

Public Document Pack
Cyngor Bwrdeistref Sirol Pen-y-bont ar Ogwr
Bridgend County Borough Council



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

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

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



Cyfarwyddiaeth y Prif Weithredwr / Chief Executive's Directorate
Deialu uniongyrchol / Direct line /: 01656 643148 / 643694 / 643513
Gofynnwch am / Ask for: Democratic Services

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

Dyddiad/Date: Thursday, 23 January 2025

Dear Councillor,

GOVERNANCE AND AUDIT COMMITTEE

A meeting of the Governance and Audit Committee will be held Hybrid in the Council Chamber - Civic Offices, Angel Street, Bridgend, CF31 4WB/ remotely via Microsoft Teams on **Thursday, 30 January 2025 at 10:00.**

AGENDA

- 1 Apologies for Absence
To receive apologies for absence from Members.
- 2 Declarations of Interest
To receive declarations of personal and prejudicial interest (if any) from Members/Officers in accordance with the provisions of the Members' Code of Conduct adopted by Council from 1 September 2014.
- 3 Approval of Minutes 5 - 18
To receive for approval the minutes of the Committee of 28/11/24.
- 4 Governance and Audit Committee Action Record 19 - 26
- 5 Audit Wales Governance and Audit Committee Reports 27 - 94

By receiving this Agenda Pack electronically you will save the Authority approx. £04.56 in printing costs

6	<u>Corporate Risk Assessment</u>	95 - 120
7	<u>Treasury Management Strategy 2025-26</u>	121 - 168
8	<u>Statement of Accounts 2023-24: Lessons Learned</u>	169 - 174
9	<u>Corporate Complaints</u>	175 - 180
10	<u>Global Internal Audit Standards (GIAS) Presentation</u>	181 - 184
11	<u>Progress Against the Internal Audit Risk Based Plan 2024-25</u>	185 - 198
12	<u>Internal Audit Recommendation Monitoring Report</u>	199 - 206
13	<u>Regulatory Tracker Update</u>	207 - 222
14	<u>Forward Work Programme 2024-25 and 2025-26</u>	223 - 228
15	<u>Urgent Items</u>	

To consider any other items(s) of business in respect of which notice has been given in accordance with Rule 4 of the Council Procedure Rules and which the person presiding at the meeting is of the opinion should by reason of special circumstances be transacted at the meeting as a matter of urgency.

Note: This will be a Hybrid meeting and Members and Officers will be attending in the Council Chamber, Civic Offices, Angel Street Bridgend / Remotely via Microsoft Teams. The meeting will be recorded for subsequent transmission via the Council's internet site which will be available as soon as practicable after the meeting. If you would like to view this meeting live, please contact cabinet_committee@bridgend.gov.uk or tel. 01656 643148 / 643694 / 643513 / 643159.

Yours faithfully

K Watson

Chief Officer, Legal and Regulatory Services, HR and Corporate Policy

Distribution:

Councillors:

N Clarke
C Davies
S Easterbrook
RM Granville
S J Griffiths
M L Hughes
R J Smith
MJ Williams

Lay members:

G Chapman
A Bagley
B Olorunnisola
D Austin

This page is intentionally left blank

**MINUTES OF A MEETING OF THE GOVERNANCE AND AUDIT COMMITTEE HELD HYBRID IN THE COUNCIL CHAMBER - CIVIC OFFICES,
ANGEL STREET, BRIDGEND, CF31 4WB ON THURSDAY, 28 NOVEMBER 2024 AT 10:00**

Present:

G Chapman – Chairperson

M L Hughes
C Davies

MJ Williams
S Easterbrook

RM Granville

N Clarke

Present Virtually:

S J Griffiths

R J Smith

Lay Members – Present Virtually:

B Olorunnisola

A Bagley

D Austin

Attendee:

J Spanswick

Apologies for Absence

None

Officers:

Mark Shephard
Kelly Watson

Chief Executive
Chief Officer - Legal & Regulatory Services, HR & Corporate Policy

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

Carys Lord	Chief Officer - Finance, Housing & Change
Deborah Exton	Deputy Head of Finance
Nigel Smith	Group Manager - Chief Accountant
Zak Shell	Head of Neighbourhood Services
Rachel Keepins	Democratic Services Manager
Joan Davies	Deputy Head of Regional Internal Audit Service
Alex Rawlin	Corporate Policy & Performance Manager
Kate Pask	Corporate Performance Manager
Chris Mason	Finance Manager - Financial Control, Closing & Systems
Charlotte Branford	Information and Data Protection Officer
Kellie Ward	Loans and Investment Officer
Charlotte Branford	Information and Data Protection Officer
Anthony Veale	Audit Wales
Samantha Clements	Audit Wales
Lucy Herman	Audit Wales
Alison Lewis	Audit Wales
Jemma Trivett	Audit Wales
Ellis Williams	Audit Wales
Stephen Griffiths	Democratic Services Officer - Committees
Nimi Chandrasena	Democratic Services Officer - Support

Declarations of Interest

None

181. Approval of Minutes

Decision Made	The Minutes of the meeting on 26 September 2024 were approved as a true and accurate record. Members requested that the Minutes record the attendance of the Leader and/ or Deputy Leader when they are present at meetings of the Committee.
Date Decision Made	28 November 2024

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

Governance and Audit Committee Action Record

Decision Made	<p>The purpose of this report was to provide Members with an update on the Committee's Action Record. It sought to update Members on follow-up actions or further information requested on reports considered by Members and/or requested by the Committee, including any other related information in relation to previous agenda items.</p> <p>In response to the report, Members raised and discussed a number of issues, including the following:</p> <ul style="list-style-type: none">• A Member raised the issue of parking enforcement. A senior officer from the Communities Directorate was present and indicated that there had been some significant challenges, involving bereavement and long-term sickness, with the management of the parking team, and this had made it impossible to take the agreed action forward at the time. However, he further indicated that a new manager was now in place after a recruitment exercise and that the team leader had returned from long term sickness. As such, the outstanding action is due to be implemented by the end of the financial year.• A member requested an update on the proposed meeting between the Chair of the Committee and Scrutiny Chairs. In response, it was noted that Scrutiny was liaising with the Chair regarding availability for a meeting and that three possible dates had been identified. <p><u>RESOLVED:</u></p> <p>The Committee noted the Action Record and provided comments, as appropriate.</p> <p>In addition, Members requested that a report is submitted to the meeting of the Committee on 24 April 2025, outlining what has been done to ensure that the issues raised about parking enforcement have been dealt with in full.</p>
Date Decision Made	28 November 2024

3. Monitoring Report - Corporate Complaints

Decision Made	<p>The purpose of this report was to note the Authority's corporate complaints process and the Public Services Ombudsman for Wales Annual Letter and determine whether the Committee wished to make any recommendations in relation to the Authority's ability to handle corporate complaints effectively.</p> <p>In response to the report, Members raised and discussed a number of issues, including the following:</p> <ul style="list-style-type: none">• The escalation process for corporate complaints.• Why recommendations are not always implemented within agreed timelines, and whether this was a matter of culture or the result of specific, identifiable obstacles.• Whether it would be possible to provide a succinct statement on one side of A4, for use by councillors, of how complaints could be taken forward by constituents. Necessarily, this would have to point members of the public to published policies.• Given there is not currently a centralised system for logging complaints, there was a need to understand how and how well the current system works before introducing the Granicus system for managing customer experiences.• The need for a system that could provide data on complaints, whether formal or informal and however received, by ward.• Whether the Ombudsman's report should be a formal agenda item rather than an appendix (for information) to the annual complaints report.• The need to revisit how the Ombudsman records and deals with complaints and publishes information about Town and Community Councils.• In terms of compliance performance for Bridgend County Borough Council (BCBC), the percentage of recommendations complied with on time was 35%.• Whether the Wales Penalty Processing Partnership (WPPP) should be scrutinised by a scrutiny committee.• The need to have oversight centrally of school complaints.• Training opportunities, both online and in person, in respect of complaints.• The lessons learned from dealing with complaints across all directorates, having a mechanism to generate themes and trend data across directorates, being able to see that directorates have responded to the complaints effectively and have an understanding of good practice, and then
---------------	---

	<p>being able to produce a portrait of the Council’s culture.</p> <ul style="list-style-type: none"> • That the next iteration of the report should include examples of effective complaint handling within directorates. • The need for more detail about the complaints that fall into the category, ‘Various/Other,’ in Appendix 3 of the report. • The potential value of capturing the informal complaints made to councillors on a daily basis, and whether the new Granicus system could provide a mechanism for doing this. • The need to capture and analyse compliments. <p>RESOLVED:</p> <p>The Committee noted the report and made the following additional recommendations:</p> <ul style="list-style-type: none"> • That a report on the Granicus system be submitted for consideration at the next meeting of the Committee on 30 January 2025. • That the Wales Penalty Processing Partnership (WPPP) be referred to the relevant scrutiny committee, and that the findings are reported back to the Governance and Audit Committee. • That officers provide Members with an analysis of the Council’s compliance performance (65% non-compliance), as detailed in Appendix E of the Ombudsman’s report.
Date Decision Made	28 November 2024

184. Audit Wales Governance and Audit Committee Reports

Decision Made	<p>The purpose of this report was to submit to the Committee three reports from Audit Wales:</p> <ol style="list-style-type: none"> 1. The Audit Wales Work Programme and Timetable. 2. Review of Decision-Making Arrangements – Bridgend County Borough Council. 3. Setting of Wellbeing Objectives – Bridgend County Borough Council. <p>In response to the first report, a Member asked about the process for individuals or committees to request a piece of work by Audit Wales.</p>
---------------	--

	<p>In response to the second report, Members raised and discussed a number of issues, including the following:</p> <ul style="list-style-type: none"> • The risks associated with the scheme of delegation. • How the Council’s decision-making processes compare to other councils in Wales. • The need to strengthen the Council’s approach to forward planning and pre-decision scrutiny. • The need to address issues about the involvement of members in, and in shaping the processes and procedures for, decision-making. • Whether there is a need to address the balance between the role of members and officers in decision-making, to become more member-focused, and to be clear that the culture of the Council is that officers advise, and members decide. • The perception that decisions are made at the last minute. • That the Democratic Services Committee should consider the report. <p>In response to the third report, a Member welcomed the identification of areas for improvement in this area.</p> <p>Another Member encouraged the Council to adopt a broad view of what a partner organisation could be in writing the next corporate plan. This was especially the case in respect of meeting the Council’s commitment to net zero.</p> <p>The Chair questioned the March 2028 date for the completion of the work required to implement two of the three recommendations in the report. The principles behind those recommendations could be accepted now.</p> <p><u>RESOLVED:</u></p> <p>The Committee noted the Audit Wales Governance and Audit Committee Reports at Appendix A, Appendix B and Appendix D, along with the Council’s Management Response Forms to the reports at Appendix C and Appendix E.</p>
Date Decision Made	28 November 2024

185. Audited Statement of Accounts 2023-24

Page 11

Decision Made	<p>The purpose of this report was to present to the Governance and Audit Committee the audited Statement of Accounts for 2023-24 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.</p> <p>In response to the report, a representative from Audit Wales thanked the Chief Officer - Finance, Housing & Change, the Deputy Head of Finance, the Group Manager - Chief Accountant, and members of the finance team for their hard work on the accounts.</p> <p>A Member of the Committee congratulated and thanked officers for producing a set of unqualified accounts, and noted that, given the situation in England with unaudited accounts, having the accounts to this level of detail on this level of certainty was the bedrock of good management of the Council.</p> <p><u>RESOLVED:</u></p> <p>The Committee:</p> <ul style="list-style-type: none"> • Approved the audited Statement of Accounts 2023-24 (Appendix A). • Noted the appointed auditors' Audit of Accounts Report (Appendix B). • Noted and agreed that the final Letter of Representation to Audit Wales be signed by the Chair of the Committee and Section 151 Officer (Appendix C).
Date Decision Made	28 November 2024

186. Half Year Review of the Annual Governance Statement Action Plan

Decision Made	<p>The purpose of this report is to provide an update on the Action Plan that accompanied the Annual Governance Statement 2023-24 (AGS), setting out how the significant issues identified are being addressed in 2024-25.</p> <p>In response to the report, Members requested an update on the Digital Strategy, and that the next iteration of the report should include high-level commentary on reports which got limited assurance opinions.</p>
---------------	---

	<p><u>RESOLVED:</u></p> <p>The Committee considered and noted the Annual Governance Statement Action Plan 2024-25 and progress on the actions to 30 September 2024.</p>
Date Decision Made	28 November 2024

187. Treasury Management Half Year Report

Decision Made	<p>The purpose of this report was to:</p> <ul style="list-style-type: none">• Report on the Treasury Management Indicators for the period to September 2024.• Comply with the requirement of the Chartered Institute of Public Finance and Accountancy's (CIPFA's) 'Treasury Management in the Public Services: Code of Practice' (the CIPFA Code). <p>As of 30 September 2024, the Council had £99.58 million of long-term debt, £15.32 million of other long-term liabilities and an overall net debt position of £69.90 million. The average interest rate for debt was 4.69% (excluding Salix borrowing which is interest free) and for investments it was 5.09%. The Council has a manageable maturity structure of borrowing, with its current debt repayable at various points over the next 30 years.</p> <p>In response to the report, Members drew attention to the financing of the capital programme, the need for comparative data on Treasury management activity in other Welsh councils, whether it was worth extending our debt to invest in revenue generating opportunities, and whether we should exercise particular caution in continuing to invest in other local authorities.</p> <p><u>RESOLVED:</u></p> <p>The Committee:</p> <ul style="list-style-type: none">• Noted the treasury management activities for 2024-25 for the half year period 1 April 2024 to 30 September 2024.
---------------	--

	<ul style="list-style-type: none">Noted the Treasury Management Indicators for the half year ending 30 September 2024 against those approved in the Treasury Management Strategy 2024-25.
Date Decision Made	28 November 2024

188. Porthcawl Harbour Return 2023-24 Annual Audit Letter

Decision Made	<p>The purpose of this report was to submit to the Governance and Audit Committee the appointed auditor's Annual Audit Letter 2023-24 for Porthcawl Harbour attached at Appendix A.</p> <p><u>RESOLVED:</u></p> <p>The Committee noted the Annual Audit Letter 2023-24 at Appendix A.</p>
Date Decision Made	28 November 2024

189. Progress Against the Internal Audit Risk Based Plan 2024-25

Decision Made	<p>The purpose of this report was 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 2024-25.</p> <p>A summary of the progress made against the internal audit plan as of 31st October 2024 was detailed in Appendix A. It showed that fifteen planned audit reviews have been completed, which equates to a completion rate of 33%.</p> <p>Audit opinions, based on the assessment of the strengths and weaknesses of the areas examined through testing of the effectiveness of the internal control environment have been given to all fifteen audits: Fourteen Substantial or Reasonable Assurance, and one Limited Assurance.</p> <p>Included within the 2024-25 plan are six audits that were not undertaken or completed in 2023-24. Appendix B shows the status of these audits; five are completed and the other is in progress.</p>
---------------	---

	<p>A total of fifty recommendations have been made to date to improve the control environment. The progress being made in implementing these is regularly monitored by the Audit team and reported to the Governance and Audit Committee.</p> <p>In response to the report, a Lay Member drew attention to the limited assurance report on payment security standards.</p> <p><u>RESOLVED:</u></p> <p>The Committee noted the content of the report and the progress made against the 2024-25 Internal Audit Risk Based Plan.</p>
Date Decision Made	28 November 2024

190. Internal Audit Recommendation Monitoring

Decision Made	<p>The purpose of this report was to provide members of the Committee with a position statement on internal audit recommendations made, implemented and outstanding as of 31st October 2024 and consider the information provided in respect of the status of the high and medium priority recommendations made by the Regional Internal Audit Service.</p> <p>To date thirty-four medium priority recommendations have been made following the conclusion of audits from this year’s annual plan. All have been agreed, nineteen have been implemented and none are overdue.</p> <p>There are currently no overdue recommendations.</p> <p>There are four recommendations made in audits completed in 2022-23 which still have a future implementation date. The detail of these are in Appendix B.</p> <p>The monitoring of recommendations is undertaken regularly by the Audit team and any undue delays or issues are highlighted to Senior Management and ultimately the Governance and Audit Committee.</p> <p>In response to the report,</p>
---------------	--

	<ul style="list-style-type: none"> • A Lay Member drew attention to a primary school with ten medium actions and has a reasonable assurance opinion whereas others have limited assurance with just three. • A Member requested an update in writing in respect of the implementation of identified actions in regard to another school, Corneli Primary School. • The Chair repeated his request, previously made at the meeting of the Committee on 26 September 2024, that the responsible Director and/or heads of service are expected to complete the outstanding agreed actions by the due date stated in the appendices, and if not, will be required to attend, along with the relevant Cabinet Member, the next meeting of Governance and Audit Committee to explain why the actions have not been met. <p><u>RESOLVED:</u></p> <p>The Committee noted the content of the report and considered the information provided in respect of the status of the high and medium priority recommendations made by the Regional Internal Audit Service.</p> <p>The Committee requested that the responsible officers and the relevant Cabinet Member, attend the next meeting of the Committee on 30 January 2025, to discuss the implementation of agreed actions in regard to Home To Work Mileage in Council Vehicles.</p>
Date Decision Made	28 November 2024

191. Governance and Audit Committee Annual Report 2023/24

Decision Made	<p>The purpose of the report is for the Committee to approve the Governance and Audit Committee’s Annual Report and determine whether it forms a balanced summary of the work undertaken by the Committee during 2023/24 for presentation to full Council.</p> <p>The report demonstrated how the Committee met its Terms of Reference as per the Council’s Constitution as set out by the Local Government (Wales) Measure 2011 and the Local Government and Elections (Wales) Act 2021.</p> <p>The Committee achieved this by concentrating on its core responsibilities during 2023/24.</p>
---------------	--

	<p>Members demonstrated that they have held senior management to account for making improvements in the governance arrangements and the control environment, challenged officers and sought clarification and progress reports to obtain the assurances required to support continued good governance.</p> <p>The outcome of the 2023/24 self-assessment process, consistent with previous years, demonstrated that the Council has sound arrangements in place in respect of its Governance and Audit Committee, noting that the level of knowledge and experience of members was good or satisfactory.</p> <p>GAC Members' comments were considered and incorporated within the report where appropriate.</p> <p>Pen pictures of lay members in 2023/24 were included at Appendix 5.</p> <p><u>RESOLVED:</u></p> <p>The Committee approved the Governance and Audit Committee's Annual Report and determined that it formed a balanced summary of the work undertaken by the Committee during 2023/24, for presentation to full Council.</p>
Date Decision Made	28 November 2024

192. Updated Forward Work Programme

Decision Made	<p>The purpose of this report was to seek approval for the updated Forward Work Programme for 2024-25.</p> <p><u>RESOLVED:</u></p> <p>The Committee considered and approved the updated Forward Work Programme for 2024-25, subject to the following additional reports being added to the agendas of two meetings:</p> <p>30 January 2025</p> <ul style="list-style-type: none"> • A report on the Granicus System for complaints. • A report on Compliments. • A report on the Statement of Accounts 2023/24: Lessons Learned.
---------------	--

	<ul style="list-style-type: none">• A report on the Digital Strategy. <p>24 April 2025</p> <ul style="list-style-type: none">• A report on Parking Enforcement.
Date Decision Made	28 November 2024

193. Urgent Items

Decision Made	None
Date Decision Made	28 November 2024

To observe further debate that took place on the above items, please click this [link](#).

The meeting closed at 12:57.

This page is intentionally left blank

Meeting of:	GOVERNANCE AND AUDIT COMMITTEE
Date of Meeting:	30 JANUARY 2025
Report Title:	GOVERNANCE AND AUDIT COMMITTEE ACTION RECORD
Report Owner / Corporate Director:	CHIEF OFFICER – LEGAL AND REGULATORY SERVICES, HR AND CORPORATE POLICY
Responsible Officer:	RACHEL KEEPINS DEMOCRATIC SERVICES MANAGER
Policy Framework and Procedure Rules:	There is no impact on the policy framework and procedure rules.
Executive Summary:	<p>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.</p> <p>It also provides an update to the Committee on the proposed approach for any future referrals to Scrutiny.</p>

1. Purpose of Report

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

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.

- 3.2 Some actions include referrals to Scrutiny Committees and at a previous meeting there was a request for the Chair of the Governance and Audit (G&A) Committee to meet with the three Scrutiny Committee Chairs to discuss how

best to take these referrals forward.

- 3.3 The Chairs met before Christmas and there was a joint understanding of the need for a collaborative approach between Scrutiny and the G&A Committee, however, a recognition that both roles are different. The Statutory and Non-Statutory Guidance for the Local Government Act 2000, the Local Government (Wales) Measure 2011 and the Local Government and Elections (Wales) Act 2021 states:

'The governance and audit committee role should be more to seek assurance that the budgetary control systems (as an internal control) of the council are working, rather than the actual scrutiny of spend. This may serve as acceptable demarcation between the role of the governance and audit committee and that of an overview and scrutiny committee.'

- 3.4 Following discussion between the Chairs, the following points were agreed:

- On referrals made from the G&A Committee to Scrutiny, it was agreed that a paragraph be included in the Scrutiny Committee's Forward Work Programme (FWP) Update report which highlights this collaborative working and picks up on any of these referrals. The relevant Scrutiny Committee will then consider the referral(s) and whether it/they meet the criteria for the committee's Forward Work Programme (FWP). If an item does, Members will then determine where it fits, in terms of prioritisation, against other items already on the Scrutiny Committee's FWP.
- Feedback to the G&A Committee will be provided via the G&A Committee Action Record with a summary of the Committee's response. This could include feedback such as stating that the item is already included on the FWP or maybe has been considered recently. Where it may be the latter, links will be provided in the action record to evidence the report and the outcome.
- It was noted that Scrutiny FWPs are often very full and focused on key policy and strategic items, often pre-decision which have time constraints upon them relating to Cabinet decisions.
- It was agreed that it is ultimately for the Scrutiny Committee to determine if and when items get added to their FWP, utilising the criteria and agreed priorities.
- In order to assist with developing a strong collaborative relationship between Scrutiny and the G&A Committees, collaboration and communication was key. It was therefore requested that the G&A Committee provide as much detail as possible to their referral, in order that the Scrutiny Committee can clearly understand the rationale and risk associated with the item and can prioritise accordingly. Similarly, it was requested that clear communication back to the G&A Committee via the Action Tracker be provided as to the reasons why any item would not be incorporated into a Scrutiny FWP.

- 3.5 In response to the above, **Appendix A** therefore incorporates some initial responses from Scrutiny to update the G&A Committee on the referrals previously made.

- 3.6 The Scrutiny Chairs and G&A Chair also agreed to meet on a regular basis throughout the year to assist them in this collaborative approach, whereby they can go through any referrals, clarify any queries and agree ways forward

thereby establishing a positive and productive relationship between the Scrutiny Committees and the Governance and Audit Committee.

3.7 In addition to this, there is a need for Scrutiny to link in with regulatory inspection reports and any resulting recommendations. The regulatory tracker is already reported to Corporate Overview and Scrutiny Committee twice a year, following it being reported to the G&A Committee. It is further proposed that any new inspection reports received by the G&A Committee are sent for information to the appropriate Scrutiny Committee as a link in their FWP report. Members of that Committee can then determine if they want to consider the report in detail as a full Scrutiny item on their future FWP and can prioritise it appropriately. Obviously, this could then potentially be accompanied by any comments and potential referrals from the G&A Committee in relation to the inspection report.

3.8 Similarly, if, during the monitoring of the Regulatory Tracker the G&A Committee highlight any issues with any outstanding recommendations, they can potentially refer them on to the appropriate Scrutiny Committee with a clear rationale as highlighted above in paragraph 3.4.

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. Recommendations

Page 24 Committee is recommended to note:

- a) the Action Record and provide any comments, as appropriate.
- b) the proposed approach for collaborative working between Scrutiny and Governance and Audit Committees.

Background documents

None.

Number	Date of Committee	Item	Lead	Target Date	Action	Date for action to be brought to GAC.	Response
1.	6 Jun 24	Regional Internal Audit Service Charter 2024-25	Head of RIAS/ Chief Officer - Finance, Housing & Change/ Democratic Services Manager	Jul 24	Members requested a training event to include, if possible, representatives from Audit Wales.	Jan 25	<p>ACTIONED - DS Manager to send out recordings of previous Audit training such as Treasury Management training, as a refresher and for those who may have been unable to attend the training.</p> <p>DS Manager to then work with Chief Officer – Finance, Housing & Change to coordinate and arrange detail and dates for further training required on internal & external audit.</p>
2.	19 Jul 24	Governance and Audit Committee Action Record	Chief Officer – Legal & Regulatory Services, HR & Corporate Policy/ Democratic Services Manager	Sept 24	Members requested that a meeting be arranged between the Chair and the Scrutiny Chairs to discuss the relationship between the work of the Committee and Scrutiny.	Nov 24	ACTIONED – The meeting took place on 9 Dec 24.
3.	19 Jul 24	Corporate Fraud Report 2023-24	Chief Officer – Legal & Regulatory Services, HR & Corporate Policy/ Democratic Services Manager	Sep 24	Members requested that the Corporate Overview and Scrutiny Committee look at corporate fraud.	Jan 25	ACTIONED – At a meeting of the Chair of Governance and Audit Committee and the Chairs of Overview and Scrutiny Committees on 9 Dec 24, it was considered more expedient for a request to be made directly from GAC to the Section 151 Officer to give consideration to an Invest to Save proposal for an additional Fraud Officer post, in order to recoup more of the monies obtained via fraud, whereas a referral to be considered for inclusion the Scrutiny FWP, scheduling and a report being requested would be less timely and not the optimal route for such proposals.
4.	19 Jul 24	Porthcawl Harbour Return	Chief Officer – Legal & Regulatory Services, HR & Corporate Policy/ Democratic Services Manager	Sep 24	Members requested that the Subject Overview and Scrutiny Committee 3 look at the operation and performance, especially in respect to the Council’s commitments and liabilities, of Porthcawl Harbour.	Jan 25	<p>ACTIONED – The Corporate Overview and scrutiny Committee reported all Scrutiny Committee Recommendations to Cabinet on 6 Feb 2024, including Recommendation 39 regarding Budget savings proposal: COM 10 Porthcawl Harbour Return:</p> <p>The Committee supported the proposal to review berthing fees for Porthcawl Marina, with agreement that the Council should not be subsidising this. The Committee were of the view, and therefore recommended, that this could be considered further, if not this year, for future years, to explore if there was any potential to increase the berthing fees for the marina as a method of income generation for the Authority. (SOSC3)</p>

Number	Date of Committee	Item	Lead	Target Date	Action	Date for action to be brought to GAC.	Response
							<p>Cabinet provided the following response on 20 February 2024:</p> <p>Noted – a further review of berthing fees at the Porthcawl Marina will be undertaken to look at whether full cost recovery is possible.</p> <p>An update on this recommendation has been requested and any response can be shared with G&A Members.</p>
5.	28 Nov 24	Monitoring Report - Corporate Complaints	Chief Officer – Legal & Regulatory Services, HR & Corporate Policy/ Democratic Services Manager	Jan 25	Members requested that the Wales Penalty Processing Partnership (WPPP) be referred to the relevant scrutiny committee, and that the findings are reported back to the Governance and Audit Committee.	Jan 25	ACTIONED - During discussions with the Chair of Governance and Audit Committee and the Chairs of the Overview and Scrutiny Committees on 9 Dec 24, it was agreed that more details and further information was required in order to clarify the topic for referral to Scrutiny, regarding the reasons for the referral, any concerns or risks expressed and why the topic is a priority, so that the referral can be assessed by the Corporate Overview and Scrutiny Committee, to determine its priority over existing topics scheduled and to ensure that it meets selection criteria for scrutiny topics.
6.	28 Nov 24	Monitoring Report - Corporate Complaints	Chief Officer – Legal & Regulatory Services, HR & Corporate Policy	Jan 25	Members requested that a report on the Granicus system be submitted for consideration at the next meeting of the Committee on 30 Jan 25.	Jan 25	ACTIONED – A report will be submitted to the meeting of the Committee on 30 Jan 25.
7.	28 Nov 24	Monitoring Report - Corporate Complaints	Chief Officer – Legal & Regulatory Services, HR & Corporate Policy/ Information and Data Protection Officer	Jan 25	Members requested that officers provide Members with an analysis of the Council's compliance performance (65% non-compliance) as detailed in Appendix E of the Ombudsman's report.	Jan 25	ACTIONED – An analysis of the Council's compliance performance was provided to Members via email on 14 Jan 25.
8.	28 Nov 24	Audited Statement of Accounts 2023-24	Chief Officer - Finance, Housing & Change/ Group Manager – Chief Accountant	Jan 25	A report on the Statement of Accounts 2023/24: Lessons Learned.	Jan 25	ACTIONED – A report will be submitted to the meeting of the Committee on 30 Jan 25.
9.	28 Nov 24	Internal Audit Recommendation Monitoring	Head of RIAS/ Chief Officer - Finance, Housing & Change	Jan 25	Members requested that the responsible officers and the relevant Cabinet member, attend the next meeting of the Committee on 30 Jan 25, to discuss the implementation of agreed actions in regard to Home to Work Mileage in Council Vehicles.	Jan 25	ACTIONED – The responsible officers and relevant Cabinet Member have been invited to attend the next meeting of the Committee on 30 Jan 25.

Number	Date of Committee	Item	Lead	Target Date	Action	Date for action to be brought to GAC.	Response
10.	28 Nov 24	Internal Audit Recommendation Monitoring	Chief Officer - Finance, Housing & Change/ Chief Officer – Legal & Regulatory Services, HR & Corporate Policy/ Corporate Director – Communities	Apr 25	Members requested that a report is submitted to the meeting on 24 Apr 25, outlining what has been done to ensure that the issues raised about parking enforcement have been dealt with in full.	Apr 25	ACTIONED – A report will be submitted to the meeting of the Committee on 24 Apr 25.

This page is intentionally left blank

Meeting of:	GOVERNANCE AND AUDIT COMMITTEE
Date of Meeting:	30 JANUARY 2025
Report Title:	AUDIT WALES GOVERNANCE AND AUDIT COMMITTEE REPORTS
Report Owner / Corporate Director:	CHIEF OFFICER – FINANCE, HOUSING AND CHANGE
Responsible Officer:	DEBORAH EXTON DEPUTY HEAD OF FINANCE
Policy Framework and Procedure Rules:	There is no impact on the policy framework and procedure rules.
Executive Summary:	<ul style="list-style-type: none"> • The Council’s external auditors, Audit Wales, undertake a range of financial and performance audit work during the financial year. • They publish a number of reports in respect of the audit work undertaken. Some of the reports are national across all local authorities and others are local and specific to Bridgend. • 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. • This report provides details of Audit Wales’ report ‘Financial Sustainability of Local Government’.

1. Purpose of Report

1.1 The purpose of this report is to submit to the Committee one report 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:-

- **Financial Sustainability of Local Government - (Appendix A)** – Over the spring and summer of 2024 Audit Wales looked at the financial sustainability of each of the 22 local authorities in Wales. Bridgend’s report was presented to the Governance and Audit Committee in September 2024. The report at **Appendix A** provides some context on the financial challenges faced by Councils and summarises Audit Wales’ key findings from this work.

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

This page is intentionally left blank

Financial sustainability of local government

December 2024



This document has been prepared as a summary of work performed in accordance with Section 17 of the Public Audit (Wales) Act 2004.

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

The Auditor General also audits local government bodies in Wales and conducts local government value for money studies.

The Auditor General undertakes his work using staff and other resources provided by the Wales Audit Office, which is a statutory board established for that purpose and to monitor and advise the Auditor General.

© Auditor General for Wales 2024

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

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

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

Mae'r ddogfen hon hefyd ar gael yn Gymraeg.

Contents

Summary report

Auditor General's foreword	4
Executive summary	6
Key facts	7
Key messages	9

Detailed report

What does financial sustainability mean?	11
Overall, we found that most councils have arrangements in place to support their short-term financial sustainability but have yet to fully develop their longer-term plans	12
National findings	16
The wider UK context	20
What does this mean for councils in the future?	26
Overview of council finances and funding	29
Financial sustainability on a page	48
Our local reports	49
Local report findings	50

Appendix

1 Audit approach and methods	61
------------------------------	----



Summary Report

Auditor General's foreword

The financial position of local government is unsustainable over the medium-term unless action is taken

- 1 From my position as the external auditor for most of the devolved Welsh public sector, I see the valued services that the local government sector provides to the people of Wales daily - waste collections, libraries, environmental health, education, social services and many more. Vital for citizens, these services are increasingly stretched by financial, demographic, and societal pressures.
- 2 To date, unlike in England, all Welsh councils have been able to balance their budgets and none has needed to submit a Section 114 report.¹ That is testament to the commitment of officers and councillors across Wales and the tough decisions already made. However, as the cumulative impact of financial restraint builds, we cannot assume that the future for the sector is sustainable. The position is fragile and sensitive to the competing and complex factors that affect council finances.
- 3 It is my role to highlight these risks and provide assurance over the arrangements councils have made. To that end, I have reviewed the steps that councils are taking and the arrangements they have in place to support their own financial sustainability.
- 4 Our work shows that, while councils generally know the scale of their funding gaps, they do not have longer term plans in place to address them. This leaves them vulnerable to short term decision making that may not represent value for money or be in the longer-term interests of local communities. That runs counter to the expectations of the Wellbeing of Future Generations Act, which places long-term thinking at the heart of organisational planning.

¹ A section 114 report is issued to the Full Council where a council's Chief Finance Officer (Section 151 officer) believes the council has spent (or is committed to spend) more than the total resources available to it. It then places spending limits on the council.

- 5 Our examination also highlights the importance of good governance to financial sustainability. That means having clear strategic leadership, a detailed and well-communicated understanding of the financial position, and effective oversight and collaboration by elected councillors. In such an environment, value for money is more likely to be at the heart of decision making. I echo the view of my counterpart the UK Comptroller and Auditor General that promoting productivity and making public money work harder should be focuses for the whole public sector.²
- 6 I emphasised all these issues in my statement earlier in the year - [From firefighting to future-proofing – the challenge for Welsh public services | Audit Wales](#). There, I described common themes that I see repeatedly from our work across the public sector. If addressed, public organisations could achieve more with what they already spend and so help shift from relentless firefighting of today’s immediate challenges to the delivery of sustainable public services that are fit for the future.
- 7 Some councils are better placed than others to weather the financial challenges ahead. But given the scale of the funding gaps projected for local government in the coming years, all councils will need to keep up or increase the pace of change if they are to meet the urgency and scale of the challenge. The Welsh Government will also need to support the sector in meeting this challenge.
- 8 Put simply, local government is financially unsustainable over the medium term unless action is taken, by those who support and interact with the sector as well as councils themselves. Though a difficult message, I hope that this report helps councils, the Welsh Government and all of those committed to the sector, to chart a path to a sustainable future.

2 Comptroller and Auditor General, [Here’s how to make public money work harder](#), September 2024

Executive summary

Context

- 9 Over the spring and summer of 2024, we looked at the financial sustainability of each of the 22 councils in Wales. We focussed on:
 - the strategies to support councils' long-term financial sustainability;
 - councils' understanding of their financial position; and
 - council's reporting arrangements to support regular oversight of their financial sustainability.
- 10 This report provides some context on the financial challenges faced by councils and summarises our key findings from this work. We have also reflected on what all of this means for the future financial sustainability of councils and provide some reflections on how councils' future financial sustainability could be strengthened.

Key facts

Below are some key facts that illustrate how the financial pressures on council finances have grown over time

3.3% (£3 billion) – the real terms growth of gross council spending between 2008-09 and 2023-24.



94%, 27%, and 31% – the real terms growth in council spending on children’s, adult, and older peoples’ social care between 2008-09 and 2023-24

-62% – the reduction in real terms council spending on community safety between 2008-09 and 2022-23



-16.6% – the real terms reduction in usable reserves not protected by law between 2022-23 and 2023-24³



79% – the increase in children looked after by Welsh councils between 2003 and 2023



41% – the increase in schools spending on Additional Learning Needs between 2015-16 and 2022-23



-4.3% – the reduction in real terms funding for Welsh local government between 2025-26 and 2027-28 forecast by Cardiff University

³ This is a comparison of the 19 councils that had provided draft accounts for 2023-24 at the time of drafting. It excludes Blaenau Gwent CBC, Denbighshire CC, and Merthyr Tydfil CBC.

Key messages

Below is a summary of the key messages that are set out in this report.

There are significant risks to the sustainability of local government finances which are likely to increase over the medium term without action to mitigate them

- 11 Given the scale of the funding pressures facing local government, many councils require a step-change in approach to move beyond setting an annually balanced budget to achieving value for money and financial sustainability over the medium-term.

The public sector has faced a period of unprecedented financial pressures since 2008.

- 12 In real terms spending by councils decreased between 2008 and 2020. It rose slightly during the pandemic but overall growth in funding for councils remains well below the growth rate before 2008. This has required councils to make difficult choices throughout this period.

The pressure on local government funding over this time has affected councils and services differently

- 13 Some services have been 'protected' from budget reductions more than others, and for some service areas this has varied across councils. It is notable, however, that some significant falls in spending have been seen in the regulatory and preventative areas of council spending.

There are significant factors affecting councils' financial sustainability that are beyond their control

- 14 Wider contextual challenges greatly influence demand for services and costs for councils. This has included, for example a large and unforeseen increase in inflation because of world events. To varying degrees these are beyond councils' control. This makes mitigating their impact more difficult.

All councils in Wales have arrangements to understand their short and medium-term financial positions. Generally, however, they do not take a longer-term view of financial sustainability

- 15 Few councils have a comprehensive understanding of how they will close their projected budget gaps over the medium to long term – beyond the next two years. Whilst some councils have identified some of the savings required, there is a continued reliance on annual savings rounds, rather than longer-term transformation plans. This has meant a reliance on short-term savings, and/or short-term use of reserves.
- 16 This increases the risk over time that funding gaps will not be bridged, or that short-term solutions will not help councils to secure value for money over the longer term.

Councils have generally appropriate financial reporting arrangements for the short and medium term but assessing and monitoring the impact of financial decisions is a weakness

- 17 Most councils have arrangements in place to report on their short and medium-term financial position. This helps facilitate oversight and scrutiny of councils' financial position. The reporting and assessing of the actual impact of financial plans and decisions once implemented is however a weakness. Without understanding and monitoring the impact of financial decisions it is difficult for councils to understand the extent to which they are achieving value for money.

Practice examples

- 18 Our review aimed to promote practice examples that could help councils to improve their financial sustainability. We have drawn on some of what we observed at different councils during the review and included a checklist in the report for councils to consider against their own arrangements.

Many of the financial challenges faced by Welsh councils are common to the rest of the UK

- 19 Experience from across the UK offers potential for learning from elsewhere. We have outlined some of this learning, including key learning from the Section 114 reports that have been issued in England. This includes the importance of being aware and accepting of financial challenges, offering leadership to respond to them, and having proper governance arrangements to oversee the response.

We heard some concerns that national issues or processes make financial planning more difficult

- 20 These included concerns relating to:
- the funding formula used to distribute Welsh Government funding to local government;
 - the timing of the local government funding settlement, and the lack of 'muti-year' settlements present in other spending areas: and
 - additional responsibilities being placed on councils without commensurate funding being made available.
- 21 We have reported these to provide context and balance but have not explored or assessed these matters within the scope of this work.

Our audit approach

- 22 Our audit approach is set out in the appendices to this report, alongside a map that provides links to our local reports. This work is a continuation of our work on financial sustainability, most recently in 2021. Our work is also supplemented by our local government financial sustainability data tool. We have published the most recent update to this tool alongside this report. This update has added data for the 2023-24 financial year⁴, as well as new indicators covering councils' levels of borrowing.

4 Data in the tool for 2022-23 and 2023-24 is drawn from unaudited, draft financial statements.

Detailed Report

What does financial sustainability mean?

- 23 There is no common definition of financial sustainability within the public sector. Our understanding of what financial sustainability looks like is informed by our cumulative audit knowledge and experience, the work of key bodies like the Chartered Institute of Public Finance and Accountancy (CIPFA). It is also informed by the sustainable development principle as set out in the Well-being of Future Generations (Wales) Act 2015.
- 24 A council could be sustainable by delivering minimal services at the minimum standard that the law allows. This, though, would be unlikely to enable it to deliver all its objectives or meet the needs and expectations of its communities. Equally a council's financial plans could be unsustainable because it is trying to deliver services far above the reasonable expectations of service users, or because it has taken unnecessary commercial risks to deliver services.
- 25 Councils are independent of other public bodies with their own tax raising powers but are still fundamentally linked to the wider public sector. The Senedd and the Welsh Government place requirements on councils, whilst also providing most of their funding, as outlined below. The actions of public bodies in other sectors such as the police, fire and rescue services, and health bodies, can also impact on council services and spending. To be financially sustainable, a council needs to provide the services required of it, by law and expectation, within its available resources in the long-term. Part of this may involve re-defining what 'reasonable' expectations might be for service users as demand pressures, priorities and the funding position changes.
- 26 A sustainable council must also provide the assets and infrastructure to enable effective service delivery. This requires a balancing of capital investment and its sources, such as borrowing, as well as ongoing maintenance and future liabilities, against the impact of these financial decisions on revenue spending. Failing to invest in the short-term may cause increased costs in the medium to long-term.
- 27 Whilst councils can put arrangements in place and take decisions to improve their financial sustainability, some factors are outside of their control. These include the funding levels and funding model determined largely by the Welsh and UK governments, and changes in the wider economy. Though outside their control, councils still need to make informed assumptions about such factors to inform their financial planning.

Overall, we found that most councils have arrangements in place to support their short-term financial sustainability but have yet to fully develop their longer-term plans

How well do councils understand the financial position?

- 28 This national report reflects finding from the assessments we have undertaken in all 22 councils. It would not be sensible or helpful to use these findings to produce a 'league table' of financial sustainability. **Appendix 1** to this report, however, shows our main findings for each council. Individual council reports are published on the Audit Wales website.
- 29 All councils have arrangements that enable them to quantify their financial position and understand their financial pressures in the short and medium terms. However, most remain focused on the next two years, and few look beyond three years. In part, this reflects the annual balanced budgets that councils are required to set by law, which may encourage a focus on the short-term. Looking towards a longer period can help councils better understand the challenges they face, as well as supporting longer-term solutions that cannot be implemented in an annual cycle.
- 30 We found that reserves are not always used in a strategic manner. Reserves have been used, in some councils, as 'bridging' strategies to balance annual budgets rather than supporting longer-term transformation. Reserves can be an important tool in funding investments to support longer-term financial sustainability such as 'invest-to-save' or transformation projects. Reserves are also in effect an emergency fund for councils that can be used infrequently to fund unexpected financial pressures. Using them solely to fund in-year pressures without using them to support longer-term financial sustainability is unlikely to deliver value for money over the longer-term. However, we recognise that in some circumstances this may be unavoidable, particularly given the scale and pace with which financial pressures have developed in recent years.
- 31 Without clear long-term financial strategies, supported by detailed medium-term plans, the long-term strategic direction of councils towards securing financial sustainability is unclear. Corporate strategies and financial plans provide a framework for elected councillors, as well as the public, to understand decisions and actions. Where councils do not have longer term financial strategies, we cannot be assured that councils have arrangements to support long-term financial sustainability and therefore value for money.

- 32 To help improve their financial sustainability, some councils have sought advice to better understand their financial position. This has included benchmarking to understand spend per head with comparative councils. This can help councils identify opportunities to improve value for money through learning how other councils provide service and the costs of delivering them.

How well developed are councils' plans to meet the financial challenge over the medium term?

- 33 No council has a comprehensive understanding of how they will bridge their funding gaps over the length of their Medium-Term Financial Plans (MTFPs). Whilst some have a substantial proportion of savings identified, the majority remain focused on annual savings. In the long-term, it is unlikely that the historic approach of incremental cuts across a wide range of services will be sufficient given the levels of savings that councils have made since 2008.
- 34 Councils recognise that some service transformation is required to bridge their funding gaps, however, transformation plans are not consistently being developed. Some councils have identified transformation projects, their timescales, and their intended savings, which helps inform councillors of the potential solutions over a longer-period. Most councils are in the early stages of their current transformation plans, either forming governance arrangements or drawing up a list of potential options. Whilst it is not inevitable that all transformation will lead to savings, it is likely that the pace of transformation will need to be accelerated to help councils bridge their funding gaps over the medium-term.

Do councils have strong governance arrangements?

- 35 Most councils have arrangements in place to report their short and medium-term financial position to councillors. This helps to facilitate oversight of the financial position and inform decision-making.
- 36 However, most councils do not have arrangements in place to understand and assess the impact of financial decisions on an ongoing basis. Reporting the impact of decisions on council objectives and local communities enables councillors to understand if the intended impact of financial decisions has materialised. This in turn helps to identify if any corrective action needs to be taken, as well as informing assessments of the value for money of decisions. It can also provide learning to help inform future financial decisions.

Practice examples

- 37 We have drawn on some of the practice we observed at different councils during the review to develop a checklist for councils to consider against their own arrangements:
- using external advice – some councils have sought to supplement their understanding of their financial position through procuring detailed benchmarking data from external organisations. This has helped councils understand service spending relative to similar councils, as well as potential variation in the level of services they deliver. This can help councils to better inform where and how they might improve the value for money of their service delivery.
 - promoting a collective approach to financial decision-making - many councils outlined how they have communicated to councillors that the budget is an ongoing process, rather than an annual event. This led to, for example, workshops and engagement sessions to discuss financial proposals. This can help build understanding of, and therefore support for, sometimes difficult decisions.
 - making decisions easy to visualise – some councils have reported proposed budget savings to councillors in both cash terms and as a percentage of Council Tax. This can help councillors to better understand the impact of accepting or rejecting a saving on local council tax payers. In turn, this helps improve transparency and understanding of the impact on communities.
 - analysing future demand – a few councils have undertaken research to understand the scale and nature of long-term predicted demand for services using internal and external data. This can help councils develop a detailed understanding of their budget gap, particularly for services with a significant projected rise in demand, such as adult social care.
 - aligning financial and transformation plans – a few councils have developed transformation strategies aligned with their MTFPs to outline their approach to close the short, medium, and long-term budget gaps. This can help councils to communicate their intended approach to officers, councillors and other stakeholders. It also helps to provide a strategic framework for decision-making.
 - having clear savings trackers – most councils track their savings implementation and report this to councillors for their oversight. Some councils risk rate individual savings to provide a clear indication on the likelihood of achieving them. Risk rating savings can improve scrutiny by making it clear where the delivery of savings is not on target and corrective action needs to be taken.

- clearly understanding long and short-term impacts of decision-making – most councils assess the impact of significant savings proposals. Some councils assess the impact on communities and the achievement of the well-being objectives, some over both the short and long-term. This can help to improve the quality of decision-making by providing councillors with a detailed understanding of the potential impact of decisions both now and in the future. Setting out options that have been considered to mitigate any negative impact can also help inform councillors when taking decisions on savings proposals.
- understanding and rationalising the asset base – councils own and invest in a range of buildings and other assets to deliver services. They have ongoing costs in maintenance that impact spending plans and effectiveness of services. Understanding the condition of already owned assets, in addition to understanding what is needed in the future, helps understand and plan for revenue and capital costs from buildings.

National findings

38 Our local reports have focused on the arrangements in place at each council to support financial sustainability. As explained above, most councils' funding is provided by the Welsh Government. Below we summarise themes raised by councils during our fieldwork that relate to Welsh Government.



Funding formula

- 39 Funding from the Welsh Government, known as the local government settlement, is determined by the application of a formula known as the Standard Spending Assessment (SSA). The SSA is designed to reflect the different costs of service delivery due to demography, geography, or socio-economic characteristics. Notional amounts of funding are allocated to specific service areas, although individual councils then determine how this funding is then allocated across service areas.
- 40 The SSA process is outlined in documents published by the Welsh Government annually.⁵ These documents include both the sources of data, the indicators used, and the assessments that draw on the data and indicators. This is known as the 'Green Book'. The formulae for all services were independently reviewed before the 2001-02 settlement and there have been subsequent focused reviews of specific aspects of the formula, agreed following discussions through the finance sub-group, which includes councillor and officer representatives of councils. The Welsh Government publish papers annually that provide context and outline the annual process for their determination.
- 41 The indicators used in the formulae are split into three categories:
- main client groups – These are the main factors influencing cost, such as population or pupil numbers. In 2024-25, this represented 65% of indicators.
 - deprivation – Indicators reflecting additional costs to support people with higher levels of deprivation. In 2024-25, this represented 28% of indicators.
 - population dispersal - Indicators reflecting additional costs to support people in sparsely populated areas. In 2024-25, this represented 6% of indicators.

5 For example, [Local government revenue and capital settlement: Background information for standard spending assessments 2024-25](#)

- 42 The total funding available, the determination of how this is distributed, and the provision of any 'top-ups' to ensure all councils receive a baseline increase in funding are clearly political decisions for the Welsh Government. There are also elements of the settlement set out by law, such as Non-Domestic Rates distribution, and the settlement is also subject to the approval of the Senedd. We have not audited the detail of the formula, its source data, nor its effectiveness as part of this review.
- 43 Inevitably, there is a range of views across Wales on the merits of this system that often correlates with how funding is allocated. Those who receive proportionally greater levels of funding from the Welsh Government, in general, had less to comment on during our fieldwork.
- 44 However, we heard a number of concerns relating to the SSA though our fieldwork, these included:
- the SSA produces too much difference between neighbouring councils;
 - the SSA has an emphasis on funding for services for children rather than older people, despite services for older people often resulting in higher costs due to social care costs; and
 - that some data used within the SSA is not sufficiently up to date.
- 45 We have not audited these assertions. Some relevant information is, however, already provided by the Welsh Government. For example, the 2024-25 SSA documents acknowledged that some data relating to settlement and dispersion was based on the 1991 and 2001 censuses, whilst others also used data from 2001 and 2011. Some elements of the formula are updated more frequently. We have not reviewed the impact that such examples might have, however it is clearly important that Welsh Government has assurance over the validity and accuracy of data that is used to inform decisions on funding allocations.



Length and timing of the settlement

- 46 Council officers outlined the strain on capacity and individuals that the timing and duration of the local government settlement can have. Where funding is different to the anticipated level or changes between the provisional and final allocation, this can require significant amendments to local plans. In the three settlements before publication, the average change in settlement was a 0.3% increase. Annual volatility in funding levels can add further uncertainty to these amendments.

- 47 Pre-pandemic, the settlement was typically published in October and finalised in December. This allowed councils time to inform their local budget setting. Since 2019, the provisional settlement has been in December with finalisation in February or March. This reduces planning time for councils and has meant councils have decided their annual budgets ahead of knowing the amount of funding they would receive. This increases the risk of additional funding being allocated without a proper assessment of its impact, or the unplanned use of reserves if funding is below the budgeted level. Both scenarios increase the risk of funding not being used in a planned way to secure value for money over the longer-term.
- 48 In addition, the timing of specific grants was also felt to increase the pressure on officers and financial planning. For example, when it is uncertain if additional funding will fund nationally agreed pay rises or changes in pension contribution rates, this makes financial forecasting more challenging.
- 49 In some previous years, the Welsh Government provided councils with a multi-year indication of overall council funding. This has not consistently been provided and was not in the current year. Some interviewees have said that the lack of clarity on indicative funding is a barrier to effective financial planning.
- 50 We recognise that some factors that influence the timing of the local government financial settlement are beyond the control of the Welsh Government. The timetable and decisions of fiscal events in the UK Parliament have a significant impact on the budget setting process in Wales. This can limit the extent to which Welsh Government can provide clarity on future settlements, grants, and their timing.
- 51 Councils can draw on publicly available information to help forecast future funding levels. For example, the Wales Governance Centre provided projections for council budgets up to 2027-28 in October 2023. Councils also draw on a comparison of financial assumptions, such as anticipated pay rises, made by different councils through the Society of Welsh Treasurers. We saw all councils use evidence like this to varying extents. Forecasts can be helpful to enable councils to develop different options, so they are prepared to respond to financial pressures once funding levels are confirmed or unforeseen events occur. This can help to mitigate against uncertainty over the future budget position and help councils to prepare for a range of scenarios.



Additional responsibilities

- 52 Some interviewees felt that additional funding has not been provided by the Welsh Government despite the additional responsibilities placed upon councils through new legislation.
- 53 As outlined above, services (or levels of services) provided by councils are either provided due to the council choosing to (a 'discretionary' service) or because it is required to by law (a 'statutory' service). Legal duties are included in Acts passed by the Senedd or the UK Parliament. However, for statutory services, Councils have the option to shape these services where service levels are not prescribed.⁶
- 54 As new Acts are passed it can mean new duties are placed on councils. Legislation can also have unintended consequences that result in additional costs for councils. For example, where it results in private sector service providers deciding to stop providing a service and councils have to fill a gap in provision as a 'provider of the last resort.' The most frequently cited area where interviewees felt that legislation has led to increased costs related to housing services.

6 For example, class sizes in primary schools are required by Regulations to be no more than 30 pupils so a council could not increase classes sizes above this.

The wider UK context

Pressure on council finances is not unique to Wales and this offers insight into potential causes and indicators of financial sustainability

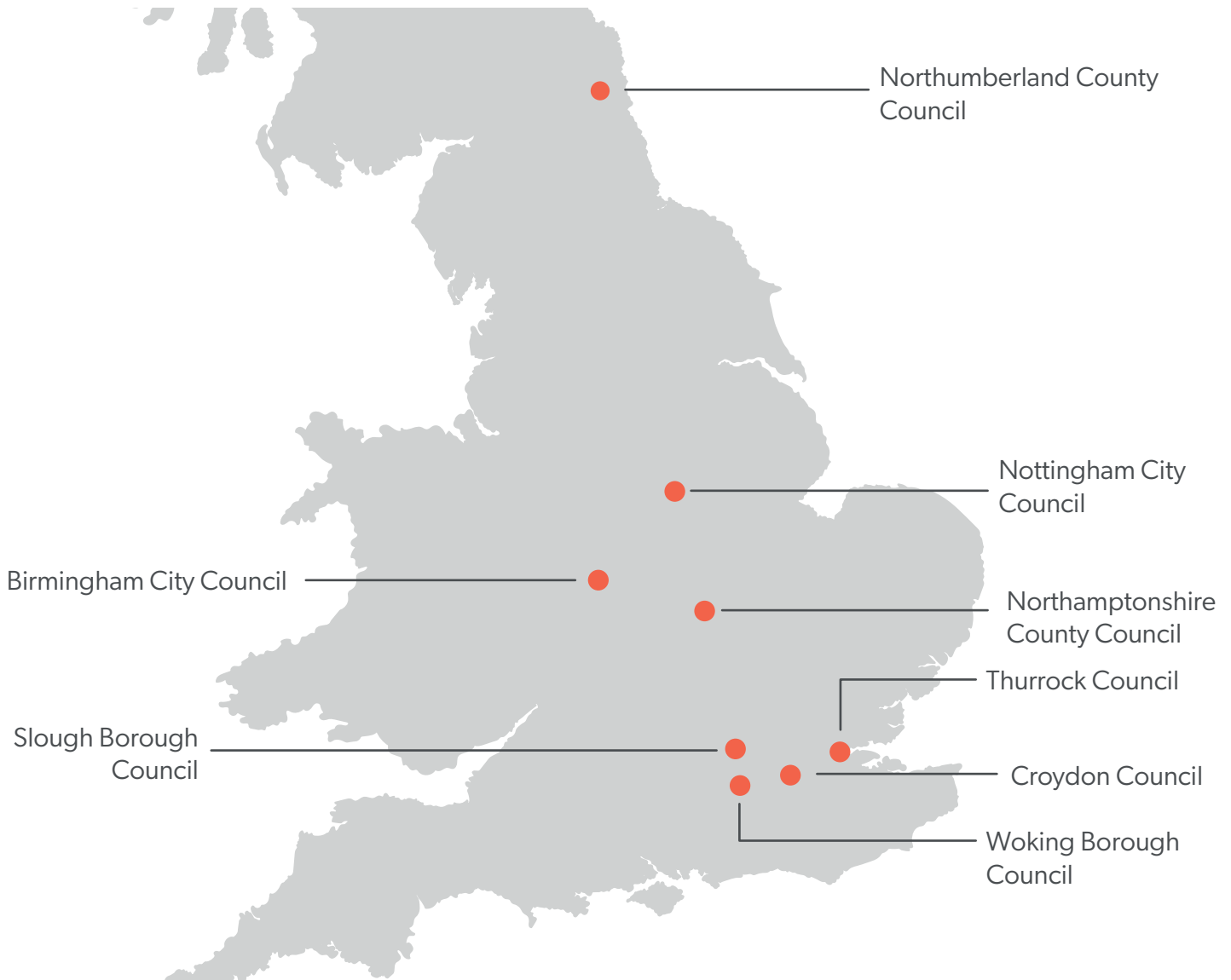
- 55 When, in the view of the Chief Finance Officer⁷, a council has spent (or is committed to spend) more than the total resources available to it, the officer must (in consultation with other senior officers) report this to councillors and to and to the auditor (in Wales, the Auditor General). This is known as a Section 114 report.⁸ This then limits any new spending the council can make. To date, no such reports have been made in Wales.
- 56 Since 2018, in England 11 reports have been made due to councils being unable to balance the budget (**Exhibit 1**).

7 This is commonly referred to as a Section 151 officer as the role is required by s151 of the [Local Government Act 1972](#).

8 s144 of the [Local Government Finance Act 1988](#). This also applies where the S151 officer believes a council will incur unlawful spending.

Exhibit 1: council areas in England that have made a Section 114 report

This map shows the eight councils in England that have made a Section 114 report.



Source: Audit Wales

57 Although in each case there were differing local influences, the Chartered Institute for Public Finance and Accountancy (CIPFA) identified four common themes:

Exhibit 2: common themes of Section 114 reports

An unwillingness to see the reality of the situation	Ignoring the warnings about the financial position, both internally and externally, to avoid recognising that the current plan was not working.
An absence of leadership	Being unable to take difficult decisions – both by officers and councillors. This means less problem solving and scrutiny of proposals.
Inadequate governance processes	A significant lack of oversight by councillors, particularly by governance and audit committees. A lack of skills contributes to this.
Weak financial management	Weak and insufficient processes that lack accountability, sustainability, and transparency. This can be indicated by a substantial decline in reserves, which limits solutions to problems when they arise.

Source: [CIPFA](#)

58 CIPFA have produced resources to support councils, such as [Building Financial Resilience](#), in addition to outlining a [roadmap to avoiding Section 114](#):

- the savings process should be effective and engaging, with budget holders involved in identifying and delivering savings;
- the risks around commercial activities must be clearly understood, with effective oversight of council-owned companies;
- councillors must receive training on financial matters, improving their understanding of complex issues;
- governance arrangements should be strengthened and include the ability to speak truth to power;
- internal audit should review the effectiveness of financial rules and processes, and knowledge of and compliance with financial regulations;
- the quality of financial management should be assessed, particularly for larger organisations;
- independent assurance on the annual governance statement can ensure it is effective; and
- a financial resilience review may be obtained.

- 59 This structure could be used as a basis for councils to review their own position, alongside our local reports. For example, Denbighshire County Council have used the common themes and roadmap to develop a self-assessment to inform its Governance and Audit Committee of the risk of requiring a Section 114 report. It intends to make this an annual assessment to support its arrangements and oversight by councillors.
- 60 Councillors through their scrutiny and decision-making are an important part of a governance framework that supports financial sustainability. This could include scrutinising the robustness of financial plans or proposed decisions, as well as needing to take difficult decisions to support financial sustainability. This aligns with the [Principles for Good Governance in the Public Sector](#)
- 61 Financial sustainability and the uncertainty associated with funding models has been identified as an issue by auditors in other parts of the UK.
- 62 For example, in England the National Audit Office (NAO) has reported⁹ on the impact of financial uncertainty and resilience on councils delivering value for money. The NAO's findings are very similar to our own, including:
- councillors holding off making difficult decisions in the hope that the settlement would be more positive than expected;
 - a lack of time to review savings options to make good rather than quick decisions;
 - a tendency to be overly cautious and cut services rather than to plan for efficiencies over the medium term; and
 - the tendency to build up reserves in-year in the expectation that they will be needed to balance the next budget.
- 63 The NAO have also produced a [good practice guide](#) for leaders and decision-makers in an uncertain environment to help consider value for money, as well as [strategic planning and budgeting](#).
- 64 Audit Scotland have concluded that council budget gaps in 2024-25 were 'unsustainable'.¹⁰ They reported similar themes to Wales, such as the challenging timetable of budget setting and the importance of clarity in financial plans. They have also recently set out that¹¹ 'the unprecedented financial and service demand pressures mean there is an urgent need for the local government sector to transform how it operates if it is to sustainably maintain services'.

9 For example, [Local government finance in the pandemic](#), March 2021 and [The local government finance system in England: overview and challenges](#), November 2021

10 Audit Scotland, [Local government budget 2024-25](#), May 2024

11 Audit Scotland, [Transformation in councils](#), October 2024

65 Audit Scotland have developed key transformation principles (**Exhibit 3**), in addition to setting out barriers to, and potential structures to support, transformation. This work includes features that may be applicable to Wales, such as emphasising community involvement, collaboration, and prevention. It also underlines the importance of innovation.

Exhibit 3: transformation principles

This exhibit sets out principles for council transformation published by Audit Scotland.

Vision	<p>Have a clear vision that sets out the intended end state of any transformation activity, focused on:</p> <ul style="list-style-type: none"> • delivering large-scale recurring savings or generating income for the council, contributing to its longer-term financial sustainability; • improving outcomes for citizens in line with council priorities; • taking a whole-system approach to see and realise opportunities both within councils and more widely; • meeting the needs of the people who use services and reduce inequalities; and • focusing on preventative activity, where applicable, to reduce the demand for services and to make them sustainable in the longer term.
Planning	<ul style="list-style-type: none"> • Be clear on the scale of the change required and ensure transformation plans are sufficiently ambitious to credibly respond to the scale of the challenge. • Commit staff with appropriate skills, time, and resources to ensure transformation occurs at the scale and pace required and that there is enough capacity for the changes to be embedded. • Be clear about the timescales, costs, outcomes, and anticipated impacts of transformation projects. • Show urgency and progress projects at pace without compromising appropriate governance on projects
Governance	<ul style="list-style-type: none"> • Have a clear process for monitoring, evaluating, and reporting progress. • Put in place effective governance and escalation processes so that the transformation activities are well managed in their own right, but also able to be given priority alongside other business-as-usual activities

Collaboration	<ul style="list-style-type: none">• Develop better working relationships with communities and/or partners to achieve a sustainable model of service delivery.• Actively consider the opportunities offered by regional or national sectoral collaboration, or by integrating services locally with partners, or by supporting individuals and communities to achieve desired outcomes in place of an existing service.• Learn from good practice across the country and beyond.
Innovation	<ul style="list-style-type: none">• Implement new ways of thinking, including innovation, creativity and a desire, willingness, and action to change and do things in new and different ways that achieve the outcomes needed.• Embed the right culture and behaviours to manage change and help maximise the contribution of all the team.

Source: [Audit Scotland](#)

What does this mean for councils in the future?

There are significant risks to the sustainability of council finances which are likely to increase over the medium term without action to mitigate them

Securing value for money will be even more important to support financial sustainability

- 66 Later in this report we illustrate the scale of the funding pressures facing local government and how councils are responding to this challenge. We also set out some issues for Welsh Government to reflect on above.
- 67 In view of wider financial and economic trends the funding position for councils may not significantly improve over the medium-term. For example analysis by [Cardiff University](#) in October 2023 forecasted a 4.3% reduction in real terms funding for local government between 2025-26 and 2027-28. The [WLGA](#) have estimated a £559 million budget gap for 2025-26, which they forecast to rise significantly with a further £1 billion of additional anticipated demand in the following two years.
- 68 If these projections prove accurate, it heightens the need for councils to put in place proper arrangements for securing value for money in their financial and wider strategic planning. Given the potential scale, this will mean a step-change in approach for some councils and a much clearer emphasis on moving beyond setting an annually balanced budget to financial sustainability over the medium-term.

The sustainable development principle provides a framework to support financial and strategic planning

- 69 The sustainable development principle provides a framework against which councils can develop their financial plans and strategies. It can also provide a framework for assessing individual proposals or decisions designed to support a council's financial sustainability. Some potential impacts of not applying the principle are set out below against the five ways of working (**Table 1**):

Table 1: examples of the potential impact of not applying the sustainable development principle

This table sets out the potential impacts of not applying the sustainable development principle in relation to each of the five ways of working.

Way of working	Examples of the potential impact of not applying the sustainable development principle
Long-term	<ul style="list-style-type: none"> • Reserves are used in the short-term to balance annual budgets in a way that prevents them from being used for longer-term investment that could secure better value for money. • The long-term impacts of savings proposals are not properly considered, potentially leading to higher costs and reduced outcomes for service users over the longer-term. • Medium- and longer-term investment requirements are not funded/prioritised in the short term, for example in relation to. developing capacity, infrastructure specific skills.
Prevention	<ul style="list-style-type: none"> • Linked to the examples above under ‘long-term’, not investing in preventative initiatives increases the demand for and cost of providing more acute services. It also leads to reduced outcomes for service users.
Integration	<ul style="list-style-type: none"> • Financial plans are not integrated with a council’s other plans and strategies or those of its partners. Or not understanding the relationship between resourcing/ savings decisions across different areas of the business. This results in duplication of effort and missing opportunities to secure multiple benefits, and may hamper progress towards longer term ambitions, as defined in Well-being Objectives.
Involvement	<ul style="list-style-type: none"> • Those with an interest in financial plans or individual decisions are not involved in the decision-making process. This increases the likelihood that a council takes decisions that do not take account of their needs and therefore does not secure value for money.
Collaboration	<ul style="list-style-type: none"> • Opportunities to work collaboratively within and between councils and other partners are not explored. As a result, opportunities to improve value for money through economies of scale, greater resilience and improved outcomes may be missed.

Source: Audit Wales

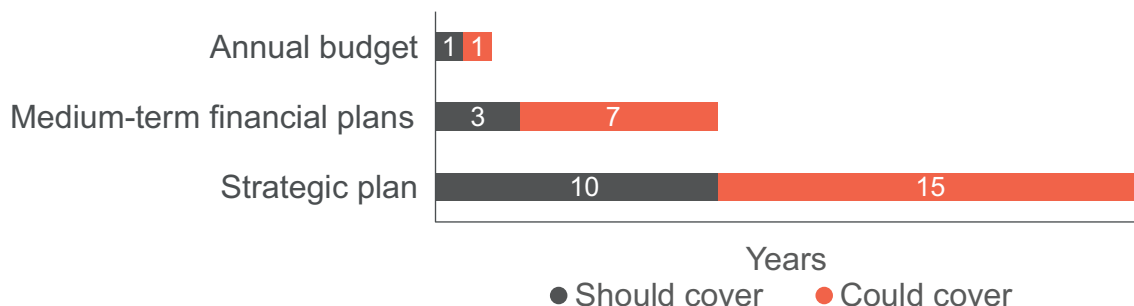
70 Embedding the sustainable development principle more clearly in financial planning could help councils to develop a longer-term, more holistic approach to financial sustainability that is informed by on-going involvement activity. This is particularly important if the scale of the financial challenges requires more fundamental changes to service delivery through for example greater collaboration, transferring assets to community groups or ceasing to provide some services at all.

A longer-term approach to financial planning and decision-making

71 In our review, we have adopted CIPFA’s definitions of timescales in financial planning. Medium-term financial plans are expected to set the direction over at least three years, building on the annual budget setting process. This is within a longer-term strategic plan that builds on the three-year view to at least a decade (**Exhibit 4**). Generally, we found that councils in Wales are not taking this longer-term approach.

Exhibit 4: timescales in financial planning

This exhibit shows the timescales in different types of financial plans should cover and the suggested timescales they could cover in the view of CIPFA.



Source: [CIPFA](#)

72 The timescales set out by CIPFA go beyond electoral cycles and the annual budget process. We recognise the challenges associated with applying such timescales to decision making, however, it is necessary if longer term financial sustainability is to be secured.

Overview of council finances and funding

- 73 In this section we set out the recent financial context within which councils are operating and how this has impacted on funding for services.
- 74 The Welsh Government is the largest funder of Welsh councils. Though varying from year to year, since 1999-2000, around 72% of council funding has come from the Welsh Government, with business rates and council tax accounting for some 12% and 16% respectively.¹²
- 75 After the 2008 global financial crisis, the spending power of local government plateaued and then fell. Councils relied on a range of measures to manage their financial position, including increasing Council Tax levels, the use of reserves, and reductions in spending. By law, councils must set a balanced annual budget.
- 76 During the Covid-19 pandemic¹³, additional funding was made available to support councils. This included specific grants for homelessness, offset falls in business rates, and general assistance funding. This funding helped councils maintain and adapt services during the pandemic, it also helped councils to increase their levels of reserves to a varying extent.
- 77 Between 2005-06 (the earliest year comparative data is available) and 2022-23, real-term council spending increased by 11% (**Exhibit 5**). In comparison, over the same period the Welsh NHS programme budget grew by 60% in real terms.¹⁴

12 Audit Wales analysis of Welsh Government, [Council revenue outturn data](#)

13 During the pandemic, we commented on the financial impact on councils twice in [October 2020](#) and [September 2021](#). We also published A Picture of Local Government in [September 2021](#).

14 Audit Wales analysis of Welsh Government, NHS expenditure [pre-2010 data](#) and [post-2010 data](#)

Exhibit 5: gross revenue expenditure by all councils in real terms, 1999-2000 to 2022-23 (June 2024 prices) (£billions)



Source: Audit Wales analysis of [Welsh Government council revenue outturn data](#)

- 78 Council Tax levels are determined by each council. When setting levels of Council Tax, councils must consider a range of factors. For example, the financial impact on residents, the financial position of the council, and the needs of service users. In real terms, between 1999-2000 and 2023-24 the Welsh average band D Council Tax level rose by 66% or £812.¹⁵ The share of council spending funded by Council Tax has remained broadly similar over time. In 1999-2000, Council Tax funded around 16% of gross spending by councils nationally and some 18% in 2023-24.¹⁶
- 79 **Table 2** shows how funding per head of population varies between councils and each type of funding source. This is included for contextual information rather than a conclusion on the circumstances or decisions relating to any individual council.

¹⁵ Welsh Government, [Average band D council tax](#)

¹⁶ The proportion of local spending funded by Council Tax varies between councils.

Table 2: council tax required, Revenue Support Grant (RSG), and Redistributed Non-domestic rates (RNDR) per head of population by council, 2023-24 (Pounds)

Council	Council Tax required	RSG and Top-up funding	Redistributed non-domestic rates	Total
Gwynedd	£780	£1,585	£329	£2,693
Blaenau Gwent	£574	£1,747	£327	£2,648
Denbighshire	£672	£1,612	£324	£2,607
Merthyr Tydfil	£582	£1,700	£325	£2,606
Neath Port Talbot	£611	£1,609	£327	£2,547
Isle of Anglesey	£707	£1,455	£329	£2,492
Rhondda Cynon Taf	£533	£1,634	£320	£2,487
Ceredigion	£716	£1,432	£337	£2,484
Conwy	£732	£1,399	£337	£2,468
Powys	£765	£1,366	£335	£2,466
Carmarthenshire	£630	£1,454	£326	£2,411
Torfaen	£560	£1,525	£321	£2,405
Caerphilly	£474	£1,603	£324	£2,401
Pembrokeshire	£662	£1,374	£327	£2,364
Bridgend	£648	£1,380	£325	£2,353

Council	Council Tax required	RSG and Top-up funding	Redistributed non-domestic rates	Total
Newport	£517	£1,459	£310	£2,287
Flintshire	£665	£1,291	£326	£2,282
Swansea	£582	£1,375	£320	£2,277
Wrexham	£597	£1,329	£323	£2,248
Vale of Glamorgan	£703	£1,188	£318	£2,208
Monmouthshire	£826	£967	£330	£2,123
Cardiff	£546	£1,239	£308	£2,094
Wales	£620	£1,422	£323	£2,365

Source: Audit Wales analysis of Welsh Government [mid-year population estimates](#), [Council Tax](#), and [government support data](#)

Notes: Whilst non-domestic rates are collected locally by councils, they are redistributed by the Welsh Government as part of the annual funding settlement. Consequently, some councils are net beneficiaries or net contributors to the funding 'pool'.

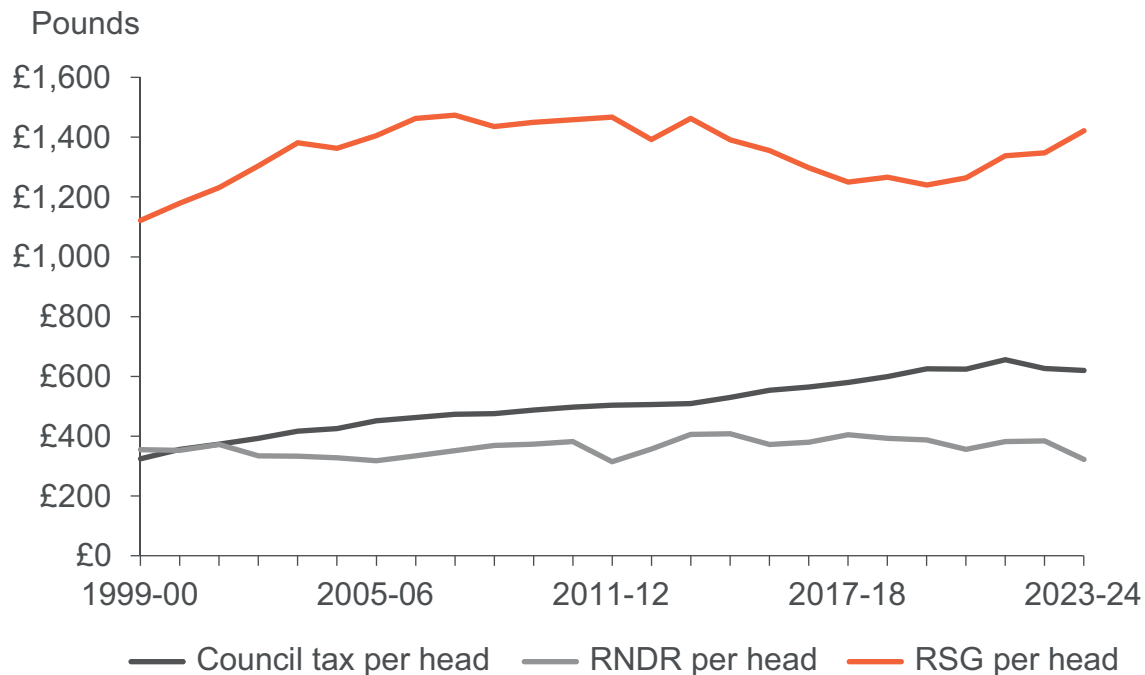
Top-up funding is additional funding provided to ensure councils receive a minimum percentage increase set by the Welsh Government.

Council tax requirement includes Town and Community Council and Police precepts that are outside of the control of Principal Councils.

- 80 In real terms, between 1999-2000 and 2023-24 the average band D Council Tax level rose by 66% or £812.¹⁷
- 81 The share of council spending funded by Council Tax has remained broadly similar over time. In 1999-2000, Council Tax funded around 16% of gross spending by councils and some 18% in 2023-24.

¹⁷ Welsh Government, [Average band D council tax](#)

Exhibit 6: council tax, RSG, and RNDR per head in real terms based on mid-year population estimates, 1999-2000 to 2023-24 (Pounds)

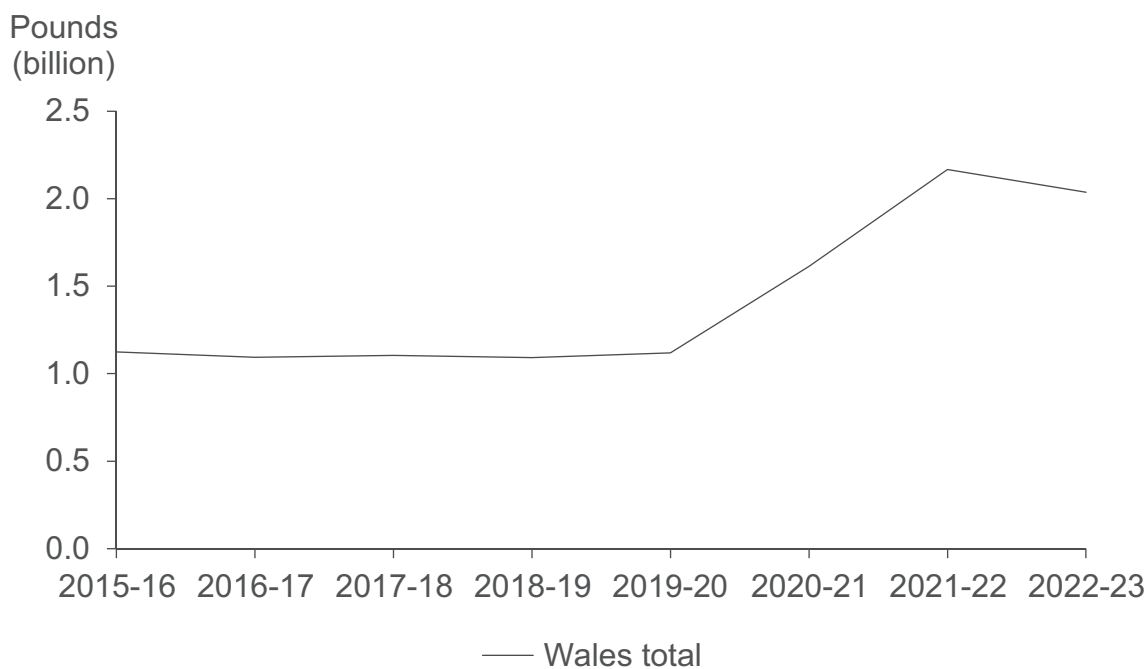


Source: Audit Wales analysis of Welsh Government [population](#), [council tax](#), and [government support data](#)

- 82 Councils can balance their spending by utilising different types of reserves. There are three main types of reserve:
- usable and general reserve – this is a reserve that can be used as a council wants and has not been set aside for a specific purpose.
 - usable and earmarked reserve – this is a reserve that can be used as a council wants but has been set aside for a specific purpose, such as the future costs of an asset. In practice using these reserves to supplement revenue expenditure may be problematic if not being used for their original purpose.
 - unusable reserve – this is a type of reserve that is not cash-backed so cannot be freely used, either due to law or its accounting basis, such as a revaluation reserve. This can be a requirement of international accounting standards or law.
- 83 Reserves can only be used once and are a finite resource. For this reason, they are often seen as a last resort or a form of insurance for councils. This makes the sustainable usage and replenishment of reserves a key indicator of financial sustainability.

84 Our analysis shows that levels of usable reserves not restricted by law¹⁸ were largely consistent over time before increasing significantly during the pandemic (**Exhibit 7**). For Wales overall, usable reserves not restricted by law increased from around £1.1 billion in 2019-20 to more than £2.1 billion in 2021-22. Though reducing in 2022-23, usable reserves still amounted to more than £2 billion or 27% of the total cost of services. This is a significant resource to draw upon. However, the position of individual councils, and the extent to which earmarked reserves can easily be re-purposed, varies considerably. In 2022-23, earmarked reserves accounted for 87% of the total usable reserves not restricted by law held by councils.

Exhibit 7: total usable reserves not restricted by law held by Welsh councils, 2015-16 to 2022-23 (£billions)



Source: Audit Wales [analysis](#) of council accounts

18 We define this as ‘those reserves that can be applied to the provision of services, either by incurring expenses or for capital investment, irrespective of whether there are restrictions on exactly what the resources can be applied to’. This is the total of the general fund, earmarked reserves and schools’ balances. It excludes Housing Revenue Account reserves, capital receipts and capital grants unapplied.

85 The level of usable reserves as a proportion of the net cost of services, as well as other financial indicators, varies considerably across councils. Our [local government financial sustainability data tool](#) compares the level of reserves across local government bodies since 2015-16. In 2022-23, seven councils held usable reserves not restricted by law amounting to less than 20% of the net cost of services. Based on draft accounts provided to us for 2023-24 at the time of publication, two councils have a usable reserves not restricted by law amounting to around 10% of the net cost of services. A further five councils have below 20% of the net cost of services in usable reserves not restricted by law.

Table 3: change in usable reserves not restricted by law between 2022-23 and 2023-24 (£millions)

Council	Usable reserves 2022-23 £million	Usable reserves 2023-24 £million	Change (%)	Usable reserves as a proportion of net cost of services 2022-23	Usable reserves as a proportion of net cost of services 2023-24
Blaenau Gwent	47	Not available	Not available	30%	
Bridgend	103	76	-26%	30%	21%
Caerphilly	165	134	-19%	39%	29%
Cardiff	163	151	-7%	19%	17%
Carmarthenshire	170	149	-12%	38%	30%
Ceredigion	56	51	-9%	32%	25%
Conwy	43	43	2%	16%	15%
Denbighshire	65	Not available	Not available	27%	
Flintshire	50	38	-23%	15%	11%
Gwynedd	123	118	-4%	40%	36%

Council	Usable reserves 2022-23 £million	Usable reserves 2023-24 £million	Change (%)	Usable reserves as a proportion of net cost of services 2022-23	Usable reserves as a proportion of net cost of services 2023-24
Isle of Anglesey	40	39	-5%	24%	21%
Merthyr Tydfil	38	Not available	Not available	27%	
Monmouthshire	27	19	-30%	14%	9%
Neath Port Talbot	91	74	-19%	25%	19%
Newport	129	121	-6%	40%	33%
Pembrokeshire	83	81	-2%	28%	25%
Powys	64	69	8%	20%	20%
Rhondda Cynon Taf	225	215	-4%	36%	32%
Swansea	179	158	-12%	31%	27%
Torfaen	42	41	-4%	19%	17%
Vale of Glamorgan	95	75	-21%	30%	22%
Wrexham	38	37	-3%	12%	11%
Wales	2,037			27%	

Source: Audit Wales analysis of unaudited accounts

Note: At the time of publication, not all 2023-24 accounts had been received. Where not received the entries are noted in the above table

Public expectations and communications

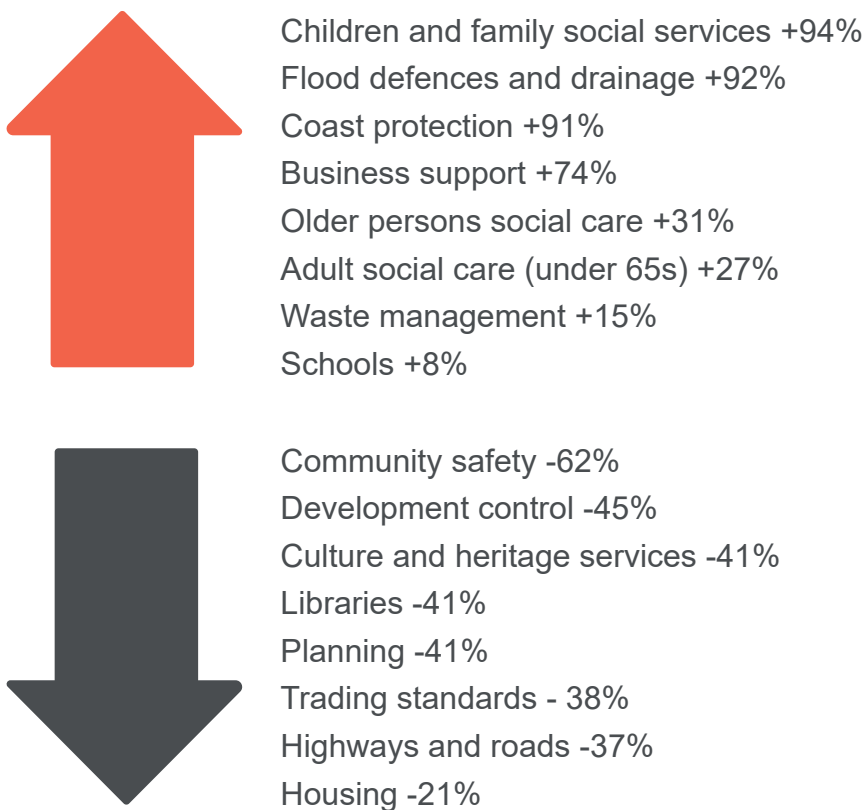
- 86 Councils balance financial pressures against the expectations of their communities. This can be challenging. Whilst no survey collates resident expectations or satisfaction across Wales, data is collated in England. For example, in a June 2024 survey whilst most citizens were satisfied with their councils (55%) only 38% believed they delivered value for money. This suggests an expectation gap between what residents pay for services and their view of the services they receive.
- 87 Councils also face the challenge that at any point in time many council taxpayers may not directly receive the services that account for a significant proportion of council spending, such as social services and education. This presents a communications challenge for councils to explain why and how their funding is allocated and gain public support for what may be unpopular financial decisions. For example, where this means potentially reducing or removing services, or increasing charges for them.

Since 2008 some services have seen significant cuts to spending whilst others have increased

- 88 As Councils have faced pressure on their overall income, spending in some services has decreased (**Exhibit 8**).

Exhibit 8: example services with proportional changes in real terms net spending by Welsh councils, 2008-09 to 2023-24 (June 2024 prices)

This graphic shows the real terms change in service spending by councils between 2008-09 and 2023-24.



Source: Audit Wales analysis of [Welsh Government data](#)

89 Services that provide regulatory or preventative services have often been cut to prioritise funding for short-term needs and/or statutory services. We recognise that prioritising funding for preventative services can be challenging. However, over the longer-term investing in preventative services can improve financial sustainability through providing better value for money as well as improving outcomes for residents.

Councils identified several common and significant financial challenges

90 During our fieldwork councils outlined some of the key financial challenges that are impacting on their financial sustainability. We have outlined some of these below. It is not an exhaustive list and the extent to which these affect individual councils will vary.

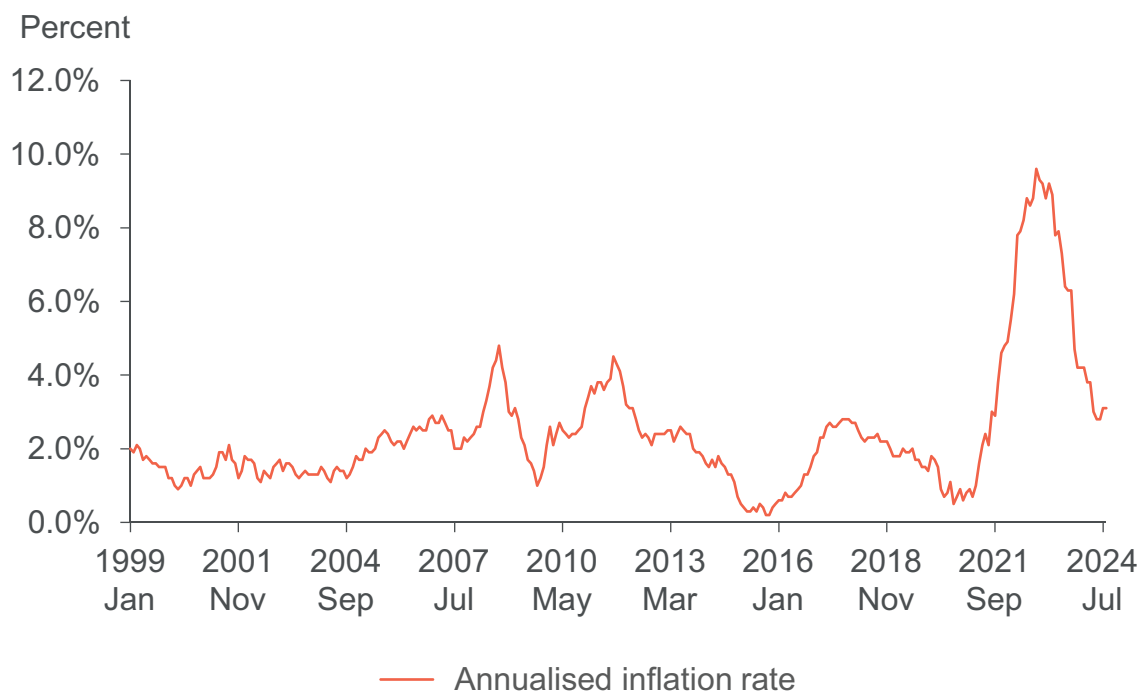


Inflation and the cost-of-living crisis

91 Inflation, the rate that prices increase each year, was relatively consistent at around 2% through the 2000s (**Exhibit 9**). It rose dramatically in late 2021, contributing to a much higher cost-of-living and increasing the cost of local government service delivery.

Exhibit 9: consumer Price Index including owner-occupied housing costs (CPIH) annual rate for all items, January 1999 to June 2024

This graph shows the trend in the annual percentage change in the inflation rate since January 1999.



Source: [Office for National Statistics \(ONS\)](#)

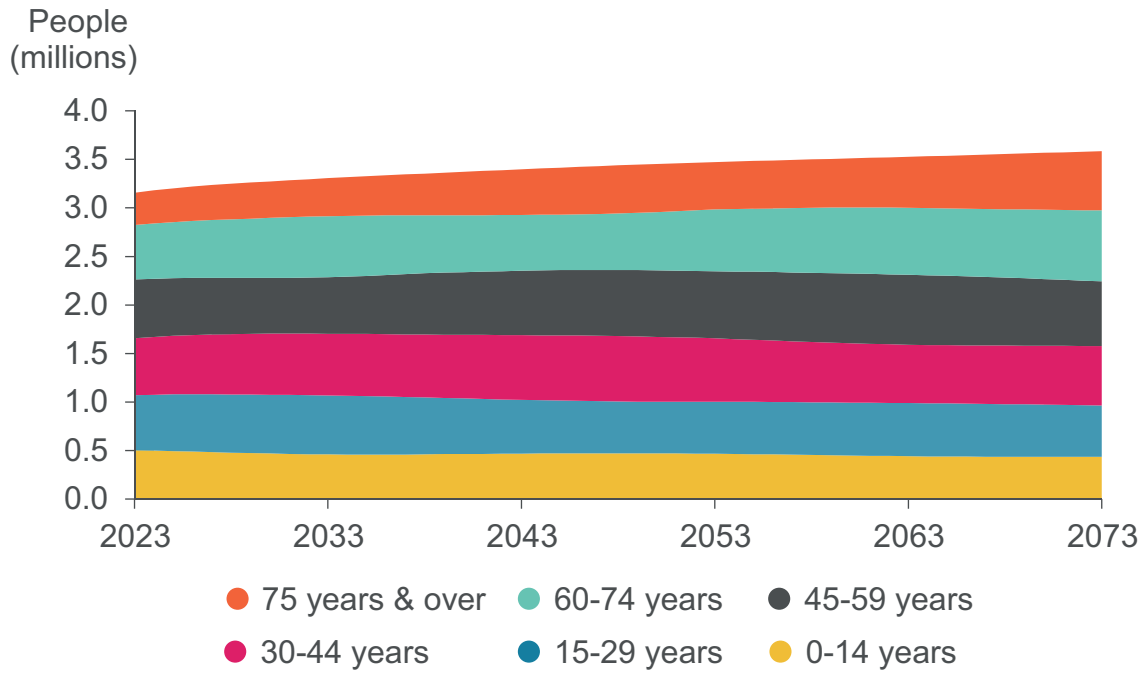
92 Councils faced the same pressures on their own spending as a result of rising prices, seeing large increases in energy costs, for example. So as many residents were looking to councils for additional support, councils themselves were under even greater financial pressure.

 **Social care**

93 Population projections indicate that life expectancy is expected to continue to increase, along with the proportion of older people in the population. This is likely to increase pressure on public services such as social care services (**Exhibit 10**).

Exhibit 10: Welsh national population projections, 2023 to 2073 (2021 based)

This shows the increase in the Welsh population between 2023 and 2073, broken down age categories.



Source: [ONS](#)

94 The increased demand for some service associated with an ageing population is also greater for some councils due to internal population movements. This can include young people moving to urban areas for work or education, but also older people moving to more rural or seaside areas for retirement. This can make it more difficult for councils to predict the demand for services.

- 95 Between January 2023 and June 2024, the number of adult residents receiving either residential or domiciliary care or reablement increased by 6.6% to 32,062.¹⁹ In recent years, spending on social care has accelerated due to increases in both demand and complexity. As shown in Exhibit 8, social care spending for children, adults, and older people has increased by 94%, 27%, and 31% respectively in real terms since 2008-09.
- 96 Later this year the Auditor General will publish findings following his review of emergency and urgent care flows from hospital and its impact on both councils and health boards.
- 97 Councils are responsible for caring for some children within their social care provision. Once a child has been in care for over 24 hours they are classed as Children Looked After (CLA). The number of CLA has gradually increased over time. By 2023, Welsh Government data showed that 7,210 CLA were cared for by councils – an increase of 79% since 2003.²⁰
- 98 A quarter of CLA in 2023 were housed in Wales but outside their council area, and a further 6.5% were housed outside of Wales altogether. Insufficient capacity can mean that councils incur extra costs as it is a competitive market with a finite number of placements. Placing children out of county can have a detrimental impact on those children as well as increasing costs for councils. We have heard anecdotally from councils that sudden, emergency placements can have significantly high costs – particularly in cases with complex needs.
- 99 The Welsh Government’s Programme for Government includes a commitment to remove profit from the CLA sector. As part of this policy²¹, it aims for fewer children to enter the care system and to restrict companies who can provide accommodation to those who are not-for-profit. We heard concerns from councils about the possible impact of the policy on capacity and costs. The Wales Centre for Public Policy (WCPP) has identified²² a range of potential implications of the policy, which are likely to impact on councils.

19 Welsh Government social care dashboard data

20 Welsh Government, [Children looked after at 31 March by local authority](#)

21 Welsh Government, [Removing profit from the care of children looked after](#), July 2024

22 WCPP, [Expert opinion on eliminating profit from the care of children looked after](#), May 2024



Housing

- 100 Councils have a range of housing and homelessness prevention duties. In real terms, despite spending from council revenue budgets²³ on housing decreasing by 21% since 2008-09, housing has been consistently the third largest spending area for councils after education.²⁴
- 101 Temporary accommodation is used to provide interim housing for residents facing homelessness. This can often take the form of hotels or hostels due to insufficient council-owned properties to meet demand. The costs of providing this accommodation can therefore also be subject to wider market competition. As of May 2024, 11,591 individuals were temporarily housed by councils in Wales, of which 3,003 were children.²⁵
- 102 This is a significant cost pressure that can be difficult to predict due to its sensitivity to the wider rental market and economy. In the year to August 2024, the ONS found that private monthly rents increased by 8.5% in Wales.²⁶ This followed changes to private rental regulations in December 2022 under the Housing (Wales) Act 2014. Both have been cited by council officers as adding additional pressure on their services, as well as increased costs in supporting residents in private rental properties.
- 103 The Auditor General is undertaking a local government study focused on temporary accommodation and plans to report on this early in 2025.



Education

- 104 In general, councils provide funding to individual schools, which then set a budget. These are known as delegated school budgets. Where schools have unspent funding, they can create reserves that are commonly referred to as 'school balances'. During fieldwork, we heard concerns about the impact of required savings and the resulting decrease in school balances. In 2023-24, school balances continued to reduce sharply to a total of £115 million nationally – equivalent to £253 per learner.²⁷ Consequently, 21% of schools held negative balances and required additional support from councils.

23 This excludes Housing Revenue Accounts (HRAs) where a council has retained its own housing stock.

24 This is partially due to social care classification by age.

25 Welsh Government, [Homeless individuals temporarily accommodated at the end of the period by local authority](#)

26 ONS, [Private rent and house prices. UK: September 2024](#)

27 Welsh Government, [Reserves held by schools in Wales at 31 March 2024](#)

- 105 Additional Learning Needs (ALNs), where a person has a learning difficulty or disability that requires additional support, is a key cost pressure for schools. The additional learning system was reformed following legislation in 2018. Changes have been phased in since 2021/22 with all school pupils in the new arrangements by 2025/26. The term 'ALN' has replaced the former term 'Special Educational Needs' (SEN) but the definition is essentially the same.
- 106 Since 2021, the proportion of students in council-funded schools has declined sharply. The proportion of students with SEN/ALNs halved from 22.6% to 11.2% between 2013/14 and 2023/24.²⁸ However, despite a fall in demand, costs have continued to increase. There is uncertainty over the cause of the reduction.
- 107 Net expenditure from delegated school budgets on ALN increased by 13.4% in real terms between 2013-14 and 2023-24. This formed a total of 4.8% delegated schools' net expenditure in 2023-24 – up from 4.3% in 2013-14.²⁹ Spending on ALN from council budgets has risen over the same period by 20.7%. This would support the view that despite a decline in the proportion of students identified with ALN, the costs and complexity of providing support to learners with ALN is a significant challenge for schools to meet. The Auditor General will review ALN as a future national study.
- 108 SEN costs are a key budget pressure for councils across the UK. For example, the UK Government has made 'safety valve' agreements with 38 councils since 2020-21 to support SEN services. This effectively 'writes-off' service deficits, subject to conditions agreed between the council and UK Government. No such arrangements are in place in Wales.
- 109 Councils have legal responsibilities over home to school transport for some learners. The assessment process and thresholds for providing transport are set out in law and primarily relate to the distance between home and the nearest suitable school. Learners entitled to these services cannot be charged. Councils can vary local policy to cover more students and can charge for this discretionary service, for example for transport to religious or Welsh-medium schools that are not the nearest suitable school. Councils net spending on home to school transport has grown by 25% between 2013-14 and 2023-24 in real terms.

28 Welsh Government, Schools' census results

29 Audit Wales analysis of Welsh Government, Education revenue outturn expenditure



Capital investment

- 110 Councils must balance capital investment to achieve objectives and service delivery alongside financial sustainability. Capital programmes can include the improving or building of assets, such as roads, office buildings, or schools.
- 111 As with revenue spending, councils can use different funding sources for their capital programme. Unlike revenue budgets, councils can also borrow money. Each borrowing source has distinct types and scales of risk, making active consideration and oversight of capital programmes critical for financial sustainability. Considering the revenue budget implications of capital investment is important in ensuring financial sustainability over the long-term.
- 112 We have recently added borrowing data to our local government data tool to add insight into this area. In cash terms, total borrowing between 2020-21 and 2022-23 grew slightly by 4% to total £6.3 billion. Borrowing varies in scale between councils, reflecting their capital programmes and risk appetite (**Table 4**).

Table 4: total council borrowing and as a percentage of net cost of services and usable reserves not restricted by law, 2023-24

Council	Total borrowing (£ millions)	Borrowing as a proportion of the net cost of services	Borrowing as a proportion of usable reserves not restricted by law
Blaenau Gwent*	190	107%	405%
Bridgend	122	33%	160%
Caerphilly	321	70%	239%
Cardiff	903	99%	596%
Carmarthenshire	413	82%	276%
Ceredigion	112	56%	221%
Conwy	250	84%	577%
Denbighshire*	232	107%	395%
Flintshire	339	93%	885%
Gwynedd	109	33%	93%
Isle of Anglesey	125	68%	323%

Council	Total borrowing (£ millions)	Borrowing as a proportion of the net cost of services	Borrowing as a proportion of usable reserves not restricted by law
Merthyr Tydfil*	127	89%	331%
Monmouthshire	180	85%	955%
Neath Port Talbot	272	68%	368%
Newport	190	52%	158%
Pembrokeshire	179	56%	221%
Powys	338	97%	487%
Rhondda Cynon Taf	288	43%	134%
Swansea	685	117%	435%
Torfaen	111	47%	272%
Vale of Glamorgan	150	43%	201%
Wrexham	522	158%	1419%

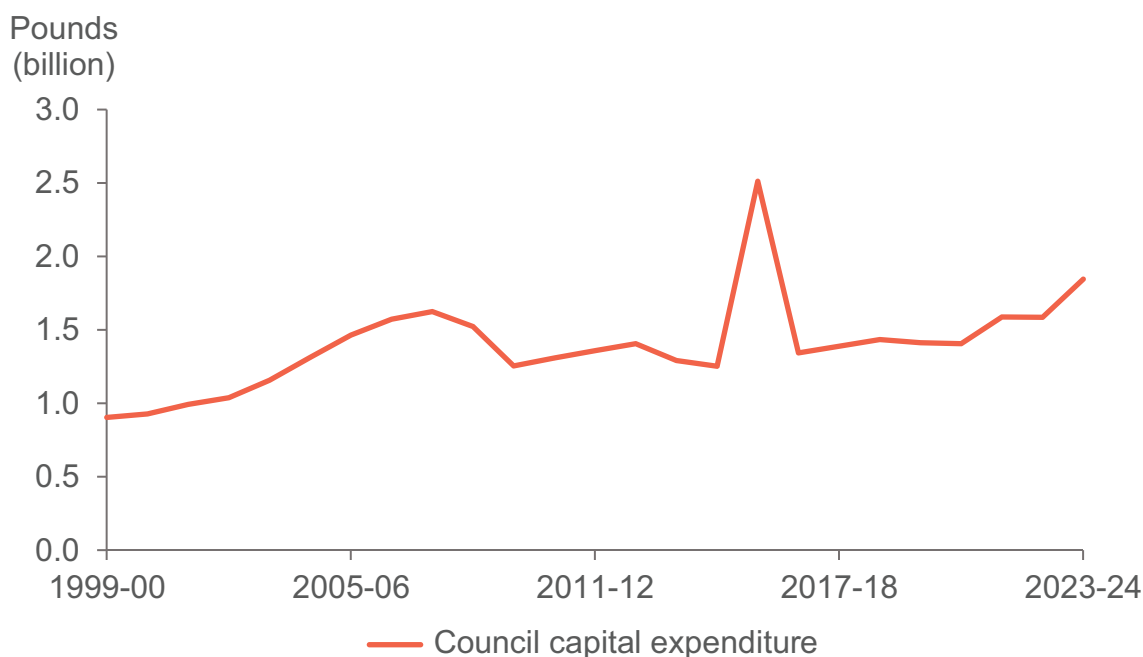
Source: Audit Wales analysis of unaudited accounts

Note: At the time of publication, not all 2023-24 accounts had been received. Consequently, 2022-23 figures have been used for Blaenau Gwent, Denbighshire, and Merthyr Tydfil.

113 Capital expenditure by councils has gradually increased in real terms to just over £1.8 billion in 2023-24. It has grown faster than revenue spending over the period since 1999-2000. The Auditor General will undertake a local government study focused on capital planning in 2024-25.

Exhibit 11: capital expenditure outturn by Welsh councils in real terms, 1999-2000 to 2023-24 (2023-24 prices)

This graph shows the trend in capital spending over time.



Source: Audit Wales analysis of Welsh Government, [Council capital outturn expenditure](#)

Note: 2015-16 appears inflated due to the Housing Revenue Account subsidy buyout, which had a real terms value of around £1.2 billion.



Environmental sustainability

- 114 Climate change and other environmental issues directly affect council spending in three main ways. Firstly, policy can require investment in response, such as the introduction of recycling targets. Council waste management spending has increased by 15% since 2008-09.
- 115 Secondly, it encourages councils to invest in infrastructure to reduce carbon emissions to meet the national net-zero target. As we previously outlined³⁰, there remains significant uncertainty in the ability of the public sector to meet this target and one key element of this is getting to grips with the finance needed.

³⁰ Audit Wales, [Public Sector Readiness for Net Zero Carbon by 2030](#), July 2022

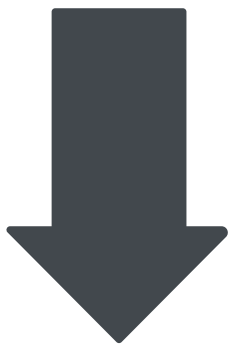
116 Thirdly, councils must react to the more frequent direct impacts of climate change. For example, Storms Ciara, Dennis, and Jorge in 2020 led to 3,120 domestic and non-domestic properties being flooded, leading to damage estimated at £81 million.³¹ As well as impacting the local economy, these events can require emergency responses, like emergency housing and support, in addition to addressing damage to council property. As the impact of climate change becomes more severe and frequent, the pressure on council finance is only likely to increase. This may increase the need for preventative spending, such as on flood defences.

31 Natural Resources Wales, [February 2020 Floods in Wales](#), October 2020

Financial sustainability on a page

Exhibit 12: financial sustainability graphic

This graphic shows the pressures on council financial sustainability and potential approaches to respond to them.



- Cumulative savings impact since 2008
- Growing demand and expectations
- Annual budget setting requirements
- Difficult decisions being required
- Issues beyond the control or influence of councils
- Finite reserves
- Feasibility of Council Tax rises



- Acceptance of the understood financial position
- A clear, communicated financial strategy
- Wide buy-in and support for the approach
- Realistic, long-term planned savings plans
- Clearly assessed and mitigated risk management
- An open dialogue for oversight
- Learning from elsewhere and together
- Meaningful application of the sustainable development principle

Source: Audit Wales

Our local reports

Exhibit 13: local financial sustainability reports issued by Audit Wales



Source: Audit Wales

Local report findings

In this section we set out our main and sub-conclusions from each of our local reports.

Blaenau Gwent County Borough Council

The Council has appropriate arrangements in place to support its financial sustainability, but these will only be effective if it works at pace to identify, approve and implement sufficient savings to reduce its medium-term funding gap in a sustainable way.

We found this because:

- although the Council's strategy for financial sustainability focuses on long term approaches, it has had to use reserves and consider less sustainable short-term savings options to meet the immediate financial challenge.
- the Council understands its medium-term financial position and the factors which influence it although there is some uncertainty over the longer term.
- clear responsibilities and informative budget monitoring reports support effective oversight of the Council's financial position but it's not clear how the Council's strategic approach to financial sustainability might impact local communities.

Bridgend County Borough Council

The Council understands its financial position with good arrangements to support its financial sustainability which it flexes and adapts but is at the early stage of developing its long-term approach.

We found this because:

- the Council is developing its longer-term approach to support its financial sustainability, which is underpinned by good arrangements to involve officers and councillors, but it has not identified how it will meet all its projected funding gap.
- the Council has a good understanding of its key budget pressures and key risks to its financial sustainability. The Council is taking action to address its budgetary pressures by introducing arrangements to manage and monitor individual risks and budget pressures.
- the Council has robust arrangements to ensure councillors are regularly informed of the Council's financial position and outlook, and for councillors to provide oversight and challenge. The Council is agile in changing its arrangements in response to increased risk to its financial sustainability.

Caerphilly County Borough Council

The Council understands its medium-term financial position and has a clear, but untested approach to improve its financial sustainability. However, its arrangements for reporting and oversight, and modelling of future service demands are limited.

We found this because:

- the Council has a clear strategic approach to improve its financial sustainability, but it has not identified how it will meet its medium-term funding gap. In the short-term, the Council has used reserves and temporary savings to meet its immediate financial challenge while it embeds its longer-term approach.
- the Council understands its medium-term financial position, but the modelling of future service demands is less well-developed, which could impact the accuracy of the identified budget gap.
- there is limited reporting, councillor oversight and scrutiny of the Council's financial position and its impact.

Cardiff Council

The Council has reasonable arrangements to support its financial sustainability with a clear understanding of its financial position and regular reporting to councillors but is in the early stages of developing its change programme to help it meet its significant funding gap.

We found this because:

- the Council is in the early stages of reviewing its service delivery and operating model, developing a change programme to improve its long-term financial sustainability.
- the Council has a clear understanding of its financial position and the scale of its future financial challenges, which it will use to underpin its change programme to meet these challenges.
- the Council has effective reporting arrangements to enable councillors to have oversight of the Council's financial position, but the Council does not always report clearly on the impacts of its financial decision-making.

Carmarthenshire County Council

The Council's embedded transformation approach provides a strategic framework to positively support its financial resilience.

We found this because:

- a combination of the Council's budget strategy, medium-term financial planning and embedded longer term transformation approach sets out a strategic framework for its long-term financial sustainability.
- the Council has a clear understanding of its key budget pressures and costs over the medium-term.
- the Council's financial reporting is clear but is not regularly integrated with reporting on delivery of its corporate objectives

Ceredigion County Council

The Council has arrangements in place to support its present financial sustainability but lacks a long-term strategy to support this.

We found this because:

- The Council has taken decisions to support its financial sustainability over the short to medium-term but does not have a comprehensive long-term financial strategy.
- The Council's Medium Term Financial Strategy is presented during the mid-point of the financial year to ensure early engagement with Members prior to detailed budget setting processes. Assumptions are updated during the budget setting process to provide an up-to-date assessment of likely budget requirements.
- Longer-term monitoring of the Council's financial sustainability is impacted by its lack of a long-term comprehensive financial strategy. There are arrangements in place however to support regular budgetary oversight through its current reporting.

Conwy County Borough Council

Although the Council has arrangements to support its financial sustainability these arrangements are not effective in addressing the scale of its budget gap and low reserves, which provide a significant risk to its long-term sustainability without transformational change.

We found this because:

- the Council has a clear and well-informed strategy which is communicated effectively, but the scale of the identified savings required and the low level of reserves puts its strategy at risk.
- the Council has a clear understanding of its financial position, which includes some service areas with rapidly expanding demand and cost.
- the Council has a range of reporting arrangements which allow scrutiny and assurance for councillors.

Denbighshire County Council

The Council engages well with councillors and officers when setting its budget but it currently lacks an approach to find sufficient savings or an implemented transformation plan to bridge its funding gap.

We found this because:

- the Council has a clear strategy for its medium-term financial sustainability, which is well communicated to councillors and officers, but has weaknesses in how it currently identifies efficiencies and is at an early stage of longer-term transformation.
- the Council's understanding of its financial position is clear, supported by assumptions and identified risks. The Council is aware that its recent use of reserves is unsustainable going forward.
- the Council needs to ensure that its scrutiny and monitoring arrangements provide clarity across the responsible Committees and will need to review the effectiveness of recently introduced reporting and tracking arrangements.

Flintshire County Council

The Council's arrangements do not provide assurance that it can identify strategic transformation in the short and medium-term of the scale required by its financial position. This, combined with its low level of reserves and spiralling costs in some service areas, puts the Council's financial sustainability at serious risk.

We found this because:

- although the Council has engaged councillors well, it has taken a short-term approach to detailed financial planning that has led to weaknesses in identifying and assessing savings, which it has not looked to address.
- the Council has a clear understanding of its financial position and pressures.
- the Council has good arrangements for regular and detailed reporting to councillors on its financial position, but these have been unable to impact its financial position.

Gwynedd Council

There was a significant increase in the number of Council departments overspending in the last two financial years, and it has developed arrangements to review its budgets. It is yet to set out how it will address future funding gaps.

- the Council is yet to implement a long-term strategy to support its financial sustainability.
- the Council's Medium-Term Financial Plan identifies likely financial gaps it will face over the next three years. However, it needs to develop and formalise arrangements to oversee its long-term sustainability – including progress in addressing its projected funding gap.

Isle of Anglesey County Council

The Council has good arrangements to respond to financial challenges in the short to medium term, but has not formalised the planning and oversight of its longer term financial sustainability.

- the Council has not formalised a strategy for its long-term financial sustainability.
- the Council understands its financial position over the short to medium term and has a track record of managing key budget pressures and has delivered services in line with its budget in each of the last five years.
- the Council has arrangements to support regular oversight of its financial sustainability over the short to medium term. However, it needs to develop and formalise arrangements to support oversight of its long-term financial sustainability.

Merthyr Tydfil County Borough Council

There are significant risks to the Council's financial sustainability as it does not currently have a plan to address its medium-term funding gap and does not have a long-term approach to improve its financial sustainability.

We found this because:

- the Council continues to take a short-term approach to addressing its financial position and lacks capacity at a senior officer level to develop a long-term approach to improve its financial sustainability.
- the Council has a good understanding of its service pressures and models reasonable assumptions to inform its budget, but it does not adjust its assumptions over the medium-term which could impact the accuracy of the identified budget gap.
- there is regular budget monitoring reporting to senior officers and senior councillors, but the Council does not report on delivering its savings and without a long-term financial approach it cannot monitor or report on its impact.

Monmouthshire County Council

Although the Council is developing a longer-term approach to financial planning, it is yet to identify how it will close its future funding gap. Given its low reserves levels, the Council will need to work at pace to implement its financial strategy and strengthen its financial resilience.

We found this because:

- although the Council's new financial strategy demonstrates its commitment to strengthening financial sustainability over the medium term, it currently lacks robust plans to close its identified funding gap.
- the Council has a clear understanding of its financial position and recognises the need to strengthen its use of data to better understand and mitigate longer-term cost pressures.
- the Council's reporting arrangements support clear and regular oversight of its current financial position, but reporting on the long-term impact of financial decisions is less well-developed.

Neath Port Talbot County Borough Council

The Council has arrangements in place to support its financial sustainability in the short term but lacks a documented longer-term financial strategy to support more transformative change and inform councillors' future spending decisions.

We found this because:

- the Council does not have a financial strategy to support its financial sustainability over the longer-term.
- the Council has a good understanding of its financial position.
- the Council's financial reporting arrangements support regular oversight of its in-year budget position but not its financial sustainability in the longer-term.

Newport City Council

The council has sound financial arrangements to support its financial sustainability, including a developing transformation plan and effective oversight arrangements, but it has not fully identified how it will close its budget gap over the medium and long-term.

We found this because:

- the Council does not have a fully developed long-term approach to support its financial sustainability. But there are sound arrangements to manage its short-term financial position.
- the Council has a good understanding of its current financial position and the key risks to its future financial sustainability.
- the Council's reporting arrangements support regular oversight of its financial position and risks. These provide a good foundation for oversight and scrutiny of the plan to enable the Council's long-term financial sustainability as it develops.

Pembrokeshire County Council

The Council has arrangements in place to support its financial position in the short-term but lacks a longer-term plan to close its identified funding gap.

We found this because:

- the Council does not have a longer-term strategic approach to secure its financial sustainability and close its identified funding gap.
- the Council has a good understanding of its financial position but overspends in key service departments since 2023 are challenging its financial sustainability.
- the Council's financial reporting arrangements support regular oversight of its in-year budget and savings positions and provide an update on its MTFP.

Powys County Council

The Council has not yet adopted a long-term approach to secure its financial sustainability, but is developing one.

We found this because:

- the Council has not yet adopted a long-term approach to secure its financial sustainability, but is developing one. The Council is finalising a long-term strategic transformation approach to secure its financial sustainability and close its identified funding gap.
- the Council's understanding of its future financial challenge is based on reasonable assumptions and a well-developed understanding of its short and medium-term pressures and risks.
- the Council's reporting arrangements support clear and regular oversight of its current financial position, but it does not report explicitly on the impact of its financial strategy on its corporate objectives nor on local communities.

Rhondda Cynon Taf County Borough Council

The Council has appropriate arrangements to support its financial sustainability which provides a platform to address longer term budget challenges.

We found this because:

- the Council has clear arrangements to manage its financial position in the short term and is developing transformation programmes to address recurring cost pressures, but has not yet modelled the collective impact these programmes will have on its budget gap over the medium to long term.
- the Council's approach is underpinned by a good understanding of its financial position and the factors which impact it, including recurring cost pressures in particular service areas.
- the Council provides regular reports to councillors to enable them to understand its financial position. However, the Council's reporting approach does not give councillors clear sight of the impact all budget decisions have had on services, local communities and the achievement of corporate objectives.

Swansea City and County Council

The Council has reasonable arrangements to support its financial sustainability, but there are weaknesses in the delivery and monitoring of the savings programme to support these.

We found this because:

- the Council is beginning to develop a long-term approach to improve financial sustainability through its transformation programme, supported by its Medium-Term Financial Plan, but progress delivering required savings has been slower than anticipated, presenting risks to the Council.
- the Council has a good understanding of its medium-term financial position, but the use of reserves in response to service overspend and risks around capital financing weaken its long-term financial sustainability.
- the Council has arrangements to regularly monitor its financial position, but it does not report progress with individual savings or fully identify the impact of savings proposals to enable effective oversight of its financial sustainability.

Torfaen County Borough Council

The Council has appropriate arrangements in place to support its financial sustainability and is focused on developing and implementing actions that will generate sufficient savings to address its identified budget funding gap in a timely and sustainable way.

We found this because:

- the Council has appropriate arrangements in place, with its identified funding gap in the short to medium term to be addressed by the strategic use of reserves and efficiency measures, and with actions in development to support its longer-term financial sustainability.
- the Council's financial strategy is supported by a clear understanding of its short to medium term financial position, although there is some uncertainty over the longer term.
- the Council regularly reports its financial position, enabling oversight by officers and councillors, and the Council has the opportunity to consider and report the impact of its financial strategy on communities through its annual delivery plan.

Vale of Glamorgan County Borough Council

Whilst having arrangements for the short to medium term, the Council lacks a long-term plan and regular assessments of the impact of decisions to support its long-term financial sustainability.

We found this because:

- the Council has arrangements in place to manage its financial resilience in the short to medium-term, but its longer-term approach is less certain due to being at an early stage in its transformation agenda.
- although the Council understands its financial position, a limited evidence base and a mixed track record in delivering savings means this understanding may be limited in depth and accuracy.
- the Council has clear arrangements for reporting its financial position, but this does not include an understanding of the impact of delivering on its objectives nor how it affects the longer-term.

Wrexham County Borough Council

The Council has identified significant financial pressures and does not yet have an agreed plan to meet the funding gap.

We found this because:

- whilst the Council is clear upon the magnitude and urgency of its financial challenges, it does not yet have a plan for sufficient savings or strategic approach to transform services to secure its medium-term financial sustainability.
- the Council has clear arrangements for managing its budget and financial savings.



Appendices

1 Audit approach and methods

1 Audit approach and methods

Audit objectives

Through this national summary and our local reports, our objectives were to:

- provide assurance that councils have proper arrangements to support their financial sustainability.
- explain how councils are managing with limited resources and the extent to which they assess the impact of their decisions on service delivery and citizens, now and in the future.
- using the national summary output, explain the extent to which councils are considering the sustainable development principle in their financial planning and decision making.
- using the national summary output, inspire improvement by citing examples of good practice in managing and promoting financial sustainability where appropriate.

Approach and scope

We used a system-orientated approach to examine arrangements to support financial sustainability in our local reports. For our national summary, we combined this with a problem-orientated approach to explore issues and their prevalence.

In preparing our approach, we met with the Society of Welsh Treasurers and the Welsh Government. We retained our independence throughout our work.

We completed our fieldwork locally between March and July 2024, which informed our national evidence gathering over the same period and further into August.

Locally, we reviewed each council's strategic approach to support its financial sustainability, its understanding of its current financial position, and its arrangements for reporting and oversight of its financial sustainability. We reviewed arrangements that each council has to support its financial sustainability. We did not review of each council's wider financial management or individual financial decisions.

Our audit criteria were based on our cumulative audit knowledge and drawing on publications produced by CIPFA.

Methods

In preparing this national summary, we compiled evidence and findings from our local reports that used the following methods:

- interviews – at each council we interviewed:
 - Chief Executive Officer
 - Section 151 officer
 - lead officer for transformation
 - leader of the council
 - cabinet lead for finance
- document review – we reviewed documents from each council including each Medium-Term Financial Plan (MTFP), financial strategies, financial reports, and committee minutes.
- data analysis – we analysed financial data, both publicly available and provided by councils. Where financial figures are presented in real terms, we have used June 2024 deflators issued by [HM Treasury](#) to account for the impact of inflation.



Audit Wales

1 Capital Quarter

Tyndall Street

Cardiff CF10 4BZ

Tel: 029 2032 0500

Textphone: 029 2032 0660

E-mail: info@audit.wales

Website: www.audit.wales

We welcome correspondence and telephone calls in Welsh and English.

Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.

This page is intentionally left blank

Meeting of:	GOVERNANCE AND AUDIT COMMITTEE
Date of Meeting:	30 JANUARY 2025
Report Title:	CORPORATE RISK ASSESSMENT
Report Owner / Corporate Director:	CHIEF OFFICER – FINANCE, HOUSING & CHANGE
Responsible Officer:	CARYS LORD CHIEF OFFICER – FINANCE, HOUSING AND CHANGE
Policy Framework and Procedure Rules:	There is no impact on the policy framework or procedure rules.
Executive Summary:	<ul style="list-style-type: none"> • The Corporate Risk Assessment is reviewed by the Governance and Audit Committee as part of the Council’s quarterly Corporate Performance Assessment framework. • The Corporate Risk Assessment has been considered and reviewed in consultation with Corporate Management Board. • All risks have been updated to reflect the current corporate risks being managed by the Authority.

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. The Terms of Reference of this committee require it to review, scrutinise and issue reports and recommendations on the appropriateness of the Council’s risk management, internal controls and corporate governance arrangements.
- 2.2 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.

3. Current situation / proposal

- 3.1 The Corporate Risk Assessment at **Appendix A** is aligned with the Council's Medium Term Financial Strategy and Corporate Plan and has been reviewed in consultation with the Corporate Management Board. The document identifies the main risks facing the Council together with 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.
- 3.2 There are 11 corporate risks identified on the register. The revised Assessment attached at **Appendix A** does not change the number however all the risks and narratives have been reviewed. It is proposed that the following changes are considered and approved.

Risk Number	Identified Risk	Proposed Change from May 2024
COR - 2019 - 02	The council is unable to deliver transformation and major service change, including projects and agreed financial savings	The title has been changed to include the delivery of major projects. The score has been increased to reflect the increased risk associated with the delivery of these changes within the resources and time available
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	The score has been increased to reflect the increasing pressure on capital resources which may reduce the work that the Council is able to fund in coming years
COM - 2020 - 01	Invigorating the economy and economic recovery following the cost of living crisis, and local issues such as the closure of businesses in the area.	The score has been increased to reflect the TATA closure and loss of 500 direct jobs to Bridgend based staff
EDFS - 2024 - 01	There is an increase in the financial fragility of schools in the Borough	The score has been increased to reflect the increasing pressures on individual school budgets

- 3.3 All of the risks on the corporate risk assessment are in the High category.
- 3.4 The presentation of the Corporate Risk Assessment has been reviewed to present the information in a more accessible format.

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.

9. Recommendation

- 9.1 It is recommended that:
- the Committee consider the Corporate Risk Assessment (Appendix A); and
 - the Committee agrees to the changes proposed in para 3.2 prior to submission of the Corporate Risk Assessment to Council for approval on 26 February.

Background documents

None

This page is intentionally left blank

Bridgend County Borough Council
Corporate Risk Assessment
January 2025

Risk Number	Identified Risk	Residual Risk Score	Direction of travel from previous report
COR - 2019 - 01	The council is unable to deliver a balanced budget and sustain services into the medium term	25	↔
COR - 2019 - 02	The council is unable to deliver transformation and major service change, including projects and agreed financial savings	20	↑
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	25	↑
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	20	↔
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	16	↔
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	20	↔
COR-2019-05	Important council services are compromised due to the failure of a key supplier	16	↔
COM - 2020 - 01	Invigorating the economy and economic recovery following the cost of living crisis, and local issues such as the closure of businesses in the area.	20	↑

SS- 2023- 01	Significant service pressures in the health and social care sectors could impact on the ability of services to support vulnerable individuals	25	↔
EDFS - 2024 - 01	There is an increase in the financial fragility of schools in the Borough	25	↑
COR -2024-01	There is a threat to business continuity if the Council is unable to procure and implement major ICT systems which support critical services such as a replacement system for Care Director (WCCIS) and the Capita One system for education.	20	↔

Identified Risk	The council is unable to deliver a balanced budget and sustain services into the medium term
Risk Number	COR - 2019 - 01
Consequences of Risk	<p>The Council has been making budget reductions since 2010 and identified revenue savings of £88m in that time. As a result, it is harder each year to identify and deliver ongoing budget reductions. Some difficult decisions to cut or reduce service levels have been made, but more must be made if the Council is to deliver the changes necessary to achieve a balanced budget. A failure to do so will result in the council being in breach of its legal responsibilities.</p> <p>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, with a challenging cash settlement predicted for the 2026-27 revenue budget. 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.</p> <p>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. Also, in more 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.</p>
Addressing the risk	<p>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 continued into 2023/2024 and 2024/2025. A 5 point action plan was implemented in 2023/2024 and has continued into 2024/2025. Elected members were all briefed on this position during the year. In setting the 2024/2025 budget, difficult decisions had to be made re budget savings and limited growth across the budget.</p>
Actions to be established	<p>Continuously review the assumptions built into the MTFS to promote multiyear forecasting and longer-term financial planning. Keep elected members informed of updated position and re-align MTFS as appropriate. A Revenue Monitoring Board has been established in 2024-25 to enable a regular review of spend against budget.</p> <p>The budget planning process for 2025/2026 has been started earlier, with discussion with members on possible scenarios to get early buy in to the direction of travel.</p>

	<p>For MTFS 2025-29, there will be 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.</p> <p>MTFS will consider longer term pressures and ensure these are fully considered beyond the life of the 4 year MTFS. 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.</p> <p>Work will be done to ensure that during the period of significant change, robust governance is maintained to ensure 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.</p> <p>In view of the finite and scarce resources it is important the Council makes the right decisions in terms of priorities and budget allocation to mitigate the biggest risks, being fully cognisant of the implications and also the opportunity cost of all budget decisions it makes.</p>
Risk Owner	CMB
Wellbeing Objective	All Wellbeing Objectives

Risk Score

	Likelihood	Impact	Total	Direction of travel since previous report
Raw Risk Score	5	5	25	
Residual Risk Score	5	5	25	↔

Identified Risk	The council is unable to deliver transformation and major service change, including projects and agreed financial savings
Risk Number	COR - 2019 - 02
Consequences of Risk	<p>If the council is unable to change the way that staff work, including new roles, collaborations and the acquisition of new skills, it will be unsuccessful in delivering service transformation, which will lead to it not meeting its commitments within available budgets. Of particular importance here are the actions required to tackle service change to meet financial pressures and external requirements such as the Climate Emergency, the delivery of the universal free school meal offer, the Sustainable Communities for Learning Programme, and the process to bring some service back under the direct management of the Council, such as waste and grass cutting services. The consequences of which will have a detrimental impact on all areas of the Borough.</p> <p>Our ability to have the amount of resource and expertise to implement significant transformation programmes is compromised 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</p>
Addressing the risk	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
Actions to be established	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. The Council will need to consider investment in this area to ensure change is well planned and implemented in the coming years.
Risk Owner	CMB

Wellbeing Objective	All Wellbeing Objectives
----------------------------	--------------------------

Risk Score

	Likelihood	Impact	Total	Direction of travel since previous report
Raw Risk Score	5	5	25	
Residual Risk Score	4	5	20	↑

Identified Risk	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
Risk Number	CEX- 2019-01
Consequences of Risk	<p>If the council does not have sufficient capital to maintain, improve and replace its infrastructure, including roads, streetlights, school buildings and technology then they will deteriorate bringing safety and financial 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.</p> <p>Due to reduced capital finance, the Council will have to prioritise more effectively and there is a risk of reduced investment in important infrastructure moving forward.</p>
Addressing the risk	<p>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 thereby reducing competition. The procurement process has been reviewed to reduce the number of returned tenders that exceed the budget available.</p>
Actions to be established	<p>The Council will continue to seek external and match funding for projects where possible, to maximise its capital programme spending capability. Where feasible the capital earmarked reserve will be replenished to mitigate the decline in available and potential new capital funds, 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.</p> <p>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.</p>

Risk Owner	CMB
Wellbeing Objective	All Wellbeing Objectives

Risk Score

	Likelihood	Impact	Total	Direction of travel since previous report
Raw Risk Score	5	5	25	
Residual Risk Score	5	5	25	↑

Identified Risk	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 and homeless individuals
Risk Number	SS-2019-01
Consequences of Risk	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 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. Significant work has been done to strengthen staff teams in the past year. 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
Addressing the risk	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. The over reliance on agency staff has been reduced as a consequence of this work.
Actions to be established	The 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

Risk Owner	CMB
Wellbeing Objective	A County Borough where we protect our most vulnerable

Risk Score

	Likelihood	Impact	Total	Direction of travel since previous report
Raw Risk Score	4	5	20	
Residual Risk Score	4	5	20	↔

Identified Risk	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
Risk Number	COR-2019-03
Consequences of Risk	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. 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
Addressing the risk	<p>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). Training is being provided to staff who will be involved in any civil emergency activity, and this is updated on a regular basis. 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.</p> <p>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 include the installation of patches. Security awareness training is provided to all employees. The council has responded swiftly and appropriately to the increased risk posed by increased reliance on ICT and the network. A number of changes have been made that has helped to mitigate the increased risk. This has included the procurement and implementation of a data centre refresh project which was completed in April 2024. 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.</p>
Actions to be established	<p>Ongoing work on resilience and business continuity will help mitigate the risks but keeping the Council services running effectively becomes more challenging.</p> <p>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.</p>
Risk Owner	CMB
Wellbeing Objective	All Well-Being Objectives

Risk Score

	Likelihood	Impact	Total	Direction of travel since previous report
Raw Risk Score	4	5	20	
Residual Risk Score	4	4	16	↔

Identified Risk	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
Risk Number	COR-2019 - 04
Consequences of Risk	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. In some service areas a reduced workforce may result in the service being unable to meet all of its statutory duties
Addressing the risk	<p>There remain recruitment difficulties in key areas of the organisation. This is being seen at a regional and national level and therefore is not unique to BCBC. Measures have been implemented to seek to mitigate and treat the risks including the use of the market supplement policy and further development of international recruitment. Use of agency staff continues to be high in certain areas and direct work is being undertaken to improve this position.</p> <p>The impact of the vacancies is evident in certain services, with additional pressure and demands being placed on those staff in post.</p> <p>There are impacts on the organisation's ability to deliver its objectives and continued frustration among the public and elected members about the pace of some responses and action.</p>
Actions to be established	<p>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.</p> <p>Action plans are in place and being developed to address challenges in the Social Services and Wellbeing Directorate</p>
Risk Owner	CMB
Wellbeing Objective	All Wellbeing Objectives

Risk Score

	Likelihood	Impact	Total	Direction of travel since previous report

Raw Risk Score	4	5	20	
Residual Risk Score	4	5	20	↔

Identified Risk	Important council services are compromised due to the failure of a key supplier
Risk Number	COR-2019-05
Consequences of Risk	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.
Addressing the risk	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 work with providers to ensure an early dialogue when services are under pressure to work towards an agreed outcome.
Actions to be established	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 in social care and housing services.
Risk Owner	CMB
Wellbeing Objective	All Wellbeing Objectives

Risk Score

	Likelihood	Impact	Total	Direction of travel since previous report
Raw Risk Score	4	4	16	

Residual Risk Score	4	4	16	↔
---------------------	---	---	----	---

Identified Risk	Invigorating the economy and economic recovery following the cost of living crisis, and local issues such as the closure of businesses in the area
Risk Number	COM - 2020 - 01
Consequences of Risk	<p>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, reduced payment of Council Tax and business rates and a corresponding increase for other relevant Council advice and support services. Many 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.</p> <p>The closure of TATA, and the consequential impact on the supply chain, is likely to impact in the Bridgend area going forward</p>
Addressing the risk	The Council is 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 rates relief.
Actions to be established	Support the aims set out by the 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.
Risk Owner	CMB / Economic Recovery Panel
Wellbeing Objective	All Wellbeing Objectives

Risk Score

	Likelihood	Impact	Total	Direction of travel since previous report

Raw Risk Score	5	4	20	
Residual Risk Score	5	4	20	↑

Identified Risk	Significant service pressures in the health and social care sectors could impact on the ability of services to support vulnerable individuals
Risk Number	SS- 2023- 01
Consequences of Risk	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.
Addressing the risk	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
Actions to be established	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.
Risk Owner	CMB
Wellbeing Objective	All wellbeing objectives

Risk Score

	Likelihood	Impact	Total	Direction of travel
Raw Risk Score	5	5	25	
Residual Risk Score	5	5	25	↔

Identified Risk	There is an increase in the financial fragility of schools in the Borough
Risk Number	EDFS - 2024 - 01
Consequences of Risk	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 financial 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
Addressing the risk	School governors are responsible for monitoring and reporting school finance positions. 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. Schools are supported with the development and monitoring of individual school budgets by the central finance team
Actions to be established	Further work to be done with schools to understand the impact on any budget reductions on individual schools
Risk Owner	CMB
Wellbeing Objective	All wellbeing objectives

Risk Score

	Likelihood	Impact	Total	Direction of travel
Raw Risk Score	5	5	25	
Residual Risk Score	5	5	25	↑

Identified Risk	There is a threat to business continuity if the Council is unable to procure and implement major ICT systems which support critical services such as a replacement system for Care Director (WCCIS) and the Capita One system for education.
Risk Number	COR -2024-01
Consequences of Risk	<p>In social care the failure to procure and implement a new system by January 2026 will result in the Council having to rely on an unsupported database or a complex interim solution. Operating social care case management and safeguarding services without a functional system is not a safe or viable option. Without a system, the Council cannot fulfil its statutory safeguarding obligations and there is a risk to life of children and adults at risk of failing to do so. Failure to secure a new system increases risk to data security, regulatory compliance, system performance and functionality and workforce retention and recruitment. Without a fully supported case management system in place staff will lose core functionality such as the ease and speed at which current data and information is interrogated and monitored. Effective use of data and information sharing has been a learning theme in many child and adult practice reviews. The financial risks to the local authority from the system change are also significant. There is currently no budget identified to support the resource implications of changing system.</p> <p>Within education, the Capita One system will provide a single comprehensive record for each child which supports the Authority to manage education efficiently by connecting data securely resulting in more informed decisions and early intervention.</p>
Addressing the risk	<p>The Council is working with:</p> <ul style="list-style-type: none"> - ADSS Cymru, WLGA and national programme to progress national approach to contingency planning, procurement strategy, data migration and scoring resources from Welsh Government via a clear business case - the Cwm Taf Morgannwg Region Councils and the Vale of Glamorgan have formed a regional consortium to manage evaluation and implementation of a new supplier. - a national or regional approach to procurement will enable better market management and should secure better value for money. - the WCCIS Regional Team provide some capacity to support system change. -BCBC have formed a cross directorate group to provide governance within the Council. <p>Education is working with schools and the ICT Service to implement the system</p>
Actions to be established	Welsh Government to confirm funding allocation for Councils to support the Connecting Care Project.

	The national Connecting Care Programme to confirm if a single tender procurement on behalf of all Local Authority users is feasible. Contingency plan to be confirmed.
Risk Owner	CMB
Wellbeing Objective	All wellbeing objectives

Risk Score

	Likelihood	Impact	Total	Direction of travel
Raw Risk Score	5	5	25	
Residual Risk Score	4	5	20	↔

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

Agenda Item 7

Meeting of:	GOVERNANCE AND AUDIT COMMITTEE
Date of Meeting:	30 JANUARY 2025
Report Title:	TREASURY MANAGEMENT STRATEGY 2025-26
Report Owner / Corporate Director:	CHIEF OFFICER – FINANCE, HOUSING AND CHANGE
Responsible Officer:	NIGEL SMITH, GROUP MANAGER – CHIEF ACCOUNTANT
Policy Framework and Procedure Rules:	Paragraph 23.3 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 23.8 of the FPRs sets the Governance and Audit Committee’s responsibility to ensure the effective scrutiny of the Treasury Management policies and practices.
Executive Summary:	<ul style="list-style-type: none"> • The Treasury Management Strategy 2025-26 (TMS) incorporates the Borrowing Strategy, Investment Strategy and Treasury Management Indicators. • The role of the Governance and Audit Committee is to ensure effective scrutiny of the TMS and the associated performance indicators. • 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. • Council is required to approve the TMS in advance of the financial year. The TMS will be presented to Council on 26 February 2025.

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 2025-26, which includes the:
- Borrowing Strategy 2025-26
 - Treasury Investment Strategy 2025-26
 - Treasury Management Indicators for the period 2025-26 to 2027-28.

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, 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 26 February 2025. 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 2025-26 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. Interest rates were at a peak of 5.25% in August 2024 but reduced to 5% in November 2024 and dropped again in December to its current rate of 4.75%.
- 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 20 November 2024, and the anticipated use of earmarked reserves at that time. It is possible 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. 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 Council has been able to use reserves to support its capital expenditure, known as internal borrowing. 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 2025-26 will be presented to Council for approval on 26 February 2025 and, whilst the main body of the TMS will remain unchanged, the tables will be updated to reflect the latest forecast capital programme as at end quarter 3 (31 December 2024) 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 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 2025-26; and
- Recommend that the final updated Treasury Management Strategy, reflecting the latest financial information available as at 31 December 2024, be presented to Council for approval on 26 February 2025.

Background documents

None



Treasury Management Strategy 2025-26



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 held primarily for financial returns, such as commercial property portfolios. 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 TMS 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:

A number of factors will affect the UK economy during 2025-26, including the government's Autumn Budget, slower interest rate cuts, modestly weaker economic growth over the medium term, together with the impact from President-elect Trump's second term in office and uncertainties around US domestic and foreign policy. It is too early to predict what impacts these may have, and the economy will be a factor in treasury decisions during the year. Interest rate reductions are expected during the year and at its meeting in November 2024 the Bank of England's (BoE) Monetary Policy Committee reduced Bank Rate to 4.75% and maintained this rate at its December meeting.

The impact on the UK from the government's Autumn Budget, slower expected interest rate cuts, a short-term boost to but modestly weaker economic growth over the medium term, together with the impact from President-elect Trump's second term in office and uncertainties around US domestic and foreign policy, will be major influences on the Authority's treasury management strategy for 2025-26.

The November quarterly Monetary Policy Report expected Gross Domestic Product (GDP) growth to pick up to around 1.75% (four-quarter GDP) in the early period of the BoE's forecast horizon before falling back. The impact from the Budget pushes GDP higher in 2025 than was expected in the previous Monetary Policy Report, before becoming weaker. Current GDP growth was shown to be zero (0.0%) between July and September 2024 and 0.4% between April and June 2024, a further downward

revision from the 0.5% rate previously reported by the Office for National Statistics (ONS).

ONS figures reported the annual Consumer Price Index (CPI) inflation rate at 2.6% in November 2024, up from 2.3% in the previous month and in line with expectations. Core CPI (excludes volatile prices such as food and energy) also rose, but by more than expected, to 3.6% against a forecast of 3.5% and 3.3% in the previous month. The outlook for CPI inflation in the November Monetary Policy Report showed it rising above the Monetary Policy Committee's 2% target from 2024 into 2025 and reaching around 2.75% by the middle of the calendar year 2025. This represents a modest near-term increase due to the ongoing impacts from higher interest rates, the Autumn Budget, and a projected margin of economic slack. Over the medium-term, once these pressures ease, inflation is expected to stabilise around the 2% target.

The labour market appears to be easing slowly, but the data still require treating with some caution. The latest figures reported the unemployment rate rose to 4.3% in the three months to October 2024 and economic inactivity fell to 21.7%. Pay growth for the same period was reported at 5.2% for both regular earnings (excluding bonuses) and for total earnings. Looking ahead, the Bank of England Monetary Policy Report showed the unemployment rate is expected to increase modestly, rising to around 4.5%, the assumed medium-term equilibrium unemployment rate, by the end of the forecast horizon (end 2027).

The US Federal Reserve has continued cutting interest rates, bringing down the Fed Funds Rate by 0.25% at its December 2024 monetary policy meeting to a range of 4.25%-4.50%, marking the third consecutive reduction. Further interest rate cuts are expected, but uncertainties around the potential inflationary impact of incoming President Trump's policies may muddy the waters in terms of the pace and magnitude of further rate reductions. Moreover, the US economy continues to expand at a decent pace, rising at an (upwardly revised) annual rate of 3.1% in the third quarter of 2024, and inflation remains elevated suggesting that monetary policy may need to remain more restrictive in the coming months than had previously been anticipated.

Euro zone inflation rose above the European Central Bank (ECB) 2% target in November 2024, hitting 2.2% as was widely expected and a further increase from 2% in the previous month. Despite the rise, the ECB continued its rate cutting cycle and reduced its three key policy rates by 0.25% in December. Inflation is expected to rise further in the short term, but then fall back towards the 2% target during 2025, with the ECB remaining committed to maintaining rates at levels consistent with bringing inflation to target, but without suggesting a specific path.

Credit outlook:

Credit Default Swap (CDS) prices have typically followed a general trend downwards during 2024, reflecting a relatively more stable financial period compared to the previous year. Improved credit conditions in 2024 have also led to greater convergence in CDS prices between ringfenced (retail) and non-ringfenced (investment) banking entities again.

Higher interest rates can lead to a deterioration in banks' asset quality through increased loan defaults and volatility in the value of capital investments. Fortunately, the rapid interest rate hikes during this monetary tightening cycle, while putting some strain on households and corporate borrowers, has not caused a rise in defaults, and banks have fared better than expected to date, buoyed by strong capital positions. Low unemployment and robust wage growth have also limited the number of problem loans, all of which are positive in terms of creditworthiness.

Moreover, while a potential easing of US financial regulations under a Donald Trump Presidency may aid their banks' competitiveness compared to institutions in the UK and other regions, it is unlikely there will be any material impact on the underlying creditworthiness of the institutions on the counterparty list maintained by Arlingclose, the authority's treasury adviser. Overall, the institutions on the 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:

The Authority's treasury management adviser, Arlingclose, forecasts that The Bank of England's Monetary Policy Committee will continue reducing rates through 2025, taking it to around 3.75% by the end of the 2025-26 financial year. The effect from the Autumn Budget on economic growth and inflation has reduced previous expectations in terms of the pace of rate cuts as well as pushing up the rate at the end of the loosening cycle.

Arlingclose expects long-term gilt yields to remain broadly at current levels on average (amid continued volatility), but to end the forecast period modestly lower compared to now. Yields will continue remain relatively higher than in the past, due to quantitative tightening and significant bond supply. As ever, there will be short-term volatility due to economic and (geo)political uncertainty and events. A more detailed economic and interest rate forecast provided by Arlingclose is in Appendix 1.

3.0 EXTERNAL DEBT AND INVESTMENT POSITION

At 30 September 2024, the Council held £99.58 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 £2.71 million of Salix interest-free loans on a repayment basis. In addition, the Council had £45 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 2024

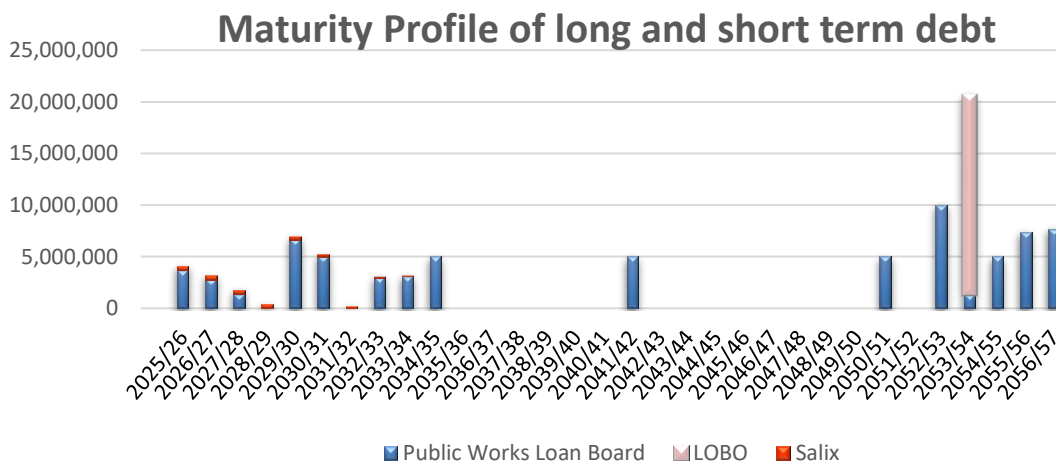
	Principal as at 30 September 2024 £m	Average Rate 30 September 2024 %
External Long Term Borrowing		
Public Works Loan Board	77.62	4.70
Lender's Option Borrower's Option	19.25	4.65
Salix Loan's (interest Free)	2.71	NIL
Total External Long Term Borrowing	99.58	4.69*
Other Long Term Liabilities		
Private Finance Initiative**	12.47	
Other Long Term Liabilities	2.85	
Total Other Long Term Liabilities	15.32	
Total Gross Debt	114.90	
Treasury Investments		
Local Authorities	20.00	5.65
Banks	6.5	3.63
Money Market Funds (instant access)	18.50	5.00
Total Treasury Investments	45.00	5.09
Net Debt	69.90	

* Excludes Salix loans which are interest free

** the provision of a Secondary School in Maesteg with a remaining term to 30 September 2033

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 debt



This chart shows that the Council has a good spread of maturing loan dates so that there is no single year where the Council would need to repay or refinance a high loan value.

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 2024 Actual £m	31 March 2025 Estimate £m	31 March 2026 Estimate £m	31 March 2027 Estimate £m	31 March 2028 Estimate £m
Capital Financing Requirement	175.72	185.47	191.38	191.66	190.39
Less: Other Debt Liabilities	(12.97)	(14.98)	(13.74)	(12.42)	(11.12)
Loans Capital Finance Requirement	162.75	170.49	177.64	179.24	179.27
Less: External Borrowing	(104.61)	(93.71)	(89.69)	(86.58)	(84.87)
Internal Borrowing	58.14	76.78	87.95	92.66	94.40
Less: Balance Sheet Resources	(128.35)	(93.50)	(60.01)	(56.75)	(56.52)
Add: Liquidity allowance	10.00	10.00	10.00	10.00	10.00
(Investments)/New Borrowing Requirement	(60.21)	(6.71)	37.94	45.91	47.88

Other Debit Liabilities include the PFI Maesteg School scheme and other leases required to be recognised as a liability. International Financial Reporting Standard 16 (IFRS16) became effective 1 April 2024 and requires that leases previously expensed through expenditure are now recognised as a right of use asset with an equal value liability, where the lease is longer than 12 months and not insignificant. The balance as at 31 March 2025 includes £3 million of leases included as a result of the impact of IFRS16.

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.

Any surplus borrowing 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. Short term interest rates are currently higher than in the recent past but are expected to fall in the coming year and it is therefore likely to be more cost effective over the medium term to either use internal resources, or to borrow short term. This strategy is prudent as the Council has resources in the short term it can use and 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. It is anticipated that the Council may need to consider borrowing during 2025-26, 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. Current forecasts for financing the capital programme estimate the use of £19.016 million of earmarked reserves and £11.455 of capital receipts. As internal resources are used borrowing will become necessary. Accurate forecasting of capital schemes within the Capital Programme is essential to provide robust information on which to base borrowing decisions. A number of schemes within the capital programme 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. The funding of a new school in Bridgend is likely to require debt financing of £14.4 million, which, given the likely use of reserves within the current capital programme, will likely require new borrowing to be taken out. If any of these change and long-term borrowing is not required during 2025-26, it may still be necessary to borrow short term to manage the Council's day-to-day cash flow requirements.

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

The liability benchmark is a measure of how well the existing loans portfolio matches the Council's planned borrowing needs. The Council's liability benchmark is shown at Chart 2 below. The purpose of the liability benchmark is to compare the Council's existing loans outstanding (the sum of the blue- and orange-coloured sections) against its future need for loan debt – the liability benchmark, which is the brown line on the chart. Where the line is above the blue- and orange-coloured sections, this identifies a need for the Council to borrow to fund its capital expenditure, and where the brown line falls below the blue and orange sections, the Council holds more debt than it needs, and will be able to invest surplus funds. 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 based on current borrowing levels, the Council's future borrowing will be below the liability benchmark, indicating a future need to borrow to fund capital expenditure. Currently the Council is using internal reserves in the short-term to fund capital expenditure, known as internal borrowing. It should be noted that the use of reserves 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

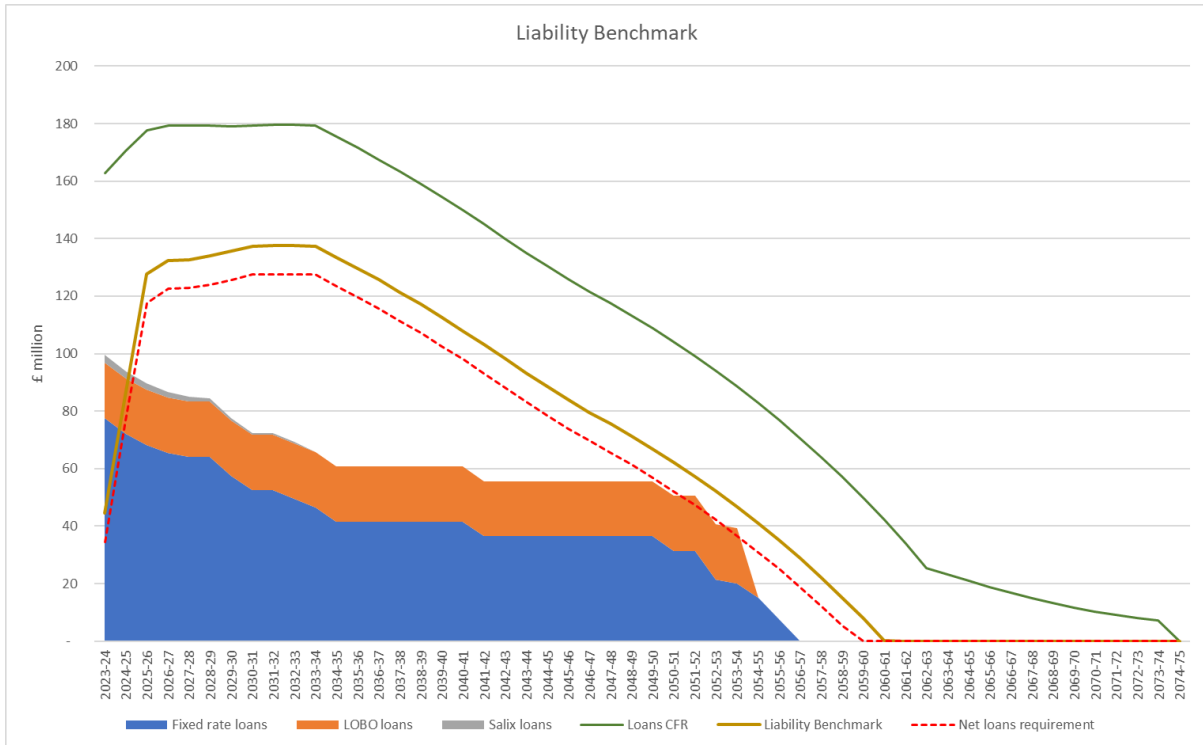
	31 March 2024 Actual £m	31 March 2025 Estimate £m	31 March 2026 Estimate £m	31 March 2027 Estimate £m	31 March 2028 Estimate £m
Loans Capital Financing Requirement	162.75	170.50	177.64	179.24	179.27
Less: Balance Sheet resources	(128.35)	(93.50)	(60.01)	(56.75)	(56.52)
Net Loans Requirement	34.40	77.00	117.63	122.49	122.75
Add: Liquidity allowance	10.00	10.00	10.00	10.00	10.00
Liability Benchmark	44.40	87.00	127.63	132.49	132.75
Borrowing	104.61	93.71	89.69	86.58	84.87

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 using an annuity method.

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

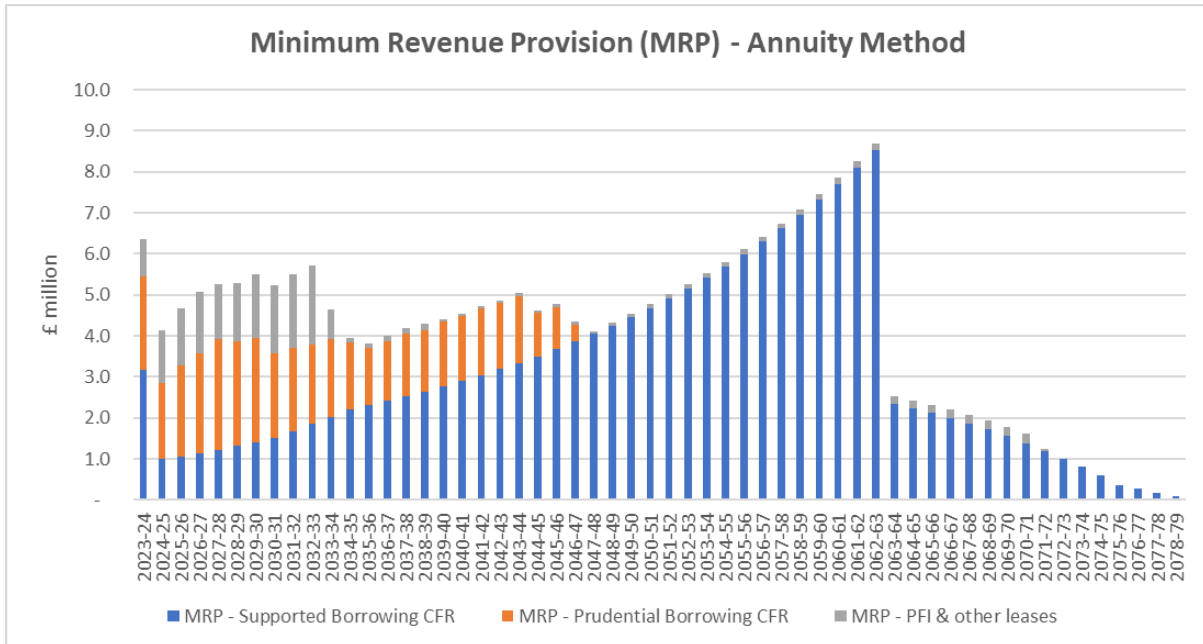
Chart 2: Liability Benchmark



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). Council approved a change to the method for calculating MRP at its October meeting, from a straight-line basis to an annuity basis. The impact of this is to reduce the amount of MRP set aside in earlier years, increasing annually. This can be considered more prudent as it will consider the effect of the time value of money, in that £1 today is worth more than £1 in a year’s time. Based on existing schemes within the Capital Programme cumulative MRP 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, and other leases under IFRS16. Any new capital schemes funded by debt added during the year will result in additional MRP. The current forecast MRP, PFI and other leases 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

As noted in the introduction a key element of Treasury Management is the management of borrowing and the effective control of risks, including those associated with borrowing. The Capital Strategy sets out the Council’s intention to fund capital expenditure through borrowing. Any decisions in relation to the Capital Strategy have to properly take account of stewardship, value for money, prudence, sustainability and affordability. The CIPFA Prudential Code for Capital Finance sets out clearly that it is not prudent for authorities to borrow primarily for financial return, and the Public Works Loan Board requires that an authority’s Section 151 Officer must confirm when seeking borrowing from them that there is no planned capital expenditure on investment assets primarily for financial return in the current and following 2 financial years. It is not considered prudent for authorities to invest in commercial activities and any borrowing must only be for the purposes of service investment.

Borrowing may be taken in advance of need for cash if it is to reduce financing costs as a result of lower interest rates. However, the Council would seek advice from its treasury advisors before considering any long-term borrowing, irrespective of when that might be considered. Based on the liability benchmark it is likely that the Council will consider more short-term borrowing if needed for a period of up to 18 months, rather than much longer term borrowing during 2025-26. However, any borrowing decisions will be taken in consultation with the Council’s treasury advisors.

At 30 September 2024 the Council held £99.58 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** forecasting a new borrowing requirement in 2025-

26 of £38 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. It should be noted that the borrowing in Table 4 is borrowing need compared to current borrowing, not incremental need. The incremental borrowing in 2026-27 is £7.97 million to bring the total borrowing need compared to current level to £45.91 million.

Table 4: New Borrowing

	31 March 24 Actual £m	31 March 25 Estimate £m	31 March 26 Estimate £m	31 March 27 Actual £m	31 March 28 Actual £m
New Borrowing	0.00	0.00	37.94	45.91	47.88

The requirement to borrow will need to 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. There is a lot of uncertainty around the requirement for new borrowing, mainly due to the volatility surrounding financial reserves and working capital.

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 2025-26 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 2025-26 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. Short-term interest rates are currently higher than in the recent past but are expected to fall in the coming year and it is therefore likely to be more cost effective over the medium-term to either use internal resources, or to borrow 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:

Table 5: Value of maturing debt

	2025-26 £ million	2026-27 £ million	2027-28 £ million
Value of maturing debt	5.580	3.709	2.790

The Council can arrange forward starting loans during 2025-26 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)
- National Wealth Fund Ltd (formerly 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
- retail investors via a regulated peer-to-peer platform

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 2025-26 being in July and January each year. With interest rates having risen recently, there is an increasing chance that lenders

will exercise their options, therefore 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. The upper and lower limits on the maturity structure of borrowing are:

Table 6: Treasury Management Indicator Maturity Structure of Borrowing 2025-26

Refinancing rate risk indicator Maturity structure of borrowing 2025-26	Upper limit	Lower limit	Forecast amount at 1 April 2025 £'M	Forecast at 1 April %
Under 12 months	50%	0%	23.36	25%
12 months and within 24 months	25%	0%	3.18	3%
24 months and within 5 years	25%	0%	9.14	10%
5 years and within 10 years	40%	0%	16.74	18%
10 years and within 20 years	50%	0%	5.00	5%
20 years and above	60%	25%	36.39	39%

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 2024-25 the Council's investment balances were £50 million at the start of the year and were £45 million at 30 September 2024, although they may reduce further by 31 March 2025. This is based on an assumption regarding the use of earmarked reserves and capital receipts in the final quarter of 2024-25 and does not make any provision for any additional funding received from Welsh Government to 31 March 2025. It is anticipated that the Council's investment balances in 2025-26 will range between £25 million to £40 million with an average investment rate of between 4.0% and 5.0%, 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. In line with the CIPFA Prudential Code and recent changes to the rules for accessing PWLB borrowing, the Council will not consider any further investment opportunities purely for financial reward. As at 30 September 2024, the Council held investment properties valued at £4.990 million, with an expected return of £0.459 million per annum excluding any vacant or rent-free periods, providing a return of approximately 9.20%. This is a slightly higher percentage return expected than for 2024-25 which is expected to be 7.87%, this is due to the total property fair value - or the estimated current market value of the assets - having decreased from £5.845 to £4.990 million (see Table 11). This return is still favourable and, in reviewing these assets, given the low proportion of their value as compared to total assets the Council holds, is not considered unreasonable. The lessees are responsible for maintenance of these assets.

Both the CIPFA Treasury Management in the Public Services: Code of Practice (2021) 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 during 2025-26, 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 2024 was with Local Authorities (LAs), Money Market Funds (MMF) and Banks. The Council will continue to look at investment options in line with the limits detailed below.

Short-term interest rates have started to reduce from the peak reached in August 2023 with the first reduction in August 2024. Interest rates are expected to further reduce during 2025. There is some variation between long-term and short term rates and the Council will continue to strike a balance between short and long term investments as appropriate. Due consideration will 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.'

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](#) back 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 2024. 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 will seek to act with integrity,
- 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, secured deposits 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. Town

and Community Councils have the ability to borrow from PWLB subject to Welsh Government borrowing approval and further guidance is available for Town and Community Councils here:

<https://www.gov.wales/borrowing-approvals-guidance-community-and-town-councils-html#:~:text=A%20borrowing%20approval%20is%20issued,amount%20which%20may%20be%20borrowed>

Other Investments: These are loans, bonds and commercial paper issued by companies that are not covered above, for example unsecured corporate bonds and unsecured loans. 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 can be either withdrawn after a notice period or sold on an exchange, 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.

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, unless the counterparty is a local authority,
- 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	£3m
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	2025-26 £m	2026-27 £m	2027-28 £m	No fixed date £m
Limit on principal invested beyond financial year end	10	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 £10 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 25% of the maximum average amount of investments that the Council anticipates having at any one point in time in 2025-26 of £40 million. However, if it was in line with the lowest average amount of investments it expects would be held, it would be 50%.

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.

The Council has to set out its strategy for managing interest rate risk with such indicators as are appropriate. The Council holds a total of £71.90 million borrowing at fixed interest rates, including Salix loans which are interest free but are a small proportion of the Council's total debt, and £8.73 million of loans repayable within 1 year, and so are considered variable interest rate debt although the interest rate on the loan is fixed. The remainder is PWLB loans due after 1 year at fixed rates, with a weighted average rate of 4.74%. As these are fixed rates any change in rate will not affect the level of interest payable. Fixed borrowing accounts for 72% of the Council's borrowing (excluding other long-term liabilities) as at 30 September 2024.

The Council's variable rate borrowing is the LOBO's, at a current rate of 4.65%. Should interest rates rise above this rate then it is likely the lender will increase rates on these loans. The Council may have the opportunity to repay the loans without penalty, however it would also need to replace the loans with other finance, which would likely also be at a higher interest rate. It is anticipated that the lender will not 'call' these loans during 2025-26 and therefore there will not be a change in the interest rate applied.

The Council generally invests any surplus funds for less than 1 year. Whilst the interest rates of investments with other local authorities and PWLB (DMO) are fixed for the duration of the investment, any investment for less than 1 year is considered as

variable rate as they would likely be replaced with an investment at a different rate. Money Market Funds and some bank account holdings are variable interest.

The following Table sets out the potential impact of a 1% rise or fall in interest rates based on investments at 30 September 2024 and assumes a full year impact.

Table 10: Treasury Management Indicator Interest Rate Exposures

Interest rate risk indicator	£'000
One year revenue impact of a 1% rise in interest rates	(0.132)
One year revenue impact of a 1% fall in interest rates	0.324

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 at fixed rates.

The Council will seek to minimise any borrowing costs and maximise investment income and the impact of any interest rate changes as far as resources and capacity allow. However, where investments are short duration of less than 1 year, the Council will be unlikely to be able to limit the impact of any rate changes. When seeking borrowing the Council will explore the most cost-effective options for the duration needed.

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.

Non-treasury investments	Fair Value £'000
Bridgend Science Park - Units 1 & 2	3,170
Waterton Cross Land	560
Brynmenyn Industrial Estate Plot 53	675
Village Farm Plots 32,119 & 120	385
Tyrewise Bridgend	200
Total	4,990

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. The value of these investments has decreased from £5.845 million at 31 March 2023 to £4.990 million as at 31 March 2024. 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

Borrower	£'000
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 will end 31 March 2025 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 2025-26 as standard in line with the requirements of the Code of Practice:

- Annual Treasury Management Strategy
- Mid-Year Treasury Monitoring Report, including:
- Mid-year Prudential Indicator performance
- Annual Treasury Outturn Report

Responsibility for the implementation and regular monitoring the implementation of the Treasury Management function is delegated to the Cabinet, who will receive the following reports:

- Annual Treasury Management Strategy
- Quarterly Treasury Monitoring Report, including:
- Quarterly Prudential Indicator performance
- Annual Treasury Outturn Report

The Chief Officer – Finance, Housing and Change (the Council's Section 151 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, Housing 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, Housing 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 council has recently re-tendered its contract and has remained with Arlingclose for a period of 4 years commencing 1 September 2024. 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 2025, 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 2025-26.

The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Chief Officer – Finance, Housing 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	F3	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-	B+	
		B		B2			B	
		B-		B3			B-	
	Vulnerable	CCC+	C	Caa1		C	CCC+	C
		CCC		Caa2			CCC	
		CCC-		Caa3			CCC-	
		CC		Ca			CC	
	C			C				
Defaulting	D	D	C		D	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 – (as per November 2024)

Underlying assumptions:

- As expected, the Bank of England Monetary Policy Committee (MPC) cut Bank Rate to 4.75% in November in an 8-1 vote. However, the outlook for monetary policy has changed following the new government's fiscal plans, as delivered in the recent Budget.
- The Budget contained measures that will boost demand, in a constrained supply environment, while pushing up direct costs for employers. The short to medium-term inflationary effects of the Budget require a change to our Interest Rate Forecast.
- UK GDP recovered well in H1 2024 from technical recession, but underlying growth appears relatively subdued. However, the Budget will significantly boost government spending over the short-term, with few offsetting measures to subdue household demand, so GDP growth is likely to rise relatively steeply.
- Private sector wage growth has eased to 4.8% yet remains high, while services inflation continues to hold above pre-pandemic levels. The increase in employers' NICs, minimum and public sector wage levels could have wide ranging impacts on private sector employment demand and costs, but the near-term impact will likely be inflationary as these additional costs get passed to consumers.
- CPI inflation was below the 2% target in September but will rise a little by year-end as energy price declines from the previous year fall out of the annual comparison. The Bank of England (BoE) estimates the Budget impact will see the CPI rate at 2.7% by year end 2025 and remain over target in 2026, as opposed to the prior projection of inflation easing back to and then below target by this point.
- The MPC re-emphasised the gradual move to easing monetary policy, and we now believe the Budget measures have both reduced the pace of Bank Rate cuts and increased the low for this loosening cycle (although downside risks remain in the medium term).
- The increase in borrowing, rise in inflation and shallower path for Bank Rate projected by the Office for Budget Responsibility (OBR) raised gilt yields. The material change in rate expectations means that yields will be generally higher in the post-Budget world.

Forecast:

- In line with our forecast, Bank Rate was cut to 4.75% in November 2024.
- The MPC will continue to lower Bank Rate to reduce the restrictiveness of monetary policy, but more slowly and to a higher level. We see another rate cut in February 2025, followed by one cut per quarter, in line with Monetary Policy Report publication, to a low of 3.75%.
- Long-term gilt yields have risen to reflect both UK and US economic, monetary and fiscal policy expectations, and increases in bond supply. Volatility is likely to remain elevated as the market digests incoming data for clues around the impact of policy changes.
- This uncertainty may also necessitate more frequent changes to our forecast than has been the case recently.
- Upside risks to inflation over the next 12 months could limit the extent of monetary easing, but we see the risks as broadly balanced over the medium term.

	Current	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27
Official Bank Rate													
Upside risk	0.00	0.00	0.25	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Central Case	4.75	4.75	4.50	4.25	4.00	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Downside risk	0.00	0.00	-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75
3-month money market rate													
Upside risk	0.00	0.00	0.25	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Central Case	4.95	4.80	4.60	4.35	4.10	3.90	3.85	3.85	3.85	3.85	3.85	3.85	3.85
Downside risk	0.00	0.00	-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75
5yr gilt yield													
Upside risk	0.00	0.60	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	4.30	4.20	4.10	4.05	3.95	3.90	3.90	3.90	3.95	4.00	4.05	4.05	4.05
Downside risk	0.00	-0.40	-0.50	-0.60	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65
10yr gilt yield													
Upside risk	0.00	0.60	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	4.41	4.40	4.35	4.35	4.35	4.30	4.30	4.30	4.35	4.35	4.35	4.35	4.35
Downside risk	0.00	-0.40	-0.50	-0.60	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65
20yr gilt yield													
Upside risk	0.00	0.60	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	4.84	4.80	4.75	4.70	4.65	4.65	4.65	4.65	4.65	4.65	4.65	4.65	4.65
Downside risk	0.00	-0.40	-0.50	-0.60	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65
50yr gilt yield													
Upside risk	0.00	0.60	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	4.35	4.50	4.45	4.40	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35
Downside risk	0.00	-0.40	-0.50	-0.60	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65



Agenda Item 8

Meeting of:	GOVERNANCE AND AUDIT COMMITTEE
Date of Meeting:	30 JANUARY 2025
Report Title:	STATEMENT OF ACCOUNTS 2023-24 LESSONS LEARNED
Report Owner / Corporate Director:	CHIEF OFFICER – FINANCE, HOUSING & CHANGE
Responsible Officer:	NIGEL SMITH GROUP MANAGER – CHIEF ACCOUNTANT
Policy Framework and Procedure Rules:	There is no impact on the Policy Framework and Procedure Rules
Executive Summary:	<ul style="list-style-type: none"> • The Council’s Statement of Accounts 2023-24 was approved by the Governance and Audit Committee on 28 November 2024, and approved by the Auditor General for Wales on 29 November 2024. • Following Audit Wales’ report on the audit of the accounts, the Committee requested a report on ‘lessons learned’ from the audit. • In anticipation of the 2024-25 audit, and to improve processes further, a workshop will be held with finance colleagues in due course to feedback from the 2023-24 audit. • The 2024-25 audited Statement of Accounts will require approval by the Governance and Audit Committee by 31 October 2025 to meet the publication deadline.

1. Purpose of Report

- 1.1 The purpose of the report is to present to the Governance and Audit Committee the lessons learned following the completion of the audit of the 2023-24 Statement of Accounts.

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’.

2.2 The draft Statement of Accounts were passed to Audit Wales on 17 July 2024 and presented to the Governance and Audit Committee on 26 September 2024. During the audit a number of amendments were identified, as set out in Audit Wales' Audit of Accounts Report, which was presented to the Governance and Audit Committee on 28 November 2024. These are summarised below.

The following errors were not corrected due to the timing of approving the Statement of Accounts and the Auditor General for Wales' signing of the audit report:

- The draft 2023-24 Cardiff Capital Region City Deal (CCRCD) accounts were not made available until mid-November. As a result the Council's draft financial statements did not include these figures. Due to the late receipt of the 2023-24 CCRCD draft accounts, the decision was taken to not amend the Council's accounts to include its share of the CCRCD accounts due to the complexity and time required to incorporate those figures into the Council's own accounts.
- A payment in advance was incorrectly classified within short term creditors at the year end.
- A duplicate asset was recorded on the asset valuations and the Council's asset register.

The cumulative effect of these was not material to affect the auditor's view that the Statement of Accounts presented a true and fair view of the Council's income and expenditure for the year, or the assets and liabilities at the balance sheet date.

A number of misstatements were corrected:

- Restatement between cash and cash equivalents and bank overdraft.
- A number of classification amendments including grants (note 11), employee banding disclosure (note 15), short-term borrowings initially included as long-term and between current and non-current financial assets (note 31).
- Corrections to a number of notes including related party transactions (Note 19), Pensions Liabilities disclosures (note 30), amortised cost figures for borrowings and investments, Salix Loan amounts and debtors (note 31).
- Disclosure of a contingent liability in relation to Reinforced Autoclaved Aerated Concrete (RAAC) and the Bridgend Indoor Market.
- Updating the CCRCD 2022-23 draft figures originally included in the Council's 2022-23 Statement of Accounts to reflect the final CCRCD accounts figures.
- A number of narrative and presentational amendments.

2.3 Audit Wales made one recommendation:

- The Council should consider fully utilising the Asset Management System (CIPFA's Fixed Asset Register) to better support its valuation work, to improve the maintenance of base data and enhance its record keeping. It was noted that currently asset revaluations are calculated in a spreadsheet and manually input into the AMS as a year-end exercise.

2.4 The audited accounts were presented to the Governance and Audit Committee on 28 November 2024, and the audit certificate signed by the Auditor General for Wales on 29 November 2024. The Statement of Accounts received an unqualified report.

3. Current situation / proposal

- 3.1 The Finance Team always strive to ensure that the draft Statement of Accounts are presented as accurately as possible notwithstanding the complexity of the document. The team will usually amend all errors that are identified during the course of the audit and a number of amendments were made. However, as noted in paragraph 2.2. three errors were not corrected. This was primarily due to the corrections necessary affecting all of the finance statements and the time needed to amend them. The errors did not have a material effect. The approval and audit timelines were very tight and the decision was taken that the errors were not material to affect the overall true and fair view of the presented Statement of Accounts.
- 3.2 The Finance Team already have in place a number of processes to assist in the Statement of Accounts preparation which will continue for the audit of the 2024-25 accounts:
- In advance of the closing of accounts process, a detailed closing pack is prepared and circulated to finance teams and others with a direct link to the preparation of the accounts, and individual teams also maintain closing task lists to ensure completion of all necessary tasks. The Closing Pack is prepared and shared with the Finance Team in advance of the closing period to give sufficient time for any queries and uncertainties to be resolved. Once agreed it is also shared with Audit Wales.
 - All finance staff complete a schedule of availability during the closing and audit timeframe, to ensure availability of staff at key points during the process, and to enable the audit team to enable effective planning of audit work.
 - A new process for sharing information and queries by the audit team was put in place for the 2023-24 audit, the Inflow information exchange system, which was found to be very good in monitoring queries and responses and assessing progress during the audit. The system worked well and will be further streamlined for the 2024-25 audit.
 - Meetings are in place to discuss both the outcomes of the 2023-24 audit and to begin planning for the 2024-25 audit, well in advance of the year end.
 - The preparation of the final Statement of Accounts has been automated as much as possible, reducing the potential for errors and providing a more efficient process. Any opportunities to further automate processes will be explored and implemented where possible.
 - The draft accounts are reviewed by senior officers prior to submission to the Governance and Audit Committee and Audit Wales, to minimise the likelihood of errors in the accounts, including casting and presentational errors as well as cross-checking notes to the core statements.
 - Weekly meetings are held with the audit team during the audit to monitor progress and to discuss any issues as they arise, ensuring a prompt resolution of queries raised.
- 3.3 A workshop will be held with key staff within the Finance Team in readiness for the preparation of the 2024-25 Statement of Accounts. The workshop provides feedback on the audit of the previous year's accounts, the items identified above, and the timeliness for completing the current year's accounts. Staff are given the opportunity to raise any questions around the process and detail of the accounts at this time.

3.4 The consolidation of the Cardiff Capital Region City Deal accounts into Bridgend's own Statement of Accounts is reliant upon the City Deal's accounts being available early in the process. This is outside the control of the Council and therefore, as was the case with the 2023-24 Statements, agreement will be sought with Audit Wales to adopt the same approach in the current year as last, that is, to provide a non-consolidated account in the first instance and consolidate the City Deal figures as soon as they are available. This will enable the audit to progress rather than waiting until the consolidated accounts are completed. Discussions will be held at Section 151 Officer level with the City Deal office to secure as early provision of the draft accounts as possible to enable consolidation at an early stage of the accounts/audit process.

3.5 Discussions are taking place with Corporate Landlord colleagues in relation to the implementation of Audit Wales recommendation regarding the AMS. This will not be possible for the 2024-25 accounts, due to the limited time available until year end, but it is hoped that progress can be made in readiness for the 2025-26 accounts.

3.6 A feedback and planning meeting was held with Audit Wales in January, the outcome of which was the following:

Positive aspects of the process identified were:

- The use of the Inflow information exchange software.
- Turnaround of information and responses to queries was generally good.
- Regular update meetings to agree progress.

Some areas where improvements could be made:

- The provision of information for a small number of areas could be improved.
- Some working papers were difficult to follow through.
- Cut-off issue in relation to one accrual – additional cut-off testing will need to be undertaken.

3.7 Officers and Audit Wales are keen to continue to improve the audit process and will work collaboratively to ensure as effective a process as possible. Meetings will be put in place to monitor progress and raise any concerns early so that they can be promptly dealt with. Audit Wales also intend to undertake some interim audit work which will help facilitate an earlier audit completion, the deadline for the audit completion for the 2024-25 accounts being 31 October 2025, one month earlier than it was for the 2023-24 accounts.

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 There are no financial implications as a result of this report.

9. Recommendation

9.1 It is recommended that the Governance and Audit Committee notes the report.

Background documents

None

This page is intentionally left blank

Meeting of:	GOVERNANCE AND AUDIT COMMITTEE
Date of Meeting:	30 JANUARY 2025
Report Title:	CORPORATE COMPLAINTS
Report Owner / Corporate Director:	CHIEF OFFICER – FINANCE, HOUSING AND CHANGE
Responsible Officer:	PHILIP O'BRIEN GROUP MANAGER – TRANSFORMATION, CUSTOMER SERVICES AND PARTNERSHIPS
Policy Framework and Procedure Rules:	There is no impact on the policy framework or procedure rules
Executive Summary:	This report provide an update following a review of how Stage 1 and Stage 2 corporate complaints are recorded and reported corporately (excluding complaints relating to Social Services)

1. Purpose of Report

- 1.1 The purpose of this report is to provide an update to the Governance and Audit Committee on the current process and a proposal on the way all corporate complaints will be monitored, recorded and reported going forward.

2. Background

- 2.1 A report was presented to the Governance and Audit Committee on 9th September 2021 to note the Authority's corporate complaints process and to determine whether the Committee wished to make any recommendations in relation to the Authority's ability to handle complaints effectively.
- 2.2 The recommendation from this Committee was to set up a Working Party to ensure all complaints are monitored and recorded accurately to ensure complaints were not being under recorded.
- 2.3 A small Working Party was established consisting of the Corporate Complaints team and the digital platform design team to explore opportunities for using a single system to record all complaints.
- 2.4 A further meeting was held with each Directorate's Business Manager to review the way complaints are currently being monitored and recorded. Each Directorate already has an established process in place that is bespoke to each Directorate, to record and report on complaints received. Nevertheless, there is close collaboration between each Directorate and with the Authority's central complaint function managed by the Information Team within Legal Services, to ensure that any

Directorate complaint escalated through the corporate complaints procedure is managed centrally.

- 2.5 Schools are their own data controllers for the purposes of the Data Protection Act 2018 and therefore manage and retain this data themselves. However, complaints received from schools are recorded centrally by the Education and Family Support Directorate.
- 2.6 During the discussion, it was evident that significant development would be required to change current operational processes within each Directorate in order to develop a single system to record all complaints across the Council.
- 2.7 A further report was submitted to Governance and Audit Committee on 1st June 2023 where it was agreed that all complaints data would be collated centrally to present to the Committee on an annual basis, without the need to develop a single corporate complaints computerised system.

3. Current situation/ proposal

- 3.1 Following an internal audit of the corporate complaints process, a report was produced in July 2024 with the following recommendations:
 - In line with the Council's commitment to dealing effectively with complaints and concerns, it should be a mandatory requirement for all officers who are responsible for complaint handling to complete the Corporate Complaints e-learning module.
 - To achieve consistencies in approach, and to ensure complete and accurate data is collated and recorded for reporting purposes, documented procedures should be created for the Information Team.
 - Further efforts should be made to deal with complaints and respond to customers within target dates. Where persistent underperformance and non-compliance is identified, targeted training for complaint handlers should be considered.
 - In order to capture valuable data for the purpose of internal analysis and potential service improvement, the importance of recording information in relation to lessons learned, regardless of the outcome of the complaint, is communicated to key stakeholders including complaint handlers.
 - Processes that enable customers to log compliments should be established with guidance available online via the Council website.
 - To allow effective monitoring of Corporate Complaints across the Authority, regular performance information should be provided to senior management / Corporate Management Board (CMB) in line with arrangements agreed with Governance and Audit Committee. Consideration should be made to:
 - incorporating data already reported to Public Services Ombudsman for Wales into the process
 - the addition of complaints related performance indicators into the Corporate Plan Delivery Plan if considered appropriate by Corporate Overview Scrutiny Committee
- 3.2 The contract for the digital platform was renewed in April 2024 and the new contract included an annual customer experience consultancy review where the digital provider Granicus would undertake a process review to develop a new way of working

by designing a custom solution to improve customer engagement and drive efficiency. In light of the recent internal audit, it was decided to revisit the corporate complaints process to explore the possibility of developing a central complaints process and system.

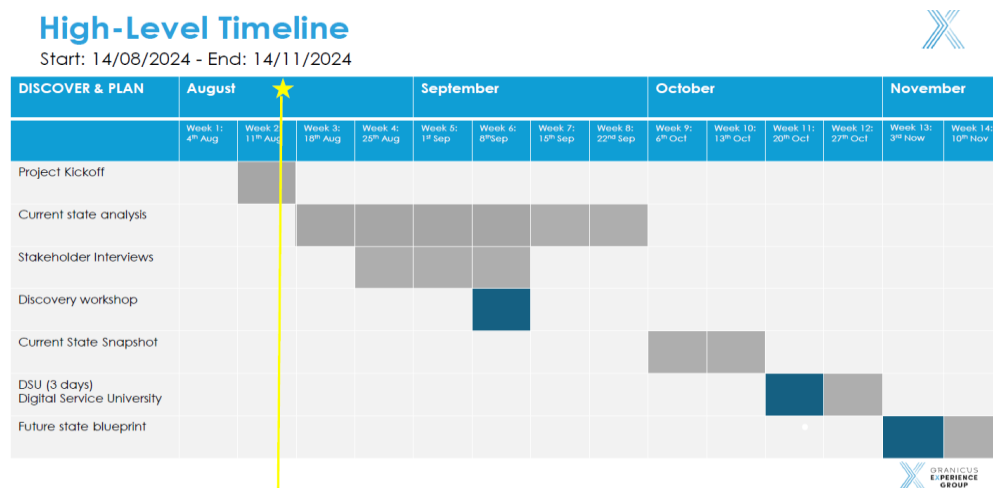
3.3 Due to Social Services complaints being dealt with under different procedures, it was agreed with the central Information team that the review would focus on corporate complaints relating to the other Directorates initially.

3.4 A review of the current corporate complaint system and process commenced in August 2024 and included:

- Two hour discovery workshop
- Stakeholder interviews
- A current state analysis including the mapping of the customer journey and other experience and performance data
- Weekly status reviews meeting to monitor progress
- A 3-day in-person workshop to review process and develop a blueprint, including future state mapping

Based on the analysis of the current complaints received, this review consisted of Officers across the Authority from a variety of service areas including the central Information team, transformation and customer service teams, Education, Highways, Planning, Waste and Recycling and Parks and Green Spaces.

The timeline for the review is shown below:



3.5 Following the review, a new way of working and system will be developed to improve the current process and system, as well as address the recommendations identified in the recent audit, namely:

- Ensure all complaint handlers have undertaken the Corporate Complaints e-learning module prior to be set up on the system to respond to complaints
- Develop a consistent way of working to collate, record and report complaints and compliments as well as documenting working procedures to support all Officers involved in the complaint's process
- Improve the process for customers to make both complaints and compliments
- Incorporate an improved triage and escalation process

- Incorporate both Stage 1 and Stage 2 complaints within the same system
 - Improve customer feedback and communication
 - Automate elements of the process where possible to streamline whole process from beginning to end
 - Develop the process to ensure all feedback is captured and recorded, including whether the complaint was upheld or not, and any steps taken in relation to lessons learnt
 - Review and develop relevant monitoring reports.
- 3.6 Whilst most of the Audit's recommendations have been addressed by the central Information team, the recommendations will also be considered as part of the new system build to ensure consistency. This will ensure full audit compliance will be adhered to without relying on Officers to manually undertake certain tasks.
- 3.7 There is currently confusion over what a complaint is, so the new process and system will also be built to adhere to the complaint definition which was agreed as part of the review by the working group:
- Failure of service. The service has had the opportunity to rectify but didn't do what they said they would do;
 - Policy or legislation has not been followed;
 - A complaint can be made within six months of the customer becoming aware of the issue;
 - Inappropriate behaviour of a member of staff.
- 3.8 The new process will be incorporated within the the Customer Relationship Management (CRM) system that is in use in Customer Services for recording customer service requests. A robust reporting tool would also need to be developed to ensure sets of data could be provided to various bodies, including the Public Services Ombudsman for Wales (quarterly), ensuring all reports provided the relevant information for each.
- 3.9 As the new corporate complaints process will be incorporated within the existing CRM system, it will have the functionality to allow customers to log complaints themselves, as well as enable BCBC staff to enter any complaints from residents who choose to contact us across other channels such as the telephone and in writing. The new system will include an improved communication mechanism to ensure customers are kept updated on the progress of their complaint automatically.
- 3.10 Developing the new process and system will also enable the complaints data to be analysed as a means of identifying potential areas for improvement and from this to establish areas for further learning and development. This will include:
- Issues that have arisen more than once
 - Complaints regarding systems or control that have resulted in changes being made
 - Complaints raised about services that have resulted in change
 - Lessons learned from complaints received
- 3.11 A new project team group will be established in January 2025 to consist of Officers across the organisation to start scoping the development project. Therefore a timeline to develop this solution is yet to be established and will depend on the

complexity of the process based on individual service needs, however it is envisaged that the project will likely take approximately 5-6 months.

- 3.12 Once the new system has been built, tested and gone live with corporate complaints, there will also be further opportunities to look at expanding it to include Social Services' complaints, Freedom of Information and Subject Access Requests, so all information is held within the one system.

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 Well-being of Future Generations (Wales) Act 2015 were considered in the preparation of this report. The monitoring of corporate complaints and the successful resolution of those complaints is consistent with the five ways of working within the Act as it supports the provision of high quality and more effective services to the public across all service areas. In addition, it enables each service to focus on areas of concern, to improve services and to monitor performance, ensure that any trends are identified and dealt with to be avoided in the future and to ensure that complaints are dealt with consistently and fairly across all service areas.

By managing complaints effectively through to successful resolution, this assists in the achievement of the following corporate well-being objectives:

- A County Borough where we protect our most vulnerable
- A County Borough where we help people meet their potential
- 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

6. Climate Change Implications

- 6.1 Reviewing, improving and streamlining business processes is important to help protect and sustain the environment over the long term and in line with our climate change ambitions.

7. Safeguarding and Corporate Parent Implications

- 7.1 All complaints received where there is safeguarding concern will be managed under Bridgend County Borough Council's Safeguarding Policy. This will safeguard and promote the wellbeing of children, young people and adults at risk of abuse or neglect

and to ensure that effective practices are in place throughout the Council and its commissioned services.

8. Financial Implications

- 8.1 There are no financial implications arising out of this report as the system will be developed using current resources and will be reviewed as part of the corporate approach to transformation.

9. Recommendation

- 9.1 The Committee is recommended to note the recent review of the corporate complaints process and the upcoming development of a new process and digital solution.

Background documents

None

Meeting of:	GOVERNANCE AND AUDIT COMMITTEE
Date of Meeting:	30 JANUARY 2025
Report Title:	GLOBAL INTERNAL AUDIT STANDARDS (GIAS) PRESENTATION
Report Owner / Corporate Director:	CHIEF OFFICER – FINANCE, HOUSING & CHANGE
Responsible Officer:	ANDREW WATHAN HEAD OF REGIONAL INTERNAL AUDIT SERVICE
Policy Framework and Procedure Rules:	The proposals in this report are in accordance with the policy framework and budget.
Executive Summary:	<ul style="list-style-type: none"> • The Global Internal Audit Standards (GIAS) replace the Public Sector Internal Audit Standards • The GIAS become effective in the public sector on 1st April 2025 • All reference to the Standards within Internal Audit documentation will need to be updated • The Standards have 5 Domains, 15 Principles, 52 Standards <p>Key changes:</p> <ul style="list-style-type: none"> • A ‘mandate’ for internal audit; in local government, internal audit’s primary mandate comes from statutory regulations • An internal audit strategy • Professional courage and professional scepticism • Internal Audit plans support the achievement of organisation’s objectives.

1. Purpose of Report

- 1.1 The purpose of the report is to provide members of the Committee with a presentation on the new Global Internal Audit Standards.

2. Background

- 2.1 From 1 April 2025 internal audit teams in the public sector will be working to new internal audit standards. These will be a combination of the Global Internal Audit Standards (GIAS) and CIPFA's Application Note, Global Internal Audit Standards in the UK Public Sector. The consultation on the Application Note closed at the end of October, and it is anticipated that the final version will be published before April.
- 2.2 The Global Internal Audit Standards will replace the Public Sector Internal Audit Standards, all reference to which within Internal Audit documentation will need to be updated, in particular, the Internal Audit Charter. Much of the day-to-day practice of undertaking audit engagements will not change, the team will need to make sure those engagements fulfil the new standards. Reports, plans and charters will need to be updated to reflect the standards.
- 2.3 As the Internal Audit team currently fully conforms with the Public Sector Internal Audit Standards (PSIAS) it should have most of the practices it needs. There are some additional requirements, and CIPFA's Application Note should help with those. But time will still be needed to make the transition and build familiarity during 2025/26.
- 2.4 Key changes:
- a 'mandate' for internal audit; in local government, internal audit's primary mandate comes from statutory regulations
 - an internal audit strategy
 - professional courage and professional scepticism
 - Internal Audit plans support the achievement of organisation's objectives.
- 2.5 The Standards have 5 Domains, 15 Principles, 52 Standards:
- Domains:
- Purpose
 - Ethics & professionalism
 - Governing
 - Managing
 - Reporting
- 2.6 The Principles and Standards sit within each Domain.

3. Current situation / proposal

- 3.1 The presentation will provide an overview of the new Global Internal Audit Standards. Further information to demonstrate Internal Audit's compliance will be brought to the Committee throughout the year.

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 presentation.

Background documents

None

This page is intentionally left blank

Meeting of:	GOVERNANCE AND AUDIT COMMITTEE
Date of Meeting:	30 JANUARY 2025
Report Title:	PROGRESS AGAINST THE INTERNAL AUDIT RISK BASED PLAN 2024-25
Report Owner / Corporate Director:	CHIEF OFFICER – FINANCE, HOUSING & CHANGE
Responsible Officer:	ANDREW WATHAN HEAD OF REGIONAL INTERNAL AUDIT SERVICE
Policy Framework and Procedure Rules:	The proposals in this report are in accordance with the policy framework and budget.
Executive Summary:	<ul style="list-style-type: none"> • The progress made against the internal audit plan as of 31st December 2024 is detailed in Appendix A and summarised in Appendix B. It shows that 19 planned audit reviews have been completed which equates to a completion rate of 41%. • Audit opinions, based on the assessment of the strengths and weaknesses of the areas examined through testing of the effectiveness of the internal control environment have been given to all 19 audits: 17 <i>Substantial or Reasonable Assurance</i>, and 2 <i>Limited Assurance</i>. • Included within the 2024-25 plan are 6 audits that were not undertaken or completed in 2023-24. Appendix C shows the status of these audits; 5 are completed and the other is in progress. • A total of 60 recommendations have been made to date to improve the control environment. The progress being made in implementing these is regularly monitored by the Audit team and reported to this Committee.

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 2024-25.

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 2024-25 was submitted to the Governance and Audit Committee for consideration and approval on 6th June 2024. The Plan outlined the assignments to be carried out which will provide sufficient coverage to provide an overall opinion at the end of 2024-25.
- 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 1st April 2024 to 31st December 2024 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 reporting, Fraud, Error or 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 2024-25. 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 31st December 2024, the level of coverage was 41% which is slightly below the target of 50%. However, if all audits currently in progress are delivered to draft report stage by year end then completion of the plan will be approximately 78%. A summary of the progress made to date is shown in **Table 1** below. Details of individual audit assignments are shown in **Appendix A** and the summary of the progress made is in **Appendix B**.

Table 1 – Summary of the Progress Against the Audit Plan 2024-25

Status of Audits Assignments	Number	% of plan completed
Final report issued	16	35%
Draft report issued	3	6%
Audits in progress	17	
Audits allocated and due to start this qtr.	3	
Planned Audits not yet allocated	7	
Total	46	41%

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 to the 19 completed audits; 89% of these have been given a *Reasonable* or *Substantial* opinion. Details of individual audit opinions are shown in **Appendix A**.

Table 2 – Audit Opinions Applied to Audits 2024-25

Audit Opinions	Number	%
Substantial Assurance	5	26%
Reasonable Assurance	12	63%
Limited Assurance	2	11%
No Assurance	0	
Total	19	100%

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

AUDIT ASSURANCE CATEGORY CODE	
Substantial	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.
Reasonable	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.
Limited	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.
No Assurance	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 there has been 2 *Limited Assurance* opinion audit issued to date. The Payment Card Industry Data Security Standard (PCI-DSS) Compliance audit concerns were reported previously. The Business Continuity Planning audit is

the other *Limited Assurance* audit report however this report is currently in draft stage. Once management comments have been received and the audit finalised details will be brought to this Committee.

- 3.7 Generally when a *Limited Assurance* opinion is issued, management need time to implement the agreed recommendations to make the necessary improvements to the control environment. In these circumstances, the Audit Team would undertake a follow up audit, usually within six to twelve months of the final report being issued to verify that appropriate controls were subsequently in place.
- 3.8 **Appendix A** includes 3 follow up audits that have been allocated and are in progress. Once complete, the audit opinions will be reported to Committee. If improvements have not been made and the recommendations have not been implemented this could result in a second *Limited Assurance* opinion. At this stage the Head of RIAS would recommend to members that they invite in the relevant Corporate Director / Head of Service to provide the necessary assurances that action will be taken to address the issues identified within the audit report.
- 3.9 The audit plan 2024-25 at **Appendix A** includes audits that were not started during 2023-24 or were incomplete at year end. There are 6 of these which are identified at **Appendix C**.
- 3.9 Table 3 below provides a summary of the status of these audits as of 31st December 2024; 5 of the 6 audits have been completed and the remaining audit is in progress.

Table 3 – Status of Audits Brought Forward into the Audit Plan 2024-25

Status of Audits Assignments	Number	% Complete
Final report issued	5	83%
Draft report issued	0	
Audits in progress	1	
Total	6	83%

- 3.10 **Appendix A** shows that a total of 60 recommendations have been made to date to improve the control environment: 1 high priority (1.5%), 40 (66.5%) medium priority and 19 (32%) low priority. The implementation of the high and medium priority recommendations are regularly monitored by the Audit team 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 2024-25 Internal Audit Risk Based Plan.

Background documents

None

This page is intentionally left blank

AUDIT PLAN 2024/25

Page 191

Directorate	Area	Audit Objective	Status	Opinion			Recommendations		
				Substantial	Reasonable	Limited	High	Medium	Low
Cross - Cutting	Limited Assurance Reports - Follow up	To ensure that improvements have been made to the control environment since the previous limited							
		School Vehicles Follow Up	in progress						
		Recycling & Waste Management Follow Up	in progress						
		Adult Placements/ Shared Lives Follow Up	in progress						
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	final issued		v		0	1	1
Cross Cutting	Corporate Safeguarding	The objectives of the audit are to undertake an assessment of the Council's overall operating model for safeguarding to evaluate safeguarding performance. The review will include the safeguarding arrangements in	in progress						
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 2023-24	final issued	v			0	0	0
		Regional Consortia School Improvement Grant 2023-24	final issued	v			0	0	0
Cross Cutting	Risk Management	Review a sample of corporate risks to identify if they are being appropriately managed and progress is being reported accurately.							
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	Agency Staff	To review the use of agency staff across the Council including procurement, payments and ongoing arrangements including authority to extend contracts	in progress						
Cross Cutting	Fees & Charges	To review the process Council wide to include bookings, payments in advance, use of online payment facilities and the ability to take payments electronically whether online or in person.	in progress						
Cross Cutting	Business Continuity Planning	To ensure the Council has a robust business continuity strategy for all business critical processes, that is regularly tested and reviewed and compliant to best practice and professional standards.	draft issued			v			
Cross Cutting	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	final issued		v		0	2	1
Chief Executives	Corporate Contracts	To undertake a review of the corporate contracts in place across the Council including the central recording and monitoring processes. This review will also aim to identify how awareness of corporate contracts is promoted, identify the number of non corporate contracts in place and establish whether these are appropriate							
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.							
		Business Rates	in progress						
		Bottomline PTX BACS Payments	in progress						
		Debtors	in progress						
Chief Executives	Budget Savings	To identify and review the systems in place to monitor the high level of savings identified	allocated						
Chief Executives	Financial Management Code	To provide assurance that the information presented is accurate	final issued	v			0	0	1
Chief Executives	Value Added Tax (VAT)	To provide assurance that VAT processes and procedures are in place to ensure that is correctly accounted for as per legislative requirements	allocated						
Chief Executives	Payment Card Industry Data Security Standard (PCI-DSS) Compliance	To review the procedures and processes in operation relating to PCI - DSS to determine if the control environment is compliant.	final issued			v	0	3	1
Chief Executives	Corporate Complaints and Compliments	To provide assurance that the policy and procedures are being adhered to, performance is monitored and reported data is accurate	final issued		v		0	5	2

Directorate	Area	Audit Objective	Status	Opinion			Recommendations		
				Substantial	Reasonable	Limited	High	Medium	Low
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							
		Mobile Devices	final issued		√		0	3	1
		Identity Access	in progress						
		Electoral Services IT system	in progress						
Chief Executives	Residential & Non Residential Financial Assessments	To provide assurance that adequate controls are in place to manage the financial assessment process and reviews to ensure assessments are consistently applied in a timely manner, are accurate and comply to statute	final issued	√			0	1	0
Communities	Coychurch Crematorium	A compliance review to complete the Annual Accounting Statement 2023/24	final issued	√			0	0	0
Communities	Porthcawl Harbour	A compliance review to complete the Annual Accounting Statement 2023/24	final issued		√		0	1	2
Communities	Planning Appeals	Process of receiving and determining appeals							
Communities	Major Project Team	To review the process and procedures in place in respect of commercial and consultancy services	in progress						
Communities	Contract Tender and Award	To provide assurance that the processes used to tender and award contracts comply with the Council's Contract Procedure Rules and any internal governance procedures	final issued		√		1	3	1
Communities	Shared Prosperity Funding	Review the process in place for receiving funding, funding and expenditure approval and the governance of decision making to provide assurance that the systems are robust and efficient.	in progress						
Communities	Community Asset transfers	To provide assurance that controls in place in respect of the governance, risk and financial management of these transfers are effective							
Communities	Highways Inspections	To provide assurance that the inspection regime and responses to service requests are robust and statutory objectives are fulfilled	final issued		√		0	2	2
Early Years & Young People	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.							
		Corneli Primary School	final issued		√		0	10	2
		Tondu Primary School	allocated						
		Penybont Primary	draft issued		√				
Early Years & Young People	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						
Early Years & Young People	Health & Safety Arrangements	To review the arrangements in place (corporate and schools) for undertaking health and safety visits and provide assurance that visits are undertaken on a timely basis, a central record is maintained and key risks are identified / information appropriately communicated	draft issued		√				
Early Years & Young People	Bridge Alternative Provision	To undertake an establishment audit to provide assurance that the internal controls are effective.	in progress						
Early Years & Young People	Flying Start	To provide assurance that the financial systems and controls are effective, efficient and comply to the Council's policies and procedures							
Social Services & Wellbeing	Quality Assurance	To provide assurance that the quality assurance process is embedded and effective throughout the Directorate	final issued		√		0	4	5
Social Services & Wellbeing	Childrens' Respite & Residential Care	To review the controls in place in respect of financial management including payments and cash control	final issued		√		0	5	0
Social Services & Wellbeing	New Children's Home – Golygfa'r Dolydd	To undertake an establishment audit to provide assurance that the internal controls are effective.							

Directorate	Area	Audit Objective	Status	Opinion			Recommendations		
				Substantial	Reasonable	Limited	High	Medium	Low
Social Services & Wellbeing	Foster Carer Payments	To provide assurance that payments are accurate, supported by adequate assessments, authorised appropriately, and comply with formal agreements and these are subject to regular review and re-assessment.	in progress						
Internal Audit	Compliance with PSIAS - Self Assessment	Review compliance with the Public Sector Internal Audit Standards.							
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.							
Internal Audit	Meetings, Advice & Guidance	To allow auditors to facilitate the provision of risk and control advice which is regularly requested by officers within the authority.							
Internal Audit	Data Analytics	Data Analytics is proving to be a useful internal audit tool as councils become more reliant on electronic data, as data analytics enables a vast amount of data to be analysed when selecting testing samples							
Internal Audit	Audit Wales Liaison	To maintain professional relationship in line with good practice and the PSIAS							
Internal Audit	Recommendation Monitoring	Monitoring the implementation of Internal Audit recommendations in consultation with service areas which have received these recommendations.							
Internal Audit	Annual Opinion Report	To prepare and issue the Head of Audit's Annual Opinion Report 2023/24 and start preparation for 2024/25 report							
Internal Audit	Audit Planning	To prepare and monitor the annual risk based audit plan for 2024/25 and commence preparation for 2025/26 plan							
Internal Audit	Quality Assurance & Improvement Programme	To review / ensure compliance with the Accounts and Audit (Wales) Regulations 2014 / Public Sector Internal Audit Standards (PSIAS).							
Internal Audit	Closure of reports - 2023/24	To finalise all draft reports outstanding at the end of 2023-24.							
Internal Audit	Emerging Risks / Unplanned	To enable Audit Services to respond to provide assurance activity as required.							
Cross - Cutting	Fraud / Error / Irregularity	National Fraud Initiative - Collection of data and analysis of matches for the NFI exercise, acting as first point of contact and providing advice and guidance to key contact officers.							
Cross - Cutting	Fraud / Error / Irregularity	Irregularity Investigations - Reactive work where suspected irregularity has been detected.							
Cross - Cutting	Fraud / Error / Irregularity	Anti-Fraud & Corruption – Proactive - Proactive counter-fraud work that includes targeted testing of processes with inherent risk of fraud.							
	OVERALL TOTALS			5	12	2	1	40	19

This page is intentionally left blank

Summary of the Progress Made Against the Plan

BCBC Summary as at 31/12/24	Number	% Completed
final issued	16	34.8%
draft issued	3	6.5%
in progress	17	
allocated	3	
planned	7	
Total Planned Audits	46	41.3%
no opinion	13	
Total Audits on Plan	59	

OPINIONS		
Substantial	5	26%
Reasonable	12	63%
Limited	2	11%
No Assurance	0	0%
	19	100%

RECOMMENDATIONS		
High	1	2%
Medium	40	67%
Low	19	32%
	60	100%

This page is intentionally left blank

AUDITS ONGOING AND CONTINUED INTO 2024/25

Page 197

Directorate	Area	Audit Objective	Status	Opinion			Recommendations		
				Substantial	Reasonable	Limited	High	Medium	Low
BCBC - AUDITS ONGOING AND CONTINUED INTO 2024/25									
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	final issued		v		0	1	1
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	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.	final issued		v		0	2	1
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							
		Mobile Devices	final issued		v		0	3	1
BCBC - AUDITS NOT STARTED AND INCLUDED ON 2024/25 PLAN									
Chief Executives	Payment Card Industry Data Security Standard (PCI-DSS) Compliance	To review the procedures and processes in operation relating to PCI - DSS to determine if the control environment is compliant.	final issued			v	0	3	1
Social Services & Wellbeing	Quality Assurance	To provide assurance that the quality assurance process is embedded and effective throughout the Directorate	final issued		v		0	4	5
OVERALL TOTALS							0	13	9

This page is intentionally left blank

Meeting of:	GOVERNANCE AND AUDIT COMMITTEE
Date of Meeting:	30 JANUARY 2025
Report Title:	INTERNAL AUDIT RECOMMENDATION MONITORING
Report Owner / Corporate Director:	CHIEF OFFICER – FINANCE, HOUSING & CHANGE
Responsible Officer:	ANDREW WATHAN HEAD OF REGIONAL INTERNAL AUDIT SERVICE
Policy Framework and Procedure Rules:	The proposals in this report are in accordance with the policy framework and budget.
Executive Summary:	<ul style="list-style-type: none"> • This report provides members of the Governance and Audit Committee with a position statement on the status of internal audit recommendations. • A position statement in respect of internal audit high and medium priority recommendations made, implemented and overdue as of 31st December 2024 is detailed in Appendix A. • A recommendation is made to enhance a control in order to mitigate the identified risk; until the recommendation is implemented the risk remains. • To date 1 high and 40 medium priority recommendations have been made following the conclusion of audits from this year’s annual plan. All have been agreed, 33 have been implemented and there are none overdue. • There are 4 recommendations made in audits completed in 2022-23 which still have a future implementation date. The detail of these are in Appendix B. • In addition, there are 13 recommendations made in audits completed in 2023-24 which still have a future implementation date and 1 recommendation that was originally agreed but due to budget changes the service manager has stated that the original recommendation can no longer be supported. • The monitoring of recommendations is undertaken regularly by the Audit team and any undue delays or issues are highlighted to Senior Management and ultimately this Committee.

1. Purpose of Report

- 1.1 To provide members of the Committee with a position statement on internal audit recommendations made, implemented and outstanding as at 31st December 2024 and consider the information provided in respect of the status of the high and medium priority recommendations made by the Regional Internal Audit Service.

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 focusing 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:	
High Priority	Action that is considered imperative to ensure that the organisation is not exposed to high risks.
Medium Priority	Action that is considered necessary to avoid exposure to significant risks.
Low Priority	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 the status of the high and medium priority internal audit recommendations made as of 31st December 2024. This includes all audits completed with recommendations from this financial year’s plan and any audits completed in previous years where recommendations are yet to be implemented.

3.2 The status of the recommendations made following the completion of audits from the 2024-25 audit plan is summarised in **Table 2** below. It is pleasing to note that 33 out of 41 (80%) recommendations have been implemented, there are currently no overdue recommendations and there are 8 recommendations that have a future target date.

Table 2 – Recommendation Status – Audits Completed 2024-25

	No. Made			Not Agreed	Imp.	Overdue			Future Target Date
	High	Med.	Total			High	Med.	Total	
2024-25	1	40	41	0	33	0	0	0	8

3.3 **Appendix A** also includes the recommendations made in relation to audits completed in previous years 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	Imp.	Overdue			Future Target Date
	High	Med.	Total			High	Med.	Total	
2022-23	0	11	11	0	7	0	0	0	4
2023-24	14	40	54	1	40	0	0	0	13

3.4 Table 3 illustrates that there are currently no overdue recommendations and 17 have a future implementation date. Four of these were made in audits completed in 2022-23, and detail of these and the progress being made is in **Appendix B**.

3.5 Table 3 also shows that 1 recommendation made in 2023-24 is now not agreed. This recommendation was made as part of the Learner Travel final audit report issued in March 2024 and was in respect of contract monitoring. The Audit Team have been following up this recommendation and due to budget changes the service manager has stated that the original recommendation can no longer be supported. This could impact on the effective monitoring of the contracts in place with suppliers of Home to School Transport.

3.6 The monitoring of recommendations is undertaken regularly by the Audit team and any delays or issues are highlighted to the Council’s Corporate Management Board and ultimately 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. 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

Bridgend County Borough Council - Recommendation Monitoring as at 31st December 2024

Page 203

Audit Name	Directorate	Audit Opinion	Final Report Date	Number Made			Not Agreed	Implemented			Overdue			Future Target Date
				High	Medium	Total		High	Medium	Total	High	Medium	Total	Total
2022-23														
Cyber Security	Chief Executives	REASONABLE	02/09/2022	0	7	7	0	0	5	5	0	0	0	2
Home To Work Mileage in Council Vehicles	Communities	REASONABLE	27/01/2023	0	4	4	0	0	2	2	0	0	0	2
Total				0	11	11	0	0	7	7	0	0	0	4
2023-24														
Rights of Way	Communities	REASONABLE	18/09/2023	0	3	3	0	0	2	2	0	0	0	1
Corporate Safeguarding - Contracts	Cross Cutting	REASONABLE	01/12/2023	0	2	2	0	0	1	1	0	0	0	1
Security & Access to Council Buildings	Cross Cutting	LIMITED	15/12/2023	1	5	6	0	0	3	3	0	0	0	3
Parking Enforcement	Communities	REASONABLE	10/01/2024	1	1	2	0	0	1	1	0	0	0	1
Ffaldau Primary School	Education & Family Support	REASONABLE	21/02/2024	1	5	6	0	1	4	5	0	0	0	1
Welsh Language Standards	Cross Cutting	REASONABLE	23/02/2024	0	4	4	0	0	3	3	0	0	0	1
St Marys Catholic Primary School	Education & Family Support	LIMITED	04/03/2024	4	8	12	0	4	6	10	0	0	0	2
Learner Travel	Education & Family Support	REASONABLE	11/03/2024	0	1	1	1	0	0	0	0	0	0	0
Archbishop McGrath School	Education & Family Support	REASONABLE	29/04/2024	2	8	10	0	2	6	8	0	0	0	2
Procurement	Chief Executives	LIMITED	11/06/2024	5	3	8	0	5	2	7	0	0	0	1
Total				14	40	54	1	12	28	40	0	0	0	13
2024-25														
Project Management	Chief Executives	REASONABLE	18/06/2024	0	2	2	0	0	2	2	0	0	0	0
Corneli Primary School	Education & Family Support	REASONABLE	24/06/2024	0	10	10	0	0	7	7	0	0	0	3
Porthcawl Harbour Annual Return	Cross Cutting	REASONABLE	15/07/2024	0	1	1	0	0	0	0	0	0	0	1
Corporate Complaints & Compliments	Cross Cutting	REASONABLE	30/07/2024	0	5	5	0	0	4	4	0	0	0	1
Quality Assurance (Social Services)	Social Services & Wellbeing	REASONABLE	08/08/2024	0	4	4	0	0	4	4	0	0	0	0
Good Governance	Cross Cutting	REASONABLE	12/08/2024	0	1	1	0	0	1	1	0	0	0	0
Payment Card Industry Data Security Standard (PCI-DSS) Compliance	Chief Executives	LIMITED	12/09/2024	0	3	3	0	0	1	1	0	0	0	2
Childrens' Respite & Residential Care - Financial Management & Cash Control	Social Services & Wellbeing	REASONABLE	03/10/2024	0	5	5	0	0	5	5	0	0	0	0
Mobile Devices	Chief Executives	REASONABLE	03/10/2024	0	3	3	0	0	3	3	0	0	0	0
Highways Inspections	Communities	REASONABLE	25/11/2024	0	2	2	0	0	1	1	0	0	0	1
Residential & Non Residential Financial Assessments	Chief Executives	SUBSTANTIAL	25/11/2024	0	1	1	0	0	1	1	0	0	0	0
Contract Tender & Award	Communities	REASONABLE	29/11/2024	1	3	4	0	1	3	4	0	0	0	0
Total				1	40	41	0	1	32	33	0	0	0	8

This page is intentionally left blank

Bridgend County Borough Council –Recommendation Monitoring

Recommendations Made In 2022-23 Audits with a Future Implementation Date

Audit	Final Report Date	Recommendation	Category	Agreed Action	Agreed Date	Current Position	Responsible Officer
Cyber Security	2/09/22	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	<p><i>Jan 2024 - CISO not appointed so a Revised Action agreed</i></p> <p>This will be considered as part of the new Digital Strategy.</p>	<p>31/03/24</p> <p><u>Revised</u> 1/10/24 31/12/24 28/02/25</p>	The digital strategy is in draft format, It is anticipated that late Jan early February the strategy will go out to consultation. Happy to take the strategy to GAC as part of the consultation process to allow members to contribute.	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	<p><i>Jan 2024 - CISO not appointed so a Revised Action agreed</i></p> <p>Agreed</p>	<p>31/03/24</p> <p><u>Revised</u> 30/06/24 31/12/24 31/01/25</p>	ICT transitioned the Data Centre to off-site facility therefore redrafting the BCP which will include necessary Response Plan / Procedure with regards Cyber	Head of Partnership Services
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. 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	<p>30/09/23</p> <p><u>Revised</u> 31/03/24 31/03/25</p>	A corporate project team consisting of staff from relevant Directorates, HR and the Unions created to develop a policy that addresses the council vehicle use.	Group Manager Highways and Green Spaces as Lead officer

Page 206

Audit	Final Report Date	Recommendation	Category	Agreed Action	Agreed Date	Current Position	Responsible 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 31/03/25	As above	As above

Meeting of:	GOVERNANCE AND AUDIT COMMITTEE
Date of Meeting:	30 JANUARY 2025
Report Title:	REGULATORY TRACKER UPDATE
Report Owner / Corporate Director:	CHIEF OFFICER- LEGAL AND REGULATORY SERVICES, HR AND CORPORATE POLICY
Responsible Officer:	ALEX RAWLIN CORPORATE POLICY AND PERFORMANCE MANAGER
Policy Framework and Procedure Rules:	The regulatory tracker forms part of the Council’s Performance Management Framework.
Executive Summary:	<ul style="list-style-type: none"> • The regulatory tracker has been updated to the end of quarter 2 of 2024-25. • As at end quarter 2 – <ul style="list-style-type: none"> • 8 inspections are included on the tracker • 1 new inspection has been added • No inspections have been removed • 2 recommendations have been closed • 69 recommendations are on the tracker • GAC is requested to consider the summary points and detailed regulatory tracker and raise any issues of concern for follow-up.

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 updated to the end of quarter 2 (Q2) of 2024-25.

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 monitor progress against recommendations from all inspections/audits completed by key regulators of local government services, including Audit Wales, Care Inspectorate Wales (CIW), and Estyn. An updated ‘regulatory tracker’ is considered at GAC twice yearly. This report covers quarter 1 and 2 of 2024-25.

2.2 The performance judgements for recommendations within the regulatory tracker are awarded by applying the following key as prescribed within the Performance Management Framework, which provides clear definitions for the Blue, Red, Amber, Yellow, Green (BRAYG) statuses.

	What does this Status mean?		
	How are we doing	Commitments, projects or regulatory improvements	Performance Indicators
COMPLETE (BLUE)	Not applicable	Project is completed	Not applicable
EXCELLENT (GREEN)	Very strong, sustained performance and practice	As planned - within timescales, on budget, achieving outcomes	On target AND performance has improved / is at maximum
GOOD (YELLOW)	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
ADEQUATE (AMBER)	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)
UNSATISFACTORY (RED)	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 Since the implementation of the tracker and regular progress reports to the Governance and Audit Committee, several improvements have been made to this process as a result of members' feedback and recommendations of the Committee. These include:

- Reducing the tracker size by removing completed recommendations and providing an extract of the full tracker containing only recommendations which are red or amber, and a short summary of recommendations closed since the last report, instead of the full tracker document.

- Improvements to update comments to reference planned future actions and an indication of the current delivery date for the recommendation if different to the initial date stated on the tracker.
- Subject Overview and Scrutiny Committees to receive the report as an information report including blue and green rated recommendations twice yearly so they can scrutinise the progress of recommendations from inspections/audits which fall within their remit.
- Agreement of a process to refer specific audits / recommendations to the relevant Subject Overview and Scrutiny Committee and receive a short update report on the outcome of the scrutiny process for the referred items every 6 months.

2.4 At the Committee's meeting on 19 July 2024, the Chairperson indicated that he would like to understand why referrals from Governance and Audit Committee do not seem to have made their way on to the forward work programmes of the scrutiny committees. The performance team have raised this with the scrutiny team who have raised it with scrutiny chairs. Scrutiny chairs did not agree to add referrals from GAC onto their forward programme. Officers advised the timing might not be right, actions may be completed within the 6-month period or there could be insufficient updates to warrant an item on the scrutiny agenda. They also did not agree to formally report progress to GAC, only to provide an extract of their Forward Work Programme.

2.5 In December 2024 the Performance Team incorporated the full tracker and a summary as part of the Q2 Corporate Performance Report presented to Cabinet and Corporate Management Board (CCMB) and Corporate Overview and Scrutiny Committee to provide further opportunity for scrutiny.

3. **Current situation / proposal**

3.1 Paragraphs 3.3 to 3.7 below summarise details of the full Regulatory Tracker document at Q2, and changes since the last report to this committee in July 2024 for quarter 4 (Q4) 2023-24.

3.2 **Appendix 1** is an extract of the full tracker document showing red and amber recommendations only, and **Appendix 2** is a summary of recommendations closed in the previous period (since the last report produced for Q4 2023-24).

3.3 There are currently 69 regulator recommendations for the Council included on the full tracker report from 8 Audits/Inspections. As the Performance Team is no longer reporting the entire tracker to the Governance and Audit Committee, these are summarised on the following table –

Audit/Inspection	Recommendations
Audit Wales, Financial Sustainability Review	2
Audit Wales, Use of Service User Perspective and Outcomes	3
CIW Inspection Report on Foster Wales Bridgend	20
CIW Improvement Check Visit to Children's Social Care Services	10
Audit Wales, Springing Forward, Strategic Workforce Management	3
Transformational Leadership Programme Board, Baseline Governance Review Cwm Taf Morgannwg Regional Partnership Board	7
Care Inspectorate Wales (CIW) Performance Evaluation Inspection of Children's Services	21
Audit Wales, Review of Arrangements to Become a 'Digital Council'	3

3.4 Since the previous report to the Governance and Audit Committee on 19 July 2024, 1 new audit/inspection has been added to the tracker:

- Audit Wales, Financial Sustainability Review (2 recommendations)

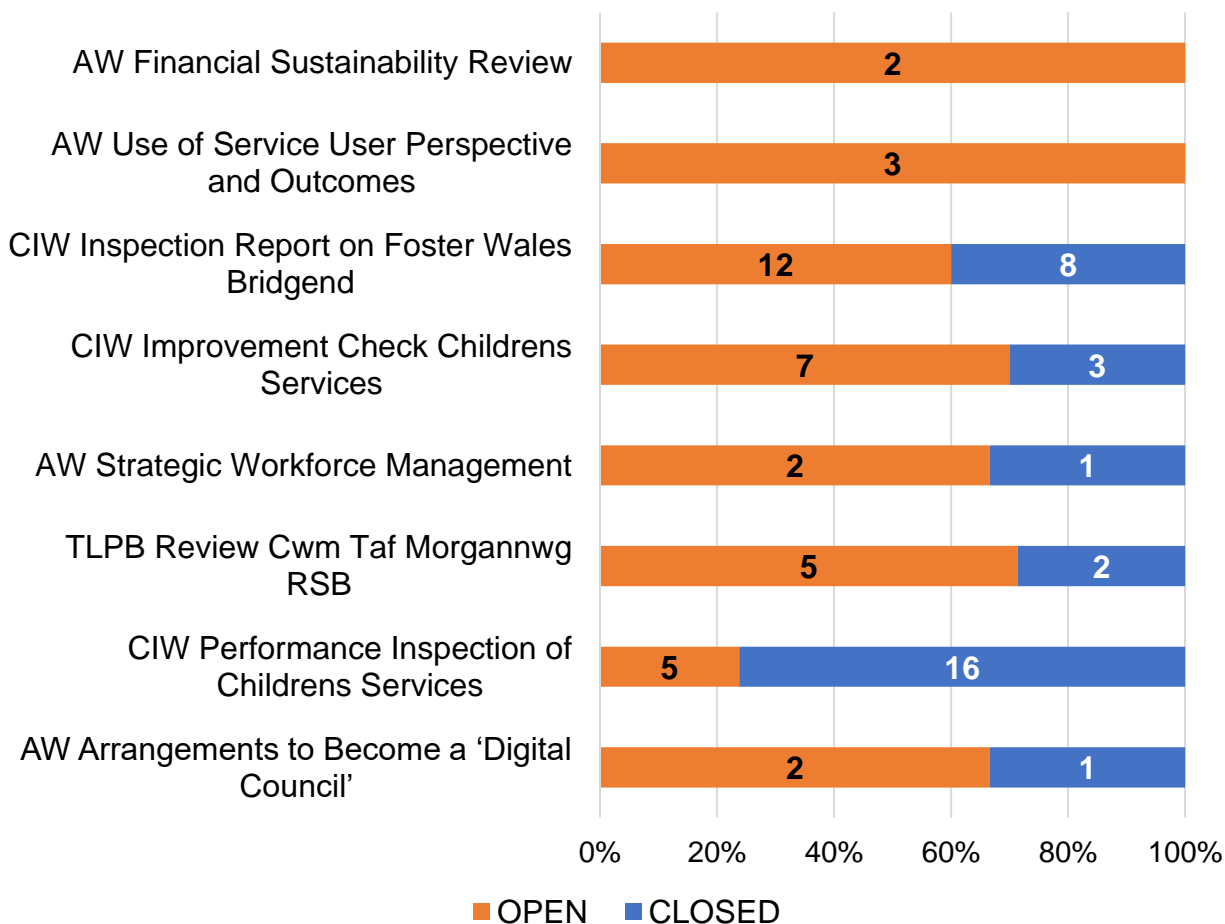
3.5 Since the previous report 2 recommendations have been closed. Final commentary is included in **Appendix 2**. They are –

- CIW Improvement Check Visit to Children's Social Care Services (1 recommendation closed, 7 remain open)
- CIW Inspection Report on Foster Wales Bridgend (1 recommendation closed, 12 remain open)

3.6 A breakdown of the open/closed status for the 69 current recommendations is below. This has also been summarised by audit / inspection to draw the 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
25/01/2024	58	33	25	56.90
19/07/2024	67	38	29	56.72
30/01/2025	69	38	31	55.07

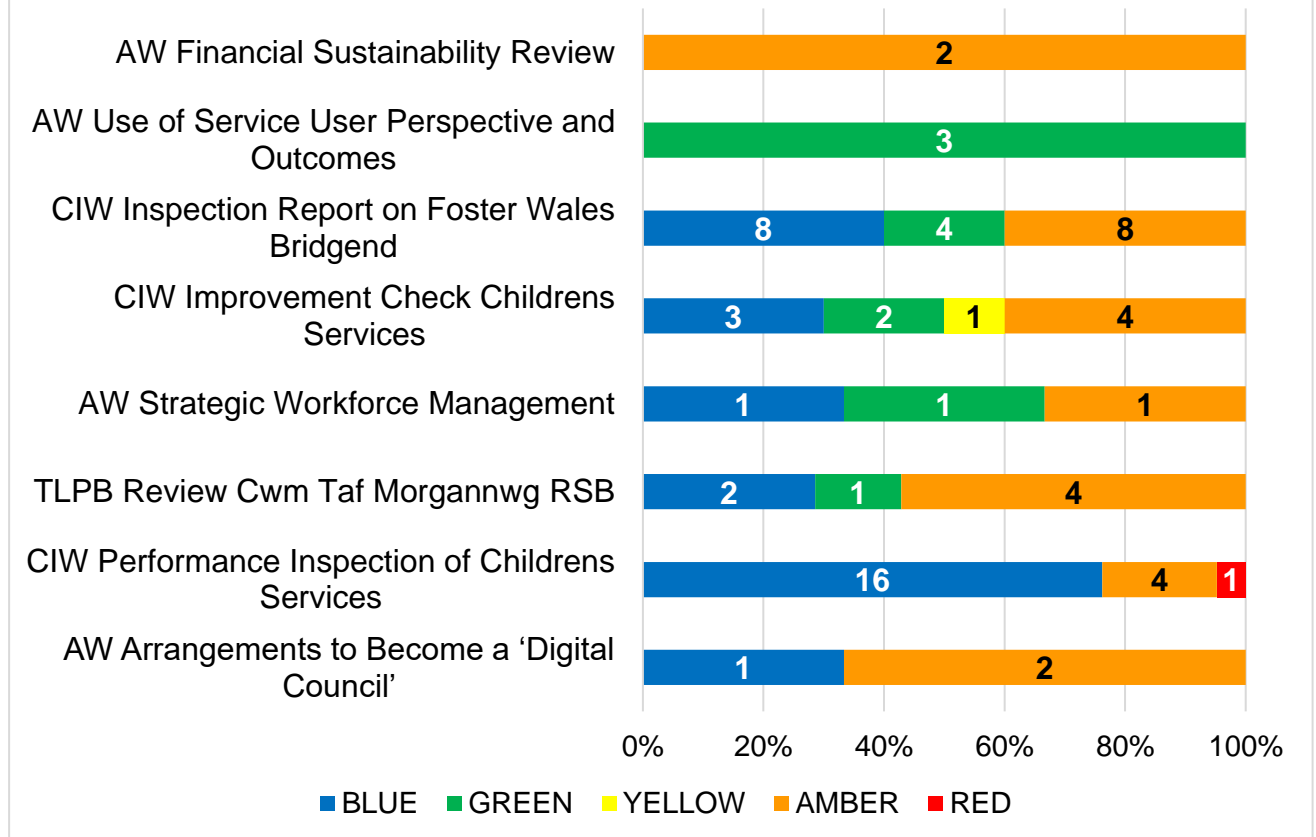
Recommendations Open/Closed by Audit/Inspection



3.7 A breakdown of red, amber, yellow, green, blue status for recommendations is below. This has also been summarised by audit / inspection 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
25/01/2024	58	25	17	0	15	1	0
19/07/2024	67	29	18	1	17	2	0
30/01/2025	69	31	11	1	25	1	0

Summary of BRAYG Status by Audit/Inspection



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 The Governance and Audit Committee is recommended to: -
 - Consider the summary points and detailed regulatory tracker and raise any issues of concern for follow-up.

Background documents

None.

This page is intentionally left blank

Name of Audit / regulator	Oversight and Date	Recommendation / proposal for improvement	Responsible Officer	Delivery Date	Action Update Q2 2024-25	BRAYG Q2	Open/ Closed
Audit Wales, Financial Sustainability Review (Aug 2024)	COSC	R1 To strengthen the Council's approach to financial sustainability, the Council should develop a savings plan across the timescale of the MTFP, to clearly show how the funding gap will be addressed or clearly communicate the challenge where this is not possible	Carys Lord	Feb-25	The level of savings that the Council will have to make in the coming 3 years are significant. The MTFP presented to Council in February 2025 for approval will be developed following completion of the following: <ul style="list-style-type: none"> • A detailed review of current year spend across all service areas • A more detailed review of some areas of spend to identify further efficiencies or a change in the operating model for that service. • A profile of anticipated savings over the life of the MTFP • Identification of areas requiring further review 	AMBER	Open
		R2 The Council should strengthen its arrangements to ensure the impact of its financial position and MTFP on communities and on the delivery of its well-being objectives is reported to members to enable them to monitor and address any impacts.	Carys Lord	Mar-25	Budget briefings are now in place for elected members on a quarterly basis. Details on the budget proposals will be shared with all elected members to enable them to comment on issues and identify the implications.	AMBER	Open
CIW Inspection Report on Foster Wales Bridgend (Jan 2024)	CCCP May 2024	R3 Safeguarding procedures are not consistently followed. Information sharing between teams, consideration of risks and decision making is not robust.	Group Manager Placement and Provider Services	Mar-24	Workshops have not taken place across the service as yet. Relationships have improved and observations are that the process is being followed supported by the introduction of a significant events form on WCCIS and mandatory training completed in the fostering team. The QA officer is currently completing an audit in relation to this process and will provide recommendations. New delivery date - 31/03/2025	AMBER	Open
		R5 There are shortfalls in the service considering the needs of all household members and carers capacity (matching)	Group Manager Placement and Provider Services	Mar-24	Matching forms are live and monthly reports being run to check compliance. There have been some incidences of the form not being completed and signed off prior to placement that have been addressed with the individuals. Therefore, whilst the process and systems are in place to support this, adherence by the team remains inconsistent and requires manager oversight and enforcement to fully embed. The Quality Assurance officer is currently completing an audit in relation to this process and will provide recommendations. New delivery date - 31/03/2025	AMBER	Open
		R9 As part of the matching process key information is shared during planning meetings, however, these meetings are not completed consistently.	Group Manager Placement and Provider Services	Quarterly	As with the Matching forms practice is inconsistent and requires management oversight and enforcement from children's and fostering managers as well as the Independent Reviewing Officer service to embed. Consideration could be given to putting in place reflective sessions with teams to consider placement breakdowns and what could be done differently to embed this in the way that reflective sessions are being led by the locality teams Principal Officer. The Quality Assurance officer is currently completing an audit in relation to this process and will provide recommendations. New delivery date - 31/03/2025	AMBER	Open
		R10 Children who need long term care, are matched with carers, without a thorough assessment of their long-term needs, how these change over time, carers commitment and understanding of these needs.	Group Manager Placement and Provider Services	Mar-24	A process has been drafted but requires consultation to take forward and subsequently put into practice - awaiting feedback from the policy officer. New delivery date - 31/03/2025	AMBER	Open

		R12 Feedback from foster carers has been mixed regarding the foster carer charter implementation, information sharing and decision-making needing to be improved.	Group Manager Placement and Provider Services	Jun-24	Feedback from foster carers continues to indicate that this has not been achieved. The absence of the recruitment and retention officer and absence within the service has delayed attendance at Team Meetings. The Charter being part of all children's services inductions and meetings with liaison carers as part of this process remains outstanding. Whole service engagement with the charter is required to achieve this aim. New delivery date - 31/03/2025	AMBER	Open
		R15 The service has experienced a high turnover of staff in all areas.	Group Manager Placement and Provider Services	Jun-24	There continues to be turnover within the service, however, there have been significant positive achievements in this area with exit plans for current agency staff. The main challenge relates to recruiting the Kinship and Permanence Senior role. New delivery date - 31/03/2025	AMBER	Open
		R17 Quality assurance and learning framework has not been implemented consistently.	Group Manager Placement and Provider Services	Apr-24	Meetings have taken place with the QA officer to improve the process going forward, but this has not been achieved as yet. New delivery date - 31/03/2025	AMBER	Open
		R19 Some foster carers report training does not meet their needs fully as they care for children with more complex needs.	Group Manager Placement and Provider Services	Mar-24	We continue to experience challenges with compliance with training. Data has now been made available from SCDWP to assist in planning how we meet these needs on an ongoing basis. Achieving improvement in this area is reliant on regular data being provided by training to enable the team to support carers. Equally consideration needs to be given to amending the approach to carer training as there are high numbers of events that are being cancelled as a result of low attendance. Now there is a dedicated training officer in place it is hoped that this will improve. New delivery date - 31/03/2025	AMBER	Open
CIW Improvement Check Children's Social Care Services (Nov 2022)	SOSC2 27 March 2023	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 continue to take place as indicated where comprehensive data/dashboards are presented by every part of the service. Performance reports are also presented to the Improvement Board and Group Managers present performance for their specific service areas at quarterly performance meetings with the Statutory Director and Heads of Service/Deputies. New delivery date 31/03/2025	AMBER	Open
		PR8 - Ensure children are not placed in unregistered services and must continue its efforts to identify suitable, registered placements	GM Commissioning	Continuous	In addition, monitoring and analysis of cross directorate activity and performance is monitored by the shared dataset that is presented at every Early Help and Safeguarding Board meeting. With the change of directorates, the Social Services Improvement Board will monitor early help performance from Q1 of 2024/25 onwards. New delivery date 31/03/2025	AMBER	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	Ongoing review continues to be undertaken of Early Help following restructure and new referral pathways being developed and agreed with partners. New delivery date 31/03/2025	AMBER	Open
		W8 - Closely monitor contact arrangements for children and their families	GM Case management and transition	Jun-23	A manager for a central contact service has been appointed to ensure a model that is fit for purpose is developed and delivered in the future. New delivery date - 31/03/2025	AMBER	Open

Audit Wales, Springing Forward – Strategic Workforce Management (Oct 2022)	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. Whilst we have developed some revised data, we are continuing to grow this to support directorate requirements. Revised delivery date March 2025.	AMBER	Open
Transformational Leadership Programme Board – Baseline governance Review – Cwm Taf Morgannwg Regional Partnership Board (Aug 2022)	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	Risk registers maintained for funding programmes. The Housing with Care Funding (HCF) forms a 4-year programme, having begun in 2022/23 with an annual budget for the first three year of £8,729,000 per annum. This means the fourth year is yet to be confirmed by Welsh Government. New delivery date 31/03/2025	AMBER	Open
		R5 Regional Commissioning Unit Our work found that the lack of capacity within the RCU was leading to some delays in progressing actions. The work of the RCU is crucial to the continuing success of the TPLB. The TPLB needs to consider how it can build capacity and maximise resources to support the TPLB and minimise overreliance on a small team.	Head of Regional Commissioning Unit	2023-24	Number of new Regional Posts established within the Regional Commissioning Unit. Two additional Capital Programme Managers commenced during October 2024. NEST Co-ordinator in April 2024. Two programme manager posts commenced during September 2024 to support Integrated Pathways programme. New delivery date 31/12/2024	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	Memorandum of Understanding being progressed through Sovereign Body Governance October/November 2024 with a view to having Section 33 Agreement in Place during 2025. New delivery date 31/03/2025	AMBER	Open
		R7 Regional Workforce Planning Like many parts of the public sector, the region is experiencing significant workforce challenges. The TPLB 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	Clarity over development of further integrated teams across the region will require greater alignment of workforce planning and development. This a key feature of programme management plans going forward to implement Pathways. New delivery date 31/03/2025	AMBER	Open

CIW, Performance Evaluation Inspection of Children's Services (May 2022)	SOSC2 3 Nov 2022	PE8 - Consistent offer of a carers assessment	Dep HoS/ GM Case Management and Transition/ Carers Development Officer	Mar-23	A carers strategy will be finalised by March 2025. New delivery date 31/03/2025	AMBER	Open
		PR1 - Opportunities to prevent escalation of need continues to be a challenge for the local authority given the persistently high volume of referrals together with the complexity of needs of children and families, and workforce challenges	Director/ Workforce Board, Head of Children's Social Care	Jun-23	Early Help was fully restructured into SSWB on 1 July 2024. The Family Support Services Manager was appointed in July and started in post in October. Ongoing review of Early Help via Institute of Public Care continues to be undertaken, and the outcome will inform our commissioning strategy. Performance management continues to be reviewed. This will inform any future decisions around the operating model of Early Help. New delivery date 31/03/2025	AMBER	Open
		PR3 - Placement sufficiency and support	HoS/GM Placements and Provider Services	Mar-23	A business justification case has been developed and approved by the relevant boards in respect of increasing capacity of provision in this area. Property has been identified for a multi-occupancy residential service and offer accepted pending minister approval and planning. Search continues for the second property. Revenue funding to be secured to continue to run our existing provision to full capacity and open new services. The regional children's board have also agreed an ambition to develop a regional residential accommodation facility for children and young people with complex emotional wellbeing needs. To support this, three Project Managers will work with partners to develop facilities across CTM; one will focus on children's residential accommodation, and the other two will be available to support the findings in the 10-year Regional Capital Strategy. In relation to fostering dedicated recruitment officer is in place to coordinate recruitment activities that are scheduled throughout the year with support from Foster Wales. Whilst there are increases in the numbers of assessments, we are not recruiting sufficient carers to achieve a net gain of placements. A Fostering Board is being established to enhance recruitment and retention of foster carers within BCBC alongside the ongoing work of foster Wales. A Regional Approach to the recruitment and support of parent and child carers has been drafted alongside 'Support Care,' which aims to provide fostering support to children in the care of their family in order to prevent them from becoming care experienced. Both drafts will be subject to foster carer consultation prior to presentation to Cabinet for consideration. Additionally, we are seeking to enhance peer support to foster carers by adopting the Pioneer Carer scheme. This will increase the support available to carers by having a more targeted approach that utilises the skill sets of specific carers. New delivery date 31/03/2025	RED	Open
		PR5 - Strengthening of Quality Assurance (QA) framework and alignment of performance and quality assurance systems	Director/HoS/ Principal Officer Training	Mar-23	An internal audit of our Quality Assurance Framework and its effectiveness was undertaken in July 2024. The auditors were reasonably assured, identifying some key strengths and areas for improvement. An action plan will be implemented; a wider review of the QA framework will commence and particularly focus on wider activity that is needed other than case file audits. New delivery date - 31/03/2025	AMBER	Open
		W2 - Facilitation of supervised contact	GM Case Management & Transition/GM Locality Hubs	Mar-23	A manager for a central contact service has been appointed to ensure a model that is fit for purpose is developed and delivered in the future. New delivery date - 31/03/2025	AMBER	Open

Audit Wales, Review of Arrangements to Become a 'Digital Council' (June 2021)	COSC	P1 The Council could improve its digital strategy	Martin Morgans	Dec-23	The new digital strategy is currently being developed and will be completed by December 2024. Audit Wales have recently conducted a separate Digital Strategy Review which was published in April 2024, and these findings and recommendations will be used to support the development of the new strategy.	AMBER	Open
		P3 - The Council should consider improving communication with staff / members to evoke the culture necessary to change	Martin Morgans	Dec-23	A proof of concept was developed and tested; the results are currently being evaluated with regards next steps. This work will be complete by March 2025.	AMBER	Open

This page is intentionally left blank

Name of Audit / regulator	Oversight and Date	Recommendation / proposal for improvement	Responsible Officer	Delivery Date	Action Update Q2 2024-25	BRAYG Q2	Open/ Closed
CIW Inspection Report on Foster Wales Bridgend (Jan 2024)	CCCP May 2024	R16 Evidence of updated DBS checks for staff needs strengthening.	Group Manager Placement and Provider Services	n/a	Staff DBS renewal dates are now recorded on Staff Supervision Pro-forma so there is management oversight. When the DBS is due, the supervisor emails HR to ask for a DBS link to be sent to that member of staff and this is monitored until completion.	BLUE	Closed
CIW Improvement Check Children's Social Care Services (Nov 2022)	SOSC2 27 March 2023	W6 - Performance indicators in relation to timeliness of meeting statutory requirements - maintain focus and scrutiny on ensuring compliance with all its statutory responsibilities	Director/GM Business	Continuous	Performance framework and associated monitoring mechanisms are embedded across the Directorate. Dashboards have been developed to monitor compliance and provide management oversight on a weekly basis. A Performance framework is in place and ensures that monitoring takes place through quarterly quality and performance meetings with the Director and Heads of Service and scrutiny by the Social Services Improvement Board.	BLUE	Closed

This page is intentionally left blank

Meeting of:	GOVERNANCE AND AUDIT COMMITTEE
Date of Meeting:	30 JANUARY 2025
Report Title:	FORWARD WORK PROGRAMME 2024-25 AND 2025-26
Report Owner / Corporate Director:	CHIEF OFFICER – FINANCE, HOUSING AND CHANGE
Responsible Officer:	DEBORAH EXTON DEPUTY HEAD OF FINANCE
Policy Framework and Procedure Rules:	There is no impact on the policy framework and procedure rules.
Executive Summary:	<ul style="list-style-type: none"> • The Governance and Audit Committee has a number of core functions and responsibilities within its remit. • 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. • 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. • The report details the items to be considered at the last meeting of the municipal year in April 2025, as part of the 2024-25 Forward Work Programme and provides a draft Forward Work Programme for 2025-26 for consideration at Appendix A.

1. Purpose of Report

- 1.1 The purpose of this report is to seek approval for the updated Forward Work Programme for 2024-25 and for the draft Forward Work Programme for 2025-26.

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 2024-25 municipal year, to be considered at the meeting on 24 April 2025, are detailed below. Committee is asked to approve the proposed agenda items.

Proposed Agenda Items – 24 April 2025	
1	Governance and Audit Committee Action Record
2	Audit Wales Governance and Audit Committee Reports
3	Parking Enforcement
4	Internal Audit Shared Service Charter
5	Internal Audit Progress Reports
6	Internal Audit Recommendation Monitoring Report

7	Annual Self-Assessment of the Council's Performance
8	Fraud Strategy and Framework 2025/26 to 2027/28
9	Code of Corporate Governance
10	Anti-Tax Evasion Policy
11	Updated Forward Work Programme

3.2 A draft Forward Work Programme for 2025-26 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 2024-25 and the draft Forward Work Programme for 2025-26.

Background documents

None

GOVERNANCE AND AUDIT COMMITTEE FORWARD WORK PROGRAMME 2024-25	Frequency	19 June 2025	17 July 2025	25 September 2025	27 November 2025	29 January 2026	23 April 2026
Standing Items							
Governance and Audit Committee Action Record	Each meeting	✓	✓	✓	✓	✓	✓
Audit Wales Governance and Audit Committee Reports	Each meeting	✓	✓	✓	✓	✓	✓
Updated Forward Work Programme	Each meeting	✓	✓	✓	✓	✓	✓
Annual Accounts							
Statement of Accounts 2024-25 (unaudited)	Annually		✓				
Porthcawl Harbour Return 2024-25 (unaudited)	Annually		✓				
Going Concern Assessment	Annually	✓					
Audit Enquiries Letter	Annually	✓					
Audit Wales Audit of Accounts Report (included with Audited Statement of Accounts Report item)	Annually				✓		
Audited Statement of Accounts (including final Annual Governance Statement)	Annually				✓		
Porthcawl Harbour Return (audit letter)	Annually				✓		
Governance							
Draft Annual Governance Statement	Annually		✓				
Half Year Review of the Annual Governance Statement	Annually				✓		
Code of Corporate Governance	Annually						✓
Audit Wales Annual Audit Plan (included in Audit Wales Governance and Audit Committee Reports item)	Annually						✓
Annual Audit Summary (included in Audit Wales Governance and Audit Committee Reports item)	Annually					✓	
Internal Audit Reports							
Annual Internal Audit Report 2024-25	Annually	✓					
Internal Audit Shared Service Charter	Annually						✓
Internal Audit Annual Strategy and Audit Plan 2025-26	Annually	✓					
Self Assessment of the Governance and Audit Committee	Annually			✓			
Internal Audit Progress Reports	Quarterly			✓	✓	✓	✓
Internal Audit Recommendation Monitoring Report	Quarterly			✓	✓	✓	✓
Governance and Audit Committee Annual Report	Annually (unless revised)			✓			
Treasury Management							
Treasury Management Outturn Report 2024-25	Annually		✓				
Treasury Management Half Year Report 2025-26	Annually				✓		
Treasury Management Strategy 2026-27	Annually					✓	
Risk Assurance							
Corporate Risk Assessment	6 monthly	✓				✓	
Corporate Risk Policy	Annually					✓	
Counter Fraud							
Corporate Fraud Report 2024-25	Annually		✓				
Anti-Tax Evasion Policy (to be considered April 2025, then April 2027)	Biennially						
Performance Related							
Complaints Process	Annually				✓		
Regulatory Tracker	6 monthly		✓			✓	
Annual Self-Assessment of the Council's Performance (Corporate Self-Assessment)	Annually with approach report in April		✓				✓

This page is intentionally left blank