Agenda Item No: 11

Meeting of:	**Governance and Audit Committee**
Date of Meeting:	**Monday, 20 July 2026**
Relevant Scrutiny Committee:	Resources Scrutiny Committee
Item which the Chair has decided is urgent (Part I) **(If yes, why)**	**Not applicable**
Urgent Decision Procedure Used (15.14 of the Constitution) **(If yes, why)**	Not applicable
Item Type	Part I
Report Title:	Financial Management Code 2025/26 Update
Portfolio Holder:	Executive Leader and Cabinet Member for Performance and Resources
Strategic Leadership Team:	Head of Finance/Section 151 Officer
Lead Officer:	Head of Finance

1.0 <u>What is this report about?</u>

1.1 The Financial Management Code (FM Code) is a code that has been introduced by CIPFA to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. It was prepared for the first time in February 2022 and attached is the update for 2025/26.

1.2 For 2025/26, building on the approach adopted last year and as part of the update there has been further independent assessment by the Council's Internal Audit section reviewing a number of elements of the officer self assessment. The aim of this approach is to enable a full independent review across a rolling four to five years.

1.3 Each local authority (and those bodies designated to apply the FM Code) must demonstrate that the requirements of the Code are being satisfied. Demonstrating this compliance with the FM Code is a collective responsibility of elected members, the Chief Finance Officer (CFO) and their professional colleagues in the leadership team.

1.4 During 2025/26, the Council strengthened its application of the Financial Management Code through improvements to procurement, governance, performance management and financial planning. Key developments included implementation of a revised Procurement Policy and Strategy with a streamlined Community Wellbeing Benefits (Social Value) framework, adoption of the Thrive system to monitor benefits delivered through contracts, a coordinated approach to school procurement, enhanced contract management arrangements through Proactis, and the introduction of a new scrutiny model with joint finance and performance challenge sessions. The Council also refreshed the Annual Governance Statement and Annual Self-Assessment processes, strengthened the Strategic Insight Board, and maintained compliance with almost all FM Code standards.

1.5 As part of the 2026/27 budget setting process, the Council further strengthened its approach to financial sustainability through an updated five-year Medium Term Financial Plan aligned to Vale 2030 and the Reshaping Programme, earlier consideration of financial pressures through the Financial Strategy process, and a clearer medium-term framework for addressing future funding gaps. In response to Audit Wales findings, a joint Cabinet and SLT Reshaping Board was established to oversee transformation activity, while greater focus was given to managing school deficits through five-year recovery plans, enhanced monitoring and dedicated officer support. The Council also improved resident engagement on budget proposals and continued to strengthen monitoring of savings, reserves and financial risks to support long-term sustainability

1.6 The updated review has been considered by the Council's Strategic Leadership Team and is being reported to Governance and Audit Committee for comment/recommendations on to Cabinet.

1.7 The Council is required to evidence its assessment of compliance with the Code and identify any areas for further improvement.

2.0 What are the Recommendations?

	Recommendations – What and How?	Reason for Recommendation – Why?
2.1	Governance & Audit Committee is recommended to review the Statement on Compliance with the Financial Management Code and the contents of the review set out in Appendix 1 and forward any comments on to Cabinet	To ensure that the Council's compliance with the Financial Management Code is considered by Members as part of their collective responsibility for compliance with the Code

3.0 What is the background to this report?

3.1 The Financial Management Code (FM Code) is a code that has been introduced by CIPFA to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability.

3.2 Section 151 of the Local Government Act 1972 requires that every local authority in England and Wales should "… make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs."

3.3 The FM Code has been introduced because the exceptional financial circumstances faced by local authorities in recent years have revealed concerns about fundamental weaknesses in financial management, particularly in relation to organisations that may be unable to maintain services in the future. There is much good practice across the sector, but the failures of a small number threaten stakeholders' confidence in local government as a whole. Most importantly, the financial failure of just one local authority is one too many because it brings with it a risk to the services on which local people rely.

3.4 Each local authority (and those bodies designated to apply the FM Code) must demonstrate that the requirements of the code are being satisfied. Demonstrating this compliance with the FM Code is a collective responsibility of elected members, the Chief Finance Officer (CFO) and their professional colleagues in the leadership team. It is for all the senior management team to work with elected members in ensuring compliance with the FM Code and so demonstrate the standard of financial management to be expected of a local authority is met. In doing this the statutory role of the section 151 officer will not just be recognised but also supported to achieve the combination of leadership roles essential for good financial management. CIPFA considers the application of the FM Code to be a collective responsibility of each authority's organisational leadership team.

3.5 The first full year of compliance with the FM Code was 2021/22 and the Council is required to evidence its assessment of compliance with the code and identify any areas for further improvement annually. In common with more recent practice, the review is being brought to Governance & Audit Committee and Cabinet. The timing of reporting allows the content to fully reflect on the most recent financial year. For 2025/26 Section 5 (M) – Stakeholder Engagement and Business Cases, and Section 6 (N & O) – Monitoring Financial Performance were reviewed by Internal Audit.

3.6 Appendix 1 sets out the review updated for the 2025/26 and Appendix 2 is the report of the Internal Audit section.

3.7 CIPFA states that: the manner in which compliance with the FM Code is demonstrated will be proportionate to the circumstances of each local authority. Importantly, however, contextualising the FM Code cannot be done according only to the size of the authority but also according to the complexity and risks in its financial arrangements and service delivery arrangement.

4.0 What issues are there to be considered?

4.1 The Code introduces the CIPFA Statement of Principles of Good Financial Management. These principles are the benchmarks against which all financial management should be judged. CIPFA's view is that all financial management practices should comply with these principles.

4.2 The six Principles are set out below:

i. Organisational leadership – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.

ii. Accountability – based on medium-term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.

iii. Financial management is undertaken with transparency at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.

iv. Adherence to professional standards is promoted by the leadership team and is evidenced.

v. Sources of assurance are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.

vi. The long term sustainability of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

4.3 The FM Code translates these principles into financial management standards. These financial management standards will have different practical applications according to the different circumstances of each authority and their use should therefore reflect this.

4.4 A full consideration of the Council's compliance with the Financial Management Code in 2025/26 is set out in Appendix 1 of this report and is summarised below.

S151 Officer's Statement of Compliance with the Financial Management Code April 2026.

4.5 Having considered the six principles of the Financial Management Code and the Financial Management Standards that underpin these principles the S151 considers that the Council complies well with the Financial Management code with strong prospects for improvement. It is considered that the Council demonstrates excellent collective responsibility to uphold these Financial Management Standards as evidenced in Appendix 1.

4.6 The Council's leadership has a strong approach to value for money with use of benchmarking and challenge in its budget setting backed up by robust financial procedures. The new Procurement Act continues to be integrated into the Council's systems and processes. Further work is being undertaken on developing the Council's Project Management Toolkit and reviewing the business cases and Value for Money of Capital Schemes.

4.7 Business Cabinet meets regularly to ensure Members of the Executive are briefed on emerging issues and this includes issues of significance to the Financial Management of the Council.

4.8 Scrutiny Committees have regular oversight of the Council's Monitoring and Budget Proposals via Resources Scrutiny and Performance Scrutiny; these Scrutiny Committees make recommendations as part of the Budget process which are then referred to Cabinet. Further review and oversight of the budget is enabled by Task and Finish work undertaken by Scrutiny Committees.

4.9 The S151 Officer is a key member of the Strategic Leadership Team (SLT) and the SLT works well to take collective responsibility of the principles of good financial management. This report in draft format has been considered by the members of the SLT during April 2025.

4.10 Governance and Audit Committee provides robust scrutiny of the Council's financial and governance issues and this scrutiny continues to operate effectively having been strengthened by the appointment of three additional Lay Members to the Committee in May 2022.

4.11 Governance is strong with the adoption of the CIPFA/SOLACE Framework – Delivering Good Governance in Local Government. During 2025/26 the Council undertook and external assessment through the Panel Performance Assessment introduced by the Local Government & Elections (Wales) Act 2021. Communication with the S151 and Leader, Director of Corporate Resources and Chief Executive as members of the Budget Working Group has been weekly throughout the budget setting process and ensures that this group has good understanding of the development of the budget for 2026/27.

4.12 The SLT have had full involvement in the 2026/27 budget preparation process and the Medium Term Financial Plan and Capital Programme proposals. SLT have received regular updates on the budget progress alongside dedicated time on cost pressures, savings and reserves.

4.13 Wider sessions have also been held with Heads of Service and Cabinet Members at key times during the budget setting process along with a session in the autumn to brief Council staff on the budget challenges and explore options to address the budgetary issues and ways to support staff through this process. A briefing for head teachers was also held during this period.

4.14 There have improvements to financial sustainability. For 2026/27 budget setting consultation on budget proposals was strengthened with a recently updated equality impact assessment in place for all efficiency proposals. Additionally, the final budget report was enhanced with a clearer vision and approach for delivering efficiencies over the medium and longer term that was aligned to Vale 2030 and the Reshaping programme. Work has developed to refine the programme to address school deficits in 2026/27 and some right sizing of budgets and introduction of a contingency budget and reserve top up was developed as part of 2026/27 budget setting.

4.15 The Draft Budget for Consultation and Draft Capital Programme have been subject to review and recommendation by the Performance Scrutiny Committee; there were budget briefings held for Political Groups and there were a number of sessions in the autumn and new year with the School's Budget Forum.

4.16 The areas of further development identified in Appendix 1 will be progressed in the coming year and will inform the next assessment of the Council's performance against The Code. The independent review by Internal Audit identified the need to record progress against the action plan and this recommendation has been accepted.

5.0 <u>How has evidence been used to inform the report, including the views of others?</u>

5.1 The review has been informed through engagement with key officers and through review of the Senior Leadership Team. For the review undertaken on 2026/27 Financial Management it is proposed that the review will also be informed by consultation with the Insight Board.

5.2 The report is subject to review by Internal Audit this report concluded Substantial Assurance and is attached at Appendix 2.

6.0 <u>What are the next steps if the recommendations are approved?</u>

6.1 It is recommended that Governance & Audit Committee note the contents of this report and Appendix 1 and forward any comments on to Cabinet prior to approval of the statement.

6.2 The Action Plan will be updated to reflect the Internal Audit recommendations.

6.3 The report will be forwarded to Cabinet in September 2026 and the action plan and recommendations adopted as part of the 2027/28 budget setting and 2026/27 financial management workstreams. Good progress is being made on a number of the identified improvements required.

7.0 How does this report support Vale 2030 and Reshaping?

7.1 This report identifies a number of areas of good practice and proposed improvements to further underpin the work ensuring the Council is the best Council that it can be.

7.2 The budget setting is closely aligned with supporting Vale 2030 and Reshaping and some of the proposals will further refine the analysis of areas of growth and transformation ensuring close alignment with the Vale 2030 principles and the reshaping programme.

8.0 How does this demonstrate the Five Ways of Working?

8.1 A key measure of the Financial Management Code is that the long-term sustainability of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

8.2 The Council's approach to Financial Management reflect the 5 ways of working which are:

- Looking to the long term - The Council prepares a Medium Term Financial Plan and 10 year Capital Strategy and takes a strategic approach to ensure services are sustainable and that future needs and demand for services is understood.
- Taking an integrated approach - The Council's builds financial sustainability and resilience through partnership working.
- Involving the population in decisions – As part of the budget proposal process there has been engagement with residents, customers and partners.
- Working in a collaborative way – The Council recognises that more can be achieved and better services can be provided by collaboration and it encourages this as a way of working in the future.
- Understanding the root cause of issues and preventing them – The budget and monitoring processes are proactive and allows an understanding of the financial position so that issues can be tackled at the source.

Resources

9.0 Finance

9.1 The Council's compliance with the Financial Management Code demonstrates that Council understands and demonstrates the collective responsibility to deliver good financial management across the organisation. The benefits of good financial management are set out in the 6 principles.

- Organisational leadership

  Benefits - Financial management underpins and is aligned with the strategic direction of the organisation. Financial management is embedded into organisational culture and this ensures that the organisation's resources and budget setting is aligned with the strategic direction of the organisation.

- Accountability

  Benefits - Financial planning reflects scenarios based on most accurate data that the organisation has available and is aligned with the council's risk management. Decisions are based on timely accurate supporting data and full analysis through business cases that consider whole life costs.

- Financial management is undertaken with transparency at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making. Benefits – Members and Officers are aware of their collective responsibility for good financial management and this understanding plays a central role in decision making.

- Adherence to professional standards is promoted by the leadership team and is evidenced Benefits – Financial Management utilises best practice and up to date guidance from across the sector
- Sources of assurance are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.

  Benefits – Senior Leadership Team and Members receive assurance on Good Financial Management and the overall control environment of the Council.

- The long-term sustainability of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

  Benefits – Sustainable decisions are enabled by good financial management and helps the Council to deliver prudent use of public resources, deliver the Council's commitments under Wellbeing of Future Generations and Project Zero.

10.0 Workforce

10.1 The Section 151 Officer is a Statutory Post and as set out in the CIPFA Statement on the Role of the Chief Finance Officer in Local Government.

10.2 The Chief Financial Officer (CFO) is a member of the Strategic Leadership Team (SLT) and attends Cabinet and Full Council.

10.3 The CFO post holder is fully qualified and fulfils the CPD requirements associated with their professional qualification.

11.0 Legal and Equalities

11.1 **Does an Equalities Impact Assessment need to be completed?** There no equalities issues and an assessment is not required.

11.2 The Council is required to demonstrate that it complies with the CIPFA Financial Management Code.

11.3 Section 151 of the Local Government Act 1972 requires that every local authority in England and Wales should "... make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs."

12.0 Key Contacts

12.1 **Who are the primary officers to contact with any comments and/or queries on the report?**

Lead Officer: Matt Bowmer Head of Finance/s151 Officer	Democratic Services Officer Example Text: Officer name, title, email.

Appendix

Appendix 1 – Financial Management Code

Appendix 2 – Internal Audit Report on Financial Management Code

Background Documents

Appendix 1

Vale of Glamorgan Council

Financial Management Code – April 2026

The Financial Management Code (FM Code) is a code that has been introduced by the Chartered Institute of Public Finance & Accountancy (CIPFA) to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability.

Section 151 of the Local Government Act 1972 requires that every local authority in England and Wales should "... make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs."

The FM Code has been introduced because the exceptional financial circumstances faced by local authorities have revealed concerns about fundamental weaknesses in financial management, particularly in relation to organisations that may be unable to maintain services in the future. There is much good practice across the sector, but the failures of a small number threatens stakeholders' confidence in local government as a whole. Most importantly, the financial failure of just one local authority is one too many because it brings with it a risk to the services on which local people rely.

In recent years an increasing number of English Authorities have been witnessed submitting Section 114 notices. Whilst in England the Department Housing, Communities and Local Government has publicly stated that it will not allow Local Authorities to fail, an increasing number of authorities are requiring rescue packages and financial interventions. In Wales the Local Authority landscape is quite different and it is good practice for the Council to document how good financial management is embedded in the governance structures and collective behaviours across the Council.

Each local authority (and those bodies designated to apply the FM Code) must demonstrate that the requirements of the Code are being satisfied. Demonstrating this compliance with the FM Code is a collective responsibility of elected members, the Chief Finance Officer (CFO) which at the Vale of Glamorgan is the Head of Finance/Section 151 Officer and their professional colleagues in the Strategic Leadership Team (SLT). It is for all colleagues in the SLT to work with elected members in ensuring compliance with the FM Code and so demonstrate the standard of financial management to be expected of a local authority. In doing this the statutory role of the Section 151 Officer will not just be recognised but also supported to achieve the combination of leadership roles essential for good financial management. CIPFA considers application of the FM Code to be a collective responsibility of each authority's organisational leadership team.

The Council is required to evidence its assessment of compliance with the code and identify any areas for further improvement.

The Code introduces the CIPFA Statement of Principles of Good Financial Management. These principles are the benchmarks against which all financial management should be judged. CIPFA's view is that all financial management practices should comply with these principles.

The 6 Principles are set out below:

1. **Organisational leadership** – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
2. **Accountability** – based on medium term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
3. Financial management is undertaken with **transparency** at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.

4. Adherence to professional **standards** is promoted by the leadership team and is evidenced.
5. Sources of **assurance** are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.
6. The long term **sustainability** of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

The FM Code translates these principles into financial management standards. These financial management standards will have different practical applications according to the different circumstances of each authority and their use should therefore reflect this.

CIPFA states that the manner in which compliance with the FM Code is demonstrated will be proportionate to the circumstances of each local authority. Importantly, however, contextualising the FM Code cannot be done according only to the size of the authority but also according to the complexity and risks in its financial arrangements and service delivery arrangements.

Financial Management Standards

Section 1: The responsibilities of the Chief Finance Officer and leadership team

A: The leadership team is able to demonstrate that the services provided by the authority provide value for money

Assessment - Partly Comply

Evidence of Compliance with Standard

The Council aims to deliver high quality services that provide value for money and which are aligned to the needs and priorities of the local community.

- All Cabinet and Scrutiny reports consider the financial impact of the recommendations and are reviewed as part of the clearance process by key members of the SLT.
- The quarterly performance report includes consideration of the Council uses its resources to achieve the Council's wellbeing objectives.
- The SLT has been involved throughout the preparation of the budget with dedicated workshops reviewing all cost pressures, savings proposals and reserves taking collective responsibility for developing proposals for a balanced budget aligned with the Council's corporate objectives.
- Budget setting is informed by extensive benchmarking of service costs against all Welsh counties.
- The Council prepares a balanced budget with assessment of cost pressures and likely pay awards and other inflationary pressures each year.
- New Part 6 duties introduced by the Local Government & Elections Act have required the Council to demonstrate Value for Money so performance reporting and the new Annual Self-Assessment approach have drawn further linkages with the Corporate Governance

Statement and value for money has been used as the framework for the Annual Self-Assessment Report.

- The Council produces a fully funded five year capital programme as part of the annual budget process, schemes include a mix of asset renewal and service enhancement and development schemes.

- Contract management and local procurement arrangements are regularly reviewed as part of the Internal Audit Work Programme.

- All contracts over £75,000 must go through a formal approval process. These arrangements have been strengthened with a more comprehensive form to complete and is aligned with the rest of Ardal to enable the category managers to work to a consistent approach across all partners. There is also a quotation record in place for services to hold locally for lower value activity.

- A register of contracts was historically maintained in Accountancy. An extensive exercise has been undertaken over the past two years with a full contract register being compiled and now held by the Procurement team and as a subset there is now a Forward Plan too which has been used to produce the first Pipeline to be published as part of the requirements of the Procurement Act 2023. Forms are in place on the Council's StaffNet as well as the Ardal site for officers to update both the contract register and the Forward Plan. These arrangements have been further strengthened towards the end of 2025/26 with the adoption of the Proactis in common with the Council's other Ardal partners which will hold contract information and automatically produce the Register and Forward Plan.

- Some elements of the Procurement Act 2023 and the Procurement (Wales) Regulations came into force from 24th February 2025. The Council's Contract Procedures were updated to reflect the changes and there's been awareness raising and training to support the changes. There are regular updates to Chief Officers as further elements of the Regulations take effect.

- Social Value was a key component of the revised Procurement Policy & Strategy in 2022 and the CPRs were updated to require Social Value to be 10% of the quality assessments in above threshold tenders. However, the Council didn't have a system to record and monitor. This is now in place with a new system Thrive being used across the Ardal partnership, Cardiff had previously used Social Value Portal for this purpose. A review of the Council's Social Value (now described as Community Wellbeing Benefits) concluded in autumn 2025 providing a more streamlined framework and basic and light options giving greater accessibility. An update Procurement Policy & Strategy was approved by Council on 29th September 2025.

- A coordinated approach to school procurement was put in place in 2025/26, led by the Learning & Skills directorate to ensure schools were benefiting from their overall buying power when awarding contracts.

- Initial processes have been developed to identify IFRS16 transactions, however further work to be undertaken to embed identification of schemes and formal consideration of Value for money.

- Committee reports provide members with information relating to the impact of decisions on Climate and Nature Emergency alongside matters of finance, employment and legal consideration.

Areas for further development

- The Council has a sound approach to its Capital Programming but will strengthen the approach to Value for Money by giving a greater focus on outcomes both at the planning stage and completion of schemes. It is also reviewing its overall approach against the recent Audit Wales National Study of Capital Planning

- Work required to embed identification of IFRS 16 transactions and demonstrate a more formal VFM and sign off process to these types of arrangements.

B: The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government.

Assessment - Fully Comply

Evidence of Compliance with Standard

- The Chief Financial Officer (CFO) is a member of the SLT and attends Cabinet and Full Council.

- The CFO or Deputy sits on strategic project boards and steering groups for high level projects such as Sustainable Communities for Learning.

- The CFO post holder is fully qualified and fulfils the CPD requirements associated with their professional qualification.

- The resourcing of the finance function is regularly reviewed and the CFO has regular one to one meetings with management staff within the finance function, a regular Departmental Management Team (DMT) meeting is held.

- The CFO is required to clear Cabinet reports and sign off any Emergency Powers with financial implications.
- The CFO is a key member of the Budget Working Group.

- The Council's Section S151 Officer commenced has a broad range of experience in the role across a number of English Authorities. The CFO reports directly to the Chief Executive on S151 matters.

Section 2 Governance and Financial Management Style

C: The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.

Assessment - Fully Comply

Evidence of Compliance with Standard

- The SLT consists of the Chief Executive, five Corporate Directors, the Council's Monitoring Officer, the Council's Section 151 Officer, the Head of Digital and the Head of Human Resources.

- The roles and responsibility of Corporate Officers are defined in agreed job profiles and set out in the Council's Constitution.

- Performance is reviewed on an annual basis in accordance with the Chief Officer Appraisal process. The Chief Executive is responsible and accountable to the Council for all aspects of management including promoting sound governance, providing quality information/support to inform decision-making and scrutiny, supporting other statutory officers, and building relationships with all Councillors.

- The SLT has a standard work programme - which includes a regular report of the Internal Audit programme and findings of Audit Wales work, the budget setting programme, corporate risk management and contract monitoring.
- The SLT team demonstrates collective responsibility for governance and internal control. An extended SLT involving all Heads of Service meets regularly to consider corporate risks and opportunities, including discussions on the collective responsibility for the Council's finances.
- The Governance & Audit Committee receives regular updates on the work programme of the Internal Audit Service, the opinions given on individual completed audits as well as the Head of Internal Audits Annual Report.
- The effective operation of the Governance & Audit Committee has been further enhanced by the appointment in 2022 of three new lay members to the Committee and changes to the remit of the Committee introduced by the Local Government and Elections Act.
- The Governance & Audit Committee receives regular reports on the Council's Corporate Risks and Risk Management arrangements as well as regular reports from Audit Wales.
- The Council undertook a review of its Scrutiny arrangements in 2025. The overall oversight of Council governance and finance remains with Resources Committee but this approach has been strengthened with the introduction of joint scrutiny sessions twice a year on finance and performance.

Areas for further development

D: The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016).

Assessment - Fully Comply

Evidence of Compliance with Standard

- The Delivering Good Governance Framework has been used to structure the Annual Governance Statement since 2016/17 and is reviewed annually as part of producing this document.
- The Council has approved and adopted a Code of Corporate Governance which is consistent with the principles of the CIPFA and SOLACE Framework - Delivering Good Governance in Local Government 2016.
- Key officers feed into the production of the Annual Governance Statement which is considered by the SLT before presentation to the Governance & Audit Committee for approval. There was a review of the presentation of the AGS for 2024/25 to give greater clarity on compliance with the Code of Corporate Governance on the Council's Constitution and any improvements made in the year in question.
- The Annual Self-Assessment Report for 2024/25 which was published in January 2026 presents a position statement on the Council's performance retrospectively over the prior year in delivering the Council's priorities as set out in the Annual Delivery Plan aligned to the Corporate Plan. Self-assessment of performance is an important way for the Council to identify the capacity and ability to deliver continuous improvement by identifying areas of strength and those requiring particular focus in coming years.
- During 2024/25, the Council undertook the first Panel Performance Assessment (PPA) process which is required by the Local Government & Elections (Wales) Act (2021). This assessment considered the way in which the Council manage its resources to deliver the outcomes in the Corporate Plan. The assessment also considered whether the transformational change programme has the potential to deliver service change against the medium-term financial plan and the new draft Corporate Plan. The assessment was positive in confirming both of these aspects of the Council's work and a number of recommendations for improvements were made which are being taken forward and have shaped Vale 2030 our new Corporate Plan and supporting arrangements around performance, partnership working and signalling change. The PPA also identified that the then scrutiny committee arrangements could be improved and this recommendation has been taken forward in 2025/26 with significant changes made to the number of scrutiny committees, frequency of meetings and how they work including the introduction of a new approach to task and finish work and member briefings.
- The Strategic Insight Board has been enhanced and streamlined using a wide range of data sources (including a blend of operational and national research and information) to identify issues and take action. The Board supports the corporate governance arrangements relating to integrated planning activities and reports to SLT. A review was undertaken in 25/26 which focused on membership, scope and enabling the Board to focus more time on key issues which need discussion and development.

  The Head of Internal Audit's annual opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control for 2025/26 s: "Reasonable Assurance". The opinion states that, based on the work completed by the Regional Internal Audit Shared Service for the financial year, no significant cross-cutting control issues have been identified that would impact on the Council's overall control environment. The weaknesses that have been identified are service specific.

Areas for further development

- Reflect on the first iterations of the Annual Self-Assessment process and make amendments as required to streamline the process further and make links with the Annual Governance Statement.
- Review the operation of the Council's scrutiny committee arrangements following the first year of operations and following the review by Audit Wales.

E: The financial management style of the authority supports financial sustainability.

Assessment - Fully Comply

Evidence of Compliance with Standard

- The Council has a successful track record of delivering a balanced budget made possible by its robust approach to managing finances which incorporates an effective corporate framework for financial planning, financial management and control. These arrangements enable the Council to regularly review and challenge financial performance and monitor spend against budgets.
- The Financial Strategy for 2026/27 budget setting was taken to Cabinet in July 2025 alongside an exercise to collate an updated analysis of cost pressures to feed into work WLGA were preparing across Wales.
- A full Medium Term Financial Plan was developed in November 2025 with detailed consideration of cost pressures and consideration of potential fundingsources.
- The Draft Budget for Consultation that was brought to Cabinet on 15th January 2026 is a balanced budget with a full list of savings proposals with comprehensive equality impact assessments that were subject to full scrutiny and public consultation prior to submission as part of the final proposals that were be brought to Council on 9th March 2026 with some amendments reflecting comments from consultation.
- The Council is able to utilise reserves to support the delivery of ambitious capital schemes and as part of a planned budget strategy whilst maintaining prudent provision in earmarked reserves.
- The reserves of the Council have been reviewed by SLT as part of the preparation of the Final Budget proposals to mitigate some unplanned use in 2025/26 and allocate additional funding to offset the projected school deficit position. This does though present a risk to financial sustainability and was flagged in the s151 Officer’s s25 report to Council in the budget sting report on 9th March 2026.This does though present a risk to financial sustainability.
- Reserve balances and projections are reported to Council each financial year.
- The Council has an Independent Treasury Management Adviser and adopts a Treasury Management that prioritises the security and liquidity of itsinvestments.
- All Capital Bids are prioritised by directorates and reviewed by the Strategic Insight Board to ensure a coordinated and consistent approach to the distribution of funding including consideration of sustainability issues.
- The cost pressures and capital bids are discussed by senior departmental staff and the service accountant and through dedicated sessions by the SLT and the Executive prior to setting the final budget proposals.
- The budget setting and management process is developed and delivered collaboratively, for example, including Heads of Service in the discussions around proposals and spending controls.

Areas for further development

- Reflect on the budget setting process and document for the next year.

Section 3: Long to medium-term financial management

F: The authority has carried out a credible and transparent financial resilience assessment.

Assessment - Fully Comply

Evidence of Compliance with Standard

- The Council publishes a comprehensive medium term financial plan with a five year time horizon assessing funding sources and cost pressures across this period.
- Audit Wales undertook a national review of Financial Sustainability in 2024 with the Vale specific report published in September 2024 and the all Wales level report in December 2024.
- The assessment found:
  - The Council has arrangements in place to manage its financial resilience in the short to medium-term, but its longer-term approach is less certain due to being at an early stage in its transformation agenda
  - Although the Council understands its financial position, a limited evidence base and a mixed track record in delivering savings means this understanding may be limited in depth and accuracy
  - The Council has clear arrangements for reporting its financial position, but this does not include an understanding of the impact of delivering on its objectives nor how it affects the longer-term.
- There were two recommendations:
  - i. We have identified some weaknesses in how the Council plans its approach to financial sustainability in the medium to long-term. To address this, the Council should improve its long-term planning to determine how it will address its funding gap for the length of its plan to support service transformation and promote long-term financial sustainability
  - ii. To report on the impact of its financial approach, the Council should develop reporting arrangements to provide members with the impact of its financial position and MTFP on local communities and delivery of its well-being objectives.
- These assessments were positively considered by SLT, Cabinet, Corporate Performance & Resources Scrutiny Committee and Governance & Audit Committee. The findings are incorporated as part of the Budget setting process and the closure of accounts process.
- The Council as part of its 2025/26 planning set out a clear framework and strategy setting out it approach to balancing the budget over the medium term building on the Reshaping work already in place and the Prospectus that had been approved by Cabinet in October 2024.
- For 2026/27 there has been further development of the approach. A Reshaping Board is in place which is a joint Cabinet and SLT group given the importance of the agenda and focus that is necessary.

G: The authority understands its prospects for financial sustainability

in the longer term and has reported this clearly to members.

Assessment - Fully Comply

Evidence of Compliance with Standard

- Financial Sustainability is regularly assessed by Audit Wales.
- The Council's long term sustainability is considered as part of the preparation of the Capital Strategy, Medium Term Financial Plan and Treasury Management Strategy.
- The long term implications of proposals are considered as part of each report taken to Committee and is required by statute under the obligations of the Wellbeing of Future Generations Act.
- In order to comply with the requirements of the Prudential Code the Council must assess the long term implications of Treasury decisions.
- School deficits have been recognised as a corporate risk and a number of actions are in place to mitigate and address the risk.
  - The Chief Executive, Director of Learning & Skills, Director of Corporate Resources, Head of Finance and Head of Strategy, Community Learning and Resources are meeting fortnightly to ensure progress is made in schools moving into balance. A rationale is in place to focus on those schools of greatest concern.
  - Five year budgets have been developed for schools, a high number of schools have recovery plans across this period or are in the process of developing them.
  - A dedicated schools deficit officer will support the review and tracking of school recovery plans.

Areas for further development

- A multi disciplinary approach to be established to bring about closer working across Schools Finance, School Improvement and HR

H: The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.

Assessment – Fully Comply

Evidence of Compliance with Standard

- The Council applies the requirements of the Prudential Code to its Treasury Management and Capital Strategy.
- The Accountancy and Treasury Management function attend regular training events as required by their professional body and MIFID II registration.
- The Council is also in receipt of regular updates and advice from the Council's independent Treasury Management advisers on the application of the Prudential Code and additional guidance issued by WG, PWLB and CIPFA.
- Members also receive annual and induction Treasury Management training which will cover aspects of the Prudential code.
- Members are requested to complete a self assessment questionnaire to assess their skills and any gaps in their knowledge prior to the Treasury Management training to enable additional training to be provided as required.

I: The authority has a rolling multi year medium term financial plan consistent with sustainable service plans.

Assessment – Fully Comply

Evidence of Compliance with Standard

- The Council has an up to date Medium Term Financial Plan which is reviewed annually and referred back to as part of the Budget Strategy, Budget for Consultation and Final budget proposals. Development of the 2026/27 to 2030/31 Medium Term Financial Plan was in parallel with the work on the new Corporate Plan Vale 2030 and the Reshaping Programme.
- The Medium Term Financial Plan has been strengthened to evidence financial sustainability with the report to Council in March setting out the broad efficiency programme across the five year time horizon.
- The Medium Term Financial Plan considers a number of scenarios to improve the robustness of the planning assumptions.
- The Council's Medium Term Financial Plan clearly links to the priorities outlined in the Corporate Plan and the proposals of the Capital Strategy to ensure they are financially viable and that the MTFP is closely aligned with the business planning cycle.
- Each of the Council's Directorate Plans contain information relating to the use of resources to support service delivery in terms of contribution to Vale 2030, the budget available to do so and savings to be delivered alongside a consideration of risks within each area of the organisation.
- Directorate Plans are informed by areas of improvement identified from the Directorate Self-Assessment process which considers performance in a range of areas, including financial resources aligned with the medium-term financial plan.

Section 4: The annual budget

J: The authority complies with its statutory obligations in respect of the budget setting process.

Assessment – Fully Comply

Evidence of Compliance with Standard

- For the financial year 2026/27 the Council will meet its statutory deadlines for setting a balanced budget and setting the level of Council Tax by 11th March 2025. These were also met in 2025/26.
- The Council meets its statutory deadlines in respect of setting the schools' budget. These were also met for the 2025/26 budget.
- The Council met its statutory deadlines for 2026/27 for approving the Treasury Management PIs and a MRP Policy by 31st March 2026. These were also met in 2025/26.
- The Council prepares a Capital Strategy, Treasury Management Strategy and Medium Term Financial Plan.

K: The budget report includes a statement by the Chief Finance Officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.

Assessment - Fully Comply

Evidence of Compliance with Standard

- The robustness of estimates and adequacy of reserves are confirmed as part of the Final Budget Proposals 2026/27 which were reported to Cabinet on 6th March 2026 and to Full Council on 9th March 2026.
- Reserves are reported to Council as part of the Budget Strategy and Final budget proposals and Closing Report, the monitoring of reserves is also included in the regular monitoring reports that are taken to Scrutiny Committees quarterly.

Areas for further development

- In 2026/27 Reserves and drawdowns from reserves will be reviewed monthly by SLT from June as part of new Finance SLT arrangements.

Section 5: Stakeholder engagement and business plans

L: The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.

Assessment - Fully Comply

Evidence of Compliance with Standard

- The Council's planning and decision-making processes are designed to include consultation with stakeholders and the submission of views by local people.

- In 2022 the Council published its Public Participation Strategy and launched the Participate Programme. This programme seeks to increase the reach of involvement, engagement and consultation activities, enhance our involvement of seldom heard voices and provide a clear link to the role of elected members in representing the views of residents.
- During the last few years a number of high-profile public engagement and consultation exercises were undertaken which have informed the Council's refreshed Medium Term Financial Strategy. The Council undertook wide-ranging engagement work with residents two years ago and this was undertaken again in 2025. The Let's Talk About Life in the Vale exercise, which ran from 8th September to 12th November 2025 and received almost 2,000 responses from residents across the Vale of Glamorgan has included consultation on the financial strategy. This, alongside Vale 2030, has informed the priority areas identified in the budget setting process.
- The Council carries out a consultation with local residents as part of the annual budget cycle and this is reported as part of the Final budget proposals
- The budget consultation was launched on 16th January 2025 and closed on 13th February 2026. The consultation was supported by a promotional campaign aimed at encouraging responses and improving people's understanding of the Council's financial position. The consultation was hosted on a dedicated budget consultation hub on Participate Vale. This featured an explanation of the Council's current financial position, links to the full Cabinet report and appendix detailing all of the savings proposals, equality impact assessments for each of the savings proposals, a budget quiz, and the online consultation form. The online promotional campaign used the budget quiz as a new method for seeking to help residents understand the financial context in which the organisation is operating. Posts were shared across the Council's Facebook, Instagram, and LinkedIn pages, with stories featuring swipe-up links on Instagram and Facebook to drive traffic to the consultation and quiz..
- There were 466 responses to the budget consultation in total, these are split across two surveys, English and Welsh. There were 463 responses to the English survey in total.
- Regular consultation with Schools Budget Forum is an integral part of the annual cycle and this includes a meeting with the Leader, Chief Executive and CFO as part of the annual budget cycle.
- Directorates feed into the budget process by submitting cost pressures, savings proposals and capital bids. These are discussed in annual meetings with Directors, Heads of Service and the Budget Working Group and in detail by the Strategic Leadership Team.

M: The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.

Assessment - Fully Comply

Evidence of Compliance with Standard

- The Council recognises that informed decision making is a fundamental part of good
- governance.
- Decision makers receive objective analysis of a variety of options indicating how intended outcomes would be achieved together with the risks associated with those options.
- In determining how services and other courses of action should be planned and delivered the Council is increasingly engaging with internal and external stakeholders.
- The Capital Bids process is a two-stage process where the long list of capital bids is shortlisted by Strategic Insight Board and then full capital bids are completed for the shortlisted bids. Capital bids in excess of £300k require a Business Case to be completed. Business cases are also completed for revenue projects which are categorised as high risk.
- The Project management toolkit documents an option appraisal methodology with examples has been updated to support the next phase of the Council's savings programme and corporate objectives. The Council has an extensive review of SharePoint underway and the Toolkit will be one of the first areas of provision to be moved across increasing visibility and accessibility. A new Project Management network has been established to develop colleagues in this area.
- Full Business cases for the Sustainable Communities for Learning Programme are submitted following the Five Case Model framework.
- The Council has recently updated the Business Plan for Waste Management to reflect the budget position and further review a number of scenarios in the context of a volatile market, a changing delivery model and a number of capital bids including the fleet parking bid.

Areas for further development

- In quarter one of 2026/27 a review of the deliverability of schemes will be carried out on the Capital Programme along with review of cost increases in capital schemes due to the current economic uncertainty due to the unrest in the Middle East.
- The capital bid forms for 2027/28 will consider the value for money of capital schemes going forward along with capturing the outcomes of capital schemes.

Financial Management Standards - Section 6: Monitoring financial performance

N: The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.

Assessment - Fully Comply

Evidence of Compliance with Standard

- SLT has a rolling work programme and is regularly updated on the Council's revenue and capital budget positions, contract management issues and the progress of the Internal and External Audit Work Programme.
- The Head of Internal Audit has regular meetings with the Head of Finance.
- A quarterly strategic risk review is undertaken and reported to Governance & Audit Committee and Cabinet, and corporate risk is referenced in the quarterly performance reports to all scrutiny committees.
- The Chief Executive and CFO are key participants in the Budget Working Group process.
- The budget setting process is complemented by annually revised benchmarking data.
- The SLT have been involved through regular discussion and dedicated workshops in the review of Cost Pressures, Savings and Reserves.
- A Savings tracker has been developed to monitor and support the delivery of savings during the past two years, this will continue to be utilised in 2026/27.

O: The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability

Assessment - Fully Comply

Evidence of Compliance with Standard

- A Corporate Asset Management Strategy is prepared by Property Services and Estates.
- Major schemes and projects are managed via a dedicated project board of senior officers.
- The Council is currently working to update the Carbon Management Strategy for the Council, reflecting the Project Zero Challenge Plan and the Council's decarbonisation targets.
- Financial impact is assessed as part of all Cabinet and Council decisions.
- The Pension liability is assessed triennially and the S151 Officer liaises with Cardiff and Vale Pension Fund and AON, the actuary, before setting a contribution rate.
- The Council has engaged an independent Treasury Management adviser to give the Council advice on the Council's borrowing and investments.

Section 7: External financial reporting

P: The Chief Finance Officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the Code of Practice on Local Authority Accounting in the United Kingdom.

Assessment - Fully Comply

Evidence of Compliance with Standard

- The Section 151 Officer reviews the Council's annual Statement of Accounts and complies with the responsibilities as set out.
- The Statement of Accounts is signed by the Section 151 Officer.
- The Section 151 Officer considers the level of assurance provided by Head of Internal Audit as part of their regular meetings and the regular reports to Governance and Audit Committee on the audit programme.
- Regular meetings are held between key members of the Senior Finance Team and the Council's External Auditors Audit Wales to monitor the progress of the accounts and any emerging issues.

Q: The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions.

Assessment - Fully Comply

Evidence of Compliance with Standard

- The SLT review their budget areas' outturn figures at SLT (and the Council's position as a whole) as part of the closure of accounts process.
- The Closure of Accounts reports are reviewed by key members of the Senior Leadership team before they are reported to Cabinet.
- Monitoring reports for revenue and capital are regularly taken to Senior Leadership Team, Scrutiny Committee and Cabinet.

Progress on Action Plan for Improvement 2025/26

Description of Task	Progress	Further Steps Required
Social Value – publish streamlined framework in revised Procurement Policy & Strategy and revise threshold in Contract Procedure Rules. Promote use of Thrive system through category managers.	In place. There was an extensive review of the revised Procurement Policy & Strategy by SLT, Cabinet and Scrutiny approved by Council in September 2025. The Social Value framework has been streamlined as planned and there are light and basic options in place too. There was internal comms following the Policy & Strategy's approval including coverage of Thrive and this is now embedded in Category Manager practice.	
Embed identification of IFRS 16 transactions and demonstrate a more formal VFM and sign off process to these types of arrangements.	The Council has implemented a twice yearly refresh process to identify leasing transactions.	Further work alongside procurement should be considered to embed the value for money and sig off work required.
Schools' procurement officer – appoint and support joined up contracting arrangement across schools.	Some initial progress on delivering joint procurement across Waste and Printing contracts. Further opportunities for joint procurement identified and punch out to be implemented for the Oracle Fusion system.	Ongoing support required
Review the Council's Scrutiny Committee arrangements	New Scrutiny Model implemented with initial task and finish reviews completed and reported.	Review scrutiny arrangements and respond to Audit Wales recommendations
Annual Self Assessment – streamline the process further and link in with Annual Governance Statement	Review of Annual Self-Assessment has been undertaken and views of Committees reflected	Explore further opportunities to strengthen the connections with the AGS

Further review of Budget setting – area where continuous improvement is sought. Presentation of gross income and expenditure as well as net and continue to improve residents' awareness.	This has been implemented for Budget Monitoring more work to be done to improve the accuracy and feed into 2026/27 budget monitoring and budget setting for 2027/28.	

Action Plan for Improvement 2026/27

Description of Task	Target Date	Resources required
A. The leadership team is able to demonstrate that the services provided by the authority provide value for money Review Capital Planning arrangements in response to Audit Wales National Study on Capital Planning 2025. Ensure planning informed by up to date condition surveys, ensure outcomes are identified and monitored against (further detail on this element of the action below) and provide training to councillors to drive better decision making.	31st March 2027	From existing resources.
D. The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016). Reflect on the first iterations of the Annual Self-Assessment process and make amendments as required to streamline the process further and make links with the Annual Governance Statement Review the operation of the Council's scrutiny committee arrangements following the first year of operations and following the review by Audit Wales.	September 2026	From existing resources. From existing resources.
G: The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members. A multi disciplinary approach to be established to bring about closer working across Schools Finance, School Improvement and HR.	From 1st May 2026, ongoing	May need additional one off resource from Council reserves.

M. The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions In 2026/27 Reserves and drawdowns from reserves will be reviewed monthly by SLT from June as part of new Finance SLT arrangements.	30th June 2026	From existing resources.
M. The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions In quarter one of 2026/27 a review of the deliverability of schemes will be carried out on the Capital Programme along with review of cost increases in capital schemes due to the current economic uncertainty due to the unrest in the Middle East. The capital bid forms for 2027/28 will consider the value for money of capital schemes going forward along with capturing the outcomes of capital schemes.	30th June 2026	From existing resources

Professional, Approachable, Independent

Internal Audit Report

VALE of GLAMORGAN
BRO MORGANNWG

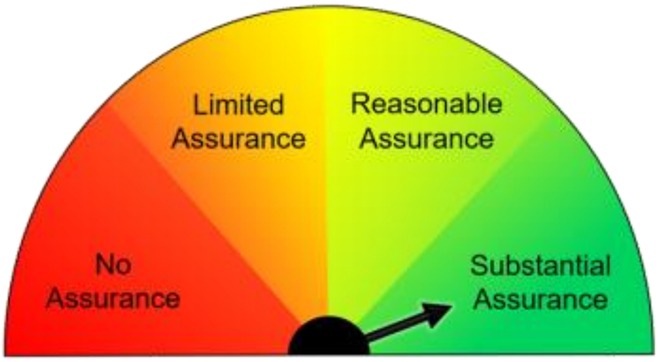
FINANCIAL MANAGEMENT CODE

2026/27

Report Issued	**7th July 2026**
Report Authors	**Courtney Phillips – Graduate Auditor** **Joan Davies – Audit Manager**
Report Distribution	**Gemma Jones – Operational Manager, Accountancy** **Matt Bowmer – Head of Finance, Section 151 Officer** **(See page 3 for full distribution list)**

REGIONAL INTERNAL AUDIT SERVICE / GWASANAETH ARCHWILIO MEWNOL RHANBARTHOL

AUDIT OPINION



RECOMMENDATION SUMMARY

High Priority	0
Medium Priority	0
Low Priority	3
Total	3

SUBSTANTIAL ASSURANCE

A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

KEY STRENGTHS & AREAS FOR IMPROVEMENT

During the audit a number of strengths and areas of good practice were identified as follows:

- Most statements included within the Council's Self-Assessment on Compliance to the Code, used to demonstrate and support compliance to Section 5 (M) – Stakeholder Engagement and Business Cases, and Section 6 (N & O) – Monitoring Financial Performance were found to be accurate and verifiable.
- All statements made within the Council's Self-Assessment, to support compliance with the Financial Management Code, Section 5(L), in relation to engagement with stakeholders when developing its long-term financial strategy, medium-term financial plan and annual budget, were relevant and supporting guidance was verified.
- Where actions identified for improvement within the Council's 2024/25 Self-Assessment on Compliance to the Code were not fully implemented during 2025/26, evidence of progress was available in each area, and additional actions were established to ensure improvement.

DISTRIBUTION LIST – FINAL REPORT	
Gemma Jones	Operational Manager – Accountancy
Matt Bowmer	Head of Finance, Section 151 Officer

1. INTRODUCTION & BACKGROUND

An audit of Financial Management Code was undertaken in accordance with the Internal Audit Plan.

This report sets out the findings of the audit and provides an opinion on the adequacy and effectiveness of internal control, governance and risk management arrangements in place. Where controls are not present or operating satisfactorily, recommendations have been made to allow Management to improve internal control, governance and risk management to ensure the achievement of objectives.

The Financial Management Code published by CIPFA in 2019, aims to support good practice in financial management and assist local authorities in demonstrating their financial sustainability. Local authorities are required to demonstrate that the requirements of the code are satisfied and the processes they have in place satisfy the principles of good financial management. Demonstrating this compliance with the FM Code is a collective responsibility of elected members, the Chief Finance Officer (CFO) and their professional colleagues in the leadership team.

The Council first produced a report detailing their compliance with the Financial Management Code in 2022 and have since provided an annual update each year. An audit of the Council's report on Compliance with the Financial Management Code was last undertaken in 2025/26 resulting in a Substantial Assurance opinion.

2. OBJECTIVES & SCOPE OF THE AUDIT

Audit testing was undertaken in respect of financial years 2024/25 & 2025/26.

The internal control, governance and risk management arrangements have been evaluated against the following audit objective:

- Review the self-assessment of compliance to the code, specifically Section 5 - Stakeholder Engagement and Business Cases and Section 6 - Monitoring Financial Performance.
- Verify the actions taken to address areas of improvement previously identified within the 2024/25 Statement of Compliance.

3. AUDIT APPROACH

Fieldwork took place following the Terms of Reference being issued.

A draft report is prepared where medium and high priority recommendations are made. This is issued to Management following a closing meeting. The draft report will contain recommendations within the Management Action Plan and Managers are requested to complete the Management Action Plan within 10 working days.

The final report incorporates the completed Management Action Plan for the implementation of recommendations. Where no or low priority recommendations are made, the final report is issued without a draft stage.

Governance and Audit Committee will be advised of the outcome of the audit and may receive a copy of the final report.

Management will be contacted and asked to provide feedback on the status of each agreed recommendation to ensure successful implementation.

Any audits concluded with a No Assurance or Limited Assurance opinion will be subject to a follow-up audit.

4. ACKNOWLEDGMENTS

A number of staff gave their time and co-operation during the course of this review. We would like to record our thanks to all of the individuals concerned.

The work undertaken in performing this audit has been conducted in conformance with the Global Internal Audit Standards.

The findings and opinion contained within this report are based on sample testing undertaken. Absolute assurance regarding the internal control, governance and risk management arrangements cannot be provided given the limited time to undertake the audit. Responsibility for internal control, governance, risk management and the prevention and detection of fraud lies with Management and the organisation.

Any enquires regarding the disclosure or re-issue of this document to third parties should be sent to the Head of the Regional Internal Audit Service via awathan@valeofglamorgan.gov.uk.

5. FINDINGS & RECOMMENDATIONS

COMPLIANCE WITH THE FINANCIAL MANAGEMENT CODE	
Control Objective: **To ensure that the information reported in the Financial Management Code is accurate, relevant and evidence can be provided to support statements made.**	
	The Auditor sampled Section 5 (L & M) and Section 6 (N & O) of the Council's 2025/26 Self-Assessment on Compliance to the Code, to determine if statements made by the Council to evidence Compliance with the Financial Management Code were accurate and could be supported. ***Strengths:*** Most statements included within the Council's Self-Assessment on Compliance to the Code to demonstrate and support compliance to Section 5 (M) - Stakeholder Engagement and Business Cases and Section 6 (N&O) - Monitoring Financial Performance were found to be accurate and verifiable Section 5(L) of the Financial Management Code requires "*the authority to engage where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget*". All statements included by the Council within the 2025-26 Self-Assessment on Compliance to the Code to support compliance with this section were found to be accurate and verifiable. The statements made within the Council's Self-Assessment, to support compliance with the Financial Management Code were relevant to the Code and supporting guidance.

Ref. & Priority	Finding / Weakness	Risk	Recommendation
1.1 **Low**	Three statements within the Council's Self-Assessment of Compliance within the Financial Management Code, relating to Sections 5(M), 6(N) and 6(O), were found not to fully reflect current arrangements in place across the Council so were not fully accurate. These related to the following: • A recently updated Business Plan for Waste Management • Quarterly performance reports to all scrutiny committees • Current work to update the Carbon Management Strategy	Lack of transparency within the Council's Self-Assessment on Compliance to the Financial Management Code.	Consideration is given to reviewing and amending the Council's Self-Assessment on Compliance to the Financial Management Code 2025/26 to ensure all statements are fully accurate and reflect current practice.
1.2 **Low**	To demonstrate compliance with Section 5M of the Financial Management Code, the Council asserts in its Self-Assessment, that a project management toolkit, documenting an option appraisal methodology with examples, has been updated to support the next phase of the Council's savings programme and corporate objectives.	Lack of transparency within the Council's Self-Assessment on Compliance to the Financial Management Code; lack of clear and documented guidance to all staff may lead to inconsistencies in project management practices.	To strengthen demonstratable compliance with Section 5M of the Financial Management Code, the Project Management Toolkit should be made available to all staff members as planned and consideration given to providing guidance and examples to staff members to aid in the utilisation of the Project Management Toolkit.

Ref. & Priority	Finding / Weakness	Risk	Recommendation
	Although the Council's revised Project Management Toolkit includes a streamlined business case template, there are currently no guidance or examples to support this. Additionally, the Project Management Toolkit is currently documented on a beta intranet page which requires authorisation to access. As a result, all staff members do not currently have access to view and utilise the Project Management Toolkit, although arrangements are being progressed to facilitate wider staff access in the future.		
1.3 **Low**	To demonstrate compliance with Section 5M of the Financial Management Code, the Council states, within its Self-Assessment of Compliance with the Code, that a Business Case is required for capital bids exceeding £300,000 and for revenue projects classified as high risk.	Lack of transparency within the Council's Self-Assessment on Compliance to the Financial Management Code; inconsistency in practice as to when business cases are completed due to lack of clear guidance	To strengthen demonstratable compliance with Section 5M of the Financial Management code, guidance should be available to officers documenting the circumstances in which a Business Case should be completed.

Ref. & Priority	Finding / Weakness	Risk	Recommendation
	However, no documentation was available to evidence this requirement. Consequently, there is no formal guidance available to staff outlining that a Business Case must be completed in these circumstances.		

ACTIONS TAKEN AGAINST AREAS IDENTIFIED FOR IMPROVEMENT

Control Objective:
To determine if areas identified for improvement reported in the Council's Self-Assessment on Compliance with the Financial Management Code 2024/25 have been addressed.

Strengths:

The following action, previously identified within the Council's 2024/25 Self-Assessment on Compliance to the Code to further develop the Council's Compliance to the Financial Management Code, was implemented during the year, with evidence available to verify actions taken:

- Further consideration of Social Value was required as part of future assessments of the Value for Money of schemes and the development of the new Procurement Strategy.

Although further work has been identified to fully address the following actions, progress has been made across each area, with verifiable actions undertaken to strengthen compliance with the Financial Management Code. These areas include:

- Continuing work to embed the identification of IFRS 16 transactions and to demonstrate a more formalised value-for-money and sign-off process for such arrangements.
- Facilitating a transition towards a more cluster-orientated approach for procurement across schools.
- Reflecting on the first iteration of the Annual Self-Assessment process and implementing amendments, as required, to strengthen links with the Annual Governance Statement.
- Considering the structure and operation of the Council's scrutiny committee arrangements.
- Reflecting on the budget setting process and documenting for the next year.

6. DEFINITIONS

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

RECOMMENDATION CATEGORISATION	
Risk may be viewed as the chance, or probability, one or more of the systems of governance, risk management or internal control being ineffective. It refers both to unwanted outcomes which might arise, and to the potential failure to realise desired results. The criticality of each recommendation is as follows:	
High Priority	Action that is considered imperative to ensure that the organisation is not exposed to high risks.
Medium Priority	Action that is considered necessary to avoid exposure to significant risks.
Low Priority	Action that is considered desirable and should result in enhanced control.