will monitor the Council's progress through their ongoing review of performance.

## 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 2022](#). In March 2023 they reported that the 'Auditor General certified that the Council had met its remaining Local Government (Wales) Measure 2009 duties for the financial year 2021-22, as served by an order made under the Local Government and Elections (Wales) Act 2021'. The auditor also noted as part of its Springing forward review that the Council made positive progress in delivering

<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.



its previous asset management strategy and needs to ensure future strategic asset plans are fully shaped by the sustainable development principle. The review did identify, however, that workforce challenges are impacting on the Council's ability to plan more strategically and critically, to ensure its buildings meet statutory safety requirements. The review identified that the Council needs to develop a corporate workforce plan shaped by the sustainable development principle, to address these workforce challenges and strengthen its resilience.

To ensure that the outcomes of all audits, reviews and inspections, and the specific recommendations for the Council are recorded, a regulatory tracker has been developed. This includes the outcome of inspections by Estyn, Care Inspectorate Wales and HM Inspectorates for Probation and Prisons as well as Audit Wales work. The purpose of the tracker will be to ensure that relevant recommendations and actions therefrom are reported and monitored, including by elected members, and then reviewed by the relevant Scrutiny committees. Actions are considered and scrutinised at Directorate Management Teams and considered by the Corporate Management Board and Cabinet on a regular basis to ensure corporate and political oversight. Governance and Audit Committee will receive 6-monthly updates each January and July.

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
<a href="#"><u>Direct Payments for Adult Social Care</u></a> (April 2022)	<p><b>Whilst not specific to Bridgend, this review looked at how local authorities provide Direct Payment services to adults, examining their impact and value for money.</b></p> <p>The overall conclusion was that Direct Payments support people's independence and are highly valued by service users and carers, but inconsistencies in the way they are promoted and managed by local authorities mean services are not always equitable and it is difficult to assess overall value for money.</p>
<a href="#"><u>Springing Forward – Strategic Workforce Management – Bridgend County Borough Council</u></a> (October 2022)	<p><b>Audit Wales reviewed the Council's arrangements for managing its workforce with a primary focus on how well the Council strategically plans the use of its workforce, how it monitors the use of its workforce assets and how it reviews and evaluates the effectiveness of its arrangements.</b> The review noted:</p> <ul style="list-style-type: none"> <li>• Like many other councils, Bridgend is experiencing significant workforce challenges, and years of continued service restructures and staffing cuts to deliver savings are impacting on its ability to plan and maintain service performance.</li> <li>• The Council is taking action to respond to its significant workforce issues, but needs to develop a corporate workforce plan shaped by the sustainable development principle and needs capacity to effectively shape solutions for its significant workforce challenges in the medium to long term</li> <li>• The Council has focussed on addressing short term critical workforce pressures particularly in Social Services, but in the absence of a strategic Workforce Plan to guide and inform approaches to managing these challenges we have emerging concerns about the Council's resilience to continue to respond to critical issues.</li> <li>• The Council has arrangements to monitor workforce issues and it has not yet developed a framework to effectively benchmark, measure success and affordability of its future services delivery model but has acted on lessons learnt.</li> </ul> <p>A number of recommendations were identified:</p>

	<ul style="list-style-type: none"> <li>• The Council needs to urgently develop its strategic workforce approach, embedding the sustainable development principle at its core, to enable it to address the significant workforce issues it faces.</li> <li>• The Council should develop a suite of strategic quantitative and qualitative measure to enhance its ability to understand the impacts and affordability of its workforce plans and actions</li> <li>• The Council should also explore opportunities to benchmark its own performance over time and its arrangements with other bodies to provide a different dimension to its performance management data. Whilst also offering an insight to how other bodies are performing and discovering notable practice elsewhere.</li> </ul> <p>The Council has progressed the following actions:</p> <ul style="list-style-type: none"> <li>• The draft Strategic Workforce Plan has been shared with Cabinet &amp; Corporate Management Board, Heads of Service and the Trade Unions.</li> <li>• Strategic Workforce Planning training for Senior Leadership Teams is due to be delivered by the LGA to HR Managers (in August) and Corporate Management Board (in September), before considering wider training across the organisation.</li> <li>• Delivery plans will be developed in response to the workforce themes, which will identify what the Council has done and what it plans to do next.</li> <li>• Service workforce planning will also be developed and will be taken forward through close collaboration between Directorate managers and the respective HR Business Partners.</li> </ul>
<p><a href="#"><u>Springing Forward – Strategic Asset Management – Bridgend County Borough Council</u></a> (October 2022)</p>	<p><b>Audit Wales reviewed the Council's arrangements for managing its assets with a primary focus on office accommodation and buildings from which the Council delivers services to its residents. Audit Wales looked at how the Council strategically plans the use of its assets, how it monitors the use of its assets and how it reviews and evaluates the effectiveness of its arrangements.</b> Overall, the review found that the Council made positive progress in delivering its previous asset management strategy and now needs to ensure future strategic asset plans are fully shaped by the sustainable development principle. However, workforce challenges are impacting on its ability to plan more strategically and critically, to ensure its buildings meet statutory safety requirements.</p>
<p><a href="#"><u>Assurance and Risk Assessment Review – Bridgend County Borough Council</u></a> (October 2022)</p>	<p><b>This work was to find the level of audit assurance and/or where further audit work may be required in future years in relation to risks the Council putting in place proper arrangements to secure value for money in the use of resources. It also helped in assessing the extent to which the Council is applying the sustainable development principle in taking steps to meet its well-being objectives.</b> The work focussed on the following areas:</p> <ul style="list-style-type: none"> <li>• Financial position</li> <li>• Implications of the Local Government and Elections (Wales) Act 2021</li> <li>• Carbon reduction plan</li> <li>• Disabled Facility Grants</li> <li>• Statutory Building Compliance</li> </ul> <p>The key findings were:</p>



	<ul style="list-style-type: none"> <li>• The Council continues to be well placed to maintain its financial resilience. However, this will be tested by challenges being posed by the current economic climate.</li> <li>• The Council is developing and implementing aspects of the Local Government and Elections (Wales) Act</li> <li>• The Council has a draft carbon reduction strategy but has not yet fully determined the resources needed to deliver it nor how others will contribute to its delivery</li> <li>• The Council has been slow to respond to Audit Wales proposals for improvement in relation to Disabled Facilities Grants and performance remains poor, worsened by the pandemic. The Council is developing a new operating model for 2023-24 which is intended to be simpler, better co-ordinated and more responsive to service user needs.</li> <li>• The Council has improved its statutory building compliance targets in asbestos surveys and fire risk assessments where compliance remains at higher levels. However, it is not meeting its targets for gas servicing and legionella testing and therefore not mitigating all the significant risks associated with non-compliance.</li> </ul> <p>The Council has progressed the following actions:</p> <ul style="list-style-type: none"> <li>• Work is nearing completion on the development of a contractor framework for Disabled Facilities Grants to improve the time taken to procure agreed works</li> <li>• Staff vacancies have been an issue for this service. Posts are now covered with agency staff but the service will continued to seek permanent staff</li> <li>• Time taken to complete Disabled Facilities Grants for children has increased in the last year</li> </ul>
<a href="#"><u>Transformational Leadership Programme Board – Baseline Governance Review – Cwm Taf Morgannwg Regional Partnership Board</u></a> (January 2023)	<p><b>The review sought to gain assurance that the health board [Cwm Taf Morgannwg University Health Board] and the three councils [Rhondda Cynon Taf County Borough Council, Merthyr Tydfil County Borough Council and Bridgend County Borough Council] are working together effectively through the aegis of the Transformation Leadership Programme Board to support regional integrated working across the Cwm Taf Morgannwg region. The review sought to answer the question: ‘Are the Transformation Leadership Programme Board arrangements supporting the four bodies to develop effective and sustainable approaches to regional workings?’</b> Overall Audit Wales found that the Transformation Leadership Programme Board is well-placed to develop stronger regional working building on the productive relationships over the past 18 months. However, it needs to ensure its planning is more integrated and longer term, strengthen aspects of its governance arrangements and be more ambitious in using its combined core resources to have a greater impact on the Cwm Taf Morgannwg region.</p>
<a href="#"><u>Performance Management Review – Bridgend County Borough Council</u></a> (February 2023)	<p><b>The review sought establish how well the Council’s performance management arrangements inform the Council of progress in meeting its priorities.</b> The review found that the Council’s performance management arrangements do not consistently enable it to effectively evaluate and manage its performance. The report noted that weaknesses in performance information are limiting the Council’s awareness of its own performance and its ability to manage its performance effectively. The Council’s focus on collecting, rather than analysing data and ensuring its accuracy, limits the impact of its performance management arrangements.</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.

During 2021-22 detailed Risk Management Guidance was developed for use by all departments across the Council. It enables staff to identify risks, prioritise them and implement actions to mitigate them, in a consistent and timely manner. Training was rolled out to all directorate management teams and the roles and responsibilities at each stage of the process outlined. Directorate Business Plans were revised to ensure that processes and actions are aligned with the corporate risk management process.

In early 2023 the Council purchased risk management software to improve the monitoring and reporting of risk. This software will enable a single point of storage for all compliance and risk related records, with a simple to use interface and is aligned to Enterprise Risk Management standards. It will enable the Council to monitor progress and provide easy to understand risk reports for users and Committees in the role in managing and assessing risks. It is in the early stages of implementation and roll-out will take place through 2023.

## 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 uncertain

funding levels and cost pressures, the impact of Cost-of-Living crisis and the current conflict in the Ukraine. The Council estimates that it will need to generate approximately £17 million of savings over the period 2023-24 to 2026-27. The Medium-Term Financial Strategy has taken account of known 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 a five week consultation 'Shaping Bridgend's Future' was undertaken between 19 December 2022 and 22 January 2023, the emphasis of which was to seek views on the priority areas for residents, in order to enable us to review and prioritise the budget and make Bridgend 'Fit for the Future'. It was recognised that budget planning for 2023-24 is more uncertain than ever before, and that the Council is facing even more cost pressures than experienced in previous years, as a result of the cost-of-living crisis, conflict in Ukraine and worsening economic circumstances. We needed to know what has worked well, and where we need to continue to make changes or improvements to ensure that the Council is able to deliver sustainable and effective services for the next five to ten years. The consultation included an online survey, attendance at engagement events, a social media / web campaign and via the Authority's Citizens' Panel and targeted a range of stakeholders. The results were collated and presented to Cabinet on 7 February 2023 in order to further inform decisions on the Medium-Term Financial Strategy. The Medium Term Financial Strategy can be found on the Council's website [here](#). Welsh Government has given all-Wales indicative funding level for the 2024-25 financial year, but no indication of likely funding for Bridgend and no indication of funding levels for future years. Given this uncertainty, 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. The Financial Procedure Rules were reviewed during 2021-22 to better reflect current working practices and were approved by Cabinet in November 2021. Arrangements in place to demonstrate good financial control include 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. As a number of local authorities in England have faced financial concerns and following a number of members' concerns regarding some investments this Council had made, the duration and limit of investments the Council can make to other local authorities was reviewed during the year and revised for the Treasury Management Strategy 2023-24. The revised limits are 2 years and £10 million. The Council has been able to invest monies across its wider investment options in line with the Council's [Treasury Management Strategy](#) and enable it to reduce its reliance on the Debt Management Office, though this remains a key investment option for the Council.

CIPFA issued a revised Treasury Management Code of Practice in December 2021, with full implementation from 2023-24. CIPFA also issued a new edition of the Prudential Code for Capital Finance in Local Authorities in December 2021. The Code requires local authorities to determine a Capital Strategy, to be approved by Council, which demonstrates that the authority takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability. A significant change in the Code is that, to comply with the Code, an authority must not borrow to invest primarily for financial return. The Code does not require existing commercial investments, including property, to be sold. However, it does set out that authorities that have a need to borrow should review options for exiting their financial investments for commercial purposes. The Council is unlikely to invest for commercial purposes but will focus on delivering schemes that meet its service objectives. New indicators have been included on

affordability, and a 'Liability Benchmark' replaces the prudential indicators on gross debt and the capital financing requirement. The [Capital Strategy 2022-23](#) has been revised to reflect the changes in the Prudential Code. The Strategy continues to evolve to provide a robust, medium to long term capital plan for the Council.

## Compliance with the CIFPA 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. The first full year of compliance with the Code was 2021-22 but the Council has demonstrated its compliance with the Code since the 2020-21 financial year. In its Guidance Bulletin 06 (*Application of the Good Governance Framework 2020/21*) CIPFA stated that the Annual Governance Statement 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's assessment of its compliance with the 19 Standards outlined in the FM Code for 2022-23 identified that the Council could demonstrate compliance with all of the Standards, but that further actions could be taken to enhance compliance during 2023-24. These actions were included in the Action Plan for 2022-23 and were to:

- Provide additional training to full Council on Capital Strategy and Earmarked Reserves
- Provide Finance Training to Schools on Closing of Accounts procedures and requirements
- Rationalisation of Earmarked Reserves and develop timescales for usage
- Continue to review consistent under and overspends and re-align budgets accordingly
- Continue to develop budget reduction proposals for the full life of the MTFS

Progress against these are included in Section 5 – Improving Governance.

## 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 2022 the External Auditor gave an unqualified audit opinion on the financial statements 2021-22.

Audit Wales also audit a number of grant claims and in the year completed 5 audits of grants and returns. One claim – Housing Benefits - was qualified, due to a number of errors but these were not significant and no changes to the claim were made.

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 2022-23 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.

Many council staff are continuing to work remotely, and systems and 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 as well as face to face where appropriate. Each audit has considered the potential impact of remote working to ensure adequate controls and governance arrangements remained in place.

Of the 9 audits that were deferred from 2021-22, 5 have been completed, 2 areas were covered within other audits whilst 2 have been deferred to 2023-24. Although in total 10 audits have been deferred into 2023-24 the successful recruitment into six posts during 2022-23 should assist in improving this moving forward.

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

*Bridgend Bus Station*

## 5 Improving Governance

A number of significant issues were identified in the Council's 2021-22 Annual Governance Statement. The progress made on the significant issues is shown below:

Issue	Governance Principle	Action	Update
Self-Assessment	F	The requirement to introduce a comprehensive 'self-assessment' of the Council's performance is progressing satisfactorily. The first Corporate Performance reporting and meeting of 2022/23, reflecting on quarter 4 performance of 2021/22, introduced self-assessment across all Directorates on Key question one, 'performance and outcomes'. It is anticipated that the process will evolve and continue to improve, additionally focussing on key question 2, 'use of resources', and also utilising the Annual Governance Statement to demonstrate effective reporting and assessment of governance. A series of workshops are planned in June and July 2022 to progress this, with the aim of reporting comprehensively on the Council's performance based on a process of consistent self-assessment, in September 2022.	The Council's first self-assessment was published in October 2022. Work is now underway to develop a self-assessment for 2022-23, with draft findings expected to be reported to Corporate Performance Assessment in June 2023, Corporate Overview and Scrutiny Committee and Governance and Audit Committee in July 2023, and Cabinet in September 2023. The Corporate Self-Assessment is available on the Council's website.
Corporate Joint Committees (CJs)	A	The interim arrangements to establish a Corporate Joint Committee (CJC) for these areas of service has been progressed by the Cardiff Capital Region and reported to Cabinet.	The Cardiff Capital Regional Cabinet approved the transfer of its existing functions, which are principally in respect of the City Deal agreement to the South East Wales Corporate Joint Committee on 28 February 2022. Since this time a Transition Plan has been developed and is being progressed.
Financial Sustainability	F	Assumptions for future years' budgets will continue to be reviewed and amended to reflect the changing circumstances. Earmarked reserves will be reviewed and maintained to support specific pressures. Benefits and support payments, such as council tax support, winter fuel payments and cost of living	The MTFS was updated as part of the budget setting process for 2023-24 and was based on the financial information available at that time, to reflect the current position. The financial position for the Council was shared with members as part of the budget setting Council



		payments will be publicised widely and paid promptly.	meeting on 1 March 2023. The impact in the current year is being reported to Scrutiny (revenue monitoring), Cabinet and/or Council via the revenue and capital monitoring reports. A review of Earmarked Reserves is ongoing. The Council completed a second tranche of winter fuel payment and the discretionary Cost of Living Scheme to support residents. Information regarding the support available for residents is being publicised via the Council's website and social media accounts
Commissioned / Contracted Services	F	There is increasing evidence that both our existing contractors and those tendering for work are reflecting significantly increased costs in their submissions. The Council will need to respond to this proportionately and responsibly, recognising the very real pressures but managing the impact on the Council's contractual position and resources effectively, but at the same time ensuring that essential Council services are maintained. Additionally, the significant workforce issues impacting on our ability to recruit and retain staff in many parts of the Council are compromising our ability to deliver services effectively and reducing our capacity and resilience. A whole series of initiatives are being implemented to help mitigate the impact and address the most acute issues.	A key part of ensuring management of these cost risks within contracts has been the implementation of robust risk and contingency elements into the contract sum of new contracts. Where existing contracts are experiencing cost increases, an element of value engineering is taking place to deliver the project within the envelope. Where this is not possible additional financial resources will be required and prioritised dependent on the stage the project has reached. Where tender submissions are substantially above expected levels or capital allocations, then decisions are now being taken as to the priority and urgency of work against the backdrop of ensuring that essential Council services are maintained. All changes to the Capital Programme are submitted to Council for approval.
Review of Code of Corporate Governance and associated schedule	A	Last updated in 2017, needs review to ensure it reflects current governance framework. Work commenced on this during 2021-22 but this will be completed and ratified in 2022-23.	The updated Code of Corporate Governance was approved by Cabinet 7 February 2023.



Member Development	E	<p>The Member Induction Programme 2022-23 to support new and returning elected members was presented to Council on 9 February 2022. In addition to the ongoing Elected Members Learning and Development Programme, a Training Needs Analysis Questionnaire will be compiled and distributed during December 2022 – January 2023. All Members' responses will be analysed and, from this, the ongoing Programme will be developed and presented to the Democratic Services Committee.</p>	<p>The full Member Induction Programme has taken place following the election in May, and a number of additional events &amp; training sessions have been held. This includes the Members Marketplace on the 5 September 2022, which provided the opportunity for Members to meet key officers from across the Council.</p> <p>Drop in events have been arranged by individual Directorates to give Members the opportunity to meet officers and discuss key issues.</p> <p>Member Development remains a regular agenda item of the Democratic Services Committee.</p> <p>Members will be invited to undertake a Personal Development Review which will identify any training needs for the next 12 month period.</p>
Impact on the Social care sector of the COVID-19 pandemic and the ending of the hardship funding to the sector	C	<p>A market stability plan has been developed to ensure that there are clear plans to deliver sufficiency of quantity and quality of provision in Bridgend.</p>	<p>The Market Stability Report was approved by Council in July 2022. It identified a significant number of actions to address sufficiency and sustainability of social care provision across a range of different sectors.</p> <p>A new planning group structure is being implemented to take forward the recommendations from the market stability work.</p> <p>In addition there are specific priority pieces of work progressing in the areas of children residential provision, foster care sufficiency, cost of care of adult care home provision and adult community care capacity.</p>
GDPR issues with new ways of working	A	<p>As the Hybrid Policy is implemented additional guidance will be developed on issues such as</p>	<p>The Information Governance Board meets quarterly to ensure that the Authority</p>

		<p>communicating securely, keeping software updated, safeguarding personal data and the need to use the Council's approved technology.</p> <p>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.</p> <p>All staff and Elected Members are also required to undertake the mandatory DPA e-learning module.</p>	<p>remains compliant with data protection laws.</p> <p>A Bridgend was circulated to all staff providing guidance on data protection whilst working from home.</p> <p>The new Hybrid Working policy set out responsibilities relating to ICT and equipment and the need for compliance with the ICT Code of Conduct. It also covers GDPR, confidentiality and data security in relation to working at home as well as in the office.</p>
Hybrid Meetings	A	A Multi-location Meetings Policy will be presented to Council for approval.	The Multi-locations Meetings Policy was approved by Council on 15 June 2022.

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 2022-23 will be addressed in 2023-24 with the links to the [Governance Principles](#) on page 5:

Issue	Governance Principle	What the issue is	Proposed Actions to address issue
Workforce Development	E	Like many other Councils Bridgend is experiencing significant workforce challenges particularly in Social Services. Audit Wales identified that the Council did not have in place a strategic Workforce Plan to guide and inform approaches to managing short term critical workforce pressures and ensuring future resilience within the workforce.	The Council's Strategic Workforce Plan is being developed and will embed sustainable development principles, to enable the Council to address the significant workforce issues it faces. The Plan will be considered by Corporate Management Board/Cabinet Corporate Management Board and the Trade Unions before implementation.
Strategic Asset Management	E	An Audit Wales review identified workforce challenges are impacting on the Council's ability to plan strategically and to ensure the Council's buildings meet statutory safety requirements.	Whilst not all workforce issues have been resolved, additional staff have been appointed, including a dedicated Legionella Officer. The statutory compliance figures are now significantly improved, with the 5 major areas (gas, electricity, fire,

			asbestos and legionella) now showing compliance in the 90% level.
Disabled Facility Grants (see AW report referred above)	F	The Council has been slow to respond to Audit Wales proposals for improvement in relation to Disabled Facilities Grants and performance remains poor. The council is developing a new operating model for 2023-24 which is intended to be simpler, better coordinated and more responsive to service user needs.	The Council will implement a contractors' framework during 2023-23, which will provide the Council with end-to-end ownership of the process from referral to completion.
Decarbonisation 2030	D	Whilst the Council has in place a Decarbonisation 2030 strategy, it has not fully identified the resources needed to implement the strategy nor how partners may help to deliver the strategy ambitions.	A detailed 2030 Action Plan is being prepared, which will set out the resources required to deliver the expected carbon reductions. This will be approved by Cabinet and will include details of partners and projects of mutual benefit that will contribute to the Councils Net Zero Ambitions.
Long to medium term financial management	F	<p>The Council has robust financial management process in place, but there are some areas where improvements can be made:</p> <ul style="list-style-type: none"> <li>• provide additional training to full Council on Capital Strategy and Earmarked Reserves</li> <li>• provide finance training to schools on closing of accounts procedures and requirements</li> <li>• rationalisation of earmarked reserves and developing timescales for usage</li> <li>• continue to review consistently under and overspends and realign budgets accordingly</li> <li>• continue to develop budget reduction proposals for the full life of the Medium Term Financial Strategy</li> </ul>	<p>Treasury Management training was provided to members on 10 February 2023.</p> <p>Training with regards to the Capital Strategy is being provided to Councillors on 18 May 2023.</p> <p>A briefing note was shared with elected members in relation to reserves and how they have been built up and how they can be utilised.</p> <p>Earmarked reserves were reviewed throughout the year. A larger scale review has commenced in 2023-24.</p> <p>The budget was reported to Cabinet on a regular basis through the year with explanations included in the reports in relation to variances.</p> <p>The MTFS is reviewed during the financial year. Work has commenced early in 2023-24 to identify further areas for</p>

			possible budget reductions going forward.
Additional Training for Members to support their role in ensuring proper financial management of the Council	E	As new members have joined the Council it is crucial that they develop the skills and knowledge to undertake their role competently. There may be knowledge gaps in some areas particularly in relation to the Capital Strategy, Earmarked Reserves and Statement of Accounts.	Training to be provided on Capital Strategy, Earmarked Reserves and Statement of Accounts for all members.
Performance Management Arrangements	F	A review of the Council's performance management arrangements have identified that they do not consistently enable it to effectively manage its performance.	A performance management improvement plan has been developed and discussed with Corporate Management Board, Cabinet/Corporate Management Board and Governance and Audit Committee in May 2023. The plan covers the performance management framework, data quality and accuracy, culture, roles and responsibilities, performance management capacity and the performance management system. Many of the issues in the report will be addressed by the new Corporate Plan Delivery Plan to be approved by Council in July.

These issues will be monitored via a detailed action plan during 2023-24, 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: \_\_\_\_\_  
(Leader)

Signed: \_\_\_\_\_ Date: \_\_\_\_\_  
(Chief Executive)

## 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 material 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.

*Picture back cover: Bryngarw Country Park*







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## Audit of Accounts Report – Bridgend County Borough Council

Audit year: 2022-23

Date issued: January 2024

Document reference: 3963A2023

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.

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

# Contents

We intend to issue an unqualified audit report on your Accounts. There are some issues to report to you prior to their approval.

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# Audit of Accounts Report

## Introduction

- 1 We summarise the main findings from our audit of your 2022-23 Statement of Accounts in this report.
- 2 We have already discussed these issues with relevant officers.
- 3 Auditors can never give complete assurance that accounts are correctly stated. Instead, we work to a level of ‘materiality’. This level of materiality is set to try to identify and correct misstatements that might otherwise cause a user of the accounts into being misled.
- 4 We set this level at £5.46 million for this year’s audit.
- 5 There are some areas of the accounts that may be of more importance to the reader, and we have set a lower materiality level for these, as follows:
  - £1,000 for Senior Officers Remuneration 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 of their close family.
- 6 We have now substantially completed this year’s audit but the following work is outstanding:
  - clearance of a small number of outstanding audit queries with officers;
  - our final review of the revised Statement of Accounts; and
  - the completion of some areas of our internal review arrangements.
- 7 We will update the Governance and Audit Committee on our progress at the meeting scheduled for 25 January 2024.
- 8 In our professional view, we have complied with the ethical standards that apply to our work; remain independent of yourselves; and our objectivity has not been compromised in any way. There are no relationships between ourselves and yourselves that we believe could undermine our objectivity and independence.
- 9 We worked collaboratively with Finance Officers to deliver the audit. We would like to express our gratitude for the support and assistance provided to the engagement team throughout this period.
- 10 The timeline of the audit is set out in Exhibit 1 below:

### Exhibit 1 – audit timetable

Timetable	<ul style="list-style-type: none"><li>• The draft accounts were received on 18 July 2023.</li><li>• We commenced our audit of the accounts on 23 October 2023.</li><li>• The revised accounts will be presented to the Governance and Audit Committee on 25 January 2024.</li></ul>
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- The audit report will be signed by the Auditor General on 26 January 2024.

## Proposed audit opinion

- 11 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**.
- 12 We issue a 'qualified' audit opinion where we have material concerns about some aspects of your accounts; otherwise we issue an unqualified opinion.
- 13 The Letter of Representation contains certain confirmations we are required to obtain from you under auditing standards along with confirmation of other specific information you have provided to us during our audit.
- 14 Our proposed audit report is set out in **Appendix 2**.

## Significant issues arising from the audit

### Uncorrected misstatements

- 15 There are no misstatements identified in the accounts, which remain uncorrected.

### Corrected misstatements

- 16 There were initially misstatements in the accounts that have now been corrected by management. These are set out with explanations in **Appendix 3**. No material misstatements were identified during the audit.

### Other significant issues arising from the audit

- 17 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 were no such issues arising this year.

## Recommendations

- 18 The recommendation arising from our audit is set out in **Appendix 4**. Management has responded to the recommendation, and we will follow up progress against it during next year's audit. Where any actions are outstanding, we will continue to monitor progress and report it to you in next year's report.

# Appendix 1

## Final Letter of Representation

### *Audited body's letterhead*

Auditor General for Wales  
Wales Audit Office  
1 Capita Quarter  
Cardiff  
CF11 9LJ

25 January 2024

## Representations regarding the 2022-23 financial statements

This letter is provided in connection with your audit of the financial statements (including that part of the Remuneration Report that is subject to audit) of Bridgend County Borough Council for the year ended 31 March 2023 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 CIPFA Code of Practice on Local Authority Accounting in the UK 2022/23; 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 Bridgend County Borough 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.

## Representations by the Governance and Audit Committee

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 Governance and Audit Committee on 25 January 2024.

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:

S151 Officer

Chair of the Governance and Audit  
Committee

Date: 25 January 2024

Date: 25 January 2024

# Appendix 2

## Proposed Audit Report

### The report of the Auditor General for Wales to the members of Bridgend County Borough Council

#### Opinion on financial statements

I have audited the financial statements of Bridgend County Borough Council for the year ended 31 March 2023 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 the significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23.

In my opinion, in all material respects, the financial statements:

- give a true and fair view of the financial position of Bridgend County Borough Council as at 31 March 2023 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23.

#### 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.

My staff and I are independent of Bridgend County Borough Council in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Conclusions relating to going concern

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 Bridgend County Borough Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from 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.

## 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 is in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23; and
- The information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with guidance.

## Matters on which I report by exception

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

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

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



## **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 15, the responsible financial officer is responsible for:

- the preparation of the statement of accounts, which give a true and fair view and comply with proper practices;
- maintaining proper accounting records;
- internal controls 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;
- assessing the 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 the responsible financial officer anticipates that the services provided by Bridgend County Borough Council will not continue to be provided in the future.

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

My responsibility is to audit the financial statements in accordance with the Public Audit (Wales) Act 2004.

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, the Head of Internal Audit and those charged with governance, including obtaining and reviewing supporting documentation relating to Bridgend County Borough 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, expenditure recognition, posting of unusual journals.

- Obtaining an understanding of Bridgend County Borough Council's framework of authority as well as other legal and regulatory frameworks that Bridgend County Borough 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.
- Obtaining an understanding of related party relationships.

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 Governance and Audit Committee and legal advisors about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance;
- 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 audit team members 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 Bridgend County Borough 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.

## Other auditor's responsibilities

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

## Certificate of completion of audit

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

Adrian Crompton  
Auditor General for Wales  
26 January 2024

1 Capital Quarter  
Tyndall Street  
Cardiff, CF10 4BZ

# 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
£989K (No overall impact on the primary statements)	<b>Note 19 Related Party Transactions</b> Other payments made to organisations where members declared interests amended from £2,177K to £1,188K.	To ensure that the disclosure correctly reflects payments made to related parties.
£612K (No overall impact on the primary statements)	<b>Note 21 Non-current Assets – Capital Financing Requirement</b> The Minimum Revenue Provision has been amended from £(2,917)K to £(3,529)K. The Council identified this amendment.	To ensure the disclosure correctly reflects the application of the MRP Policy.
£1,248K (No overall impact on the primary statements)	<b>Note 21 Non-Current Assets - Capital Commitments</b> The disclosure has been amended to reflect the level of payments made against contracts during the year.	To ensure that the disclosure correctly reflects the outstanding commitments at 31 March.
£278K (Decrease to the CIES)	<b>Note 23 Short Term Debtors</b> The Council identified income relating to 2023-24	To ensure that income received is accounted for in the correct financial year.

	<p>had been incorrectly included in 2022-23. This amendment also impacted:</p> <ul style="list-style-type: none"> <li>• Note 4 Expenditure and Funding Analysis</li> <li>• Note 6 Expenditure and Income Analysed by Nature</li> <li>• Note 28b Earmarked Reserves</li> </ul>	
£2,573K (No overall impact on the primary statements)	<p><b>Note 31 Financial Instrument Disclosures</b></p> <p>The fair value of PFI and other long-term liabilities has been amended from £19,419K to £16,846K.</p>	To ensure that the disclosure correctly reflects the fair value of financial liabilities.
£30,699K (No overall impact on the primary statements)	<p><b>Note 31 Financial Instrument Disclosures</b></p> <p>The total financial liabilities figure shown in the liquidity risk table has been amended from £(123,358)K to £(92,659)K.</p>	To ensure that the disclosure correctly reflects the value of total financial liabilities.
Disclosure only	<p><b>Note 32 Events after the Reporting Period</b></p> <p>Additional disclosures in relation to RAAC have been included in this note.</p>	To ensure that post balance sheet event disclosures are complete.
Various	<p><b>Multiple parts of the accounts</b></p> <p>The Cardiff Capital Region City Deal (CCRCD) accounts were not available for consolidation until after the Council's draft accounts were prepared. As a result,</p>	To ensure that CCRCD balances and transactions are correctly presented in the financial statements.

	<p>several adjustments have been made following receipt of these draft statements.</p> <ul style="list-style-type: none"> <li>• CIES – Total comprehensive income decreased by £2,627K.</li> <li>• Balance Sheet – Net assets increased by £2,627K.</li> <li>• MiRS – corresponding adjustments in the movements within the MiRS to reflect the overall increase in reserves.</li> </ul>	
Various (No overall effect on the financial statements)	<p><b>Other narrative amendments</b></p> <p>Several other narrative and presentational amendments have been made to the financial statements, including:</p> <ul style="list-style-type: none"> <li>• The audit fee disclosure in Note 17 was corrected to reflect the estimated fee per our audit plan.</li> <li>• A number of other minor amendments have been made relating to the revisions to disclosure notes, narrative changes, casting errors, cross referencing, prior year comparatives or typos.</li> </ul>	To ensure the accuracy of the financial statements.

# Appendix 4

## Recommendations

There is one recommendation arising from our audit. This is set out below together with a response from management. We will follow this up during our 2023-24 audit and include any outstanding issues in next year's audit report:

### Exhibit 3: matter arising 1

Matter arising 1 – Evidence of internal project costs to be retained	
Findings	We identified three assets within the Land & Buildings category of Property, Plant & Equipment which had been revalued using costs (£/m <sup>2</sup> ) supplied by the internal projects team. No evidence had been retained to support the internal costs applied to these three assets.
Priority	Medium
Recommendation	Evidence of internal costs applied in the revaluation of Land & Buildings should be retained to support the valuations held within the Asset Management System.
Accepted in full by management	Yes
Management response	Evidence for valuations will be retained for the purposes of audit.
Implementation date	2023-24 financial year.







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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) 643249  
Ask for / Gofynnwch am: Carys Lord

Our ref / Ein cyf:  
Your ref / Eich cyf:

Date / Dyddiad: 25 January 2024

Auditor General for Wales  
Wales Audit Office  
1 Capita Quarter  
Cardiff  
CF11 9LJ

### **Representations regarding the 2022-23 financial statements**

This letter is provided in connection with your audit of the financial statements (including that part of the Remuneration Report that is subject to audit) of Bridgend County Borough Council (the Council) for the year ended 31 March 2023 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 Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom; in particular the financial statements give a true and fair view in accordance therewith; and
- the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

#### **Information provided**

We have provided you with:

- full access to:

Tel/Ffôn: 01656 643643

SMS Messaging/Negeseuon SMS: 07581 157014

Fax/Facs: 01656 668126

Twitter@bridgendCBC

Email/Ebost: [talktous@bridgend.gov.uk](mailto:talktous@bridgend.gov.uk)

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

- 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; and
- 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.

### **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 25 January 2024.

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:

Section 151 Officer

Date: 25 January 2024

Signed by:

Chair of Governance and Audit Committee

Date: 25 January 2024

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Meeting of:	GOVERNANCE AND AUDIT COMMITTEE
Date of Meeting:	25 JANUARY 2024
Report Title:	PORTHCAWL HARBOUR RETURN 2022-23
Report Owner / Corporate Director:	CHIEF OFFICER – FINANCE, PERFORMANCE & CHANGE
Responsible Officer:	NIGEL SMITH GROUP MANAGER – CHIEF ACCOUNTANT
Policy Framework and Procedure Rules:	The preparation of the Porthcawl Harbour Return is a requirement of the Accounts and Audit (Wales) Regulations 2014 (as amended 2018)
Executive Summary:	<ul style="list-style-type: none"> <li>• The Porthcawl Harbour Return has been audited by the external auditors, Audit Wales.</li> <li>• As a result of the audit the Porthcawl Harbour Return requires an amendment to reclassify income from Total Other income to be split between Income from local taxation/levy and Total Other income.</li> <li>• Any amendments to the Porthcawl Harbour Return are required to be approved by the Governance and Audit Committee and signed by the Chair and Chief Finance Officer in advance of certification by Audit Wales.</li> </ul>

## 1. Purpose of Report

- 1.1 The purpose of the report is to present to the Governance and Audit Committee the audited Porthcawl Harbour Return for 2022-23 attached at **Appendix A** for approval.

## 2. Background

- 2.1 The preparation of the Porthcawl Harbour Return is a requirement of the Accounts and Audit (Wales) Regulations 2014 (as amended 2018) and its content is defined by the Chartered Institute of Public Finance and Accountancy's '*Code of Practice on Local Authority Accounting in the United Kingdom*' (the Code).
- 2.2 The Porthcawl Harbour Return was approved by the Governance and Audit Committee on 26 July 2023. It was then passed to the external auditors, Audit Wales, for them to undertake their audit. As noted at the meeting of 26 July 2023, should Audit Wales identify any amendments, then these amendments must be brought to the attention of the Governance and Audit Committee who must approve the amended Porthcawl Harbour Return.

### **3. Current situation / proposal**

- 3.1 The Council's audited Porthcawl Harbour Return for the financial year ended 31 March 2023 is attached at **Appendix A**.
- 3.2 Audit Wales have concluded their audit and have identified one amendment to the Porthcawl Harbour Return. This is to reclassify income between Income from local taxation/levy and Total Other receipts, where it had originally all been classified as Total Other receipts. This does not change the financial position of the Porthcawl Harbour Return.

### **4. Equality implications (including Socio-economic Duty and Welsh Language)**

- 4.1 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. It is considered that there will be no significant or unacceptable equality impacts as a result of this report.

### **5. Well-being of Future Generations implications and connection to Corporate Well-being Objectives**

- 5.1 The Act provides the basis for driving a different kind of public service in Wales, with 5 ways of working to guide how public services should work to deliver for people. The well-being objectives are designed to complement each other and are part of an integrated way of working to improve well-being for the people of Bridgend. It is considered that there will be no significant or unacceptable impacts upon the achievement of the well-being goals or objectives as a result of this report.

### **6. Climate Change Implications**

- 6.1 There are no climate change implications as a result of this report.

### **7. Safeguarding and Corporate Parent Implications**

- 7.1 There are no Safeguarding or Corporate Parent implications 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 Governance and Audit Committee approves the amended audited Porthcawl Harbour Return 2022-23 at **Appendix A**.

### **Background documents**

None



# Minor Joint Committees in Wales

## Annual Return for the Year Ended 31 March 2023

### Accounting statements 2022-23 for:

Name of body: PORTHCAWL HARBOUR

	Year ending		Notes and guidance for compilers
	31 March 2022 (£)	31 March 2023 (£)	Please round all figures to nearest £. Do not leave any boxes blank and report £0 or nil balances. All figures must agree to the underlying financial records for the relevant year.
<b>Statement of income and expenditure/receipts and payments</b>			
1. Balances brought forward	0	0	Total balances and reserves at the beginning of the year as recorded in the financial records. Must agree to line 7 of the previous year.
2. (+) Income from local taxation/levy	181,633	159,079	Total amount of income received/receivable in the year from local taxation (precept) or levy/contribution from principal bodies.
3. (+) Total other receipts	145,396	99,907	Total income or receipts recorded in the cashbook minus amounts included in line 2. Includes support, discretionary and revenue grants.
4. (-) Staff costs	(80,762)	(87,836)	Total expenditure or payments made to and on behalf of all employees. Include salaries and wages, PAYE and NI (employees and employers), pension contributions and related expenses eg termination costs.
5. (-) Loan interest/capital repayments	(113,518)	(113,518)	Total expenditure or payments of capital and interest made during the year on external borrowing (if any).
6. (-) Total other payments	(132,749)	(57,632)	Total expenditure or payments as recorded in the cashbook minus staff costs (line 4) and loan interest/capital repayments (line 5).
7. (=) Balances carried forward	0	0	Total balances and reserves at the end of the year. Must equal (1+2+3) – (4+5+6).
<b>Statement of balances</b>			
8. (+) Debtors	39,893	0	<b>Income and expenditure accounts only:</b> Enter the value of debts owed to the body.
9. (+) Total cash and investments	0	0	<b>All accounts:</b> The sum of all current and deposit bank accounts, cash holdings and investments held at 31 March. This must agree with the reconciled cashbook balance as per the bank reconciliation.
10. (-) Creditors	(39,893)	0	<b>Income and expenditure accounts only:</b> Enter the value of monies owed by the body (except borrowing) at the year-end.
11. (=) Balances carried forward	0	0	<b>Total balances should equal line 7 above:</b> Enter the total of (8+9-10).
12. Total fixed assets and long-term assets	2,943,262	2,829,744	The asset and investment register value of all fixed assets and any other long-term assets held as at 31 March.
13. Total borrowing	0	0	The outstanding capital balance as at 31 March of all loans from third parties (including PWLB).

## Annual Governance Statement

We acknowledge as the members of the Committee, our responsibility for ensuring that there is a sound system of internal control, including the preparation of the accounting statements. We confirm, to the best of our knowledge and belief, with respect to the accounting statements for the year ended 31 March 2023, that:

	Agreed?		'YES' means that the Council/Board/Committee:	PG Ref
	Yes	No*		
1. We have put in place arrangements for: <ul style="list-style-type: none"> <li>effective financial management during the year; and</li> <li>the preparation and approval of the accounting statements.</li> </ul>	<input checked="" type="radio"/>	<input type="radio"/>	Properly sets its budget and manages its money and prepares and approves its accounting statements as prescribed by law.	6, 12
2. We have maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption, and reviewed its effectiveness.	<input checked="" type="radio"/>	<input type="radio"/>	Made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.	6, 7
3. We have taken all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and codes of practice that could have a significant financial effect on the ability of the Committee to conduct its business or on its finances.	<input checked="" type="radio"/>	<input type="radio"/>	Has only done things that it has the legal power to do and has conformed to codes of practice and standards in the way it has done so.	6
4. We have provided proper opportunity for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014.	<input checked="" type="radio"/>	<input type="radio"/>	Has given all persons interested the opportunity to inspect the body's accounts as set out in the notice of audit.	6, 23
5. We have carried out an assessment of the risks facing the Committee and taken appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.	<input checked="" type="radio"/>	<input type="radio"/>	Considered the financial and other risks it faces in the operation of the body and has dealt with them properly.	6, 9
6. We have maintained an adequate and effective system of internal audit of the accounting records and control systems throughout the year and have received a report from the internal auditor.	<input checked="" type="radio"/>	<input type="radio"/>	Arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether these meet the needs of the body.	6, 8
7. We have considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on the Committee and, where appropriate, have included them on the accounting statements.	<input checked="" type="radio"/>	<input type="radio"/>	Disclosed everything it should have about its business during the year including events taking place after the year-end if relevant.	6
8. We have taken appropriate action on all matters raised in previous reports from internal and external audit.	<input checked="" type="radio"/>	<input type="radio"/>	Considered and taken appropriate action to address issues/weaknesses brought to its attention by both the internal and external auditors.	6, 8, 23

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

## Additional disclosure notes\*

The following information is provided to assist the reader to understand the accounting statements and/or the Annual Governance Statement

1.

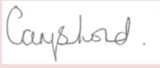
2.

3.

\* Include here any additional disclosures the Council considers necessary to aid the reader's understanding of the accounting statements and/or the annual governance statement.

## Committee approval and certification

The Committee is responsible for the preparation of the accounting statements and the annual governance statement in accordance with the requirements of the Public Audit (Wales) Act 2004 (the Act) and the Accounts and Audit (Wales) Regulations 2014.

<b>Certification by the RFO</b> I certify that the accounting statements contained in this Annual Return present fairly the financial position of the Committee, and its income and expenditure, or properly present receipts and payments, as the case may be, for the year ended 31 March 2023.	<b>Approval by the Council/Board/Committee</b> I confirm that these accounting statements and Annual Governance Statement were approved by the Committee under minute reference:
	<b>Minute ref:</b>
<b>RFO signature:</b> 	<b>Chair of meeting signature:</b>
<b>Name:</b> Carys Lord	<b>Name:</b>
<b>Date:</b> 19/12/23	<b>Date:</b>

## Annual internal audit report to:

Name of body: PORTHCAWL HARBOUR

The Committee's internal audit, acting independently and on the basis of an assessment of risk, has included carrying out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year ending 31 March 2023.

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

	Agreed?				Outline of work undertaken as part of the internal audit (NB not required if detailed internal audit report presented to body)
	Yes	No*	N/A	Not covered**	
1. Appropriate books of account have been properly kept throughout the year.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Porthcawl Harbour utilises the Council's main financial ledger system and no issues were identified relating to this during audit testing.
2. Financial regulations have been met, payments were supported by invoices, expenditure was approved and VAT was appropriately accounted for.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	All payments are through the Council's financial system. Sample testing of payments on ledger confirmed payments were supported by invoices, correctly authorised and VAT had been accounted for correctly.
3. The body assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Corporate Risk Management Policy and a Corporate risk assessment is in place. Risk Assessment procedure guidance for risks available to all Council departments.
4. The annual precept/levy/resource demand requirement resulted from an adequate budgetary process, progress against the budget was regularly monitored, and reserves were appropriate.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	No annual precept payment. Central monitoring of budget and reserves carried out.
5. Expected income was fully received, based on correct prices, properly recorded and promptly banked, and VAT was appropriately accounted for.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Invoices raised and monitored on central system. Sample of invoices selected, and all had correctly charged VAT.
6. Petty cash payments were properly supported by receipts, expenditure was approved and VAT appropriately accounted for.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	None identified within financial reports for the year.
7. Salaries to employees and allowances to members were paid in accordance with minuted approvals, and PAYE and NI requirements were properly applied.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Salaries are paid through Council's central payroll system on NJC agreed pay scales.

	Agreed?				Outline of work undertaken as part of the internal audit (NB not required if detailed internal audit report presented to body)
	Yes	No*	N/A	Not covered**	
8. Asset and investment registers were complete, accurate, and properly maintained.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	The Harbour is recorded on the Council's asset register.

	Agreed?				Outline of work undertaken as part of the internal audit (NB not required if detailed internal audit report presented to body)
	Yes	No*	N/A	Not covered**	
9. Periodic and year-end bank account reconciliations were properly carried out.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Council's main bank account and ledger used and subject to central checks.
10. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments/income and expenditure), agreed with the cashbook, were supported by an adequate audit trail from underlying records, and where appropriate, debtors and creditors were properly recorded.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Centralised main accounting audit performed regularly, and no relevant issues identified.

**For any risk areas identified by the Council/Board/Committee (list any other risk areas below or on separate sheets if needed) adequate controls existed:**

	Agreed?				Outline of work undertaken as part of the internal audit (NB not required if detailed internal audit report presented to body)
	Yes	No*	N/A	Not covered**	
11. Insert risk area	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text
12. Insert risk area	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text
13. Insert risk area	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text

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

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

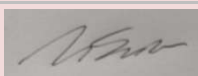
[My detailed findings and recommendations which I draw to the attention of the Committee are included in my detailed report to the Committee dated \_\_\_\_\_.] \* Delete if no report prepared.

### Internal audit confirmation

I/we confirm that as the Committee's internal auditor, I/we have not been involved in a management or administrative role within the body (including preparation of the accounts) or as a member of the body during the financial years 2021-22 and 2022-23. I also confirm that there are no conflicts of interest surrounding my appointment.

**Name of person who carried out the internal audit: Nathan Smith – Audit Assistant Manager**

**Signature of person who carried out the internal audit:**



**Date: 28<sup>th</sup> June 2023**

<b>Meeting of:</b>	<b>GOVERNANCE AND AUDIT COMMITTEE</b>
<b>Date of Meeting:</b>	<b>25 JANUARY 2024</b>
<b>Report Title:</b>	<b>PROGRESS AGAINST THE INTERNAL AUDIT RISK BASED PLAN 2023-24</b>
<b>Report Owner / Corporate Director:</b>	<b>CHIEF OFFICER – FINANCE, PERFORMANCE &amp; CHANGE</b>
<b>Responsible Officer:</b>	<b>ANDREW WATHAN HEAD OF REGIONAL INTERNAL AUDIT SERVICE</b>
<b>Policy Framework and Procedure Rules:</b>	<b>The proposals in this report are in accordance with the policy framework and budget.</b>
<b>Executive Summary:</b>	<ul style="list-style-type: none"> <li>• The progress made against the approved internal audit risk-based plan 2023-24 for the period 1st April 2023 to 31<sup>st</sup> December 2023 shows that 22 of 42 planned audit reviews have been completed to date which equates to a completion rate of 52%. The Regional Internal Audit Service has set a target of 50% completion by the end of quarter 3.</li> <li>• Based on the assessment of the strengths and weaknesses of the areas examined through testing of the effectiveness of the internal control environment, audit opinions have been given to 22 audits. 19 audits have been given Substantial or Reasonable assurance and 3 audits have been given Limited assurance. Two of these have been completed since the previous report and details are included within the report.</li> <li>• Included within this year's plan are 12 audits that were not undertaken or completed in 2022-23. 9 of the 12 audits are now completed and the remaining 3 are in progress.</li> <li>• A total of 86 recommendations have been made to date to improve the control environment. The progress being made in implementing these is regularly monitored by Internal Audit and reported to this Committee.</li> </ul>

## 1. Purpose of Report

- 1.1 To provide members of the Committee with a position statement on progress being made against the audit work within the approved Internal Audit Risk Based Plan 2023-24.



## 2. Background

- 2.1 In accordance with the Public Sector Internal Audit Standards, the Head of Audit is responsible for developing a risk-based annual audit plan which considers the Council's risk management framework. Within the Standards there is also a requirement for the Head of Audit to review and adjust the plan, as necessary, in response to changes in the Council's business, risks, operations, programmes, systems, controls and resources. The Head of Audit must also ensure that Internal Audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan.
- 2.2 The Internal Audit Plan for 2023-24 was submitted to the Governance and Audit Committee for consideration and approval on 1<sup>st</sup> June 2023. The Plan outlined the assignments to be carried out which will provide sufficient coverage to provide an overall opinion at the end of 2023-24.
- 2.3 The plan is flexible to allow for changing circumstances and events that may occur, such as requests to respond to new issues that may emerge.

## 3. Current situation / proposal

- 3.1 Progress made against the approved plan for the period 1<sup>st</sup> April 2023 to 31<sup>st</sup> December 2023 is attached at **Appendix A**. This details the status of each planned review, the audit opinion and the number of any high, medium, or low priority recommendations made to improve the control environment. It should be noted that some reviews listed have no audit opinion, for example advice and guidance and Governance and Audit Committee / Corporate Management Board (CMB) reporting / Fraud, Error, Irregularity. This is because the audit work carried out in respect of these items is planned but the nature of the work does not lead to testing and the formation of an audit opinion, although in some instances recommendations are made.
- 3.2 The Regional Internal Audit Service (RIAS) has set quarterly targets to monitor the delivery of the approved audit plan. This will assist in ensuring sufficient audit coverage has been given to the Council in order to provide an overall opinion at the end of 2023-24. The targets that the RIAS are working towards at the end of each quarter are as follows:
- Qtr 1 = 10%
  - Qtr 2 = 30%
  - Qtr 3 = 50%
  - Qtr 4 = 80%
- 3.3 As at 31<sup>st</sup> December 2023, the level of coverage is 52%. A summary of the progress made to date is shown in Table 1 below. Details of individual audit assignments are shown in **Appendix A**.

**Table 1 – Summary of the Progress Against the Audit Plan 2023-24**

Status of Audits Assignments	Number	% of plan completed
Final report issued	20	47%
Draft report issued	2	5%
Audits in progress	15	
Audits allocated and due to start in this quarter	5	
Planned Audits not started	0	
<b>Total</b>	<b>42</b>	<b>52%</b>

- 3.4 An audit opinion is applied to an audit based on the assessment of the strengths and weaknesses of the areas examined during the audit through testing of the effectiveness of the internal control environment. Table 2 shows the audit opinions given as of 31<sup>st</sup> December 2023. Details of individual audit assignments are shown in **Appendix A**.

**Table 2 – Audit Opinions Applied to Audits as of 31st December 2023**

Audit Opinion	Number
Substantial Assurance	7
Reasonable Assurance	12
Limited Assurance	3
No Assurance	0
<b>Total</b>	<b>22</b>

- 3.5 For reference, the audit assurance/opinion categories are:

AUDIT ASSURANCE CATEGORY CODE	
<b>Substantial</b>	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
<b>Reasonable</b>	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
<b>Limited</b>	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
<b>No Assurance</b>	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

- 3.6 Table 2 identifies that three audits have been given a Limited assurance opinion; the identified risks of the 2 audits completed since the last report are detailed below.

### **Security & Access to Council Buildings**

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

- There is an exceptionally high number of individuals with administrator rights to the door access control system known as the ACT system.
- One building is no longer used by the majority of council staff but staff access permissions have not been amended to restrict unnecessary access.
- Testing showed a high number of leavers from the council, agencies and shared services remaining live on the access system.
- There is no current contract in place with the provider of the out of hours keyholding service.

### **Adult Placement / Shared Lives**

This service is run under a partnership agreement between the Vale of Glamorgan Council and Bridgend County Borough Council with the Vale of Glamorgan Council as the lead authority. The Adult Placement (Shared Lives) Service Board, consisting of nominated officers from both authorities, are responsible for the governance hence the audit report has been issued to both Councils. The areas of improvement identified during this audit were :

- The audit found a lack of formal procedures in place in relation to administrative processes
- Minimal signed agreements for both the approved hosts and the service users were on file, and these are required by Regulations.
- Inconsistent Project Worker methods of monitoring cases were identified and insufficient procedures were in place to support individuals to safely manage their finances in line with Regulations.
- In addition, approved hosts have not been provided with the appropriate training.

- 3.7 The audit plan 2023-24 at **Appendix A** includes audits that were not started during 2022-23 or were incomplete at year end. There are 12 of these which are detailed at **Appendix B**. Table 3 below provides a summary of the status of these 12 audits as at 31<sup>st</sup> December 2023.

**Table 3 – Status of Audits Carried Forward into the Audit Plan 2023-24 as at 31<sup>st</sup> December 2023**

Status of Audits Assignments	Number	% Complete
Final report issued	8	67%
Draft report issued	1	8%
Audit in progress	1	
Audit allocated and due to start in quarter 4	2	

Planned Audits not started	0	
<b>Total</b>	<b>12</b>	<b>75%</b>

- 3.8 **Appendix A** shows a total of 86 recommendations have been made to date to improve the control environment: 10 high priority, 43 medium priority and 33 low priority. The implementation of the high and medium priority recommendations are regularly monitored by the Auditors to ensure that the identified and agreed improvements are being made. More detailed information is included in a separate report to this Committee.

#### **4. Equality implications (including Socio-economic Duty and Welsh Language)**

- 4.1 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.

#### **5. Well-being of Future Generations implications and connection to Corporate Well-being Objectives**

- 5.1 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

#### **6. Climate Change Implications**

- 6.1 There are no climate change implications arising from this report.

#### **7. Safeguarding and Corporate Parent Implications**

- 7.1 There are no safeguarding or corporate parent implications arising from this report.

#### **8. Financial Implications**

- 8.1 There are no direct financial implications arising from this report however effective audit planning and monitoring are key contributors in ensuring that the Council's assets and interests are properly accounted for and safeguarded.

#### **9. Recommendation**

- 9.1 It is recommended that members of the Committee note the content of the report and the progress made against the 2023-24 Internal Audit Risk Based Plan.

**Background documents**

None

## BCBC - AUDIT PLAN 2023/24

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Directorate	Area	Audit Scope / Risk	Status	Opinion			Recommendations		
				Substantial	Reasonable	Limited	High	Medium	Low
Cross - Cutting	Follow up - Limited Assurance Reports	To ensure that improvements have been made to the control environment since the previous limited assurance review.							
Cross Cutting	Good Governance	To provide assurance that key Corporate Governance processes are in place within the Council and that these are operating effectively to enable the Council to be provided with sufficient information to enable them to discharge their responsibilities. Assist in the AGS	allocated						
Cross Cutting	Safeguarding	To review a sample of contracts to ensure that safeguarding has been adequately considered and included where appropriate eg) contracts within schools, cleaners in certain settings, agency staff etc	final issued		v		0	2	0
Cross Cutting	Grant Certification Work	Under the conditions of the specific grant determination, the Head of Audit must certify that the conditions of the grant have been complied with.							
		Bus Services Support Grant 2022-23	final issued	v			0	0	0
		Regional Consortia School Improvement Grant 2022-23	final issued	v			0	0	0
Cross Cutting	Risk Management	A review of a sample of corporate risks to identify if they are being appropriately managed and progress is being reported accurately.	in progress						
Cross Cutting	Welsh Language Standards	Select a sample of web based communications and verify compliance to the Welsh Language standards	in progress						
Cross Cutting	Consultants	To review the use of consultants across the Council including procurement, payments and ongoing arrangements including authority to extend contracts	in progress						
Cross Cutting	Energy Efficiency Monitoring & Reporting	To undertake a review of how the Council aims to reduce its consumption of energy and provide assurance on the arrangements in place. This review will also examine the use of energy usage data across the Council and how this information impacts and informs strategic decisions	in progress						
Cross Cutting	Security & Access to Council Buildings	To undertake a review of the Council's arrangements for the security and access to Council buildings and provide assurance that robust controls are in place	final issued			v	1	5	1
Chief Executives	Procurement	Review current processes and practices to ensure that they are reasonable, effective and efficient in the current economic landscape and compliant to the Council's contract procedure rules and any grant conditions where relevant.	in progress						
Chief Executives	Financial Systems	A rolling programme of audits is adopted, work programme for each year may differ. This approach enables us to deliver a more cost-effective service, whilst providing sufficient assurance as to the adequacy of the Council's material system control environment.							
		Housing Benefits	final issued		v		0	1	2
		Council Tax	in progress						
		Treasury Management	final issued	v			0	0	0
		Banking Arrangements	final issued	v			0	0	2
		Payment Card Industry Data Security Standard Compliance							
Chief Executives	Capital Accounting & Asset Register	To undertake a review of the Capital Accounting & Asset Register and provide assurance to Management of the controls in place	final issued	v			0	0	0
Chief Executives	Budget Savings	To identify and review the systems in place to monitor the high level of savings identified	allocated						
Chief Executives	Project Management	To undertake a review of the governance and decision making around Major Projects. Particular emphasis will be placed on compliance to the Council's Rules and Regulations and Project Management Methodology associated with high risk contracts.	allocated						
Chief Executives	ICT Audit	In consultation with ICT, systems reviews will be undertaken across Directorates to ensure robust controls are evident and operating effectively in order to minimise the threat of cyber crime							
		File Systems & Folder Access	final issued		v		1	1	0
		Disposal of Electronic Media & Devices	in progress						
Chief Executives	School Cyber Security	Undertake testing to ensure that staff are aware of requirements to protect devices, services and networks and the information on them from theft or damage via electronic means and staff are aware of what to do if there is a concern or breach. Ensure this information is monitored and reported consistently across the Council	in progress						

Directorate	Area	Audit Scope / Risk	Status	Opinion			Recommendations		
				Substantial	Reasonable	Limited	High	Medium	Low
Chief Executives	Temporary Housing Solutions	Examine compliance with this statutory duty, review process for availability, processing and prioritising cases to provide assistance that systems are efficient and effective.	final issued		v		1	1	0
Communities	Coychurch Crematorium	A compliance review to complete the Annual Accounting Statement							
Communities	Porthcawl Harbour	A compliance review to complete the Annual Accounting Statement 2022/23	final issued		v		0	1	1
Communities	Porthcawl Regeneration	To ensure the governance, structure and scope of the Project Board are in place and operating effectively to successfully deliver this programme.	draft issued	v					
Communities	Recycling & Waste Management	To provide assurance that any external funding is being spent in compliance to the specific criteria as well as in compliance with the Council's Financial & Contract Procedure Rules and PCop and any agreed business plans.	in progress						
Communities	Rights of Way	To provide assurance on the control environment in respect of processes, charges and dispute resolution	final issued		v		0	3	5
Communities	Parking Enforcement	To provide assurance on the adequacy and effectiveness of the internal control, governance and risk management arrangements in respect of Parking Enforcement including testing of workflows, procedures and performance management.	draft issued		v				
Education & Family Support	Schools	To undertake a number of school based reviews as well as cross cutting thematic reviews in accordance with the Internal Audit risk based assessment.							
		Abercerdin Follow Up	final issued		v		0	7	4
		School Vehicles	final issued			v	2	1	3
		St Mary & St Patrick's Primary	final issued		v		1	10	2
		Ffaldau Primary School	in progress						
		St Mary's Catholic School	in progress						
		Porthcawl Comprehensive School	in progress						
Education & Family Support	School CRSA	To undertake the annual controlled risk self – assessment for schools. The aim of the process is to enable Head Teachers to review their internal controls and to ensure that they undertake and comply with the requirements of current legislation and the Financial Procedure Rules.	in progress						
Education & Family Support	School Admissions	To ensure all processes and procedures are in place and operating effectively	final issued		v		1	1	1
Education & Family Support	School Exclusions	To provide assurance that schools are adhering to the Welsh Governance guidance in respect of fixed term and permanent exclusions	allocated						
Education & Family Support	Additional Learning Needs (ALN)	To provide assurance that robust arrangements are in place to monitor and evaluate additional learning needs services, with specific reference to the implementation of the reduced timetable policy	final issued		v		1	1	2
Education & Family Support	Learner Travel	To provide assurance that procurement and contract monitoring is in adherence to Council policies and procedures to ensure the delivery of the agreed service within the agreed contract price.	in progress						
Social Services & Wellbeing	Adult Placements/ Shared Lives	To provide assurance to both Authorities ( Vale and BCBC) and the Adult Placement (Shared Lives) Service Board that systems and processes have operated effectively in respect of governance, admionistration process and financial payments	final issued			v	2	7	7
Social Services & Wellbeing	Halo Leisure	Review the contract management and performance measures in place. Verify the data and calculations used and examine the scrutiny and challenge that takes place in respect of the Halo contract	final issued	v			0	1	0
Social Services & Wellbeing	Carers Assessments	to review the processes in place in respect of adult and young carers assessments	final issued		v		0	1	3
Social Services & Wellbeing	Complaints	To provide assurance that the policy and procedures are being adhered to, performance is monitored and reported data is accurate	in progress						
Social Services & Wellbeing	Quality Assurance	To provide assurance that the quality assurance process is embedded and effective throughout the Directorate	allocated						
Internal Audit	Governance & Audit Committee /Members and CMB Reporting	This allocation covers Member reporting procedures, mainly to the Governance & Audit Committee. Regular reporting to, and meeting with, the Section 151 Officer, Corporate Management Board and the RIAS Board.							



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Meeting of:	<b>GOVERNANCE AND AUDIT COMMITTEE</b>
Date of Meeting:	<b>25 JANUARY 2024</b>
Report Title:	<b>INTERNAL AUDIT RECOMMENDATION MONITORING</b>
Report Owner / Corporate Director:	<b>CHIEF OFFICER – FINANCE, PERFORMANCE &amp; CHANGE</b>
Responsible Officer:	<b>ANDREW WATHAN HEAD OF REGIONAL INTERNAL AUDIT SERVICE</b>
Policy Framework and Procedure Rules:	<b>The proposals in this report are in accordance with the policy framework and budget.</b>
Executive Summary:	<ul style="list-style-type: none"> <li>• A position statement in respect of internal audit high and medium priority recommendations made, implemented and outstanding as at 31<sup>st</sup> December 2023 is detailed in <b>Appendix A</b>.</li> <li>• A total of 53 high and medium priority recommendations have been made following the conclusion of audits from the 2023-24 annual plan. All have been agreed and, to date, 16 have been implemented, 6 are overdue and 31 have a future implementation date.</li> <li>• There are currently 6 overdue recommendations all made during 2023-24 audits, these are detailed in <b>Appendix B</b>.</li> <li>• There are 13 recommendations which were made in 2021-22 and 2022-23 audits that still have future implementation dates. These are detailed in <b>Appendix C</b>.</li> <li>• The monitoring of recommendations is undertaken regularly by Auditors and any undue delays or issues are highlighted to Senior Management via the Council's Corporate Management Board and ultimately this Committee.</li> </ul>

## 1. Purpose of Report

- 1.1 To provide members of the Committee with a position statement on internal audit recommendations that have been made to identify those that have been implemented and those that are outstanding.

## 2. Background

- 2.1 In accordance with the Public Sector Internal Audit Standards, the internal audit activity must assess and make appropriate recommendations to improve the Council's governance, risk management and internal control. The Regional Internal Audit Service (RIAS) Strategy states that the implementation of agreed recommendations will be monitored.
- 2.2 Recommendations are made at the conclusion of an audit review if it is felt that improvements should be made to mitigate risk and strengthen controls. Recommendations are included, if appropriate, in the final audit report and recipients are asked to provide responses to indicate whether they agree with the recommendations and how and when they plan to implement them. To assist managers in focussing their attention, each recommendation is classified as being either high, medium or low priority.
- 2.3 Table 1 shows the recommendation categorisation as follows:

Table 1 – Recommendation Categorisation	
Risk may be viewed as the chance, or probability, of one or more of the organisation's objectives not being met. It refers both to unwanted outcomes which might arise, and to the potential failure to realise desired results. The criticality of each recommendation is as follows:	
<b>High Priority</b>	Action that is considered imperative to ensure that the organisation is not exposed to high risks.
<b>Medium Priority</b>	Action that is considered necessary to avoid exposure to significant risks.
<b>Low Priority</b>	Action that is considered desirable and should result in enhanced control.

- 2.4 To ensure maximum coverage of the annual plan based on the capacity available within the team, the RIAS monitors the implementation of the high and medium priority recommendations, but the low priority recommendations are left to management to successfully implement.
- 2.5 Once the target date for implementation has been reached the relevant Officers will be contacted and asked to provide feedback on the status of each agreed high and medium priority recommendation. The implementation of these recommendations is monitored using MK Insight internal audit software to ensure that improvements are being made.
- 2.6 Any audits concluded with a no assurance or limited assurance opinion will also be subject to a follow up audit.
- 3. Current situation / proposal**
- 3.1 **Appendix A** provides a summary of the status of the high and medium priority internal audit recommendations made as at 31st December 2023 .

- 3.2 The status of the recommendations that have been made following the completion of audits from the 2023-24 audit plan is summarised in Table 2 below:

**Table 2 – Recommendation Status – Completed Audits 2023-24**

	No. Made			Not Agreed	Implemented		Outstanding		Future Target Date
	High	Med.	Total		High	Med.	High	Med.	
2023-24	10	43	53	0	4	12	1	5	31

- 3.3 **Appendix A** also includes the recommendations made in relation to audits completed in the audit plans of 2021-22 and 2022-23 which are yet to be implemented. This information is summarised in Table 3.

**Table 3 – Outstanding Recommendations – Audits Completed Pre-2023-24**

	No. Made			Not Agreed	Implemented		Outstanding		Future Target Date
	High	Med.	Total		High	Med.	High	Med.	
2021-22	0	11	11	0	0	5	0	0	6
2022-23	0	20	20	0	0	13	0	0	7

- 3.4 **Appendix B** provides the detail of the 6 outstanding recommendations, which were all made in this financial year, and the position in respect of their implementation. This information has been shared with the Council's Corporate Management Board.
- 3.5 It is noted that 13 recommendations made during 2021-22 and 2022-23 still have future implementation dates. These are detailed in **Appendix C**. The situation is monitored and any undue delays with the implementation of these will be reported accordingly. It should be noted that 5 of the recommendations relate to cyber security audit which was completed in 2021/22. Initially it was envisaged that a Chief Information Security Officer (CISO) would be employed and could then address the recommendations. An appointment to the role was not successful so new actions have been agreed to address the identified risks.
- 3.6 The monitoring of recommendations is undertaken regularly by Auditors and any delays or issues are highlighted to the Council's Corporate Management Board and ultimately this Committee.

#### **4. Equality implications (including Socio-economic Duty and Welsh Language)**

- 4.1 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.

**5. Well-being of Future Generations implications and connection to Corporate Well-being Objectives**

- 5.1 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.

**6. Climate Change Implications**

- 6.1 There are no climate change implications arising from this report.

**7. Safeguarding and Corporate Parent Implications**

- 7.1 There are no safeguarding or corporate parent implications arising from this report.

**8. Financial Implications**

- 8.1 There are no direct financial implications arising from this report however effective audit planning and monitoring are key contributors in ensuring that the Council's assets and interests are properly accounted for and safeguarded.

**9. Recommendation**

- 9.1 That members of the Governance and Audit Committee note the content of the report and consider the information provided in respect of the status of the high and medium priority recommendations made by the Regional Internal Audit Service.

**Background documents**

None

## Internal Audit Recommendation Monitoring Report - 31st December 2023

Page No	Audit Name	Directorate	Audit Opinion	Final Report Date	Number Made			Not Agreed	Implemented			Outstanding			Future Target Date Total
					High	Medium	Total		High	Medium	Total	High	Medium	Total	
2021-22															
	Cooper Security	Chief Executives	REASONABLE	02/09/2022	0	7	7	0	0	2	2	0	0	0	5
	Parent System	Chief Executives	REASONABLE	05/11/2021	0	4	4	0	0	3	3	0	0	0	1
	<b>Total</b>				<b>0</b>	<b>11</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6</b>
<b>2022-23</b>															
	Tynyrheol Primary School	Education & Family Support	REASONABLE	16/01/2023	0	5	5	0	0	2	2	0	0	0	3
	Home To Work Mileage in Council Vehicles	Communities	REASONABLE	27/01/2023	0	4	4	0	0	2	2	0	0	0	2
	Climate Change & Energy Efficiency	Cross Cutting	REASONABLE	17/02/2023	0	5	5	0	0	4	4	0	0	0	1
	Vehicles Fuel Management	Communities	REASONABLE	17/05/2023	0	6	6	0	0	5	5	0	0	0	1
	<b>Total</b>				<b>0</b>	<b>20</b>	<b>20</b>	<b>0</b>	<b>0</b>	<b>13</b>	<b>13</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7</b>
<b>2023-24</b>															
	Housing Benefit	Chief Executives	REASONABLE	04/07/2023	0	1	1	0	0	1	1	0	0	0	0
	Temporary Housing Solutions	Chief Executives	REASONABLE	24/08/2023	1	1	2	0	1	0	1	0	1	1	0
	File Systems & Folder Access	Chief Executives	REASONABLE	06/09/2023	1	1	2	0	1	1	2	0	0	0	0
	Abercerdin Primary School Follow-up	Cross Cutting	REASONABLE	08/09/2023	0	7	7	0	0	4	4	0	3	3	0
	School Vehicles	Education & Family Support	LIMITED	15/09/2023	2	1	3	0	1	0	1	1	1	2	0
	Rights of Way	Communities	REASONABLE	18/09/2023	0	3	3	0	0	0	0	0	0	0	3
	Porthcawl Harbour Annual Return	Cross Cutting	REASONABLE	27/09/2023	0	1	1	0	0	0	0	0	0	0	1
	St Mary's & St Patrick's RC Primary School	Education & Family Support	REASONABLE	27/09/2023	1	10	11	0	0	2	2	0	0	0	9
	Carers Assessments	Social Services & Wellbeing	REASONABLE	05/10/2023	0	1	1	0	0	1	1	0	0	0	0
	School Admissions	Education & Family Support	REASONABLE	16/10/2023	1	1	2	0	1	1	2	0	0	0	0
	Adult Placement (Shared Lives) Service	Social Services & Wellbeing	LIMITED	06/11/2023	2	7	9	0	0	1	1	0	0	0	8
	Halo Leisure Centres	Social Services & Wellbeing	SUBSTANTIAL	07/11/2023	0	1	1	0	0	0	0	0	0	0	1
	Additional Learning Needs (ALN)	Education & Family Support	REASONABLE	01/12/2023	1	1	2	0	0	1	1	0	0	0	1
	Corporate Safeguarding - Contracts	Cross Cutting	REASONABLE	01/12/2023	0	2	2	0	0	0	0	0	0	0	2
	Security & Access to Council Buildings	Cross Cutting	LIMITED	15/12/2023	1	5	6	0	0	0	0	0	0	0	6
	<b>Total</b>				<b>10</b>	<b>43</b>	<b>53</b>	<b>0</b>	<b>4</b>	<b>12</b>	<b>16</b>	<b>1</b>	<b>5</b>	<b>6</b>	<b>31</b>



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**Bridgend County Borough Council –Recommendation Monitoring**

**Outstanding Recommendations Made in 2023/24**

<b>Audit</b>	<b>Final Report Date</b>	<b>Recommendation</b>	<b>Category</b>	<b>Agreed Action</b>	<b>Agreed Date</b>	<b>Current Position</b>	<b>Responsible Officer</b>
Temporary Housing Solutions	24/08/23	Bed & Breakfast and Guest Houses used for temporary accommodation should be risk assessed individually to confirm they are suitable and in line with the legislation. The risk assessments should be completed/updated at least annually or when changes are known. This should be held under the relevant accommodation on the Housing Jigsaw system and shared with all staff who are responsible for the placement of TA to clients.	Medium	Whilst we can assess the Guest Houses, we will need to investigate how we can record the outcome on the Housing Jigsaw system. The system doesn't currently allow for this. If this cannot be modified as it is an 'off the shelf' system, we will create a record which will be saved on a shared drive which is accessed by all staff.	01/12/23	Awaiting an update	Housing Solutions Manager
Abercerdin Primary School Follow-up	08/09/23	The Governing Body should be updated on the closure of the Private Fund and receive periodic updates on the Private Fund, at least on an annual basis. This documented clearly in the meeting minutes.	Medium	Agreed -no comment	30/09/23 <u>Revised</u> 30/11/23	Paperwork prepared but due to unforeseen circumstances the Governing Body meeting was delayed so awaiting an update from the school	Headteacher
		As recommended in the previous audit, the £45,000 paid from the private fund to the PTA account is transferred to budget for the upcoming building work. The school should liaise with the	Medium	Agreed -no comment	30/09/23 <u>Revised</u> 30/11/23	Discussions due between the school and the BCBC Finance team, awaiting an update	Headteacher

Audit	Final Report Date	Recommendation	Category	Agreed Action	Agreed Date	Current Position	Responsible Officer
		School Finance Team regarding this.					
		The Governing Body should ratify all policy documents adopted at the school, recording decisions explicitly within meeting minutes. If the Governing Body delegate this function to a committee, the delegated powers and function of such committee should be agreed and formally documented in a terms of reference.	Medium	Clerk to ensure minutes are distributed in Governing Body meeting. Clerk to amend terms of reference prior to first Governing Body meeting of 2023/24 to reflect policy committee.	30/09/23  <b>Revised 30/11/23</b>	Paperwork prepared but due to unforeseen circumstances the Governing Body meeting was delayed so awaiting an update from the school	Clerk to the Governing Body
School Vehicles - CCYD	15/09/23	Staff driving licences are reviewed to ensure they are in date and have the correct category to allow the school vehicle to be driven taking into account its weight. This process should be repeated regularly, and detailed evidence retained.	High	All driving licences are currently being collected in, all drivers will have to produce a DVLA code annually to show clean licence, updated annually.	30/09/23	Assurance being sought from the school that this has been addressed	Operations Manager - CCYD
		A School Minibus Policy is put in place and agreed by the Governing Body.	Medium	Contacting Judicium for policy.	31/10/23	A request made to the school for a copy of the agreed policy	Operations Manager - CCYD

**Bridgend County Borough Council –Recommendation Monitoring**

**Recommendations Made Prior to 2023/24 With Future Target Dates**

<b>Audit</b>	<b>Final Report Date</b>	<b>Recommendation</b>	<b>Category</b>	<b>Agreed Action</b>	<b>Agreed Date</b>	<b>Current Position</b>	<b>Responsible Officer</b>
Cyber Security	2/09/22	The Council considers further structured reporting to CMB (potentially utilising performance indicators and suitable metrics) in order to continually improve upon the need for regular, relevant, high-profile reporting on cyber threats to senior management	Medium	<u>Jan 2024 - CISO not appointed so a Revised Action agreed</u>  As structured reporting to CMB was an action to which the appointment of a CISO was aligned, an alternative approach will now need to be considered.	30/04/24	The Auditor is going to provide some information relating to the National Cyber Security Centre (NCSC) Board Toolkit which will be considered going forward.	Head of Partnership Services
		Cyber security is further highlighted within Council strategy and plans as a reflection of its importance to the ongoing achievement of the Council's objectives.	Medium	<u>Jan 2024 - CISO not appointed so a Revised Action agreed</u>  This will be considered as part of the new Digital Strategy.	31/03/25	Work is ongoing for the Digital Strategy to reach final publication stage, draft should be available halfway through the year and final by the end of 2024/25	Head of Partnership Services
		The Council introduces a record of the cyber risks faced by the Council, along with how they are analysed, assessed, prioritised and managed.	Medium	<u>Jan 2024 - CISO not appointed so a Revised Action agreed</u>  Agreed	31/03/24	The Auditor will provide details from the NCSC which will assist.	Head of Partnership Services
		The Council compiles an Incident Response Plan/Procedure relevant in the event of cyber-attack. This is periodically tested with buy-in from across the organisation and periodically updated.	Medium	<u>Jan 2024 - CISO not appointed so a Revised Action agreed</u>  Agreed	31/03/24	The Auditor will provide details from the NCSC which will assist.	Head of Partnership Services
		The current e-learning is enhanced to include cyber security. Training is to be refreshed from time-to-time so that officers Council-wide can continue to refresh their	Medium	<u>Jan 2024 - CISO not appointed so a Revised Action agreed</u>  Identified training tools, CMB will need to approve the financial spend.	30/04/24	Ongoing discussions	Head of Partnership Services

Audit	Final Report Date	Recommendation	Category	Agreed Action	Agreed Date	Current Position	Responsible Officer
		knowledge and understanding of cyber-attack methods and how to spot them.					
iTrent System	5/11/21	The Council completes a new network connection agreement with the iTrent supplier.	Medium	Will send iTrent Supplier a BCBC External End User Agreement for sign up.	31/12/21  <u>Revised</u> 1/10/22 31/01/23 14/07/23 30/09/23 31/01/24	BCBC ICT have been trying to get the agreement signed by the supplier. Meeting being arranged.  A draft agreement has been created and is with the Supplier for signing.	Systems Manager
Tynyrheol Primary School	16/01/23	A Management Committee is established for the administration of the Private Fund. The signatories of the bank account are amended in line with the new roles established and the Governing Body are informed accordingly	Medium	A Management Committee for Private Fund be created and presented to the Governing Body on March 13 <sup>th</sup> 2023	28/02/23  <u>Revised</u> 30/09/23 31/01/24	Vacant Senior Admin role has delayed implementation of these recommendations. New appointment made and due to start in January 2024	Headteacher
		The purpose for the £1,000 received into the Private Fund is identified and all appropriate income is transferred to the school's main budget as soon as possible	Medium	Senior Admin Officer to identify what the paid in amount relates to and then transfer it to the correct account.	28/02/23  <u>Revised</u> 30/06/23 31/01/24	As above	Headteacher
		The Private Fund is independently audited and all findings reported to the Governing Body.	Medium	Interim Executive Headteacher to present audited accounts to the Summer Term full Governing Body meeting for the financial year 22/23.	28/02/23  <u>Revised</u> 30/06/23 31/01/24	As above	Headteacher

Audit	Final Report Date	Recommendation	Category	Agreed Action	Agreed Date	Current Position	Responsible Officer
Home To Work Mileage in Council Vehicles	27/01/23	A corporate policy is developed in relation to the use of Council vehicles	Medium	Agreed that a Corporate Policy is to be developed on the use of corporate vehicles. To complete this task will require support from Human Resources, Fleet Services as well as the representative departments of BCBC. The process will involve research, drafting, sign off, consultation and approval. As such any timescale is speculative but could be deliverable in 7 months	30/09/23  <u>Revised</u> 31/03/24	Delays due to other pressures. Policy to be discussed with Human Resources & Health and Safety	Group Manager Highways and Green Spaces as Lead officer
		Where there is a possible requirement to take a vehicle home, a business case should be presented and authorised at the appropriate level.	Medium	This should be addressed within the policy referenced above	30/09/23  <u>Revised</u> 31/03/24	As above	As above
Climate Change & Energy Efficiency	17/02/23	The climate change training should be finalised and implemented across the Council. Completion rates should be monitored, and feedback obtained to ensure it is effective.	Medium	Agree a plan and start to implement Carbon Literacy training in line with Initiative CM4 in Action Plan 1 – Carbon Management.	31/12/23  <u>Revised</u> 31/01/24	Evidence of implementation to be provided	Group Manager - Economy, Natural Resources & Sustainability.
Vehicles Fuel Management	17/05/23	A corporate review of fuel cards should be undertaken to determine the following: <ul style="list-style-type: none"> <li>A procurement arrangement that ensures best value for money</li> <li>Business cases for current/potential fuel cards</li> </ul>	Medium	Agreed	30/09/23  <u>Revised</u> 31/01/24	Delays due to work pressures so revised date provided	Group Manager – Business Support

Audit	Final Report Date	Recommendation	Category	Agreed Action	Agreed Date	Current Position	Responsible Officer
		<ul style="list-style-type: none"><li>Central guidance for all fuel card users that includes areas such as individual card user responsibilities, card security, document retention and monitoring of usage</li></ul>					



<b>Meeting of:</b>	<b>GOVERNANCE AND AUDIT COMMITTEE</b>
<b>Date of Meeting:</b>	<b>25 JANUARY 2024</b>
<b>Report Title:</b>	<b>DISABLED FACILITIES GRANT – PROGRESS REPORT AND POSITION STATEMENT</b>
<b>Report Owner / Corporate Director:</b>	<b>CHIEF OFFICER – FINANCE, PERFORMANCE AND CHANGE</b>
<b>Responsible Officer:</b>	<b>MARTIN MORGANS HEAD OF PARTNERSHIPS</b>
<b>Policy Framework and Procedure Rules:</b>	<b>There is no impact on the policy framework and procedure rules</b>
<b>Executive Summary:</b>	<b>The purpose of this report is to update the Governance and Audit Committee on actions taken to progress improvements to the Disabled Facilities Grant (DFG) service and provide information on the position to date.</b>

## 1. Purpose of Report

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

## 2. Background

- 2.1 Past reports to the Governance and Audit Committee, Cabinet and Cabinet / Corporate Management Board (CCMB) have outlined the critical need to re-shape and improve the delivery of the DFG service within Bridgend. Members of the Governance and Audit Committee received a report on 22<sup>nd</sup> April 2021 outlining the new model of service.
- 2.2 A report to Governance and Audit Committee on 11<sup>th</sup> November 2021 provided an update on progress made in relation to the implementation of the new model, together with the actions taken to meet the recommendations of the Audit Wales report in 2017/18 on the Service Users Perspective. Of particular note within that report was a key recommendation regarding Council controls: *‘Council needs to be assured that it has appropriate controls in place to provide effective oversight of the adaptations process, given it is ultimately responsible for the delivery of the adaptation’*. The report also outlined information on the actions taken to respond to the Regional Internal Audit Service report in 2019/20 which had concluded that there was Limited Assurance in relation to the service.

- 2.3 A report was also taken to the Corporate Overview and Scrutiny Committee on 2<sup>nd</sup> March 2022 which provided an update on the current position in relation to the implementation of the new model and appropriate actions.

### **3. Current situation**

- 3.1 The Disabled Facilities Grant service has continued to develop, with a number of actions being progressed. The report presents an update on progress and risks:
- 3.2 Staff Recruitment. Staff recruitment has continued to be challenging due to a buoyant private sector with regards surveyors. To mitigate this the following has been implemented:
- Use of agency workers to support the necessary works.
  - Commissioned surveying support through the South East Wales Technical and Professional Procurement Framework (SEWTAPs) which provides a contract for 12 months and an option to extend for a further 12 months. There are two active contracts in place at present.
- 3.3 DFG Case Worker. The administrative element of the DFG service has been strengthened by the employment of a DFG Caseworker, who commenced in post in December 2023. The caseworker is a key role which underpins the process of a DFG adaptation, from point of engagement of an Occupational Therapist through to completion and certification of adaptations to a client's home. The caseworker will encourage an innovative, outcome focused, multi-agency approach to the provision of the Disabled Facilities Grants service, ensuring initiatives are delivered effectively and efficiently.
- 3.4 Development and Implementation of a Contractors Framework. The development of the Framework has taken longer than expected to complete, with external legal support commissioned to facilitate the exercise. All the necessary legal work has been completed and signed off and the framework is now finalised. The Delegated Authority is in place for the Chief Officer, Finance, Performance and Change to undertake the procurement process. It is anticipated the process will take 6 months to conclude which will incorporate the necessary standstill period. The initiation date for the procurement is imminent.
- 3.5 DFG Software System. A new software system, MasterGov, was introduced in April 2023, with migration of data from the legacy systems taking place in the first quarter of 2023/24. System training was rolled out to staff prior to a go live date of 1<sup>st</sup> July 2023. The system is now fully operational, providing key data to the management team in order to allocate referrals to the surveying team. MasterGov is now providing KPI data which is accurate and valuable in determining the performance of the team.

Alongside the introduction of MasterGov, all financial elements of the Disabled Facilities Grant service have been digitised. EDRM is being used to issue purchase orders to building contractors, following the quotation or tender process. Contractors also use this channel to submit their invoices for payment allowing the Central Grants Team to accurately and promptly make payment to

contractors/suppliers, with the added ability to monitor actual and forecasted expenditure.

3.6 Monitoring and Recording. Until the framework goes live, works continue to be procured through the Sell 2 Wales system with contractors tendering for jobs. All contractors are required to be registered and verified on Constructionline (accreditation for the construction industry throughout the UK) to comply with rule 6.6 of the Council's Contract Procedure Rules (CPRs). The volume of cases dealt with under this process is dictated by the process and the capacity of the team to oversee each case.

3.7 Financial Overview. In the current financial year, the availability of funding has come from three sources. Capital funding of £2.1 million from the general capital funding for the Council, Welsh Government Enable Grant £270k and the Regional Partnership Board Housing with Care Fund Top Up Grant £100k (top up of large schemes over the £36k grant level limit). The Regional Partnership Board Housing with Care Fund have made further funding available of £122k in year, which has been targeted at small and medium size works such as stairlifts and level access showers. In previous years, the capital funding available has not reached full spend, however with improved staffing levels, availability of surveyors and full implementation of an adequate software system, the management of DFG's has improved significantly, resulting in an increase in the number of adaptations being completed, projecting a full spend of the funding available across all three funding sources. A summary of spend for the current year and previous three years is outlined below, the DFG Capital includes both the general capital funding for the Council and the Regional Partnership Board Housing with Care Grant.

<u>DFG Capital Expenditure Summary</u>	£
2023-24 (to date)	1,865,857
2022-23	1,038,053
2021-22	1,680,432
2020-21	1,357,903

<u>Enable Expenditure Summary</u>	£
2023-24 (to date)	146,677
2022-23	210,677
2021-22	224,576
2020-21	181,046

### 3.8 Performance

The Covid 19 pandemic was the main cause for significant delays in the implementation of adaptations where referrals had already been received and placed on hold. The table below outlines the adaptations have been completed and certified (closed cases).

	Total complete/ certified	% increase
2019-20	157	
2020-21	75	-52%
2021-22	148	97%
2022-23	174	18%
2023-24*	192	10%
Total	746	

Completed and certified cases for the current year are expected to increase in the final two months. 80 cases are currently allocated to surveyors/contractors with an expected completion date prior to the year end close. On the basis that all of these cases are closed for the year 2023-24, total cases completed will be **272**, a **56%** increase from 2022-23.

#### **4. Equality implications (including Socio-economic Duty and Welsh Language)**

- 4.1 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.

#### **5. Well-being of Future Generations implications and connection to Corporate Well-being Objectives**

- 5.1 The report contributes to the following goals within the Well-being of Future Generations (Wales) Act 2015:

- A prosperous Wales
- A resilient Wales
- A Wales of cohesive communities
- A globally responsive Wales

The following is a summary to show how the 5 ways of working to achieve the well-being goals have been used to formulate the recommendations within this report:-

Long term	Ensuring best use of available accommodation allowing individuals to live safely in their own homes
Preventative	Through a person centered approach preventing an individual escalating into hospital services
Involvement	Providing individuals the choice to remain in their home ensuring they are part of the process from start to finish managed through a single point of engagement

Integration	Ensure individuals can remain within their communities providing an array of benefits including stability through the maintaining of local support networks
Collaboration	Developing a Framework Agreement to support the DFG service. Working in partnership with Social Services to deliver the required adaptations necessary and appropriate to meet the needs of the individual.

## **6. Climate Change Implications**

- 6.1 The Disabled Facilities Grant service supports the agenda around climate change. The key priority is to ensure residents can live safely within their own homes and their communities. The use of the grant will be developed in line with Welsh Government planning and standards requirements, which support moves to tackle climate change.

## **7. Safeguarding and Corporate Parent Implications**

- 7.1 The Disabled Facilities Grant service plays a key role in supporting Bridgend County Borough Council's safeguarding agenda, with the service often supporting vulnerable individuals.

## **8. Financial Implications**

- 8.1 There are no financial implications arising from this report.

## **9. Recommendation**

- 9.1 It is recommended that the Committee:-
- Note progress to date to improve the DFG service and the current position.

**Background documents:-** None

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<b>Meeting of:</b>	<b>GOVERNANCE AND AUDIT COMMITTEE</b>
<b>Date of Meeting:</b>	<b>25 JANUARY 2024</b>
<b>Report Title:</b>	<b>FORWARD WORK PROGRAMME 2023-24 AND 2024-25</b>
<b>Report Owner / Corporate Director:</b>	<b>CHIEF OFFICER – FINANCE, PERFORMANCE AND CHANGE</b>
<b>Responsible Officer:</b>	<b>DEBORAH EXTON DEPUTY HEAD OF FINANCE</b>
<b>Policy Framework and Procedure Rules:</b>	There is no impact on the policy framework and procedure rules.
<b>Executive Summary:</b>	<ul style="list-style-type: none"> <li>• The Governance and Audit Committee has a number of core functions and responsibilities within its remit.</li> <li>• It receives a number of reports and presentations throughout the year to enable it to carry out those core functions and responsibilities effectively and to provide it with confidence in the financial governance of the Authority.</li> <li>• To enable the Committee to provide this assurance and to ensure it is covering its range of responsibilities, a Forward Work Programme (FWP) is presented at each meeting, setting out the reports to be presented at future meetings, for approval or amendment, as necessary.</li> <li>• The report details the items to be considered at the last meeting of the municipal year in April 2024, as part of the 2023-24 Forward Work Programme and provides a draft Forward Work Programme for 2024-25 for consideration at Appendix A.</li> </ul>

## 1. Purpose of Report

- 1.1 The purpose of this report is to seek approval for the updated Forward Work Programme for 2023-24 and for the draft Forward Work Programme for 2024-25.

## 2. Background

- 2.1 The core functions of an effective Governance and Audit Committee include the responsibility to:

- review, scrutinise and issue reports and recommendations in relation to the Authority's financial affairs.
- 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 Internal 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.
- review and make any recommendations for change to the Council's draft self-assessment report.
- consider panel performance assessment reports into how the Council is meeting its performance requirements.

2.2 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.

### 3. Current situation / proposal

3.1 In order to assist the Committee in ensuring that due consideration is given to all aspects of their core functions the remaining Forward Work Programme items for the 2023-24 municipal year, to be considered at the meeting on 18 April 2024, are detailed below. Committee is asked to approve the proposed agenda items.

<b>Proposed Agenda Items – 18 April 2024</b>	
1	Governance and Audit Committee Action Record
2	Audit Wales Governance and Audit Committee Reports
3	Internal Audit Shared Service Charter
4	Internal Audit Progress Reports
5	Internal Audit Recommendation Monitoring Report
6	Annual Self-Assessment of the Council's Performance



7	Code of Corporate Governance
8	Complaints Process
9	Updated Forward Work Programme

3.2 A draft Forward Work Programme for 2024-25 is attached at **Appendix A**. Committee Members are asked to endorse this schedule and indicate whether any additional information or research is required. Dates of Committee meetings are subject to approval at the Annual Meeting of Council in May.

3.3 The schedule of items for discussion at specific meetings may be subject to change, to take into account other items that need to be considered, and operational factors.

#### **4. Equality implications (including Socio-economic Duty and Welsh Language)**

4.1 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. It is considered that there will be no significant or unacceptable equality impacts as a result of this report.

#### **5. Well-being of Future Generations implications and connection to Corporate Well-being Objectives**

5.1 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.

#### **6. Climate Change Implications**

6.1 There are no climate change implications arising from this report.

#### **7. Safeguarding and Corporate Parent Implications**

7.1 There are no safeguarding or corporate parent implications arising from 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 updated Forward Work Programme for 2023-24 and the draft Forward Work Programme for 2024-25.

## **Background documents**

None

GOVERNANCE AND AUDIT COMMITTEE FORWARD WORK PROGRAMME 2024-25	Frequency	06 June 2024	July 2024 TBD	26 September 2024	07 November 2024	30 January 2025	24 April 2025
<b>Standing Items</b>							
Governance and Audit Committee Action Record	Each meeting	✓	✓	✓	✓	✓	✓
Audit Wales Governance and Audit Committee Reports	Each meeting	✓	✓	✓	✓	✓	✓
Updated Forward Work Programme	Each meeting	✓	✓	✓	✓	✓	✓
<b>Annual Accounts</b>							
Statement of Accounts 2023-24 (unaudited)	Annually		✓				
Porthcawl Harbour Return 2023-24 (unaudited)	Annually		✓				
Going Concern Assessment	Annually	✓					
Audit Enquiries Letter	Annually	✓					
Audit Wales Letter On Matters Arising From The 2022-23 Audit	Annually	✓					
Audited Statement of Accounts and Annual Governance Statement	Annually			✓			
Porthcawl Harbour Return (audit letter)	Annually			✓			
<b>Governance</b>							
Annual Governance Statement	Annually		✓				
Half Year Review of the Annual Governance Statement	Annually				✓		
Code of Corporate Governance	Annually						✓
Audit Wales Annual Audit Plan <i>(included in Audit Wales Governance and Audit Committee Reports item)</i>	Annually						✓
Annual Audit Summary <i>(included in Audit Wales Governance and Audit Committee Reports item)</i>	Annually					✓	
<b>Internal Audit Reports</b>							
Annual Internal Audit Report 2023-24	Annually	✓					
Internal Audit Shared Service Charter	Annually						✓
Internal Audit Annual Strategy and Audit Plan 2024-25	Annually	✓					
Self Assessment of the Governance and Audit Committee	Annually					✓	
Internal Audit Progress Reports	Quarterly			✓		✓	✓
Internal Audit Recommendation Monitoring Report	Quarterly			✓		✓	✓
External Peer Assessment of the Public Sector Internal Audit Standards for the Regional Internal Audit Service	Ad hoc			✓			
Governance and Audit Committee Annual Report	Annually (unless revised)			✓	✓		
<b>Treasury Management</b>							
Treasury Management Outturn Report 2023-24	Annually		✓				
Treasury Management Half Year Report 2024-25	Annually				✓		
Treasury Management Strategy 2025-26	Annually					✓	
<b>Risk Assurance</b>							
Corporate Risk Assessment	Biannually	✓				✓	
<b>Counter Fraud</b>							
Corporate Fraud Report 2023-24	Annually		✓				
Anti Tax Evasion Policy (previously considered April 2023, due April 2025)	Biennially						✓
<b>Performance Related</b>							
Complaints Process	Annually				✓		
Regulatory Tracker	6 monthly		✓			✓	
Annual Self Assessment of the Council's Performance (Corporate Self-Assessment)	Generally once or twice a year	✓	✓				✓

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