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



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

Dyddiad/Date: Thursday, 11 September 2025

Dear Councillor,

SPECIAL GOVERNANCE AND AUDIT COMMITTEE

A Special 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, 18 September 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 Update Report in Relation to Internal Audit Activity at Maesteg School and Penybont Primary School 3 - 6
- 4 Position Statement on Internal Audit Recommendations for Parking Enforcement, Home to Work Mileage for Council Vehicles and Porthcawl Harbour 7 - 10
- 5 Treasury Management Outturn Report 2024-25 11 - 36
- 6 Annual Corporate Fraud Report 2024-25 37 - 70

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7 Urgent Items

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

Councillors:

O Clatworthy
C Davies
S Easterbrook
RM Granville
S J Griffiths
M L Hughes
RL Penhale-Thomas
MJ Williams

Lay Members:

D Austin
A Bagley
G Chapman
O Olorunnisola

Agenda Item 3

Meeting of:	GOVERNANCE AND AUDIT COMMITTEE
Date of Meeting:	18 SEPTEMBER 2025
Report Title:	UPDATE REPORT IN RELATION TO INTERNAL AUDIT ACTIVITY AT MAESTEG SCHOOL AND PENYBONT PRIMARY SCHOOL
Report Owner / Corporate Director:	CORPORATE DIRECTOR – EDUCATION, EARLY YEARS AND YOUNG PEOPLE
Responsible Officer:	LINDSAY HARVEY CORPORATE DIRECTOR – EDUCATION, EARLY YEARS AND YOUNG PEOPLE
Policy Framework and Procedure Rules:	There is no effect upon the policy framework or procedure rules.
Executive Summary:	This report provides an update in respect of action taken by Maesteg School and Penybont Primary School following recommendations by internal audit.

1. Purpose of Report

- 1.1 The purpose of the report is to provide the Governance and Audit Committee (GAC) with an update in respect of recent Internal Audit recommendations following visits to Bridgend schools, and the subsequent actions taken by those schools, during the 2024-2025 school year.

2. Background

- 2.1 Internal Audit has identified issues in respect of Penybont Primary School and Maesteg School which resulted in each school receiving a 'limited assurance' opinion. An analysis of the audit areas which these recommendations relate to is in the table below.

Audit Area	Penybont		Maesteg	
	High	Medium	High	Medium
Budgetary Control	0	0	0	1
Governance	0	1	1	0
Private/ Unofficial Fund	0	4	0	2
Purchasing (inc Pcard)	0	7	1	3
Safeguarding	1	1	0	2
School Income	0	1	0	4
Total	1	14	2	12

Penybont Primary School

2.2 The following issues were identified during the audit:

- the level of expenditure, using a Council purchasing card, was extremely high when compared to other Bridgend schools;
- records were not fully maintained including the retention of receipts and invoices (which meant that independent checks of the purchases were not being undertaken as expected);
- purchased items were not being securely stored or recorded on an inventory; and
- some school governors had not participated in the necessary safeguarding training.

Maesteg School

2.3 The following key issues were identified during the audit:

- only the headteacher has a delegated expenditure limit at the school;
- the purchase of a minibus did not have the required three quotes or authorisation by the full governing body available;
- the school's private fund had not undergone an independent audit for at least two years and records of cash received were not available for the two years up to September 2024;
- there was no breakdown of expected miscellaneous income in the school budget;
- letting fees charged to hirers had not been agreed by the governing body and inadequate records had been maintained, and
- some new members of staff had commenced their roles without Disclosure and Barring Service (DBS) clearance or appropriate risk assessments in place.

3. Current situation / proposal

3.1 The schools agreed all of the recommendations made. The schools now need to implement the recommendations made in relation to these issues to improve the controls to achieve a better outcome.

3.2 To date, **Penybont Primary School**:

- has implemented the high-priority recommendation in respect of safeguarding training;

- has implemented 11 of the 14 medium-priority recommendations; and
- has agreed to implement the 3 remaining recommendations (relating to the school's private fund) by 30 September 2025.

3.3 To date, **Maesteg School**:

- has implemented the one high-priority recommendation in respect of delegated spending limits;
- has worked on the recommendation in respect of high-value purchases and has produced a financial procedure guide (which will be approved by the school's governing body in October 2025), (and hopes to fully address the recommendation during the autumn term 2025); and
- has implemented 10 of the 12 medium-priority recommendations (with improved controls to mitigate any risks identified).

3.4 Internal Audit will revisit Maesteg School by 31 October 2025 and will revisit Penybont Primary School by 31 December 2025 to monitor each school's approach.

3.5 It is hoped that assurance will then be provided confirming that the recommendations have been fully implemented.

3.6 Internal Audit will monitor the schools' progress and will provide further information to GAC during the final quarter of 2025-2026.

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 of Future Generations (Wales) Act 2015 provides the basis for driving a different kind of public service in Wales, with five ways of working to guide how public services should work to deliver for people.

5.2 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.

5.3 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 and Nature Implications

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

7. Safeguarding and Corporate Parent Implications

7.1 One of recommendations made by Internal Audit relates to safeguarding training for school governors. This recommendation has now been satisfied.

7.2 There are no corporate parent implications.

8. Financial Implications

8.1 These are reflected in the body of the report.

9. Recommendations

9.1. It is recommended that the GAC notes the contents of this report.

Background documents

None

Meeting of:	GOVERNANCE AND AUDIT COMMITTEE
Date of Meeting:	18 SEPTEMBER 2025
Report Title:	POSITION STATEMENT ON INTERNAL AUDIT RECOMMENDATIONS FOR PARKING ENFORCEMENT, HOME TO WORK MILEAGE FOR COUNCIL VEHICLES AND PORTHCAWL HARBOUR
Report Owner / Corporate Director:	CORPORATE DIRECTOR - COMMUNITIES
Responsible Officer:	MARTIN MORGANS INTERIM HEAD OF OPERATIONS, COMMUNITY SERVICES
Policy Framework and Procedure Rules:	There is no impact on the policy framework and procedure rules.
Executive Summary:	In response to the Governance and Audit Committee's request, the report outlines the status of Internal Audit recommendations in respect of Parking Enforcement, Home to Work Mileage for Council Vehicles and Porthcawl Harbour.

1. Purpose of Report

- 1.1 To provide Members of the Governance and Audit Committee with a position statement on Internal Audit recommendations made, implemented, and outstanding in respect of Parking Enforcement, Home to Work Mileage for Council Vehicles and Porthcawl Harbour.

2. Background

- 2.1 In accordance with the Global Internal Audit Standards, Internal Audit activity must assess and make appropriate recommendations to improve the Council's governance, risk management, and internal control.

2.2 Parking Enforcement

An internal audit undertaken in January 2024 recommended that the Council put in place an overarching strategy or policy to outline the key duties, powers, and objectives of the Parking Enforcement Team. This was necessary as the Council's joint working agreement with the Vale of Glamorgan Council ceased in April 2020, and no replacement document had been introduced. The absence of such a policy risks inconsistencies in approach and potential revenue loss, which could cause public frustration.

2.3 Home to Work Mileage in Council Vehicles

An internal audit report issued in January 2023 made two recommendations relating to the use of Council vehicles for home-to-work mileage. These were considered by the Governance and Audit Committee at its meeting on 19 June 2025, when Members requested an update on their implementation.

- The first recommendation was that a corporate policy be developed, covering the financial cost of home-to-work journeys, potential employee contributions, HMRC implications of private use, and specific guidance for electric vehicles.
- The second recommendation was that a business case should be required and formally authorised if there is a need for an employee to take a Council vehicle home.

2.4 Porthcawl Harbour

The internal audit recommended that the Harbour Board should formally receive and agree the annual accounts, with this recorded in the minutes. In addition, in line with the Harbour Engagement Strategy, a business plan should be presented to the Harbour Board and subject to regular monitoring.

3. **Current situation/ proposal**

3.1 Parking Enforcement Update

A draft Parking Enforcement Policy has been prepared, setting out the legislative framework under which Bridgend County Borough Council exercises its civil parking enforcement powers. The policy defines the duties of the Parking Team and Civil Enforcement Officers, sets out operational processes, and details the appeals procedure.

A report will be presented to Cabinet in October 2025 seeking approval of the policy and associated monitoring arrangements. Subject to Cabinet approval, this recommendation will be fully implemented.

3.2 Home to Work Mileage in Council Vehicles Update

A comprehensive review of the Council's fleet is underway, currently at the commissioning stage, covering overall usage, maintenance, and policy requirements. This will include development of a corporate policy addressing the financial cost of home-to-work journeys, employee contributions, HMRC implications, and guidance for electric vehicles. The review is scheduled for

completion by 1 August 2026. During this review period a corporate policy will be developed.

In the interim, a review has been completed of all vehicles not garaged at Council premises overnight. Authorisation for home-to-work use has only been granted where one or more of the following criteria are met:

- The employee is on call or stand-by.
- The employee must transport tools and/or equipment essential to their role.
- The employee must transport chemicals for use in their role.
- It is operationally or economically more efficient for the service, e.g. where staff are attending an alternative site directly from home.

A total of 45 vehicles currently meets one of more of the above criteria and have been authorised by the Head of Operations – Community Services. An annual review on these arrangements will be carried out going forward.

3.3 Porthcawl Harbour Update

The Council's role as Harbour Authority has now been clearly referenced in the annual accounts, with all undertakings formally vested in the Council. Since 2013, Porthcawl Harbour has also encompassed Porthcawl Marina.

Governance arrangements are being strengthened as follows:

- The Harbour Board, chaired by the Corporate Director – Communities, will continue to oversee the strategic management of Porthcawl Harbour. It is scheduled to meet twice in 2025/26 – 9th October 2025 and January 2026.
- The Harbour Stakeholder Group, chaired by the Harbour Master, will continue to provide operational oversight of marina activities and advise the Harbour Board. Meetings are also scheduled for 8th October 2025 and January 2026.
- The Harbour Operational Group will meet in advance of each Harbour Board meeting to escalate issues appropriately.

In line with the audit recommendation, a Harbour Business Plan will be presented to the Harbour Board at its October 2025 meeting. The accounts will be signed off by the Harbour Board, with progress monitored at subsequent meetings.

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 and Nature Implications

6.1 There are no climate change or nature 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 the Governance and Audit Committee note the content of the report provided in respect of the position statement on internal audit recommendations made, implemented, and outstanding made by the Regional Internal Audit Service.

Background documents

None

Agenda Item 5

Meeting of:	GOVERNANCE AND AUDIT COMMITTEE
Date of Meeting:	18 SEPTEMBER 2025
Report Title:	TREASURY MANAGEMENT OUTTURN REPORT 2024-25
Report Owner / Corporate Director:	CHIEF OFFICER – FINANCE, HOUSING AND CHANGE
Responsible Officer:	NIGEL SMITH, GROUP MANAGER – CHIEF ACCOUNTANT
Policy Framework and Procedure Rules:	Paragraph 22.5 of the Financial Procedure Rules notes that the Governance and Audit Committee is responsible for ensuring effective scrutiny of the Treasury Management policies and practice. This report supports this scrutiny function.
Executive Summary:	<p>The report provides an update of Treasury Management activity for the year 1 April 2024 – 31 March 2025.</p> <p>As at 31 March 2025 the Council had £103.80 million of long term debt, £15.66 million of other long term liabilities and an overall net debt position of £82.71 million.</p> <p>The average interest rate for debt was 4.73% (excluding Salix borrowing which is interest free) and for investments it was 4.39%.</p> <p>The Council has a manageable maturity structure of borrowing, with its current debt repayable at various points over the next 30 years.</p> <p>The Council has complied with the Chartered Institute of Public Finance and Accountancy’s Treasury Management Code and Welsh Government Investment Guidance.</p>

1. Purpose of Report

1.1 The purpose of this report is to:

- 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 TM Code) to report an overview of treasury activities for the preceding financial year.
- report the actual Treasury Management Indicators for 2024-25.

2. Background

2.1 Treasury Management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council is exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management.

2.2 Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 edition (the CIPFA TM Code), which requires the Council to approve a Treasury Management Strategy before the start of each financial year, and, as a minimum, a semi-annual and annual treasury outturn report. The CIPFA TM Code also requires the Council to set a number of Treasury Management Indicators, which are forward looking parameters, and enable the Council to measure and manage its exposure to treasury management risks, and these are included throughout this report. Welsh Government (WG) guidance issued in November 2019 on Local Authority Investments requires the Council to approve an Investment Strategy before the start of each financial year. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA TM Code and the Welsh Government Guidance.

2.3 The CIPFA Prudential Code for Capital Finance in Local Authorities (2021 edition) (Prudential Code) includes a requirement for Local Authorities to provide a Capital Strategy, which is a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The definition of investments in the Prudential Code covers all the financial assets of the Council as well as other non-financial assets which the authority holds primarily for financial return. The Council's Capital Strategy 2024-25 complied with CIPFA's requirement and included the Prudential Indicators along with the details regarding the Council's non-treasury investments. The Capital Strategy and Treasury Management Strategy should be read in conjunction with each other as they are interlinked, as borrowing and investments are directly impacted upon by capital plans, and both were approved together by Council on 28 February 2024.

2.4 The Council's treasury management advisors are Arlingclose. The current services provided to the Council include:

- advice and guidance on relevant policies, strategies and reports
- advice on investment decisions
- notification of credit ratings and changes
- other information on credit quality
- advice on debt management decisions
- accounting advice
- reports on treasury performance
- forecasts of interest rates
- training courses

3. Current situation / proposal

3.1 External Context – Economic Background

3.1.1 UK annual Consumer Price Index (CPI) inflation remained above the 2% Bank of England (BoE) target in the later part of the period. The Office for National Statistics (ONS) reported headline consumer prices at 2.6% as at 31 March 2025, down from 2.8% in the previous month.

3.1.2 The BoE's Monetary Policy Committee (MPC) held Bank Rate at 4.5% at its March 2025 meeting, having reduced it in February from 4.75%. At the March MPC meeting, members voted 8-1 to maintain Bank Rate at 4.5%, with only one member preferring another 25 basis points cut. Arlingclose, the authority's treasury adviser, maintained its central view that Bank Rate would continue to fall throughout 2025. The first cut of 0.25 basis points was realised in May's MPC meeting taking the bank rate to 4.25% with further cuts expected in August and November, bringing the end of March 2026 forecast rate to 3.75%.

3.1.3 Financial market sentiment was reasonably positive over most of the period, but economic, financial and geopolitical issues meant the trend of market volatility remained. In the latter part of the period, volatility increased and bond yields started to fall following a January peak, as the economic uncertainty around likely US trade policy impacted financial markets. Yields in the UK and US started to diverge in the last month of the period, with the former rising around concerns over the fiscal implications on the UK government from weaker growth, business sentiment and higher rates, while the latter started falling on potential recession fears due to the unpredictable nature of policy announcements by the US President and their potential impact

3.2 Public Works Loan Board (PWLB) Lending Facility Advice

- 3.2.1 As the Council may need to borrow to support its capital programme, it continues to follow the PWLB requirement for borrowing to not invest in assets primarily for yield, or financial return, as this would prevent the Council from accessing funding from the PWLB except to refinance existing loans or externalise internal borrowing. Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing and treasury management.
- 3.2.2 The Council's treasury management activities are undertaken in line with CIPFA's Prudential Code for Capital Finance and CIPFA's TM Code. To comply with the Prudential Code authorities must not borrow to invest primarily for financial return. The Prudential Code also states it is not prudent for local authorities to make investment or spending decisions that will increase the Capital Financing Requirement (CFR) unless directly and primarily related to the functions of the authority. Existing commercial investments are not required to be sold, however, authorities with existing commercial investments who expect to need to borrow should review the options for exiting these investments. The Council has complied with the full requirements of both codes during the 2024-25 financial year.

3.3 Treasury Management update for the year ending 31 March 2025

- 3.3.1 The Council has complied with its legislative and regulatory requirements during the year. The Treasury Management Strategy 2024-25 was approved by Council on 28 February 2024.
- 3.3.2 A summary of the treasury management activities is shown in the Treasury Management Outturn 2024-25 at **Appendix A**. The Council's external debt and investment position on 31 March 2025 is shown in Table 1 below, and more detail is provided within the appendix. During the year an additional £5m long term borrowing was taken out from the PWLB to replace a £5.8m long term loan maturing 31 March 2025, although this was taken out over a 16 month period, maturing 6 June 2026.
- 3.3.3 The balance on investments held on 31 March 2025 was £36.75 million, with an average interest rate of 4.39%. The total balance of investments has reduced compared to those at the end of last financial year, 31 March 2024, when the balance held was £50.00 million, at an average interest rate of 5.02%. The short-term borrowing taken out for cashflow purposes at the end of the previous year was repaid in May 2024 but further short term borrowing of £5m was taken out on 31 January 2025, maturing 30 April 2025 for cashflow purposes.

Table 1: Council's external debt and investment position as of 31 March 2025

Investments for Treasury Purposes	Principal as at 31/03/2024 £m	Principal as at 31/03/2025 £m	Average Rate 31/03/2025 %
External Long-Term Borrowing			
Public Works Loan Board	77.62	77.04	4.70
Lender's Option Borrower's Option	19.25	19.25	4.65
Salix Loans (interest Free)	2.74	2.51	NIL
Short Term Borrowing	5.00	5.00	5.50
Total External Long-Term Borrowing	104.61	103.80	4.73*
Other Long-Term Liabilities			
Private Finance Initiative**	12.97	11.97	
IFRS 16 Leases	NIL	3.69	
Total Other Long-Term Liabilities	12.97	15.66	
Total Gross Debt	117.58	119.46	
Investments for treasury management purposes			
Local Authorities	44.00	NIL	NIL
Money Market Funds (instant access)	NIL	12.75	4.52
Banks	6.00	6.00	3.93
DMO	NIL	18.00	4.45
Total Treasury Investments	50.00	36.75	4.39
Net Debt	67.58	82.71	

* Excluding Salix loans which are interest free

** (PFI) arrangement for the provision of a Secondary School in Maesteg 9.50 years remaining term

- 3.3.3 The £19.25 million in Table 1 above relates to Lender's Option Borrower's Option (LOBO) loans which have a maturity date of 2054 though these may be rescheduled in advance of this maturity date with the lender having the ability to recall the debt at 2 intervals in the year, July and January. However, this is currently unlikely in the current interest climate and the option was not exercised on 22 January 2025.
- 3.3.4 The Total Other Long Term Liabilities figure of £15.66 million at 31 March 2025 includes £11.97 million for the Council's Private Finance initiative (PFI) arrangement for the provision of a Secondary School in Maesteg. The Other Long-Term Liabilities reflect leases required to be recognised under International Financial Reporting Standard 16 – Leases (IFRS 16).
- 3.3.5 Both the CIPFA TM Code and Welsh Government Guidance require the Council to invest its funds prudently and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return. Investment decisions are made by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard and Poor's to ensure that this lies within the Councils' agreed minimum credit rating.
- 3.3.6 The Council defines high credit quality as organisations and securities having a credit rating of A- (A3 for Moody's) or higher and the Council does not invest in any organisation below this level. Schedule A shows the equivalence table for credit ratings for Fitch, Moody's, and Standard and Poor's and explains the different investment grades.

3.3.7 There are no long-term investment (original duration of 12 months or more) outstanding as at 31 March 2025. All investments at 31 March 2025 are short term deposits including instant access and fixed term deposits.

3.3.8 The Treasury Management Code requires the Council to set and report on a number of Treasury Management Indicators. The indicators either summarise the expected activity or introduce limits upon the activity. Details of the estimates for 2024-25 set out in the Council's Treasury Management Strategy compared to the actual at 31 March 2025 are shown in **Appendix A** and these show that the Council operated within the approved limits throughout the period.

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 because of this report.

6. Climate Change and Nature Implications

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

7. Safeguarding and Corporate Parent Implications

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

8. Financial Implications

8.1 The financial implications are reflected within the report and attached **Appendix A**.

9. Recommendations

9.1 It is recommended that the Governance and Audit Committee:

- Note the treasury management activities for the 2024-25 financial year.
- Note the Treasury Management Indicators for the period year ending 31 March 2025 against those approved in the Treasury Management Strategy 2024-25.

Background documents

None

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Treasury Management Outturn Report to 31 March 2025

EXECUTIVE SUMMARY

- Treasury Management is the management of the Council's cash flows on a day-to-day basis and is carried out in accordance with legislation and Codes of Practice. The Treasury Management Strategy for 2024-25 was approved by Council on 28 February 2024.
- Inflation, at 31 March 2025, measured by the Consumer Prices Index (CPI), continued to stay above the Bank of England's target of 2% at 2.6%, down from 2.8% in the previous month.
- The Bank of England base rate was reduced to 4.50% in February and remained at this rate as at 31 March 2025.
- £5 million long-term debt was taken out during the period with Public Works Loan Board (PWLB). On the 31 March 2025 £5.58 million of PWLB debt was repaid. Interest rates on long term-debt remain unchanged at an average of 4.73%.
- Total external borrowing at 31 March 2025 was £98.80 million, a reduction of £0.81 million from the previous quarter due to the scheduled repayment of a PWLB loan of £5.58 million, offset by an additional short term PWLB loan of £5 million, and a slight reduction of £0.23m of Salix debt.
- Total investments as at 31 March 2025 were £36.75 million, a reduction of £6.15 million from the previous quarter and a £13.25 million reduction from 1 April 2024.
- Average interest rates on investments as at 31 March 2025 was 4.39%, a reduction from 31 March 2024 of 5.02% as a result of reductions in the bank rate and associated returns on short term investments.
- The Council's investments are split across a number of counterparties, including local authorities, money market funds and banks.
- Investments are made on the basis of security, liquidity and, only then, return, commensurate with the security and liquidity of the investment.
- Due to the current level of reserves, the Council is able to use short-term resources to fund capital expenditure in lieu of external borrowing. However, this is only a short-term position. The Council took out new borrowing during the year for cash flow purposes. The liability benchmark (Chart 1) suggests that the Council may need new borrowing of up to £61 million during 2025-26, and a further £20m in 2026-27.
- The Council may need to borrow for cash flow purposes. This may be short-term borrowing (less than 12 months) to manage day-to-day operational cash flow, or the Council may take out longer duration debt where there is a borrowing requirement or where it would be cost effective to do so. Short term borrowing of £5m was taken out at the end of January 2025 with a duration of 3 months, and a further £5m was borrowed from the PWLB in February 2025 for a duration of 16 months.
- Council approved a change to the method of setting aside resources to repay debt, known as Minimum Revenue Provision (MRP), on 23 October 2024. The impact of this change has been reflected within this report as it affects the Capital Financing Requirement.
- The Council has operated within the approved limits set out in the Treasury Management Strategy 2024-25.

1.0 INTRODUCTION

Treasury management activities are 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.'* (Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services: Code of Practice (2021) (CIPFA TM Code).

The definition of 'Investments' includes:

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

The CIPFA TM Code sets out that it is not prudent to invest purely for financial return and the PWLB have set a lending requirement that Councils do not invest purely for financial return in order to be able to access borrowing from the PWLB.

The Council carries out its treasury management function in accordance with the CIPFA TM Code and the legal obligation under the Local Government Act 2003 to have regard to both the CIPFA TM Code and Welsh Government Guidance.

The Council has an integrated Treasury Management Strategy 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 capital schemes approved within the capital programme. Therefore, any actual loans taken are not generally associated with particular items of expenditure or assets.

The Council 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. The Governance and Audit Committee are 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

Both the UK and US elected new governments during the period, whose policy decisions impacted the economic outlook. The Chancellor of the Exchequer delivered her Spring Statement in March 2025, following her Budget in October 2024. Based on the plans announced, the Office for Budget Responsibility downgraded its predictions for UK growth in 2025 to 1% from 2%. The market reaction to the Spring Statement

was more muted compared to the Budget, with very recent market turbulence being driven more by US trade policy decisions and President Trump.

After revising its interest rate forecast in November following the Budget, the Council's treasury management advisor, Arlingclose, maintained its stance that Bank Rate will fall to 3.75% in 2025.

UK annual Consumer Price Index (CPI) inflation remained above the 2% Bank of England target in the later part of the period. The Office for National Statistics reported headline consumer prices at 2.6% in March 2025, down from 2.8% in the previous month and below expectations.

The Bank of England's Monetary Policy Committee held Bank Rate at 4.5% at its March 2025 meeting, having reduced it in February from 4.75%. At the March Monetary Policy Committee meeting, members voted 8-1 to maintain Bank Rate at 4.5%, with only one member preferring another 25 basis points cut.

The February Monetary Policy Report showed the BoE expected GDP growth in 2025 to be significantly weaker compared to the November Report. GDP is forecast to rise by 0.1% in Quarter 1 (January – March) 2025. The outlook for CPI inflation showed it remaining above the MPC's 2% target throughout 2025. It is expected to hit around 3.5% by June before peaking at 3.7% in Quarter 3 (July – September) 2025 and then easing towards the end of the year but staying above the 2% target. The unemployment rate was expected to rise steadily to around 4.75% by the end of the forecast horizon, above the assumed medium-term equilibrium unemployment rate of 4.5%.

Arlingclose, the authority's treasury adviser, maintained its view that Bank Rate would continue to fall throughout 2025. From the cuts in August and November 2024 and February 2025, which took Bank Rate to 4.50%, they predicted that May would be the likely month for the next reduction (which indeed the Monetary Policy Committee did reduce interest rates to 4.25%), with other cuts following in line with Monetary Policy Report months to take Bank Rate down to around 3.75% by the end of 2025.

3.0 EXTERNAL DEBT AND INVESTMENT POSITION

The Council's external debt and investments at 31 March 2025 are set out in Table 1 below. The Council held £98.80 million of Long Term Borrowing comprising:

- Public Works Loan Board (PWLB - UK government) at fixed rates and duration
- Lender's Option Borrower's Option (LOBO) which may be rescheduled ahead of their maturity of 22 July 2054 (no call was made in January 2025)
- £2.51 million of Salix interest-free loans

The Council borrowed £5 million for short term cash flow purposes in Quarter 4 in January for 3 months from Brentwood Borough Council, maturing 30 April 2025 and £5 million from PWLB over a slightly longer period in February 2025, maturing in June 2026.

At 31 March 2025 the Council had £36.75 million of investments for treasury management purposes and £4.89 million of investments for commercial purposes.

Table 1: Council’s external debt and investment position as of 31 March 2025

Investments for Treasury Purposes	Principal as at 31/03/2024 £m	Principal as at 31/03/2025 £m	Average Rate 31/03/2025 %
External Long Term Borrowing			
Public Works Loan Board (PWLB)	77.62	77.04	4.70
Lenders Option Borrowers Option (LOBO)	19.25	19.25	4.65
Salix Loans (Interest Free)	2.74	2.51	NIL
Short Term Borrowing	5.00	5.00	5.50
Total External Borrowing	104.61	103.80	4.73*
Other Long Term Liabilities			
Private Finance Initiative (PFI)**	12.97	11.97	
IFRS 16 Leases	NIL	3.69	
Total Other Long Term Liabilities	12.97	15.66	
Total Gross Debt	117.58	119.46	
Investments for treasury management purposes			
DMO	NIL	18.00	4.45
Local Authorities	44.00	NIL	NIL
Money Market Funds (instant access)	NIL	12.75	4.52
Banks	6.00	6.00	3.93
Total Treasury Investments	50.00	36.75	4.39
Net Debt	67.58	82.71	

Investments for Commercial Purposes	Fair Value as at 31/03/2024 £m	Return 31/3/2025 £m
Investments	4.890	0.457

* Excluding Salix loans which are interest free and Short Term borrowing

** (PFI) arrangement for the provision of a Secondary School in Maesteg 9.25 years remaining term

The current profile of repayment of the Council’s long-term debt is set out in the Liability Benchmark chart below. The table below 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 can be called at 2 intervals in the year July and January however it is currently unlikely in the current interest climate. The option was not exercised on 22 January 2025.

PWLB lending criteria requires that the Council does not invest purely for financial return if it wishes to access any new PWLB borrowing. The CIPFA TM Code sets out that it is not prudent for local authorities to invest for financial return.

All borrowing by the Council is undertaken as a single pool of debt rather than having loans specific to individual schemes. Where a Council finances capital expenditure by debt, it must put aside revenue to repay that debt in later years, known as Minimum Revenue Provision (MRP). Council approved a change to the MRP Policy at its meeting of 23 October 2024, to move from a straight line method of calculation of MRP to an annuity method. The annuity method of calculating MRP results in lower MRP charges in earlier years and higher charges in later years. However, when considering the total cost of MRP plus interest charges, the annuity method provides a more even cost each year. It is also considered more prudent as it takes into account the time value of money, so reflects the impact of having £100 now as being more valuable than £100 in one years' time.

Liability benchmark

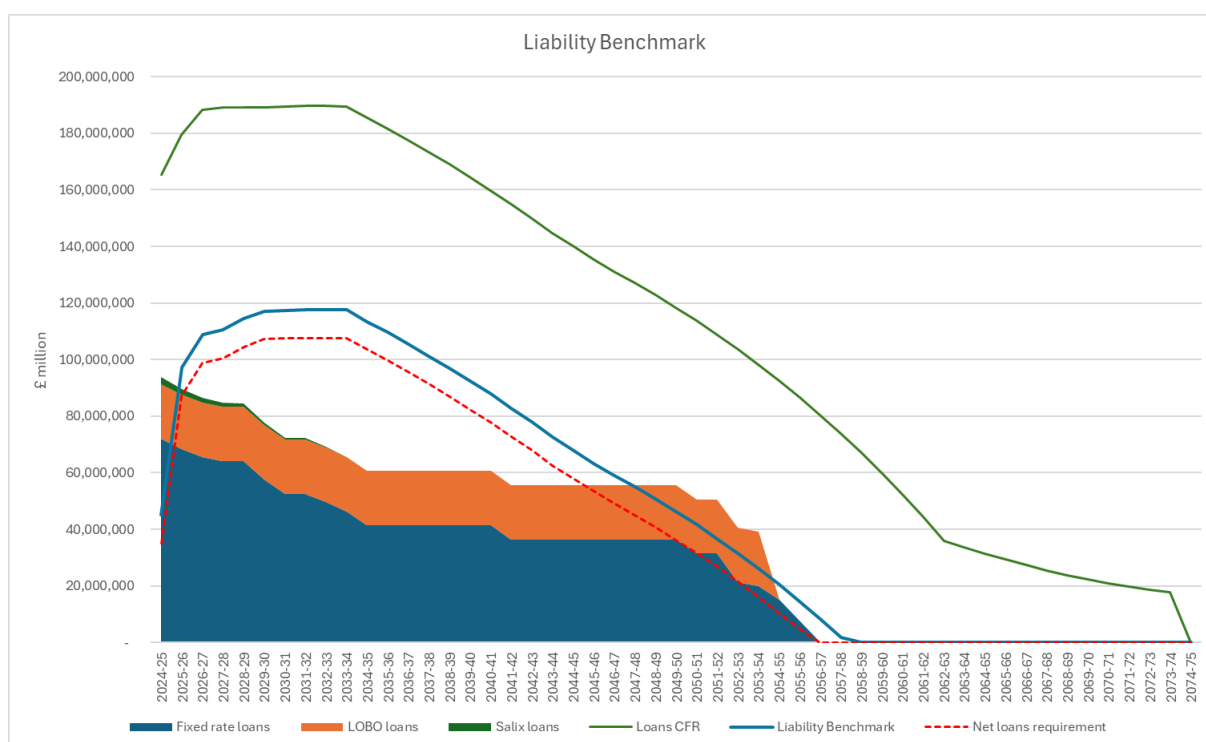
The liability benchmark is a tool which helps to assess the lowest level of borrowing the Council needs, taking into account available cash resources to fund capital expenditure in the short term. A minimum level of investments is factored into the calculation, set at £10 million, which are held as reasonably liquid to ensure the Council has available cash resources to meet day-to-day cash flow requirements. Forecast borrowing needs are based on capital expenditure estimates and available useable reserves. The underlying need to borrow to fund capital expenditure (known as the Capital Financing Requirement or CFR) is the amount of capital expenditure which is not funded via grants, capital receipts or contributions from revenue and earmarked reserves.

Table 2 below shows the Capital Financing Requirement and the calculation of the liability benchmark. It is important to note that the graph is based on the current approved capital programme and the borrowing associated therein. Any new schemes which require debt financing will increase the CFR and loans requirement.

Table 2: Liability benchmark

	31 March 2024 actual	31 March 2025 estimate (TMS)	31 March 2025 actual	31 March 2026 forecast	31 March 2027 forecast
	£m	£m	£m	£m	£m
Capital Financing Requirement	175.72	181.30	181.09	193.82	201.29
Less: Other debt liabilities	(12.97)	(14.98)	(15.77)	(14.56)	(13.25)
Loans Capital Financing Requirement	162.75	166.33	165.32	179.27	188.04
Less: Balance Sheet Resources	(128.35)	(98.59)	(130.25)	(92.33)	(89.54)
Plus: Liquidity allowance	10.00	10.00	10.00	10.00	10.00
Liability Benchmark	44.40	77.74	45.07	96.93	108.50

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 shape 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 plans while keeping treasury investments at the minimum level to manage day-to-day cash flow.



It is forecast that the Council will likely need to borrow long term in 2025-26 although this is based on a number of assumptions including the forecast capital programme expenditure and the level and use of reserves.

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, the 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 which may affect the Council's need to take new long-term borrowing.

4.0 BORROWING

As at 31 March 2025 the Council held £98.80 million of Long-Term Borrowing, £96.29 million of which is fixed long term loans as part of its strategy for funding previous years' capital programmes.

Based on current forecasts the anticipated need to borrow during 2025-26 is £61 million with further borrowing of £20 million in 2026-27. This includes the need to refinance borrowing to be repaid during 2025-26 and 2026-27 of £11.5 million. The gap between the shaded area and the blue line in the Liability Benchmark (Chart 1) above is the forecast need to borrow.

The Council has previously raised the majority of its long-term borrowing from the Public Works Loan Board (PWLB), and this was the source for the most recent borrowing of £5 million taken out on 6 February 2025. The Council will always 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 TM Code.

The Council has loans from PWLB maturing within the next 3 financial years that it will need to repay. The value of the loans due to be repaid over the next 3 years is shown in Table 3.

Table 3: Value of PWLB maturing debt

	2025-26 £ million	2026-27 £ million	2027-28 £ million
Value of maturing debt	3.709	7.790	1.395

£5.58 million for 2024-25 was repaid on 31 March 2025. As noted above the Council may need to borrow during 2025-26 which would replace maturing loans.

Maturity structure of borrowing

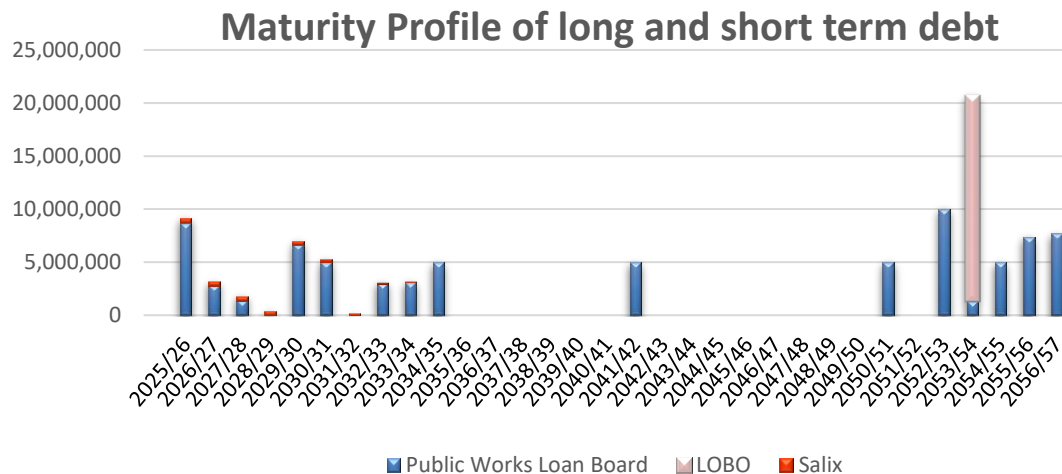
The maturity structure of borrowing indicator is set to control the Council's exposure to refinancing risk with respect to the maturity of the Council's external borrowing. The limits are set to avoid having large amounts of debt maturing in a short space of time and is the amount of projected borrowing maturing in each period as a percentage of total projected borrowing. Where the maturity date of borrowing is unknown, as in the case of LOBO loans, the maturity should normally be determined by reference to the earliest date at which the lender can require repayment. The £19.25 million of LOBO

loans has therefore been included in the ‘Under 12 months’ category. This table also reflects the PWLB loans repayable in 2025-26.

Table 4: Maturity Structure of Borrowing

Maturity structure of borrowing	Upper limit	lower limit	£ million	As at 31 Mar 2025
Under 12 months	50%	0%	23.35	23.64%
Over 12 months and within 24 months	25%	0%	8.18	8.28%
Over 2 years and within 5 years	25%	0%	9.14	9.25%
Over 5 years and within 10 years	40%	0%	16.74	16.94%
Over 10 years and within 20 years	50%	0%	5.00	5.06%
20 years and above	60%	25%	36.39	36.83%
Total	-	-	98.80	100%

As can be seen from the table above the maturity structure remains within the limits approved as part of the Treasury Management Strategy 2024-25. The following chart provides the maturity profile of the Council’s debt. The chart shows that the Council’s long term debt is well spread with a manageable maturity structure, with no single year having a disproportionately high level of debt repayment.



The LOBO loans are subject to the lender having the right to change the rate of interest payable during the financial year at either of two trigger points - January and July, with the Council having the right to refuse the change, triggering early repayment and the need to re-finance. Whilst the Council currently has sufficient funds to repay these loans and so the refinancing risk is manageable, it will, however, need to consider taking out new debt to replace these loans in future.

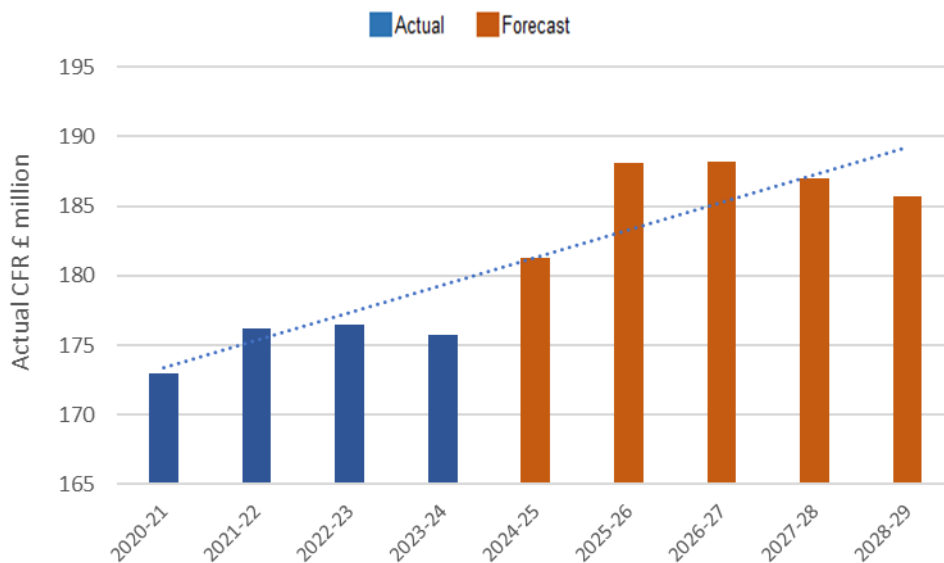
Table 5: LOBO loans

Commencement date	Loan value £m	Potential repayment date	Option frequency	Full term maturity
22 January 2004	4.00	22 July 2025	6 months	22 January 2054
22 January 2004	5.00	22 July 2025	6 months	22 January 2054
22 January 2004	10.25	22 July 2025	6 months	22 January 2054

In accordance with the Treasury Management Strategy, the Council is internally borrowing, which is when it uses temporary cash balances it holds in the short term instead of undertaking external borrowing. The current year’s estimated level of internal borrowing is £72.61 million. This is shown by the Council’s Capital Financing Requirement (CFR) net of its external level of debt including other long term debt liabilities. The Council’s forecast CFR as at 31 March 2025 is £181.30 million, external borrowing forecast at 31 March 2025 is £93.71 million and other long term debt liabilities forecast to be £14.98 million, which is primarily the PFI Maesteg School scheme plus the lease commitments of right of use assets. These leases are included in line with the requirements of International Financial Reporting Standard 16 (IFRS16) which requires that right of use assets and the equivalent lease liabilities are recognised on the balance sheet as from 1 April 2024.

The chart below shows the trend in the CFR based on **current** capital commitments within the capital programme reported at quarter 3 – 2024-25. The CFR is anticipated to increase in the current year assuming capital expenditure is incurred as currently anticipated. Due to the increase in forecast capital expenditure and borrowing in the capital programme, the CFR is expected to further increase in 2025-26 before reducing from 2026-27. This is on the assumption that there will be no new schemes in future which require debt financing. If new schemes are added which require debt finance, the CFR will continue to increase.

Capital Financing Requirement Trend



5.0 TREASURY INVESTMENTS

The Council holds treasury investments as a result of temporary cash balances arising from its day-to-day activities. The management of the day-to-day cash requirements of the Council is undertaken in-house with advice from Arlingclose, the Council's Treasury Management advisors. This may involve temporary borrowing to meet cash-flow needs or temporary lending of surplus funds. Investment balances can fluctuate daily and arise as a result of a range of circumstances, including timing differences of revenue and capital cash flows, reserves and other balances held for future use.

Investments are made in institutions approved by the Council as part of its Treasury Management Strategy and in accordance with investment guidelines issued by the Welsh Government. As part of the Markets and Financial Instruments Directive II (MIFID II), the Council elected for 'professional' status, which covers national and regional governments and public bodies. The categories of investments the Council can invest in can be changed subject to Council approval.

Treasury investments are made primarily on the basis of ensuring security of the funds invested, whilst managing liquidity, and only then considering a commensurate return on the investment. As at 31 March 2025 the Council held £36.75 million of investments, with a weighted average return over the period of 4.81%.

Table 6 below shows the investment profile as at 31 March 2025.

Table 6: Investments by counterparty type

Investment Category	Balance 1 April 2024	Investments made in period	Investments repaid in period	Balance 31 March 2025	Weighted interest rate 1 April 2024 to 31 March 2025
	£m	£m	£m	£m	%
Government DMO	0.00	427.25	(409.25)	18.00	4.71
Local Authorities	44.00	0.00	(44.00)	0.00	4.91
Money Market Funds	NIL	112.35	(99.60)	12.75	4.93
Banks (instant access/notice accounts)	6.00	49.10	(49.10)	6.00	3.83
TOTAL	50.00	588.70	(601.95)	36.75	4.81

The following should be noted:

- During the period to 31 March 2025 all investments made were in line with the approved counterparties within the Treasury Management Strategy.
- Investments are diversified over a number of organisations across different sectors, demonstrating a diversified investment portfolio.
- All investments are in sterling and are rated A- and above as per the approved criteria or with a public body.

- The weighted average rates are for all investments made during 1 April 2024 to 31 March 2025.

The overall interest receivable from treasury investments for the period 1 April 2024 to 31 March 2025 was £4.337 million. Interest rates have continued to fall from their peak of 5.25%, from the first cut in August 2024 followed by a number of further cuts, the latest being in February 2025 taking the Bank Rate to 4.50%, which it was as at 31 March 2025. The Council will continue to take a cautious approach to investing to ensure as its primary concern the security of any investments made. The risk of default for investments held is considered negligible.

All investments longer than 364 days will be made with a cautious approach to cash flow requirements and advice from the Council’s Treasury Management advisors as necessary. All investments as at 31 March 2025 were short term of less than one year duration and Table 7 shows the actual value of principal invested beyond 1 year as £Nil.

Table 7: Sums invested for periods longer than a year

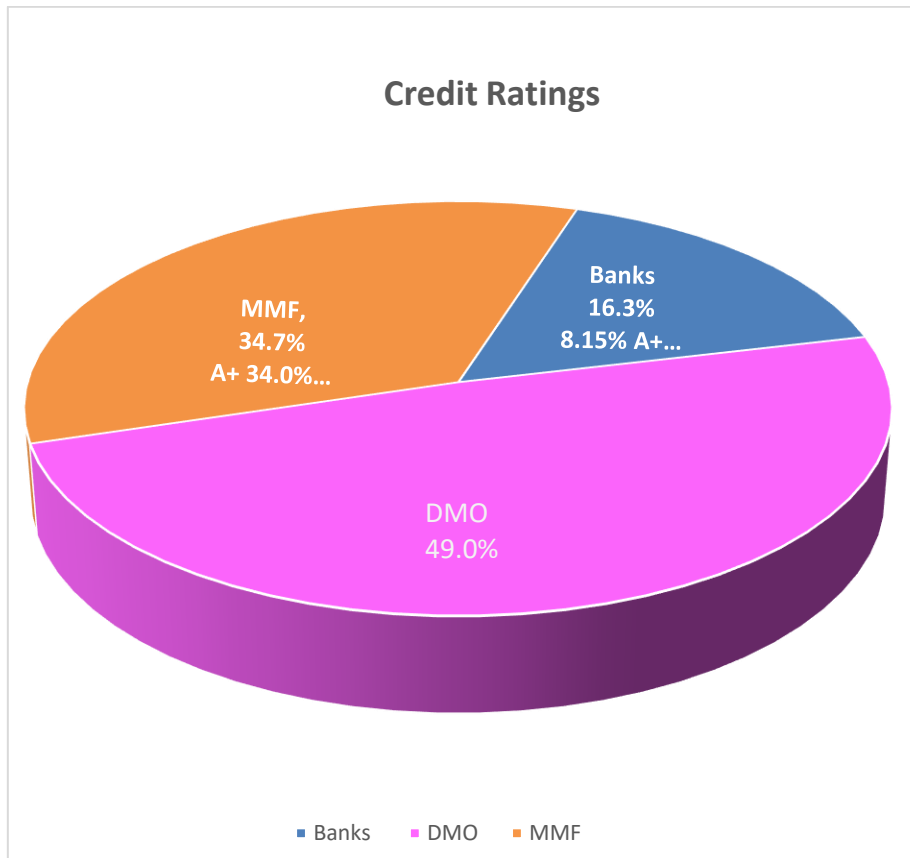
Price risk indicator	TMS 2024-25 £m	Actual £m
Limit on principal invested beyond financial year end	15	NIL

The below table details the Council’s investments by counterparty and maturity profile.

Table 8: Investments by maturity

Counterparty Category	Instant Access £m	Deposits maturing within 1 month £m	Deposits maturing within 2-3 months £m	TOTAL £m
Debt Management Office		18.00		18.00
Money Market Funds	12.75			12.75
Banks	6.00			6.00
Total	18.75	18.00		36.75

The pie chart below summarises the distribution of the Council’s investments by credit ratings. The Council held £18 million with the Debt Management Office at 31 March 2025 which is the Executive Agency of the UK Treasury and rated AA.



6.0 INTEREST RATE EXPOSURES

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

The following Table is based on investments at 31 March 2025.

Table 9: Interest Rate Exposure

Interest rate risk indicator	£ million
One year revenue impact of a 1% rise in interest rates	(0.159)
One year revenue impact of a 1% fall in interest rates	0.352

It is important to note that this is an indicator, not a limit. It is calculated at a point in time on the assumption that maturing loans and investments would be replaced at rates 1% higher or lower than they are currently, and that the treasury investment and

borrowing portfolios remain unchanged over the next 12 months, which in practice is not the case. The figure for the 1% fall in interest rates indicator is not the same figure as the 1% increase (but reversed) as the borrowing relates to variable LOBO loans where it is assumed that the lender would only exercise their option if there was an increase in interest rates. All other borrowing does not have a rate reset in the next year and is with the PWLB at fixed rates. A comparison of interest expenditure and income due for the period 1 April 2024 to 31 March 2025 is shown below.

Table 10: Interest

	01 April 2024 – 31 March 2025 £ million
Interest expenditure payable on long term borrowing	(6.100)
Interest income received in period	4.771
Net interest cost	(1.329)

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. PWLB guidance requires that local authorities should review their investment portfolio if they wish to secure PWLB borrowing but does not require the local authority to sell existing investment assets. This category covers non-financial assets held wholly or partially to generate a profit, primarily investment property. These assets are valued on an annual basis to reflect market conditions and the current value at the time they are valued, otherwise known as Fair Value, which provides security of their value and continued benefit to the Council.

Table 11: Non-treasury investments

Non-treasury investments Asset Value	£ million
Bridgend Science Park - Units 1 & 2	3.070
Waterton Cross Land	0.560
Brynmenyn Industrial Estate Plot 53	0.675
Village Farm Plots 32,119 & 120	0.385
Tyrewise Bridgend	0.200
Total at Fair Value	4.890
Actual return 2024-25	0.458

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

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

Schedule A – Credit Rating Equivalence Table

Credit Rating Equivalence Table

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

Schedule B – Arlingclose Economic & Interest Rate Forecast –25 March 2025

	Current	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28
Official Bank Rate													
Upside risk	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central Case	4.50	4.25	4.00	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Downside risk	0.00	-0.25	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
3-month money market rate													
Upside risk	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central Case	4.90	4.35	4.10	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85
Downside risk	0.00	-0.25	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
5yr gilt yield													
Upside risk	0.00	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	4.33	4.25	4.15	4.05	3.95	3.95	3.95	4.00	4.05	4.10	4.10	4.10	4.10
Downside risk	0.00	-0.55	-0.60	-0.65	-0.70	-0.75	-0.80	-0.85	-0.90	-0.95	-1.00	-1.05	-1.10
10yr gilt yield													
Upside risk	0.00	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	4.70	4.50	4.35	4.30	4.30	4.30	4.30	4.30	4.30	4.35	4.35	4.35	4.35
Downside risk	0.00	-0.55	-0.60	-0.65	-0.70	-0.75	-0.80	-0.85	-0.90	-0.95	-1.00	-1.05	-1.10
20yr gilt yield													
Upside risk	0.00	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	5.22	4.95	4.85	4.75	4.75	4.75	4.75	4.75	4.75	4.75	4.75	4.75	4.75
Downside risk	0.00	-0.55	-0.60	-0.65	-0.70	-0.75	-0.80	-0.85	-0.90	-0.90	-0.90	-0.90	-0.90
50yr gilt yield													
Upside risk	0.00	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	4.52	4.65	4.55	4.45	4.45	4.45	4.45	4.45	4.45	4.45	4.45	4.45	4.45
Downside risk	0.00	-0.55	-0.60	-0.65	-0.70	-0.75	-0.80	-0.85	-0.90	-0.90	-0.90	-0.90	-0.90

Choosing to leave monetary policy unchanged in March, the Monetary Policy Committee (MPC) continues to walk the fine line between supporting an economy struggling to expand and counterbalancing rising inflation, amid increasing uncertainties due to fiscal and political uncertainty.

The messaging in the minutes was somewhat more hawkish. The 8-1 voting split and mentions of both elevated inflation commuting into second round effects and the need for policy to remain restrictive for as long as necessary suggests growing concerns on the inflationary front.

UK GDP growth is broadly flat. There appears little impetus in private sector activity, particularly in the manufacturing sector, but the upcoming boost arising from government spending should lift growth during 2025.

The MPC noted that weaker growth reflects both slower demand and supply; the household saving ratio remains elevated and consumer confidence is low, while business investment is being held back by rising employment costs and global uncertainties.

Private sector wage growth and services inflation remain elevated but underlying shorter-term wage pressures have eased and pay growth expectations remain steady just under 4%. Employment has peaked and employment growth is likely to remain weak over the near term.

CPI inflation rates are expected to rise during 2025-26. There are signs that business and household inflation expectations are already rising, possibly related

to rising food prices or fears around global trade wars, prompting a more hawkish attitude from the MPC.

Bond yields have been relatively volatile but have generally tracked upwards due to uncertainty and possible inflationary effects arising from the new US administration's fiscal, trade and foreign policy. One of the outcomes of US policy is a need for increased European defence spending, which is likely to lead to stronger growth and higher bond issuance.

The UK government is also facing fiscal credibility issues, with weaker growth forecasts and higher borrowing costs increasing the need for remedial fiscal policy, supporting an economy struggling to expand and counterbalancing rising inflation, amid increasing uncertainties due to fiscal and political uncertainty.

Meeting of:	GOVERNANCE AND AUDIT COMMITTEE
Date of Meeting:	18 SEPTEMBER 2025
Report Title:	ANNUAL CORPORATE FRAUD REPORT 2024-25
Report Owner / Corporate Director:	CHIEF OFFICER FINANCE, HOUSING AND CHANGE AND HEAD OF THE REGIONAL INTERNAL AUDIT SERVICE
Responsible Officer:	SIMON ROBERTS – SENIOR FRAUD INVESTIGATOR AND JOAN DAVIES – DEPUTY HEAD OF REGIONAL INTERNAL AUDIT SERVICE
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 Annual Corporate Fraud Report 2024-25 summarises the work undertaken in respect of counter fraud by the Council’s Fraud Department and the Regional Internal Audit Service. • It provides an update to the Governance and Audit Committee on the arrangements in place to manage the risk of fraud. • The developments and actions the Council proposes to take over the medium-term future, to further improve its resilience to fraud, are shown in this report as our steps to continual improvement. • The report provides an update on the National Fraud Initiative and includes a completed self-appraisal checklist issued by Audit Wales. • The report provides details on the monetary value of any fraud or error identified throughout 2024-25.

1. Purpose of Report

- 1.1 The purpose of this report is to present members of the Governance and Audit Committee with the Annual Corporate Fraud Report 2024-25, which summarises

the actions undertaken in respect of counter fraud. The report also provides an update on the National Fraud Initiative (NFI) exercise and includes a completed self-appraisal checklist that Audit Wales encouraged all participating bodies to complete.

2. Background

2.1 One of the core functions of an effective Governance and Audit Committee is:

- To consider the effectiveness of the Council's Risk Management arrangements, the control environment and associated anti-fraud and corruption arrangements.

2.2 This report updates the Committee on the arrangements in place for managing the risks of fraud with the aim of prevention, detection and subsequent investigation and reporting of fraud.

2.3 The impact of fraud should never be underestimated. Fraud leaves the Council with less money to spend on services for residents and costs taxpayers money. Fraud against a local council is not a victimless crime. There is not only the lost/stolen money to consider but also the loss of working time investigating and correcting issues, liaising with police and lawyers, any subsequent court costs, increased insurance premiums, reputational damage for individuals or the Council as a whole and poor staff morale.

2.4 The Council sets high standards for both Members and officers in the operation and administration of the Council's affairs and has always dealt with any allegations or suspicions of fraud, bribery, or corruption promptly. It has in place policies, procedures, and reporting mechanisms to prevent, detect, and report on fraud, bribery, and corruption. These include the Fraud Strategy and Framework, a Whistleblowing Policy, ICT Code of Conduct, Anti-Fraud, Bribery and Corruption Policy, Anti-Tax Evasion Policy, and Anti-Money Laundering Policy. A Fraud Risk Register is also in place.

2.5 The Fraud Strategy and Framework underpins the Council's commitment to prevent all forms of fraud, bribery, and corruption, whether it be attempted externally or from within.

3. Current situation / proposal

3.1 The Annual Corporate Fraud Report is attached at **Appendix A** and it summarises the counter fraud work undertaken within the Council during 2024-25.

3.2 The Council's Fraud Strategy and Framework includes reactive and proactive work and sets out the developments and actions the Council proposes to take over the medium-term to further improve its resilience to fraud, bribery, and corruption. The report at **Appendix A** outlines the progress made against these measures. For example, further significant improvements have been made to the external fraud webpages on the Council's internet site allowing members of the public and staff to refer various types of fraud directly to the Fraud Department. These webpages also contain a wealth of information for staff and members of the public to peruse relating to fraud and the work of the department. In addition, our Anti-Tax Evasion Policy, Anti-Money Laundering Policy and Anti-Fraud, Bribery and Corruption Policy

have recently been refreshed and updated. Fraud awareness training sessions also continue to be delivered and are available to both staff and Members as and when required. The steps to support continual improvement are shown at **Annex 1 of Appendix A**.

- 3.3 One activity included within these steps to support continual improvement is the National Fraud Initiative. This is a biennial exercise co-ordinated in Wales by Audit Wales whereby data is extracted from the Council's systems and reports. This data is then matched against data submitted from other bodies such as other Local Authorities, the Department for Work and Pensions (DWP), His Majesty's Revenue & Customs (HMRC), NHS & Trusts, Police and Housing Associations etc. It is important to note that, where a match is found, it is not in itself evidence of fraud, it may be an error or an inconsistency that requires further investigation.
- 3.4 **Appendix A** provides details of the most recent biennial data matching exercise which was based on data extracted in October 2024 with the matches released in December 2024. This exercise is still in the early stages of completion but, so far, a total of 8 fraud or errors have been identified equating to £8,017.23 of recoverable funds. This sum is currently only attributable to council tax reduction or housing benefit matches. The exercise has also resulted in the cancellation of 230 blue badges, where the holder was deceased, generating a notional saving, calculated by the Cabinet Office, of £182,620. More detailed results are included at **Annex 2 of Appendix A**. The next biennial data matching exercise will be due to commence towards the end of 2026 with data extracted in October 2026 and the new matches returned in the early part of 2027. **Appendix A** also provides details of the most recent annual Single Person Discount data matching exercise, which was based on data extracted at the end of 2023 for review in 2024. A total of 282 possible frauds or errors were identified equating to £138,135.59 of potentially recoverable funds. More detailed results relating to this exercise are included at **Annex 4 of Appendix A**.
- 3.5 In November 2024 Audit Wales issued a Self-Appraisal checklist to help participating bodies self-appraise how they are engaging with the NFI. Audit Wales encouraged all participating bodies to complete the checklist and present it to those charged with governance to support scrutiny of their NFI arrangements. The completed checklist is included at **Annex 5 of Appendix A**.
- 3.6 The Annual Report at **Appendix A** also provides detail of the internal counter fraud work undertaken by the Regional Internal Audit Service and the Council's Senior Fraud Investigator, including internal investigations, council tax reduction (CTR) investigations and blue badge investigations.
- 3.7 Council Tax Reduction and incidental housing benefit savings of £77,987.96 were achieved as a result of fraud investigations concluded during 2024-25. The fraud department also provides assistance to the DWP throughout their investigations where information and advice is given in respect of the Housing Benefit and Council Tax Reduction that has been claimed. During 2024-25 Housing Benefit savings of £55,674.43 and CTR savings of £12,053.37 were achieved as a result of these DWP investigations and the assistance provided.
- 3.8 Joint working was also undertaken during 2024-25 with Bridgend County Borough Council (BCBC) working with the Single Fraud Investigation Service (SFIS) on any appropriate benefit investigations. Local networking is also in place which has

enabled intelligence to be shared, particularly in respect of new scams that have materialised during the cost-of-living crisis.

- 3.9 The Council took part in a national study which was to review the effectiveness of counter fraud arrangements in the Welsh public sector. The resulting report was published in July 2020. The recommendations from this most recent report, made by Audit Wales, were considered when reviewing and updating the Fraud Strategy and Framework for 2025-26 to 2027-28. This updated strategy was recently reviewed by the Governance and Audit Committee in April 2025 and approved by Cabinet in June 2025 and has ensured that the work being undertaken in relation to counter fraud continually improves.

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

9. Recommendations

- 9.1 It is recommended that the Committee note the Annual Corporate Fraud Report 2024-25, the steps in place to support continual improvement, the work being undertaken to prevent and detect fraud and error and the update on the National Fraud Initiative to include the completed self-appraisal checklist.

Background documents

None

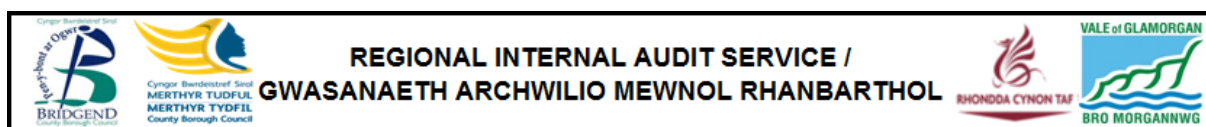
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ANNUAL CORPORATE FRAUD REPORT

2024-25

Simon Roberts – Senior Fraud Investigator
Joan Davies – Deputy Head of RIAS
July 2025



Section 1 – Introduction

- 1.1 This report was prepared by the Council's Senior Fraud Investigator in conjunction with the Regional Internal Audit Service (RIAS).
- 1.2 The challenge presented to councils by fraud is significant. The Fighting Fraud and Corruption Locally Strategy '*A Strategy for the 2020s*' produced by local government, for local government, states that local authorities continue to face a significant fraud challenge. The Annual Fraud Indicator 2023, produced by Crowe Clark Whitehill, states that fraud in local government increased from an estimated £7.8bn in 2017, to £8.8bn in 2021-2022. Based on the Public Sector Fraud Authority's (PSFA) methodology, it is estimated that fraud and error cost the taxpayer £55 billion to £81 billion in 2023-24. It is reported that only a fraction of this is detected and known about – enabling investigation and recovery. The Crime Survey for England and Wales recognises fraud as being one of the most prevalent crimes in society today, with 3.2 million incidents of fraud recorded between 2022-2023 and latest crime figures in England and Wales from the Office for National Statistics have revealed that fraud offences have increased by 19% (to 3.9 million offences) in the year ending September 2024.
- 1.3 The impact of fraud should never be underestimated. Fraud leaves the Council with less money to spend on services for residents and costs taxpayers money. Fraud against a local council is not a victimless crime. There is not only the lost/stolen money to consider but also the loss of working time investigating and correcting issues, liaising with police and lawyers, any subsequent court costs, increased insurance premiums, reputational damage for individuals or the Council as a whole and poor staff morale.
- 1.4 The Council sets high standards for both Members and Officers in the operation and administration of the Council's affairs and has always dealt with any allegations or suspicions of fraud, bribery, or corruption promptly. It has in place policies, procedures, and reporting mechanisms to prevent, detect, and report on fraud, bribery, and corruption. These include the Fraud Strategy and Framework, a Whistleblowing Policy, ICT Code of Conduct, Anti-Fraud, Bribery and Corruption Policy, Anti-Tax Evasion Policy, and Anti Money Laundering Policy. A Fraud Risk Register is also in place.
- 1.5 The Fraud Strategy and Framework underpins the Council's commitment to prevent all forms of fraud, bribery, and corruption, whether it be attempted externally or from within. The updated strategy for 2025-26 to 2027-28 was reviewed by the Governance and Audit Committee in April 2025 and endorsed by Cabinet in June 2025.
- 1.6 The current cost of living crisis has continued to have a major impact on everyone during 2024-25. One consequence has been that many organisations, including councils, are being targeted by an increase in potential scams. This growing trend has placed more importance on the roll out of fraud awareness which aims to ensure that staff are equipped to identify such threats and avoid becoming a victim of fraud.

Section 2 – Proactive Work

- 2.1 The Fraud Strategy and Framework includes reactive and proactive work and sets out the developments and actions the Council proposes to take over the medium-term to further improve its resilience to fraud, bribery, and corruption. These steps to support continual improvement are shown at **Annex 1** and the progress that has been made against the headings is described below.

Fraud Risk Register

- 2.2 The Council can be exposed to fraud and corruption through a variety of internal and external sources. These include:
- Council Tax Reduction Scheme (including Discounts and Exemptions)
 - Housing benefits
 - Parking concessions (Blue Badge Scheme)
 - Grants
 - Procurement
 - Contract Management
 - Employees (For example: fraudulent claiming by employees of flexi, mileage expenses and misuse of corporate purchasing cards).
- 2.3 These areas and others can be regularly subject to attack by individuals / groups intent on committing fraud, which means that there is less money and resources available for those in genuine need. It is therefore important that the Council acknowledges the risk of fraud and undertakes an assessment on how it prevents, detects, and pursues monies or assets obtained fraudulently. Consideration should also be made as to how services that are more susceptible to fraud manage that risk.
- 2.4 A detailed fraud risk register has been produced which has been presented to the Governance and Audit Committee and was approved by Cabinet in March 2022. It provides a robust tool to assist in ensuring resources are targeted correctly. The Fraud Risk Register is monitored by the Corporate Management Board on a quarterly basis and any significant risks identified will be escalated to the Corporate Risk Register, scored accordingly, and reported to the Governance and Audit Committee where necessary.

Policies

- 2.5 There are a number of Council policies in place to assist and support the raising of fraud awareness and to help tackle fraud, bribery, and corruption within the Council. These policies will dovetail and ensure that the public, Members, and staff have clear guidance on how to identify and report suspected or known fraud, bribery, or corruption.
- 2.6 In January 2021 a new policy was drafted and added to the current suite to deal with Tax Evasion. The Governance and Audit Committee approved an updated

version of this policy in April 2025. The Anti-Money Laundering Policy and Anti-Fraud, Bribery and Corruption Policy were also reviewed and updated and approved by the Governance and Audit Committee in June 2025 prior to their approval by Cabinet.

2.7 Below are some of the relevant policies currently in operation which assist in the overall fraud awareness strategy.

- Whistleblowing Policy
- Anti-Fraud, Bribery and Corruption Policy
- Anti-Money Laundering Policy
- Anti-Tax Evasion Policy
- ICT Code of Conduct
- Financial Procedure Rules
- Grants Financial Management Policy
- Various HR policies

Develop Fraud Awareness

2.8 The Bridgenders intranet pages are in the process of being improved and updated and an increased amount of fraud information will be made available to staff. Significant improvements were also made to the Council's external website during 2024 to include a wealth of information relating to fraud and guidance on how fraud can be reported to the Council. The website also provides members of the public and staff with the ability to report instances of suspected fraud directly to the fraud department. Reports can also be made via My Account.

2.9 The steps to support continual improvement state that alerts will be provided to staff and Members across the Council, to raise awareness when notification of a potential fraud, relevant to their service area, is received. When warnings are received from the National Anti Fraud Network or other relevant organisations, they are shared with those departments affected, and schools where necessary, to ensure they are aware of any potential threats. In addition, when the Council receives information from outside organisations concerning potential fraud that may have a direct consequence to members of the public or staff, this information is shared with the Communications Team to ensure details are published on the Council's social media platforms.

2.10 Fraud awareness training continues to be delivered by the Senior Fraud Investigator. During 2024-25 training was delivered to staff within Benefits, Council Tax, Creditors, Payroll and Customer Services. Fraud awareness also continues to form part of the induction process for all new Benefits staff. A fraud awareness training session was presented to all existing Members in October 2023 with further training planned for September 2025.

Training

2.11 A Fraud Prevention e-learning module has been developed to support the Anti-Fraud, Bribery and Corruption, Anti-Money Laundering, and other relevant policies that have been approved by Cabinet. The Council promotes a zero-tolerance

approach to fraud and corruption and the training will enhance staff and Members' understanding of how fraud may occur, encourage prevention, and promote detection of suspicious activities. This will enable staff and Members to act with integrity and to respond effectively when incidents do occur. The e-Learning module has been rolled out across the Council and is a mandatory requirement for identified services and teams. The Council does however promote its completion by everyone.

Data Analytics

- 2.12 Data analytic tools and techniques continue to be developed to enable data held within the financial systems to be extracted and analysed. This enables increased testing within planned audits and has provided an opportunity to identify any trends that may be occurring.

Section 3 – National Fraud Initiative Data Matches 2024-25

- 3.1 The National Fraud Initiative (NFI) is included as one of the steps to support continual improvement to reduce fraud. This is a biennial exercise coordinated by the Cabinet Office across the UK, and by Audit Wales in Wales, whereby data is extracted from the Council's systems. This data is matched against data submitted from other bodies such as other Local Authorities, Department for Work and Pensions (DWP), His Majesty's Revenue & Customs (HMRC), NHS & Trusts, Police and Housing Associations etc. across the UK. It is important to note that where a match is found, it is not in itself evidence of a fraud; it may be an error or an inconsistency that requires further investigation.
- 3.2 Internal Audit, together with the Council's Senior Fraud Investigator, facilitate the upload of data and user account management and provide assistance, training and advice to officers reviewing the data matches.
- 3.3 The current data matching exercise began in October 2024 with data being extracted and forwarded to the Cabinet Office. The resulting matches were released to the Council in December 2024 and are due for finalisation and completion during October 2026. Initially a total of 8,196 matches across areas including housing benefit, council tax reduction scheme, payroll, blue badges, creditors, and licensing were identified. It is possible that further matches will be released to the Council as the exercise progresses.
- 3.4 Work on the matches released in December 2024 has only just started but, so far, a review of 585 of these data matches during the accounting year 2024-25 has resulted in 238 frauds or errors being identified with a value of £8,017.23, all of which is recoverable. Table 1 summarises the results and more details are provided in **Annex 2**.

Table 1 – National Fraud Initiative Data Matching Exercise Results 2024-25

Type	Fraud/ Error Number	Fraud/ Error Value	Recoverable	NFI Estimated Savings*
Housing Benefit	1	£1,097.09	£1,097.09	£364.99
Council Tax Reduction Scheme	7	£6,920.14	£6,920.14	£3,923.66
Blue Badge	230	£0.00	£0.00	£182,620.00
Total	238	£8,017.23	£8,017.23	£186,908.65

*Refer to paragraph 3.7

- 3.5 The exercise also resulted in the cancellation of 230 blue badges, where the holder was deceased, generating a notional Cabinet Office calculated savings figure of £182,620 based on potential lost revenue from parking charges and congestion charges (where applicable) as per Cabinet Office estimated savings methodology.
- 3.6 The next biennial NFI data matching exercise will be due to commence in October 2026 when data will once again be extracted and forwarded to the NFI. These new matches are due for release in January 2027.
- 3.7 NFI estimated savings are a Cabinet Office defined methodology, which predicts the potential or projected loss if the fraud/error had not been identified. Audit Wales also publish the estimated savings in their fraud related reports. It is not 'real' money to the Council and cannot be reflected in bottom line savings. **Annex 3** provides a summary of the Cabinet Office estimated savings methodology.

Single Person Discount (SPD)

- 3.8 The NFI also produce an annual exercise relating to SPD, generated from the Council Tax system. These matches highlight where there may be more than one adult at a property currently in receipt of SPD.
- 3.9 In total 1,872 households were produced for review during 2024. The review of these data matches resulted in 282 frauds or errors being identified. Table 2 summarises the results and more detail is provided in **Annex 4**.

Table 2 – NFI Single Person Discount Results 2024

Type	Fraud/ Error Number	Fraud/ Error Value	Potentially Recoverable	NFI Projected Savings
Single Person Discount	282	£138,135.59	£138,135.59	£205,183.46

- 3.10 Further SPD data was extracted and forwarded to the NFI in December 2024 and these matches were released for review in January 2025. In total a further 4,236 matches have been produced for investigation during 2025 and work has commenced on these. A further 4,823 matches were released later in 2025 as a

result of new projects undertaken by the NFI team where data was matched with additional organisations.

- 3.11 In November 2024 Audit Wales issued a Self-Appraisal checklist to help participating bodies self-appraise how they are engaging with the NFI. Audit Wales encouraged all participating bodies to complete the checklist and present it to those charged with governance to support scrutiny of their NFI arrangements. The completed checklist is included at **Annex 5**.

Section 4 – Counter Fraud & Corruption Work

- 4.1 Internal Audit is a statutory requirement within Local Government. The Council's internal audit provision is undertaken by the Regional Internal Audit Service, a partnership shared service between Bridgend County Borough Council, Merthyr Tydfil County Borough Council and the Vale of Glamorgan Council, which is the host authority.
- 4.2 Under the Public Sector Internal Audit Standards (PSIAS), internal audit is defined as an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. It is widely recognised that effective internal audit is good practice and provides support to the Council's Section 151 Officer in discharging their responsibilities as contained in legislation.
- 4.3 The Head of Internal Audit provides an annual report, which gives an overall opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control based on the audit work undertaken during 2024-25.
- 4.4 The Head of Internal Audit's annual opinion for 2024-25 for Bridgend was "Reasonable Assurance" with no significant cross-cutting control issues identified that would impact on the Council's overall control environment. The annual opinion was considered at the Governance and Audit Committee on 19th June 2025. This opinion statement is also included with the Council's Annual Governance Statement.
- 4.5 Suspected frauds can be referred directly to Internal Audit or the Senior Fraud Investigator for review during the year. This work can be generated in several ways, for example by whistleblowing, complaint referrals, by Managers who may have concerns over a certain issue or as a result of an audit review. No fraud referrals were referred to Internal Audit during 2024-25.
- 4.6 As a result of the current cost of living crisis, there has been an increase in the number of scams in existence. All staff, as well as residents, are made aware of these by information being circulated through the Council's Communication Team or via the Council's Senior Fraud Investigator. For example, information relating to fake invoices and purchase orders is sent to the Creditors and Procurement Team,

information relating to employment fraud is shared with the Council's Human Resources and Payroll Department and any potential fraud that could have a direct impact on schools is shared directly with them. Any information received relating to scams that could have a direct effect on the public, for example the recent fake QR codes displayed on parking payment machines in the Council's car parks, are publicised internally to staff, but also externally on the Council's social media channels and via the local media where necessary to ensure both staff and the public are aware and to remind them to remain vigilant.

Council Tax Reduction (CTR) Fraud

- 4.7 In 2015, investigation work for Housing and Council Tax Benefit transferred to the Department for Works and Pensions (DWP) Single Fraud Investigation Service (SFIS) but the responsibility to provide support for council tax, and the funding associated with it, was devolved to the Welsh Government.
- 4.8 The Council's Fraud Investigation department, based on information received regarding claimants' circumstances, undertakes investigations in respect of cases of fraud in CTR. Table 4 below, illustrates the source of fraud referrals received during the period 2024-25.

Table 4 – Source of Referrals 2024-25

Source of Referrals	2024-25
NFI	13
Benefit/Taxation Staff	13
HBMS* data match	0
Department of Work and Pensions (DWP)	6
Claim Review	8
Anonymous (letter/telephone/email)	28
Verify Earnings and Pensions (VEP) alerts**	1
Other organisation/department	3
BCBC Website	75
Total	147

*DWP Housing Benefit Matching Service

**A data match with HMRC

- 4.9 A large proportion of the referrals received related to DWP benefits or housing benefits, and consequently these were forwarded to DWP's Single Fraud Investigation Service (SFIS) to investigate. Fraud referrals are normally forwarded to SFIS in the following circumstances:
- The referral relates to the entitlement to a DWP benefit such as Income Support, Jobseeker's Allowance, Employment and Support Allowance or Universal Credit
 - The Housing Benefit overpayment is expected to exceed £5,000 (the DWP's threshold for criminal action)
 - It is in the public's interest that a prosecution should result.
- 4.10 During 2024-25 the Council's Fraud Investigation department referred 45 cases to DWP's Single Fraud Investigation Service (SFIS) to investigate.

- 4.11 Table 5 illustrates a breakdown of the types of allegations of council tax reduction / benefit fraud that were referred to the Fraud Investigation department during the period 2024-25.

Table 5 – Type of Allegation 2024-25

Type of Allegation	2024-25
Undeclared income	31
Undeclared increase in income	6
Undeclared capital/savings	15
Living together	45
Non-residency	12
Discrepancy – non-dependant	12
Discrepancy – household occupants (e.g., SPD*)	4
Other (e.g., DLA**/Tax Credits/Contrived)	22
Total	147

*Single person discount ** Disability Living Allowance

- 4.12 During 2024-25, 94 cases were closed. The closure categories are detailed in Table 6 below.

Table 6 – Reason for Closure 2024-25

Reason for closure	2024-25
No fraud	1
Not investigated	79
Fraud proven*	14
Total	94

*i.e., sufficient evidence to instigate legal proceedings

- 4.13 Cases closed but not investigated either lacked sufficient details to instigate an investigation, or there was no evidence of fraud (e.g. the person was not claiming benefits).
- 4.14 Table 7 below provides the Council Tax Reduction and incidental housing benefit savings that have been achieved as a result of the fraud investigations concluded during 2024-25.

Table 7 – Savings Achieved 2024-25

Savings	2024-25
CTR excess reduction	£31,370.97
Future CTR saving	£8,436.45
Housing Benefit	£38,180.54
Total	£77,987.96

- 4.15 Once a case has been closed as fraud proven and the CTR adjustment (known as an excess reduction) is calculated, the case is referred to the Benefits and Financial Assessments Manager to determine whether a sanction is appropriate. The sanctions available to the Council are prosecutions, issuing a financial penalty or a fine.

4.16 The level of a financial penalty, which is offered as an alternative to prosecution, is prescribed in the Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (Wales) Regulations 2013. The amount of the penalty is 50% of the amount of the excess reduction subject to a minimum amount of £100, and a maximum amount of £1,000. As an alternative to this type of penalty fines may be issued as follows:

- £100 – may be offered as an alternative to prosecution for acts or omissions that could have led to an incorrect award of CTR.
- £70 – may be imposed for:
 - an incorrect statement, information or evidence that leads to a CTR award that is greater than entitlement; or
 - a failure to notify of a change in circumstances meaning that a CTR award is greater than entitlement.

4.17 Table 8 illustrates the penalties and fines issued in the relevant period. It also provides information on the number of successful prosecutions in 2024-25.

Table 8 – Successful Sanctions 2024-25

Successful sanctions	2024-25	Amount
Prosecutions	1	N/A
Penalties	10	£6,844.38
Fines	1	£70.00
Total	12	£6,914.38

4.18 In addition to the penalties and fines, administration penalties are raised on behalf of the DWP, following their investigations into claims for Housing Benefit and Council Tax Benefit. During 2024-25, £1,497.53 was raised as a result of these administration penalties. The fraud department also provides assistance to the DWP throughout their investigations. Information and advice is given in respect of the Housing benefit and CTR that has been claimed. During 2024-25 Housing benefit savings of £55,674.43 and CTR savings of £12,053.37 were generated as a result of these DWP investigations.

CTR Prosecutions 2024-25

4.19 One CTR investigation undertaken by the Senior Fraud Investigator led to a successful prosecution in 2024-25. The court imposed on the defendant a fine of £504 and ordered them to pay £650 in legal costs, £1,500 in investigation costs and a £202 victim surcharge.

Blue Badge Misuse

4.20 The Council's Fraud Department undertakes work on blue badge fraud and misuse and, during 2024-25, nineteen reports were received. Twelve of these reports involved people dishonestly displaying another person's badge or using a badge that they were not entitled to. Two reports related to a cancelled/expired badge still being used, two reports related to a deceased persons badge still in use, and three

related to false applications being made to apply for a badge. Lack of evidence in these cases resulted in twelve being closed, with no further enforcement action taken. Seven were taken forward for further investigation and, of these, five cases were closed following an official warning letter being issued to the badge holder and/or the person found to be misusing the badge, and one case was closed with no further enforcement action, with the badge permanently withdrawn from the person and securely destroyed. One case was taken forward for prosecution and more information in respect of this is provided in paragraph 4.23.

- 4.21 Specialist training was provided to the Council's Civil Enforcement Officers and Parking Manager in May 2023 with further training provided as and when required. This will enable them to correctly identify and deal with potential blue badge misuse at street level. It is the intention of the Council's Fraud Department to work jointly with the Parking Services Department to conduct regular enforcement days and fraud drives within the County Borough. The Council's Fraud Department, in conjunction with the Parking Services Department are also active participants in the Annual National Blue Badge Day of Action. Any cases of misuse identified are taken forward by the Fraud Department for investigation and, where appropriate, official warnings issued, and prosecutions instigated against offenders.
- 4.22 In response to an increase in Blue Badge misuse across Wales, Welsh Government has a vision for a consistent approach to blue badge enforcement and are actively looking into funding options to support local authorities in this work. The outcome of their research will help shape the progression of this area of work within Bridgend County Borough Council. Blue Badge training events, organised and paid for by Welsh Government, were arranged across Wales in 2024 with further training events planned for April 2026. Invitations will be sent to local authorities for both Parking Services and Fraud Investigation teams to attend, allowing them to refresh their knowledge in this area of work.

Blue Badge Prosecutions 2024-25

- 4.23 One Blue Badge investigation, undertaken by the Senior Fraud Investigator, led to a successful prosecution in 2024-25. The case originated following an enforcement day in June 2024 in Bridgend Town Centre and involved a person using a badge to obtain parking without the badge holder being present. The court imposed on the defendant a fine of £144 and ordered them to pay £75 in legal costs, £75 in investigation costs, and a £34 victim surcharge. As the defendant was also an employee of the authority, an internal disciplinary investigation followed.
- 4.24 A further Blue Badge investigation, undertaken by the Senior Fraud Investigator, was also prepared for review by the Council's legal team during 2024, and put forward for prosecution. The case involved the use of a blue badge by a person who was not the badge holder, where the badge had previously been reported lost and subsequently cancelled. The defendant entered a not guilty plea in Court in December 2024 and the case was listed for trial in June 2025. A successful prosecution was obtained in respect of this case, with the defendant pleading guilty to one charge under the Fraud Act 2006. Further details in respect of this outcome will be provided in the Annual Corporate Fraud Report 2025-26.

The Fraud Department

- 4.25 The Council will always publicise successful prosecutions undertaken by the Fraud Department via media release, and on our social media channels. This will both act as a deterrent and encourage people to come forward to report fraud.
- 4.26 The Fraud Department consists of two members of staff; the Senior Fraud Investigator and one Fraud Investigator. The team is responsible for dealing with fraud issues across the council and therefore has limited capacity. Despite this however, the team continues to produce positive results and savings for the council.

Section 5 – Joint Working & Partnerships

- 5.1 Bridgend County Borough Council became part of a joint counter fraud initiative with SFIS in April 2019. During 2024-25, there were no cases suitable for joint working that could be sent to SFIS by the Council.

During 2024-25, SFIS has referred a number of cases to the Council. Of these:

- Four cases were closed due to lack of evidence.
 - One case is still currently ongoing.
 - One case, referred to the Council in a prior year, is still being assessed by the Crown Prosecution Service (CPS) with a view to the case being put forward for prosecution action.
- 5.2 The Council is an active member of the Wales wide network of Local Authority Fraud Investigators, which provides the opportunity to share knowledge, intelligence, and best practice. The group has been meeting virtually during 2024-25 and various training sessions have also been arranged and provided to the group, by relevant organisations throughout this period. The Council is also an active member of the National Anti-Fraud Network who amongst other things, provide the Fraud Department with regular weekly bulletins on the latest fraud threats and trends.
- 5.3 The Council has a good working relationship with the Police and other outside agencies which all share information and intelligence. In addition, as new grants and emergency financial packages have become available, due to the current cost of living crisis, intelligence, procedures, local risks, and threats have been shared with other local authorities to actively try to prevent fraudulent claims.
- 5.4 In addition, a strong working relationship exists with fraud colleagues in Merthyr Tydfil and the Vale of Glamorgan Council, and this collaborative working is beneficial to all parties.

Section 6 – National Studies

- 6.1 During 2019-20, the Council took part in a national study, the objective being to review the effectiveness of counter fraud arrangements in the Welsh public sector. Information including policies, resources, and good practice in respect of counter fraud work was provided which was supplemented by more in-depth questioning and information gathering by Audit Wales.
- 6.2 The resulting Audit Wales report, *'Raising Our Game - Tackling Fraud in Wales'* was published in July 2020 and is the latest report that has been produced. The report and any recommendations, along with the *'Fighting Fraud and Corruption Locally a Strategy for the 2020's'* guidance has been fully considered and integrated into the new and updated Fraud Strategy and Framework for 2025-26 to 2027-28.

Annex 1**Steps to Support Continual Improvement**

	Action
1	Maintain a fraud risk register, which is reviewed quarterly by the Corporate Management Board. Any significant risks identified will be escalated to the Corporate Risk Register and reported to the Governance and Audit Committee
2	Ensure there is a comprehensive and up-to-date set of policies and procedures which together represent a cohesive strategy for identifying, managing, and responding to fraud risks.
3	To be an active participant in the bi-annual National Fraud Initiative (NFI) exercise and to robustly investigate suspected cases of fraud identified through NFI. The Senior Fraud Investigator is responsible for the co-ordination of the exercise including ensuring that the data sets comply with specification and are securely uploaded to the Cabinet Office. Management is responsible for the review of matches that are returned and for referring suspicions of fraud and corruption to the Senior Fraud Investigator.
4	Raise awareness of fraud, bribery, and corruption by delivering a fraud awareness training programme for Members and Officers and provide ongoing fraud awareness training as required.
5	Produce an annual Corporate Fraud report to those charged with governance covering all reactive and proactive fraud initiatives.
6	Undertake welfare benefit investigations (including joint cases with the Department for Work and Pensions (DWP)), recommend the relevant sanction and the recovery of overpaid benefit.
7	To maximise the use of data analytics and data matching to review electronic data to detect and prevent fraud.
8	To provide alerts to staff and Members across the Council when notification of a potential fraud, relevant to their service area, is received. When notification of a potential fraud is received that may impact the public, details are passed to the Communications Team to arrange suitable media coverage.

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Action	
9	To actively maintain the Council's membership of the Welsh Fraud Officers Group and The Chartered Institute of Public Finance and Accountancy (CIPFA), which provides training and intelligence regarding new and emerging fraud risks. Also to maintain all other links to enforcement partners including the Police, DWP and HM Revenue & Customs, and to be open to new and innovative anti-fraud projects.
10	To produce fraud investigation outcome reports for management which highlight the action taken to investigate the fraud risks, the outcome of the investigations e.g., sanction, and recommendations to minimise future risk of fraud.
11	To provide a clear and concise point of reference for necessary information on fraud, maximising the potential of digital, to enhance the user experience. To maintain the fraud internet/intranet pages and ensure they are kept up to date and provide a means to refer cases of suspected fraud directly to the Fraud Investigation department.

Annex 2

National Fraud Initiative Data Matching Exercise Results Breakdown 2024-25

NFI	Type / Area	NFI	Frauds/Errors	Fraud/Error Amount	Recoverable	NFI Projected Savings
2	Housing Benefit Claimants to Student Loans	Yes	1	£1,097.09	£1,097.09	£364.99
			1	£1,097.09	£1,097.09	£364.99
172.1	Blue Badge Parking Permit to DWP Deceased Persons	Yes	230	£0.00	£0.00	£182,620.00
			230	£0.00	£0.00	£182,620.00
436.1	Council Tax Reduction Scheme to Pensions	Yes	4	£1,064.10	£1,064.10	£360.69
440.1	Council Tax Reduction Scheme to Pensions	Yes	1	£397.68	£397.68	£699.60
482	Council Tax Reduction Scheme to DWP Deceased	Yes	1	£33.56	£33.56	£1,342.40
483.2	Council Tax Reduction Scheme to HMRC Household Composition	Yes	1	£5,424.80	£5,424.80	£1,520.97
			7	£6,920.14	£6,920.14	£3,923.66
		Totals	238	£8,017.23	£8,017.23	£186,908.65
Colour Coding:						
Recoverable by DWP over an undefined period.						
Recoverable by BCBC over an undefined period.						
Cabinet Office projected savings during financial year						

Annex 3

Cabinet Office Estimated Savings Methodology

Data Match	Estimated Savings Methodology
Housing Benefit	<p>Weekly benefit reduction multiplied by 29 weeks.</p> <p>Aligned with the DWP 'Future Overpayments Prevented' (FOP) methodology which utilises data from previous cases to calculate the average period of time an overpayment may continue undetected and takes into account detection and recovery rates.</p>
Council Tax Reduction	<p>Weekly benefit reduction multiplied by 40 weeks.</p> <p>Aligned with the DWP 'Future Overpayments Prevented' (FOP) methodology which utilises data from previous cases to calculate the average period of time an overpayment may continue undetected and takes into account detection and recovery rates.</p>
Welfare Benefits	<p>Weekly benefit reduction multiplied by 29 weeks.</p> <p>Aligned with the DWP 'Future Overpayments Prevented' (FOP) methodology which utilises data from previous cases to calculate the average period of time an overpayment may continue undetected and takes into account detection and recovery rates.</p>
Pensions	<p>Deceased Pensioners:</p> <p>Annual pension multiplied by the number of years until the pensioner would have reached the age of 85 (ONS life expectancy for an individual over 65). If the pensioner is 85, a one-year multiplier is applied.</p>
Blue Badges	<p>£794 per blue badge cancelled to reflect lost parking and congestion charge revenue.</p> <p>Estimate considers:</p> <ul style="list-style-type: none"> ● the average reported cost per badge per year due to badge misuse ● the prevalence of fraud - proportion of blue badges that are likely to be misused ● the duration for which fraudulent use of the blue badge may continue undetected
Concessionary Travel	<p>£38 per concessionary pass cancelled, based on the cost of reimbursement to bus operators for journeys made under the concessionary pass scheme.</p> <p>Estimate considers:</p> <ul style="list-style-type: none"> ● the cost of concessionary journeys made ● costs associated with card administration ● the duration for which fraudulent use of the pass may continue undetected

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	<ul style="list-style-type: none"> the prevalence of fraud - proportion of passes that are likely to be misused
Housing Tenancy	<p>£78,300 per property recovered. £51,460 per property recovered in Northern Ireland</p> <p>Estimate considers:</p> <ul style="list-style-type: none"> annual cost of temporary accommodation £12,000 (£7,670 for Northern Ireland) duration for which fraudulent tenancy may continue undetected - 6 years; this constitutes the fraud occurring for 3 years at point of detection and a further 3 years forward savings for the expected time it would have continued other non-recoverable costs including legal costs to recover property; re-let cost.
Right to Buy	<p>This estimate has the following regional variations:</p> <ul style="list-style-type: none"> England (excluding London) £102,400 per application withdrawn to reflect average house prices and the maximum value of Right to Buy discount available for properties in England. London: £136,400 per application withdrawn to reflect average house prices and the maximum value of Right to Buy discount available for London properties. Northern Ireland: £24,000 per application withdrawn based on average house prices and Right to Buy discounts in Northern Ireland
Housing Waiting Lists	<p>£4,283 per individual removed from the Housing Waiting List</p> <p>Estimate Considers:</p> <ul style="list-style-type: none"> the annual cost of housing a family in temporary accommodation (12.1K) the likelihood a waiting list case would have been provided a property the duration for which a fraudulent case may continue undetected
Council Tax Single Person Discount	<p>Annual Council Tax discount multiplied by 2 years</p>
Payroll	<p>£6,054 per standard case</p> <p>Estimates consider:</p> <ul style="list-style-type: none"> cost of individuals working at a different body while in receipt of sick pay from primary employer failure for an individual to meet contractual obligations at one body due to multiple employment and conflicting obligations.

Annex 4

Single Person Discount 2024

NFI	Type / Area	NFI	Frauds/Errors	Fraud/Error Amount	Recoverable	Cabinet Office Projected Savings
801	Council Tax to Electoral Register (SPD)	Yes	181	£112,681.72	£112,681.72	£146,110.16
802	Council Tax rising 18s (SPD)	Yes	101	£25,453.87	£25,453.87	£59,073.30
		Totals	282	£138,135.59	£138,135.59	£205,183.46
	Colour Coding:					
	Recoverable by BCBC over an undefined period.					
	Cabinet Office projected savings during financial year (SPD saving based on 2 years).					
Data Match	Basis of Calculation of Estimated Savings					
Council Tax SPD	Annual value of the discount cancelled multiplied by two years					

Annex 5

Self-appraisal checklist

		Yes / Partly / No	Comments / action required	If action is required, who by and when?
Leadership, commitment, and communication				
1	<p>Are we committed to the NFI?</p> <p>Has the council / board, those charged with governance and senior management expressed support for the exercise and has this been communicated to relevant staff?</p>	Yes	<ul style="list-style-type: none"> • Focus on prevention and detection and promotion of counter fraud culture across the Council. • Updated Fraud Strategy and Framework with specific reference to NFI. • Regular updates on progress provided to senior management via monthly Finance Managers Meetings • Monthly meetings held by the Senior Fraud Investigator for all staff involved in the exercise to discuss progress and the way forward • NFI results reported to Governance & Audit Committee via the Annual Corporate Fraud report and ad-hoc if necessary • Email sent to all staff at the commencement of the exercise to advise on the importance of NFI and why we are taking part as an Authority • Regular communication with Section 151 Officer in respect of NFI progress and updates 	
2	<p>Have we committed specific resources to support the overall management of the NFI?</p> <p>If information is available, how much time was spent by the Key Contact on the last exercise, and how much has been allocated for the next exercise?</p>	Yes	<ul style="list-style-type: none"> • The Key Contact for the exercise is the Senior Fraud Investigator. Experience of fraud investigations and able to support and advise staff where required. • One-hour monthly meetings held by Key Contact with all staff involved in NFI. • Relevant departments allocate staff resource to look at their specific matches but there are no dedicated NFI staff, and this work is conducted in 	

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			<p>addition to their normal role.</p> <ul style="list-style-type: none"> The Key Contact is always available to assist with management of the exercise whenever this is required – no specifics available on time spent. 	
3	Is our NFI Key Contact the appropriate officer for that role, i.e. has sufficient authority to ensure the NFI exercise is delivered effectively?	Yes	<ul style="list-style-type: none"> The Key Contact is the Senior Fraud Investigator who has 22 years' experience of working within the Fraud Department. The Key Contact has a good working relationship with all department leads involved in the exercise 	
4	Does internal audit, or equivalent, monitor our approach to NFI and our main outcomes, ensuring that any weaknesses are addressed in relevant cases?	Yes	<ul style="list-style-type: none"> Good working relationship between the Senior Fraud Investigator and Internal Audit and any potential control weaknesses are highlighted to IA Audit presence at monthly NFI meetings when necessary Deputy Audit Manager heavily involved in upload of data and information provided to produce NFI matches. NFI results shared with Internal Audit as part of Annual Corporate Fraud Report and ad-hoc as required. 	
Planning and preparation				
5	Do we plan properly for all aspects of the NFI exercise and set our own internal deadlines?	Yes	<ul style="list-style-type: none"> Planning for data submission meetings undertaken by Key Contact and Service leads, including the data specifications, timetable, and data quality. Assistance is available from Audit Wales. Updates on the planning process provided to Senior Management All deadlines set by Audit Wales in respect of the exercise are met without exception Department leads are encouraged to set deadlines to progress their matches and make 	

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			progress before the next monthly meeting	
6	For the NFI 2024-25 exercise, did we provide all NFI data on time using the secure data file upload facility properly?	Yes	<ul style="list-style-type: none"> All data provided on time, as per the timetable provided by Audit Wales, via data file upload facility 	
7	For the NFI 2024-25 exercise, did we confirm promptly (using the online facility on the secure website) that we have met the fair processing notice requirements?	Yes	<ul style="list-style-type: none"> Email sent to all Service Leads prior to the exercise commencing seeking assurance and evidence that a suitable privacy notice was in place Privacy Notice Compliance declaration made via the secure website, ahead of the deadline date set 	
8	Do we review our Data Quality results before starting our investigations? ¹	Yes	<ul style="list-style-type: none"> Data Quality results reviewed in conjunction with Internal Audit both prior to data upload and following release of matches Discussions held with Internal Audit in respect of any issues raised and solutions implemented if possible – any issues identified for Bridgend are in respect of information not currently held – it has also been established that this has no detrimental effect on the data supplied to us. 	
9	Do staff take time to read the guidance that is provided on how to follow up the NFI matches (which are especially important for those users encountering the NFI for the first time), and do they consult the NFI team if they are unsure about how to record outcomes?	Yes	<ul style="list-style-type: none"> Service Leads and staff working on the matches are advised of the guidance available on the NFI site Experienced staff who have worked on NFI before are encouraged to refresh their knowledge by reviewing this guidance on a regular basis Training provided to all staff using the NFI site for the first time and to existing users on an annual basis or as and when required 	

¹ The Data Quality module could indicate that there are issues with the data submitted that may have affected some of the matches. The module can be accessed from the relevant National Exercise page of the web app.

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			<ul style="list-style-type: none"> NFI Helpdesk contact details communicated to all users and reminders issued during monthly meetings. 	
10a	Have we considered using the point of application data matching service offered by the NFI team (AppCheck) to improve internal controls and prevent fraud and error from happening?	Yes	<ul style="list-style-type: none"> Consideration given to using this service however the data held is 'out of date' in a relatively short space of time as data held by AppCheck is as provided by those contributing to NFI at the start of the exercise. Departments that receive most matches i.e. Benefits & Creditors, have other systems in place that provide a better assurance that fraud and error is not entering the system at application stage. 	
10b	If not using AppCheck, is there a clear rationale for this?	Yes	<ul style="list-style-type: none"> As above – alternative systems and process in place to safeguard the Authority from fraud and error 	
Effective follow-up of matches				
11	Have we documented our approach for risk assessing data match reports and investigating data matches? ²	Yes	<ul style="list-style-type: none"> All service leads are advised to deal with high risk matches with a score above 50% in the first instance where a high number of matches are received. In respect of reports containing a low number of matches, all data supplied would be investigated. High risk reports, (dependant on service area) i.e. deceased persons to benefit claims and undeclared student finance in respect of Benefit matches, or payroll matches indicating employment at two different organisations simultaneously, are dealt with first. 	

² We do not expect organisations to look at every data match or report. Instead, they should prioritise which matches to look at and the order in which they are followed up. They may want to assess your matches by fraud risk area and then by match risk scores. Alternatively, they may want to set up bespoke filters using the filter tool. Matches not investigated should be Closed – Not Selected for Investigation.

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12	Does our approach give priority to local fraud risks? ³	Yes	<ul style="list-style-type: none"> Historical information in respect of NFI shows that a higher proportion of fraud is found within matches supplied to the Benefits Department and those matches supplied to Customer Services in respect of Blue Badge. Blue badge matches are dealt with within two months of the data being released to the Authority. The Key Contact works closely with the Benefit Team Manager to ensure a dedicated resource is supplied by the Benefits Team to look at matches and regular meetings take place between this member of staff and the Senior Fraud Investigator (Key Contact). All high-risk matches supplied to the Benefits Department are reviewed as a priority. 	
13	Does our approach give priority to following up high-risk matches, those that become quickly out of date and those that could cause reputational damage if a fraud or error is not stopped quickly? ⁴	Yes	<ul style="list-style-type: none"> Filter and sort facility built into NFI system is utilised to help with this. As stated above, high risk matches are dealt with as a priority by all Service Leads. Matches provided in respect of Student Finance are dealt with first in respect of benefit matches as this information is often dated quickly and in addition to this, when the academic year ends, a student is likely to move out of area making it harder to recover funds wrongly paid. All matches involving members of staff i.e. those provided to Payroll, are dealt with quickly by a 	

³ We suggest that the NFI Key Contact (with support from Internal Audit/Counter Fraud) should review the organisation's overall control environment and systems. Existing internal audit reports and/or your organisation's risk register should assist this review. We advise prioritising data match reports that are linked to areas that have unknown or weak internal controls or areas that have had historical instances of fraud. Organisations should also look back to see which reports in a previous exercise gave them outcomes.

⁴ Use the tools within the web application, such as the filter and sort options or data analysis software, to help prioritise matches deemed the highest risk.

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			senior member of staff within HR.	
14	Are sufficient resources and expertise available at the right time to maximise the outcomes of the NFI exercise? ⁵	Partly	<ul style="list-style-type: none"> All matches are allocated to the most appropriate person, who holds the most knowledge and experience in the area to which they relate Resources are allocated within each service area where possible to deal with the matches relevant to that service Unfortunately, due to the volume of matches some service areas receive, it is not possible to review all matches, however, the filter and sort options built into NFI are utilised to that high priority and high-risk matches are dealt with first. 	
15	Does the Key Contact coordinate investigations across internal departments to prevent duplication of effort or delays in identifying overpayments and ensure all relevant actions are taken, for example, organising joint investigation of single person discount matches involving housing benefit?	Yes	<ul style="list-style-type: none"> All users are reminded in monthly meetings of the importance of working jointly on any matches that may impact another service area. Any matches identified that would impact another section would be discussed with the Key Contact so that adequate arrangements are made with the other party/service area to look at the information in co-ordination with each other. Where a match is identified that has additional information that relates to another service area, contact would be made with the relevant department at that stage so that outcomes could be recorded at the same time, therefore preventing un-necessary duplication. 	
16	(In health bodies) Are we drawing appropriately on the help and expertise available from NHS Counter Fraud Service	N/A	N/A	

⁵ When nominating users to investigate matches, organisations should choose the person with the most knowledge about the dataset. For example, trade creditors matches are best dealt with by a nominated person in internal audit or the accounts payable team. We also suggest assigning a user to act as lead dataset contact for each dataset your organisation submits, so that, if necessary, other NFI participants can contact the most suitable person to assist their investigation. If organisations do not nominate a lead dataset contact, the default contact will be the Key Contact.

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	Wales?			
17	Are we investigating the circumstances of matches adequately before reaching a 'no issue' outcome, in particular?	Yes	<ul style="list-style-type: none"> • During training, they Key Contact advises users that it is essential they review both sides of the match. Users are advised to read the guidance and watch tutorial videos held within the NFI site which explain the reason for matches and what information the match is providing. • The Key Contact informs all users that it is not sufficient to simply record a 'no issue' outcome. Users are advised that a note should be recorded to confirm why there is no issue and the reason for this status being selected as the closure reason. 	
18	Do we review how frauds and errors arose and use this information to improve our internal controls?	Yes	<ul style="list-style-type: none"> • In instances where fraud and error are found a review is undertaken of the process to understand how it occurred. Should it be found that the reason is due to a weakness in our internal control, then Internal Audit would be informed and the necessary steps taken by them. 	
19	Are we taking appropriate action in cases where fraud is alleged (whether disciplinary action, penalties/cautions or reporting to the Police or NHS Counter Fraud Service Wales) or errors are identified, e.g. recovering funds?		<ul style="list-style-type: none"> • Any cases identified involving members of staff would be referred to HR and the necessary disciplinary investigation would follow • Any cases of theft or fraud by an employee would be reported to the Police • Fraud cases found in Benefit matches are dealt with by the Senior Fraud Investigator via penalties and prosecutions where appropriate • Any monies identified as being wrongly claimed/paid is recovered via the appropriate channels. 	

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20	Do we respond promptly to enquiries from other organisations that take part in the NFI? ⁶	Yes	<ul style="list-style-type: none"> The Key Contact is informed automatically via email of any new queries received from other organisations via the NFI portal. Contact is made promptly with the service to which the query relates to ensure a response is sent and contact is made with the querying party. This would usually happen on the day the query is received from the other organisation. 	
Recording and reporting				
21	Are we recording outcomes properly in the secure website and keeping it up to date?	Yes	<ul style="list-style-type: none"> All results are recorded as soon as an outcome is known via the secure website 	
22	Do we provide appropriate and regular feedback to senior management, board / council members and those charged with governance on NFI activity and outcomes?		<ul style="list-style-type: none"> NFI results reported to Governance and Audit Committee via the Annual Corporate Fraud Report Regular updates provided to Senior Management on the progress of NFI exercise Close working relationship with Internal Audit where progress and updates in respect of NFI is discussed 	
23	Do we provide those charged with governance assurances that the reasons for fraud and error happening are understood and that action is taken to address them and improve internal controls?	Yes	<ul style="list-style-type: none"> Annual Corporate Fraud Report provides information in respect of fraud and error Regular updates provided by Internal Audit together with assurances by way of outcome reports on any internal audits undertaken 	
24	Where we have not submitted data or not used the matches returned to us, e.g. Council tax single person discounts, are we satisfied that alternative fraud detection arrangements are in place and that we know	Yes	<ul style="list-style-type: none"> All data required from the Authority is submitted and on time All matches supplied are reviewed where resources allow 	

⁶ The web application shows the number of shared comments which require a response (Outstanding Actions). These responses should be prioritised if they relate to an ongoing investigation so that it can be progressed promptly.

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	how successful they are?			
25	Do we publish, as a deterrent, internally and externally the outcomes of the NFI exercise?	Yes	<ul style="list-style-type: none"> Any outcomes achieved from NFI in respect of fraud would be publicised as a deterrent as per standard procedure and the commitment to do this in our latest Fraud Strategy. This information would then be available both internally and externally 	
26	If, out of preference, we record some or all outcomes outside the secure website, have we made arrangements to inform the NFI team about these outcomes? ⁷	N/A	<ul style="list-style-type: none"> All outcomes are recorded via the secure website as advised. 	

⁷ Although preferable for all NFI work to be recorded within the secure web application, we appreciate there may be instances when organisations need to do work on the matches outside it. As soon as data is extracted from the secure NFI web application organisations are responsible for the security of the data, including avoiding inappropriate disclosure and ensuring it is destroyed when no longer needed. Therefore, we only advise exporting data when it is essential to do so.