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County Hall  
Rhadyr  
Usk  
NP15 1GA

Wednesday, 19 July 2023

## Notice of Meeting

### Governance and Audit Committee

Thursday, 27th July, 2023 at 2.00 pm,  
Council Chamber, County Hall, The Rhadyr USK

***Please note that a 30 minute pre-meeting will take place at 1.30pm for  
Committee Members and Audit Officers***

## AGENDA

Item No	Item	Pages
1.	Apologies for Absence	
2.	Declarations of Interest	
3.	Public Open Forum	
4.	To note the action list from the previous meeting	1 - 4
5.	Treasury Outturn Report 2022/23	5 - 24
6.	Quarter 1 Treasury Report 2023/24	25 - 42
7.	Draft Statement of Accounts 2022/23 - Charitable Trust Funds	43 - 82
8.	Draft Annual Governance Statement	83 - 138
9.	Internal Audit Quarterly Progress Report	139 - 148
10.	Governance and Audit Committee Annual Report 2022/23	149 - 156
11.	Final Internal Audit Operational Plan 2023/24	157 - 170
12.	Annual Audit Plan 2022/23	171 - 192
13.	Forward Work Plan	193 - 198

<b>14.</b>	<b>To approve the minutes of the previous meeting</b>	<b>199 - 206</b>
<b>15.</b>	<b>To confirm the date of the next meeting as 20th September 2023</b>	

**Paul Matthews  
Chief Executive**

MONMOUTHSHIRE COUNTY COUNCIL  
CYNGOR SIR FYNWY

THE CONSTITUTION OF THE COMMITTEE IS AS FOLLOWS:

Andrew Blackmore

Colin Prosser

Martin Veale

Rhodri Guest

County Councillor Ben Callard

*Llanfoist & Welsh Labour/Llafur  
Govilon; Cymru*

County Councillor John Crook

*Magor East with Welsh Labour/Llafur  
Undy; Cymru*

County Councillor Tony Easson

*Dewstow; Welsh Labour/Llafur  
Cymru*

County Councillor David Jones

*Crucorney; Independent Group*

County Councillor Malcolm Lane

*Mardy; Welsh Conservative  
Party*

County Councillor Phil Murphy

*Caerwent; Welsh Conservative  
Party*

County Councillor Peter Strong

*Rogiet; Welsh Labour/Llafur  
Cymru*

County Councillor Ann Webb

*St Arvans; Welsh Conservative  
Party*

## Public Information

### Access to paper copies of agendas and reports

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### Watch this meeting online

This meeting can be viewed online either live or following the meeting by visiting [www.monmouthshire.gov.uk](http://www.monmouthshire.gov.uk) or by visiting our Youtube page by searching MonmouthshireCC.

### Welsh Language

The Council welcomes contributions from members of the public through the medium of Welsh or English. We respectfully ask that you provide us with 5 days notice prior to the meeting should you wish to speak in Welsh so we can accommodate your needs.

# Aims and Values of Monmouthshire County Council

## Our purpose

Building Sustainable and Resilient Communities

### Objectives we are working towards

- Giving people the best possible start in life
- A thriving and connected county
- Maximise the Potential of the natural and built environment
- Lifelong well-being
- A future focused council

## Our Values

**Openness.** We are open and honest. People have the chance to get involved in decisions that affect them, tell us what matters and do things for themselves/their communities. If we cannot do something to help, we'll say so; if it will take a while to get the answer we'll explain why; if we can't answer immediately we'll try to connect you to the people who can help – building trust and engagement is a key foundation.

**Fairness.** We provide fair chances, to help people and communities thrive. If something does not seem fair, we will listen and help explain why. We will always try to treat everyone fairly and consistently. We cannot always make everyone happy, but will commit to listening and explaining why we did what we did.

**Flexibility.** We will continue to change and be flexible to enable delivery of the most effective and efficient services. This means a genuine commitment to working with everyone to embrace new ways of working.

**Teamwork.** We will work with you and our partners to support and inspire everyone to get involved so we can achieve great things together. We don't see ourselves as the 'fixers' or problem-solvers, but we will make the best of the ideas, assets and resources available to make sure we do the things that most positively impact our people and places.

**Kindness:** We will show kindness to all those we work with putting the importance of relationships and the connections we have with one another at the heart of all interactions.

**Role of the Pre-meeting**

1. Why is the Committee considering this agenda item? (relevance and materiality)
  2. What is the Committee’s role and what outcome do Members want to achieve?
  3. Is there sufficient information to achieve this? If not, who could provide this?
  4. What are the confidential views of the auditors on relevant matters?
- Discuss members' views/ key concerns with the papers and agree priorities

**Potential Questions/Considerations for the Meeting**

Internal Audit (IA)

1. What is the IA functional model and is it fit for purpose?
2. Does IA have sufficient authority and influence across the Authority?
3. Is IA suitably resourced and empowered? Is the annual IA plan appropriate? On what do we make this judgement?
4. Do Chief Officers demonstrably accept and champion the role of IA? How do they do this?
5. Are IA findings acted upon energetically by Officers? How is this demonstrated? Do we effectively challenge and hold officers to account for implementing IA findings?
6. How can we be confident that the internal control environment remains appropriate?
7. Do we have confidence in overall IA effectiveness? On what do we base this?
8. Is the annual/ periodic IA opinion plausible?
9. Do we have sufficient visibility over the work, output and effectiveness of allied IA teams, e.g. TCBC?

External Audit (EA)

1. Is the EA team (financial and performance) credible?
2. Are we confident over the arrangements for developing the EA annual work plan/ timetable and is it aligned to our understanding of key risks?
3. Do Chief/ senior officers engage appropriately with EA? How is this demonstrated?
4. Is there a constructive relationship between IA, EA (and other inspectorates)? How is this evidenced?
5. Have relevant officers demonstrably considered the results/ conclusions of EA national and specific reports?
6. Do we have good visibility over emerging issues identified by EA?
7. In respect of ISA260 and equivalent EA financial reports, do officers clearly demonstrate understanding of issues raised and have a credible plan to resolve issues for next financial year?
8. Does EA have confidence in MCC’s Officers and governance arrangements?

### Governance

1. Is there a codified and cohesive description of MCC's overall governance arrangements? Is it fit for purpose?
2. Is there clarity over the governance of the various oversight and scrutiny arrangements for (and effectiveness of) material partnerships and collaborations?
3. Is there clarity over the apportionment of responsibilities and decision making authorities?
4. How are governance/ control breaches identified and reported?
5. Are we confident that the arrangements for material expenditure (tendering, contracting and capital procurement) are robust?
6. Do we have confidence in whistleblowing (and similar arrangements) for raising concerns?

### Corporate Risks

1. Have key accountabilities for the identification, assessment, monitoring and management of risks been adequately defined and implemented?
2. Has the approach to risk management been designed and implemented effectively?
3. How can the Committee be confident that the Corporate Risk Register captures all significant risks facing the Authority?
4. Are the risk mitigation action plans credible and sufficient so as to achieve the desired outcomes?

### Budgeting/ Financial Risk/ Reserves

1. Is there a clearly defined, governed and checkpointed process and timetable for developing the Authority's budget?
2. Is there an appropriate suite of financial risk related policies? Are they suitable?
3. Are the key financial/ operational assumptions understood, credible, documented and stress tested?
4. Does the Finance function have suitable capabilities and capacity to manage financial risk/ meet statutory requirements and obligations to the Council?
5. Do we have confidence that the budgetary process is likely to produce a plausible budget/ MTFP?
6. Are there suitable arrangements in place to manage and report on overall financial performance?

### Financial Statements/ Misstatement Risk

1. Is there a shared understanding as to the purpose of the Committee in reviewing draft financial statements?
  - a. Are the Notes to the Accounts reasonable?
  - b. Are the narrative reports, including the Annual Governance Statement reasonable and accord with the committee's view?
2. Are we comfortable with EA's work and audit opinion?

**Questions for the Committee to conclude...**

Do we have the necessary information to form conclusions/make recommendations/ escalate matters to the executive, council, relevant scrutiny committee?

Do we need to follow up? If so, how?





**Governance and Audit Committee Action List**  
**29<sup>th</sup> June 2023**

<b>Agenda Item:</b>	<b>Subject/ Meeting</b>	<b>Officer</b>	<b>Outcome</b>	<b>By</b>	<b>Action Status</b>	<b>Recommended to close Action Yes/No</b>
5	Action List 14 <sup>th</sup> July 2022	Richard Jones/ Peter Davies/ Andrew Wathan	a) Key Collaborations and Partnerships.	a) 27 <sup>th</sup> July 2023	a) OPEN	a) No – await final report
5  Page 1	Action List: Statement of Accounts 2021/22	Jon Davies	a) Finance Team capacity – concise paper requested setting out the Finance Team’s organisational structure, type and number of vacancies, plan for resolution and a fuller explanation of the consequences on workload and prioritisation.	a) 27 <sup>th</sup> July 2023	a) OPEN	a) Yes
5	Action List: Audit Wales Work programme: Council progress	Matthew Gatehouse/ Richard Jones/Hannah Carter	a) People Strategy and Asset Management Plan to be reported on separately in future. b) social enterprise (slippage of nearly a decade Wales-wide) – written response to Councillor Easson’s question.	a) TBC b) 15 <sup>th</sup> June 2023	a) OPEN b) OPEN	a) November TBC b) TBC
5.	Action List: Whole authority Complaints report	Annette Evans/ Matt Gatehouse	A weighting system to be considered for future reports.	a) TBC	a) OPEN	a) TBC

5.	Action List: Review of Strategic Risk Register	Matthew Gatehouse/ Richard Jones/ Hannah Carter/ Chair	a) Strategic Risk Register: refine the structure and contents of this paper so that it is more fully aligned to the responsibilities of the Committee	November 2023	OPEN	No
7	Torfaen Internal Audit: SRS	Chair/ Jan Furtek/ Sian Hayward	How best to ensure that the Committee continued to have visibility over relevant matters pertaining to the Shared Resource Service	27 <sup>th</sup> July 2023	OPEN	Yes
8	Freedom of Information, Data Protection and Data Subject Access Requests	Kath Evans/ Sian Hayward	a) Report of mandatory training completion rates broken down by service area b) Information was requested on governance arrangement for the policies for these areas.as the Committee has not received any policies for review and endorsement. c) Deputy Chief Executive to consider which corporate risk control policies (extending beyond IT and data protection) that the Committee should periodically review and recommend for approval across the authority.	a) 27 <sup>th</sup> July 2023 b) TBC c) TBC	a) OPEN b) OPEN c) OPEN	a) Yes b) TBC c) TBC
9	IA Annual Report	Jan Furtek	After follow up audit - Verbal interim report requested on Tintern Old Station.	27 <sup>th</sup> July 2023	OPEN	a) Yes
10	Draft Operational Plan	Peter Davies/ Jan Furtek	a) Committee requested to be consulted on proposed delivery models b) Noting the current resourcing position of 5.0FTE and an extended, uncertain timeline for transitioning to the target delivery model, the Committee requested that this matter be escalated to the Cabinet and Council for formal noting and, as appropriate, discussion with the Deputy Chief	a) TBC b) TBC	a) OPEN b) OPEN	a) TBC b) TBC

			<p>Executive.to instruct officers to take appropriate action to remedy</p> <p>c) more clearly considering the consequential operational risks on service delivery and overall control alongside the financial risks be included in the plan</p>	c) TBC	c) OPEN	c) TBC
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## REPORT

<b>SUBJECT:</b>	<b>TREASURY MANAGEMENT OUTTURN REPORT 2022/23</b>
<b>MEETING:</b>	<b>Governance &amp; Audit Committee</b>
<b>DATE:</b>	<b>27<sup>th</sup> July 2023</b>
<b>DIVISIONS/WARD AFFECTED:</b>	<b>All</b>

### 1. **PURPOSE:**

- 1.1. During 2022/23, the Council's treasury management activity was underpinned by the Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code for Capital Finance in Local Authorities (the Prudential Code), and complimented by the CIPFA guidance "Treasury Management in the Public Services" which sets out good practice in treasury management.
- 1.2. These place a requirement on local authorities to produce annually a Treasury Management Strategy Statement and Prudential Indicators on their likely financing and investment activity, and to ensure that the appropriate governance function that oversees the treasury management activities of the Authority is kept informed of activity.
- 1.3. This report represents the second update of treasury management activity during 2022/23 following the [mid-year report](#) to Governance & Audit committee on the 24<sup>th</sup> November 2022.

### 2. **RECOMMENDATIONS:**

- 2.1. That Governance & Audit committee review the results of treasury management activities and the performance achieved in 2022/23 as part of their delegated responsibility to provide scrutiny of treasury policy, strategy and activity on behalf of Council.

### 3. **SUMMARY OF KEY ISSUES:**

- 3.1. The continuing economic fallout from the coronavirus pandemic, together with the war in Ukraine, higher inflation, higher interest rates, and market volatility were major issues that impacted treasury activity over the period.
- 3.2. The Bank of England increased the official Bank Rate to 4.25% during the financial year. From 0.75% in March 2022, the Monetary Policy Committee (MPC) pushed through rises at every subsequent meeting over the period, with recent hikes of 50bps in December and February and then 25bps in March, taking Bank Rate to 4.25%.
- 3.3. Starting the financial year at 5.5%, the annual CPI measure of UK inflation rose strongly to hit 10.1% in July and then 11.1% in October. Inflation remained high in subsequent months but appeared to be past the peak, before unexpectedly rising again in February. Annual headline CPI registered 10.4% in February, up from 10.1% in January, with the largest upward contributions coming from food and housing. RPI followed a similar pattern during the year, hitting 14.2% in October. In February RPI measured 13.8%, up from 13.4% in the previous month.

- 3.4. Uncertainty continued to be a key driver of financial market sentiment and bond yields remained relatively volatile due to concerns over elevated inflation and higher interest rates, as well as the likelihood of the UK entering a recession and for how long the Bank of England would continue to tighten monetary policy. Towards the end of the period, fears around the health of the banking system following the collapse of Silicon Valley Bank in the US and purchase of Credit Suisse by UBS caused further volatility.
- 3.5. In a local context the broad treasury strategy of the Authority continued with the approach of keeping borrowing and investments below their underlying levels, known as internal borrowing, in order to reduce counterparty risk and keep interest costs low.
- 3.6. However, at the year-end date, and in an environment of increasing interest rates the Authority looked to provide some certainty by locking into additional longer-term loans marginally before they were actually required to fund expenditure. This position has unwound itself since year-end as temporary borrowing has matured, to take the authority back into an overall position of internal borrowing.
- 3.7. To that end, at the 31<sup>st</sup> March 2023 the Authority had a borrowing [Capital Financing Requirement](#) (CFR) of £190.9m and gross external borrowing of 198.7m.
- 3.8. Total borrowing has increased year-on-year by £23.2m which is due to a rising CFR, and the additional longer-term borrowing taken, as noted in 3.6 above, prior to temporary borrowing maturing.
- 3.9. With borrowing rates increasing considerably during the year and with further rises expected in the near term, the Authority looked to secure additional long-term borrowing at comparatively low rates. This has increased the proportion of long-term to short-term borrowing over the year from 59:41 to 67:33, providing an added element of balance and certainty over future interest payments. Further details of the overall maturity structure of borrowing are noted in table 11 of this report.
- 3.10. In year, the Authority's total treasury investments reduced by £9.5m to £38.5m due to the continuation of an internal borrowing strategy. Balances during the year ranged from between £14.5m and £79.3m due to timing differences between income and expenditure.
- 3.11. The Authority continues to hold a minimum of £10m of investments to meet the requirements of a professional client under the [MIFID II regulations](#) (Markets in financial instruments directive), and which permits access to a wider range of investment vehicles.
- 3.12. £4m of the Authority's investments are held in externally managed strategic [pooled multi-asset and property funds](#) where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and longer-term price stability. These funds generated an average 4.47% (£178k) income return, however volatile conditions within equity, bond and property markets resulted in a £401k (-10.10%) unrealised capital loss over the period. It is important to note that unrealised capital movements on these funds do not impact the income and expenditure account of the Authority and will only materialise at the time that the investments are liquidated. The Authority maintains a treasury risk reserve to mitigate against this risk.
- 3.13. As shown in section 9 the Authority achieved a saving of £157,000 against net treasury budgets of £3.86m, however there were large variations to budget across interest payable and receivable due to the volatile interest rate environment experienced during the year.
- 3.14. In respect of non-treasury investments (those categorised as either for service purposes to explicitly to further service objectives, and/or for commercial purposes), these continued to generate a return of £545k during the year which contributed to the running of Council services.
- 3.15. As reported in section 11, the Authority complied with the CIPFA code of practice on treasury management, and acted within the approved 2022/23 Treasury management strategy and indicators during the year.

## 4. **INTRODUCTION**

- 4.1. The Authority's treasury management strategy for 2022/23 was approved by Council on 3<sup>rd</sup> March 2022. The Authority has borrowed and invested substantial sums of money and is therefore 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 risk remains central to the Authority's treasury management strategy.
- 4.2. Treasury risk management at the Authority is conducted within the framework of the CIPFA Prudential code and Treasury Management in the Public Services which requires the Authority to approve a treasury management strategy before the start of each financial year and, for 2022/23, as a minimum a semi-annual and annual treasury outturn report.
- 4.3. This treasury outturn report presents the following information:
- An update on the [external market conditions](#) impacting treasury activity during the year;
  - An update of the [movement in treasury balances](#) and performance against budget during the year;
  - details of [borrowing strategy](#), [investment activity](#) and [non-treasury investment](#) performance;
  - [compliance](#) with treasury limits and indicators for the year.

## 5. **External market conditions**

- 5.1. Economic background: The war in Ukraine continued to keep global inflation above central bank targets and the UK economic outlook remained relatively weak with the chance of a mild recession. The economic backdrop during the January to March period continued to be characterised by high energy and commodity prices, high inflation, and the associated impact on household budgets and spending.
- 5.2. Central Bank rhetoric and actions remained consistent with combatting inflation. The Bank of England, US Federal Reserve, and European Central Bank all increased interest rates over the period, even in the face of potential economic slowdowns in those regions.
- 5.3. Starting the financial year at 5.5%, the annual CPI measure of UK inflation rose strongly to hit 10.1% in July and then 11.1% in October. Inflation remained high in subsequent months but appeared to be past the peak, before unexpectedly rising again in February. Annual headline CPI registered 10.4% in February, up from 10.1% in January, with the largest upward contributions coming from food and housing. RPI followed a similar pattern during the year, hitting 14.2% in October. In February RPI measured 13.8%, up from 13.4% in the previous month.
- 5.4. Following the decision by the UK government under Rishi Sunak and Jeremy Hunt to reverse some of the support to household energy bills announced under Liz Truss, further support in the form of a cap on what energy suppliers could charge household was announced in the March Budget to run from April until end June 2023. Before the announcement, typical household bills had been due to rise to £3,000 a year from April.
- 5.5. The labour market remained tight albeit with some ongoing evidence of potential loosening at the end of the period. The unemployment rate 3mth/year eased from 3.8% April-June to 3.6% in the following quarter, before picking up again to 3.7% between October-December. The most recent information for the period December-February showed an unemployment rate of 3.7%.

- 5.6. The inactivity rate was 21.3% in the December-February quarter, slightly down from the 21.4% in the first quarter of the financial year. Nominal earnings were robust throughout the year, with earnings growth in December-February at as 5.7% for both total pay (including bonuses) and 6.5% for regular pay. Once adjusted for inflation, however, both measures were negative for that period and have been so throughout most of the year.
- 5.7. Despite household budgets remaining under pressure, consumer confidence rose to -36 in March, following readings of -38 and -45 in the previous two months, and much improved compared to the record-low of -49 in September. Quarterly GDP was soft through the year, registering a 0.1% gain in the April-June period, before contracting by (an upwardly revised) -0.1% in the subsequent quarter. For the October-December period was revised upwards to 0.1% (from 0.0%), illustrating a resilient but weak economic picture. The annual growth rate in Q4 was 0.6%.
- 5.8. The Bank of England increased the official Bank Rate to 4.25% during the financial year. From 0.75% in March 2022, the Monetary Policy Committee (MPC) pushed through rises at every subsequent meeting over the period, with recent hikes of 50bps in December and February and then 25bps in March, taking Bank Rate to 4.25%. March's rise was voted by a majority of 7-2, with two MPC members preferring to maintain Bank Rate at 4.0%. The Committee noted that inflationary pressures remain elevated with growth stronger than was expected in the February Monetary Policy Report. The February vote was also 7-2 in favour of a hike, and again with two members preferring to keep Bank Rate on hold.
- 5.9. After reaching 9.1% in June, annual US inflation slowed for eight consecutive months to 6% in February. The Federal Reserve continued raising interest rates over the period with consecutive increases at each Federal Open Market Committee meetings, taking policy rates to a range of 4.75%- 5.00% at the March meeting.
- 5.10. From the record-high of 10.6% in October, Eurozone CPI inflation fell steadily to 6.9% in March 2023. Energy prices fell, but upward pressure came from food, alcohol, and tobacco. The European Central Bank continued increasing interest rates over the period, pushing rates up by 0.50% in March, taking the deposit facility rate to 3.0% and the main refinancing rate to 3.5%.
- 5.11. **Financial markets:** Uncertainty continued to be a key driver of financial market sentiment and bond yields remained relatively volatile due to concerns over elevated inflation and higher interest rates, as well as the likelihood of the UK entering a recession and for how long the Bank of England would continue to tighten monetary policy. Towards the end of the period, fears around the health of the banking system following the collapse of Silicon Valley Bank in the US and purchase of Credit Suisse by UBS caused further volatility.
- 5.12. Over the period the 5-year UK benchmark gilt yield rose from 1.41% to peak at 4.70% in September before ending the financial year at 3.36%. Over the same timeframe the 10-year gilt yield rose from 1.61% to peak at 4.51% before falling back to 3.49%, while the 20-year yield rose from 1.82% to 4.96% and then declined to 3.82%. The Sterling Overnight Rate (SONIA) averaged 2.24% over the period.
- 5.13. **Credit review:** Early in the period, Moody's affirmed the long-term rating of Guildford BC but revised the outlook to negative. The agency also downgraded Warrington BC and Transport for London.
- 5.14. In July Fitch revised the outlook on Standard Chartered and Bank of Nova Scotia from negative to stable and in the same month Moody's revised the outlook on Bayerische Landesbank to positive. In September S&P revised the outlook on the Greater London Authority to stable from negative and Fitch revised the outlook on HSBC to stable from negative.
- 5.15. The following month Fitch revised the outlook on the UK sovereign to negative from stable. Moody's made the same revision to the UK sovereign, following swiftly after with a similar move for a number of



local authorities and UK banks including Barclays Bank, National Westminster Bank (and related entities) and Santander.

- 5.16. During the last few months of the reporting period there were only a handful of credit changes by the rating agencies, then in March the collapse of Silicon Valley Bank (SVB) in the US quickly spilled over into worries of a wider banking crisis as Credit Suisse encountered further problems and was bought by UBS.
- 5.17. Credit Default Prices had been rising since the start of the period on the back of the invasion of Ukraine, and in the UK rose further in September/October at the time of the then-government's mini budget. After this, CDS prices had been falling, but the fallout from SVB caused a spike on the back of the heightened uncertainty. However, they had moderated somewhat by the end of the period as fears of contagion subsided, but many are still above their pre-March levels reflecting that some uncertainty remains.
- 5.18. On the back of this, Arlingclose reduced its recommended maximum duration limit for unsecured deposits for all UK and Non-UK banks/institutions on its counterparty list to 35 days as a precautionary measure. No changes were made to the names on the list.
- 5.19. As market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remains under constant review.
- 5.20. Local authorities remain under financial pressure, but Arlingclose continues to take a positive view of the sector, considering its credit strength to be high. Section 114 notices have been issued by only a handful of authorities with specific issues. While Arlingclose's advice for local authorities on its counterparty list remains unchanged, a degree of caution is merited with certain authorities.

## 6. Movement in Treasury balances

- 6.1. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available to offset the CFR or for investment.
- 6.2. The Authority pursued its strategy of keeping borrowing and investments below their underlying levels for the majority of the year, known as internal borrowing, in order to reduce risk and keep interest costs low. At the year end and in an environment of increasing interest rates the Authority looked to provide some certainty by locking into additional loans marginally before they were actually required to fund expenditure. This position has unwound itself since year-end through maturing temporary borrowing, to take the authority back into an overall position of internal borrowing. These factors are summarised in Table 1 below.

**Table 1: Balance Sheet Summary**

	31.3.22 £m	Movement £m	31.3.23 £m
General Fund CFR	189.4	3.9	193.3
<b>Less: *Other debt liabilities</b>	<b>(2.4)</b>	<b>(0.0)</b>	<b>(2.4)</b>
<b>Borrowing CFR</b>	<b>187.0</b>	<b>3.9</b>	<b>190.9</b>
<b>Less: External borrowing</b>	<b>(175.5)</b>	<b>(23.2)</b>	<b>(198.7)</b>
<b>Net External borrowing</b>	<b>11.5</b>	<b>(19.3)</b>	<b>(7.8)</b>
<b>Less: Usable reserves</b>	<b>(42.7)</b>	2.9	<b>(39.8)</b>
<b>Less: Working capital</b>	<b>(16.8)</b>	25.8	9.0

<b>(Net Investments) at 31<sup>st</sup> March 2023</b>	<b>(48.0)</b>	<b>9.5</b>	<b>(38.5)</b>
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\* finance leases, PFI liabilities and transferred debt that form part of the Authority's total debt

- 6.3. On 31st March 2023, the Authority had net investments of £38.5m arising from its revenue and capital income and expenditure activity.
- 6.4. Whilst this has reduced compared to investment balances held at the start of the year, balances over the year ranged from between £14.5m and £79.3m due to timing differences between income and expenditure and borrowing activity.
- 6.5. The treasury management position at 31st March 2023 and the change during the year is shown in Table 2 below.

**Table 2: Borrowing and Investment Summary**

	<b>31.3.22 Balance £m</b>	<b>31.3.22 Rate %</b>	<b>Movement</b>	<b>31.3.23 Balance £m</b>	<b>31.3.23 Rate %</b>
Long-term borrowing	104.3	3.1	28.7	133.0	3.2
Short-term borrowing	71.2	0.2	(5.5)	65.7	2.8
<b>Total borrowing</b>	<b>175.5</b>	<b>2.0</b>	<b>23.2</b>	<b>198.7</b>	<b>3.1</b>
Long-term investments	0.0	N/A	0.0	0.0	N/A
Short-term investments	(14.0)	0.1	1.0	(13.0)	2.1
Pooled Funds	(4.0)	3.4	0.0	(4.0)	4.5
Cash and cash equivalents	(30.0)	Included in ST above	8.5	(21.5)	Included in ST above
<b>Total investments</b>	<b>(48.0)</b>	<b>0.4</b>	<b>9.5</b>	<b>(38.5)</b>	<b>2.36</b>
<b>Net Borrowing</b>	<b>127.5</b>		<b>32.7</b>	<b>160.2</b>	

- 6.6. The authorities net borrowing position has increased over the year which is reflective of an increasing CFR, and additional long term loans taken out during the year to provide a further degree of certainty over future interest costs in a rising interest rate environment.

## **7. Borrowing activity during the year**

- 7.1. The Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio and, where practicable, to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.
- 7.2. The cost of both long and short-term borrowing rose dramatically over the year, with rates at the end of March 2023 around 2% - 4% higher than those at the beginning of the year. Rate rises have been driven primarily by inflation and the need for central banks to control this by raising interest rates.
- 7.3. Particularly dramatic rises were seen in September after Liz Truss' 'mini-budget' included unfunded tax cuts and additional borrowing to fund consumer energy price subsidies. Over a twenty-four-hour period some PWLB rates increased to 6%. Rates have now fallen from September peaks but remain volatile and well above recent historical norms. The PWLB 10 year maturity certainty rate stood at 4.33% at 31st March 2023, 20 years at 4.70% and 30 years at 4.66%.
- 7.4. The Authority mitigates against the risk of rising interest rates by holding a balanced portfolio of long and short term loans that are not overly exposed to any one event impacting the level of interest rates.

However, it is inevitable that in a rising interest rate environment, that overall interest rate costs for an authority who is a net borrower from the market will rise over time.

- 7.5. At 31st March 2023 the Authority held £198.7m of loans, an increase of £23.2m to 31st March 2022, as part of its strategy for funding previous and current years' capital programmes. Outstanding loans on 31st March are summarised in Table 3 below.

**Table 3: Borrowing Position**

	31.3.22 Balance  £m	31.3.22 Weighted Average Rate %	31.3.22 Weighted Average Maturity (years)	Balance Movement	31.3.23 Balance  £m	31.3.23 Weighted Average Rate %	31.3.23 Weighted Average Maturity (years)
Public Works Loan Board	86.8	3.1	24.8	33.0	119.8	3.3	22.8
Banks (LOBO)	13.6	4.8	19.8	0.0	13.6	4.8	18.8
Welsh Gov Interest Free	6.0	0.0	3.3	(0.8)	5.3	0.0	3.0
Local authorities/Other	69.0	0.1	0.3	(9.0)	60.0	2.6	0.5
<b>Total borrowing</b>	<b>175.5</b>	<b>2.0</b>	<b>14.0</b>	<b>23.2</b>	<b>198.7</b>	<b>3.1</b>	<b>15.2</b>

- 7.6. Whilst the Council has significant long-term borrowing requirements, the Council has continued its strategy of internal borrowing, where the Council seeks to use its existing cash balances and reserves to afford its capital expenditure prior to the necessity to take out external borrowing.

- 7.7. However the Authority's chief objective when borrowing has always been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective.

- 7.8. To that end, during the year some short-term borrowing was replaced with long-term PWLB borrowing at competitive rates of interest.

**Table 4: Long-dated Loans borrowed**

	Amount £m	Rate %	Period (years)
PWLB Maturity Loan	2.0	4.78	4
PWLB Maturity Loan	2.0	4.8	6
PWLB Maturity Loan	2.0	4.8	7
PWLB Maturity Loan	2.0	4.81	8
PWLB Maturity Loan	3.5	4.82	8
PWLB EIP Loan	1.81	2.31	8
PWLB Maturity Loan	3.5	4.84	10
PWLB EIP Loan	4.5	3.81	13
PWLB Maturity Loan	2.0	2.8	26
PWLB Annuity Loan	2.0	2.82	27
PWLB Maturity Loan	5.0	3.24	38
PWLB Maturity Loan	5.0	3.22	40
<b>Total</b>	<b>35.31</b>		

- 7.9. **Other borrowing activity**

- 7.10. PWLB funding margins continued to lurch quite substantially during the year and there remains a strong argument for diversifying funding sources, particularly if rates can be achieved on alternatives which are below gilt yields + 0.80%. The Authority will evaluate and pursue these lower cost solutions and opportunities with its advisor Arlingclose.
- 7.11. **LOBO Loans:** The Authority continues to hold £13.6m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate as set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. No banks exercised their option during the year, however in a rising interest rate environment the risk of call increases, and the Authority will closely monitor the position moving forward.
- 7.12. CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement, and so may lead to new borrowing, unless directly and primarily related to the functions of the Authority. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes.
- 7.13. The Authority currently holds commercial investments that were purchased prior to the change in the CIPFA Prudential Code. The Authority is not planning to purchase any investment assets primarily for yield within the next three years and so is able to access PWLB borrowing if considered cost effective.

## 8. **Investment activity during the year**

- 8.1. Treasury management investments as investments that arise from the organisation's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.
- 8.2. The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year, the Authority's investment balances ranged from between £14.5m and £79.3m due to timing differences between income and expenditure. The investment position at year end was:

**Table 5: Treasury Investment Position**

	<b>31.3.22 Balance</b>	<b>Net Movement</b>	<b>31.3.23 Balance</b>	<b>31.3.23 Income Return</b>	<b>31.3.23 Weighted Average Maturity Days</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>%</b>	
Banks & building societies (unsecured)	(2.0)	0.0	(2.0)	Average 2.1%	Up to 180 days
Government (incl. local authorities)	(14.0)	1.0	(13.0)		
Money Market Funds (MMFs)	(28.0)	8.5	(19.5)	4.5%	N/A
Multi asset income, Pooled funds	(4.0)	0.0	(4.0)		
<b>Total investments</b>	<b>(48.0)</b>	<b>9.5</b>	<b>(38.5)</b>		

- 8.3. Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance

between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

- 8.4. Bank Rate has increased from 0.75% at the beginning of the year to 4.25% at the end of March 2023. Short-dated cash rates, which had ranged between 0.7% - 1.5% at the beginning of April, rose by around 3.5% for overnight/7-day maturities and 3.3% for 6-12 month maturities.
- 8.5. By end March 2023, the rates on DMADF deposits ranged between 4.05% and 4.15%. The return on the Council's sterling Low Volatility Net Asset Value (LVNAV) Money Market Funds ranged between 0.50% - 0.58% p.a. in early April and between 4.01% and 4.12% at the end of March.
- 8.6. £4m of the Authority's investments are invested in externally managed strategic pooled multi-asset and property funds where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and longer-term price stability. These funds generated an average £178k (4.47%) income return, together with a £401k (-10.10%) unrealised capital loss.
- 8.7. UK and global equities remained volatile against a backdrop of high and sticky inflation, rapid policy rates tightening and an increasing risk of recession. There was a large sell-off in global equities in April, and again in June and September for both UK and global equities. The total return on the FTSE All Share index for the 12 months ending March 2023 was 2.9% and 5.4% for the FTSE 100
- 8.8. The negative correlation between bonds and equities, which had featured for some years, turned positive in 2022 as both bonds and equities sold off simultaneously against an outlook of sticky inflation and high interest rates. Simultaneously, tighter financial conditions, higher bond yields and challenges in some segments of commercial real estate (e.g. offices post-COVID, high street shops and shopping centres) saw commercial property values fall during 2022, with a large fall in the final calendar quarter.
- 8.9. Because pooled funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's medium to long-term investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three to five-year period total returns should exceed cash interest rates.
- 8.10. The Authority maintains a treasury risk reserve to mitigate against the risk that capital losses on pooled funds are realised and result in a charge against the Council Fund.

## 9. Treasury performance

- 9.1. The Authority measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates.

**Table 6: Budget performance**

	Actual £000's	Budget £000's	Over / (under) Budget
<b>Interest Payable</b>			
PWLB	3,363	2,725	639
Market loans	652	653	0
Short term loans	733	579	154
<b>Total Interest payable on borrowing</b>	<b>4,748</b>	<b>3,957</b>	<b>792</b>
<b>Interest Receivable</b>			

Invested cash short term	(759)	(100)	(659)
Pooled Funds	(179)	Included above	(179)
Finance lease income	(57)	Included above	(57)
Other Interest	(53)	0	(53)
<b>Total income from Investments</b>	<b>(1,049)</b>	<b>(100)</b>	<b>(949)</b>
<b>Total</b>	<b>3,700</b>	<b>3,857</b>	<b>(157)</b>

9.2. The combination of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in Table 7 below.

**Table 7: Investment Benchmarking – Treasury investments managed in-house**

	Credit Score	Credit Rating	<u>Bail-in Exposure</u>	Weighted Average Maturity (days)	Rate of Return %
MCC 31.03.2022	AA-	3.81	59%	4	0.64
MCC 31.03.2023	AA-	4.46	62%	4	3.89
Similar LAs	AA-	4.41	25%	96	3.78
All LAs	A+	4.71	59%	12	3.66

## 10. Non-Treasury Investments

10.1. The definition of investments in CIPFA's Treasury Management Code covers all the financial assets of the Authority as well as other non-financial assets which the Authority holds primarily for financial return. Investments that do not meet the definition of treasury management investments (i.e. management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and/or for commercial purposes (made primarily for financial return).

10.2. Investment Guidance issued by the Department for Levelling Up Housing and Communities (DLUHC) and Welsh Government also broadens the definition of investments to include all such assets held partially or wholly for financial return.

10.3. The Authority held a net book value of £32.2m of such non-financial asset investments at the 31<sup>st</sup> March 2023 (£31.4m as at 31<sup>st</sup> March 2022) made up of:

	Net (income) / loss 2022/23 £000's	Carrying Value 31.03.23 £000's	Net return 2022/23 %	Net return 2021/22 %
Oak Grove Solar Farm	(737)	5,485	13.44	11.02
Newport Leisure Park & service loan	(2)	19,756	0.01	3.05
Castlegate Business Park	405	6,159	-6.58	0.66
Commercial loan – Broadway partners	(211)	763	0.78	0.78
<b>Total</b>	<b>(545)</b>	<b>32,163</b>		

10.4. The Authority also holds the following portfolio of legacy non-financial asset investments that have been held for over a decade and are retained for income generation, capital gain or to support wider

economic development or broader policy objectives. Income generation for these assets is a secondary consideration and as such return against original investment would be considered negligible.

	Net (income) / loss 2022/23 £000's	Carrying Value 31.03.23 £000's
Agricultural Properties	33,600	27,800
Industrial Properties and Retail units	3,400	3,500

## 11. Compliance with treasury limits and indicators

11.1. The Section 151 officer reports that all treasury management activities undertaken during the year complied fully with the CIPFA code and the limits and indicators as set out in the Authority's approved Treasury Management Strategy.

11.2. **Borrowing limits:** Compliance with the [authorised limit](#) and [operational boundary](#) for external debt is demonstrated in table 8 below.

**Table 8: Borrowing Limits**

	2022/23 Maximum during the year £m	31.3.23 Actual £m	2022/23 Operational Boundary £m	2022/23 Authorised Limit £m	Complied?  Yes/No
Borrowing	199.2	198.7	238.0	268.2	Yes
PFI, Finance Leases & Other LT liabs	2.4	2.3	2.9	4.4	Yes
<b>Total debt</b>	<b>201.6</b>	<b>201.0</b>	<b>240.9</b>	<b>272.6</b>	<b>Yes</b>

11.3. **Note:** Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

**Table 9: Investment Limits**

	Maximum in year	2022/23 Limit	Complied? Yes/No
The UK Government	£44.4m	Unlimited	Yes
Local Authorities per counterparty	£0m	£4m	Yes
Secured Investments	£0m	£4m	Yes
Banks per counterparty, rating A- or above	£2m (£3m total for the Councils operational bank)	£2m (£3m total for the Councils operational bank)	Yes
Building societies (unsecured)	£0m	£2m	Yes
Registered providers (e.g. Housing)	£0m	£2m	Yes

Associations (unsecured)			
Money Market Funds	£4m	£4m	Yes
Any group of pooled funds under the same management	£2m	£5m	Yes
Real estate investment trusts	£0m	£5m	Yes
Limit per non-UK country	£0m	£4m	Yes
Other Investments	£0m	£2m	Yes

11.4. **Security:** The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating and credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

**Table 10: Credit Risk**

	31.3.23 Actual	2022/23 Target	Complied?
Portfolio average credit	AA-/4.46	A-/5.0	Yes

11.5. **Maturity Structure of Borrowing:** This indicator is set to control the Authority’s exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

**Table 11: Maturity Structure of borrowing**

Maturity	31.3.23 Actual	Lower Limit	Upper Limit	Complied?	31.3.22 Actual (For info)
Under 12 months	33%	0%	60%	Yes	41%
12 months and within 24 months	4%	0%	30%	Yes	2%
24 months and within 5 years	6%	0%	30%	Yes	6%
5 years and within 10 years	14%	0%	30%	Yes	6%
10 years and within 20 years	12%	0%	30%	Yes	12%
20 years and within 30 years	11%	0%	30%	Yes	15%
30 years and within 40 years	10%	0%	30%	Yes	7%
40 years and within 50 years	10%	0%	30%	Yes	11%
50 years and above	0%	0%	30%	Yes	0%

11.6. **Principal Sums Invested for Periods Longer than a year:** The purpose of this indicator is to control the Authority’s exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

**Table 12: Principal invested for period longer than a year**

	During 2022/23
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Actual principal invested for 365 days & beyond year end	£0m
Limit	£6m
Complied?	Yes

12. **Other Issues**

12.1. **IFRS 16:** The implementation of the new IFRS 16 Leases accounting standard was due to come into force for local authorities from 1st April 2022. Following a consultation CIPFA/LASAAC announced an optional two year delay to the implementation of this standard, a decision which was confirmed by the Financial Reporting Advisory Board in early April 2022. Authorities can now choose to adopt the new standard on 1st April 2022, 1st April 2023 or 1st April 2024. The Authority intends to adopt the new standard on 1st April 2024.

13. **REASONS**

13.1. The Authority's Treasury Management Strategy for 2022/23 was underpinned by the adoption of the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code), and complimented by the CIPFA guidance "Treasury Management in the Public Services" which sets out good practice in treasury management.

13.2. The code requires the Authority to set a treasury strategy each financial year for financing and investment activities and recommends that members are informed of Treasury Management activities at the end of each quarter. This report therefore ensures this authority is embracing best practice in accordance with CIPFA's recommendations.

14. **RESOURCE IMPLICATIONS**

14.1. The outturn position is explained in the report, there are no other resource implications arising directly from this report.

15. **CONSULTEES**

Deputy Chief Executive, Chief Officer - Resources (Section 151 officer)  
Arlingclose Limited – External Treasury management advisors to Monmouthshire CC

16. **BACKGROUND PAPERS**

Glossary of treasury terms

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## Background paper: Glossary of Treasury Terms

<b>Authorised Limit</b>	<p>The affordable borrowing limit determined in compliance with the Local Government Act 2003 (English and Welsh authorities) and the Local Government in Scotland Act 2003. This Prudential Indicator is a statutory limit for total external debt. It is set by the Authority and needs to be consistent with the Authority's plans for capital expenditure financing and funding. The Authorised Limit provides headroom over and above the <i>Operational Boundary</i> to accommodate expected cash movements. Affordability and prudence are matters which must be taken into account when setting this limit.</p> <p>(see also <i>Operational Boundary</i>, below)</p>
<b>Balances and Reserves</b>	Accumulated sums that are maintained either earmarked for specific future costs or commitments or generally held to meet unforeseen or emergency expenditure.
<b>Bail-in</b>	Refers to the process which the banking regulatory authorities will use to restructure a financial institution which is failing or likely to fail. Unsecured creditors of and investors in that financial institution will participate in its restructure who will, as a consequence, incur a non-recoverable loss (commonly referred to as a 'haircut') on their obligation/investment. Local authority investments with banks and building societies such as term deposits, certificates of deposit, call accounts and non-collateralised bonds are unsecured investments and are therefore vulnerable to bail-in.
<b>Bank Rate</b>	The official interest rate set by the Bank of England's Monetary Policy Committee and what is generally termed at the "base rate". This rate is also referred to as the 'repo rate'.
<b>Bond</b>	A certificate of debt issued by a company, government, or other institution. The bond holder receives interest at a rate stated at the time of issue of the bond. The price of a bond may vary during its life.
<b>Capital Expenditure</b>	Expenditure on the acquisition, creation or enhancement of capital assets
<b>Capital Financing Requirement (CFR)</b>	The Council's underlying need to borrow for capital purposes representing the cumulative capital expenditure of the local authority that has not been financed.
<b>Capital growth</b>	Increase in the value of the asset (in the context of a collective investment scheme, it will be the increase in the unit price of the fund)
<b>Capital receipts</b>	Money obtained on the sale of a capital asset.
<b>CIPFA</b>	Chartered Institute of Public Finance and Accountancy
<b>Constant Net Asset Value (CNAV)</b>	Also referred to as Stable Net Asset Value. A term used in relation to the valuation of 1 share in a fund. This means that at all times the value of 1 share is £1/€1/US\$1 (depending on the currency of the fund). The Constant NAV is maintained since dividend income (or interest) is either added to the shareholders' account by creating shares equal to the value of interest earned or paid to the shareholder's bank account, depending on which option is selected by the shareholder.
<b>Collective Investment Schemes</b>	Funds in which several investors collectively hold units or shares. The assets in the fund are not held directly by each investor, but as part of a pool (hence these funds are also referred to as 'Pooled Funds'). Unit Trusts and Open-Ended Investment Companies are types of collective investment schemes / pooled funds.

<b>Corporate Bonds</b>	Corporate bonds are bonds issued by companies. The term is often used to cover all bonds other than those issued by governments in their own currencies and includes issues by companies, supranational organisations and government agencies.
<b>Corporate Bond Funds</b>	Collective Investment Schemes investing predominantly in bonds issued by companies and supranational organisations.
<b>CPI</b> <i>Also see RPI</i>	Consumer Price Index. (This measure is used as the Bank of England's inflation target.)
<b>Credit Default Swap (CDS)</b>	A Credit Default Swap is similar to an insurance policy against a credit default. Both the buyer and seller of a CDS are exposed to credit risk. Naked CDS, i.e. one which is not linked to an underlying security, can lead to speculative trading.
<b>Credit Rating</b>	Formal opinion by a registered rating agency of a counterparty's future ability to meet its financial liabilities; these are opinions only and not guarantees.
<b>Cost of carry</b>	When a loan is borrowed in advance of requirement, this is the difference between the interest rate and (other associated costs) on the loan and the income earned from investing the cash in the interim.
<b>Credit default swaps</b>	Financial instrument for swapping the risk of debt default; the buyer effectively pays a premium against the risk of default.
<b>Diversification / diversified exposure</b>	The spreading of investments among different types of assets or between markets in order to reduce risk.
<b>Derivatives</b>	Financial instruments whose value, and price, are dependent on one or more underlying assets. Derivatives can be used to gain exposure to, or to help protect against, expected changes in the value of the underlying investments. Derivatives may be traded on a regulated exchange or traded 'over the counter'.
<b>ECB</b>	European Central Bank
<b>Federal Reserve</b>	The US central bank. (Often referred to as "the Fed")
<b>Floating Rate Notes</b>	A bond issued by a company where the interest rate paid on the bond changes at set intervals (generally every 3 months). The rate of interest is linked to LIBOR and may therefore increase or decrease at each rate setting
<b>GDP</b>	Gross domestic product - also termed as "growth" in the economy. The value of the national aggregate production of goods and services in the economy.
<b>General Fund</b>	This includes most of the day-to-day spending and income. (All spending and income related to the management and maintenance of the housing stock is kept separately in the HRA).
<b>Gilts (UK Govt)</b>	Gilts are bonds issued by the UK Government. They take their name from 'gilt-edged': being issued by the UK government, they are deemed to be very secure as the investor expects to receive the full face value of the bond to be repaid on maturity.
<b>Housing Revenue Account (HRA)</b>	A ring-fenced account of all housing income and expenditure, required by statute

<b>IFRS</b>	International Financial Reporting Standards
<b>Income Distribution</b>	The payment made to investors from the income generated by a fund; such a payment can also be referred to as a 'dividend'
<b>Investments</b> - Secured - unsecured	Secured investments which have underlying collateral in the form of assets which can be called upon in the event of default  Unsecured investments do not have underlying collateral. Such investments made by local authorities with banks and building societies are at risk of bail-in should the regulator determine that the bank is failing or likely to fail.
<b>Liability Benchmark</b>	Term in CIPFA's Risk Management Toolkit which refers to the minimum amount of borrowing required to keep investments at a minimum liquidity level (which may be zero).
<b>LOBOs</b>	LOBO stands for 'Lender's Option Borrower's Option'. The underlying loan facility is typically long term and the interest rate is fixed. However, in the LOBO facility the lender has the option to call on the facilities at predetermined future dates. On these call dates, the lender can propose or impose a new fixed rate for the remaining term of the facility and the borrower has the 'option' to either accept the new imposed fixed rate or repay the loan facility.
<b>LVNAV (Low Volatility Net Asset Value)</b>	From 2019 Money Market Funds will have to operate under a variable Net Value Structure with minimal volatility (fluctuations around £1 limited to between 99.8p to 100.2p)
<b>Maturity</b>	The date when an investment or borrowing is repaid.
<b>Maturity profile</b>	A table or graph showing the amount (or percentage) of debt or investments maturing over a time period. The amount or percent maturing could be shown on a year-by-year or quarter-by-quarter or month-by-month basis.
<b>MiFID II</b>	MiFID II replaced the Markets in Financial Instruments Directive (MiFID I) from 3 January 2018. It is a legislative framework instituted by the European Union to regulate financial markets in the bloc and improve protections for investors.
<b>Money Market Funds (MMF)</b>	Pooled funds which invest in a range of short term assets providing high credit quality and high liquidity.
<b>Minimum Revenue Provision</b>	An annual provision that the Authority is statutorily required to set aside and charge to the Revenue Account for the repayment of debt associated with expenditure incurred on capital assets
<b>Non-Specified Investments</b>	Term used in the Communities and Local Government Guidance and Welsh Assembly Guidance for Local Authority Investments. It includes any investment for periods greater than one year or those with bodies that do not have a high credit rating, use of which must be justified.
<b>Net Asset Value (NAV)</b>	A fund's net asset value is calculated by taking the current value of the fund's assets and subtracting its liabilities.
<b>Operational Boundary</b>	This is the limit set by the Authority as its most likely, i.e. prudent, estimate level of external debt, but not the worst case scenario. This limit links directly to the Authority's plans for capital expenditure, the estimates of the Capital Financing Requirement (CFR) and the estimate of cashflow requirements for the year.

<b>Permitted Investments</b>	Term used by Scottish Authorities as those the Authority has formally approved for use.
<b>Pooled funds</b>	See Collective Investment Schemes (above)
<b>Premiums and Discounts</b>	<p>In the context of local authority borrowing, (a) the premium is the penalty arising when a loan is redeemed prior to its maturity date and (b) the discount is the gain arising when a loan is redeemed prior to its maturity date. If on a £1 million loan, it is calculated* that a £100,000 premium is payable on premature redemption, then the amount paid by the borrower to redeem the loan is £1,100,000 plus accrued interest. If on a £1 million loan, it is calculated that a £100,000 discount receivable on premature redemption, then the amount paid by the borrower to redeem the loan is £900,000 plus accrued interest.</p> <p>PWLB premium/discount rates are calculated according to the length of time to maturity, current market rates (plus a margin), and the existing loan rate which then produces a premium/discount dependent on whether the discount rate is lower/higher than the coupon rate.</p> <p>*The calculation of the total amount payable to redeem a loan borrowed from the Public Works Loans Board (PWLB) is the present value of the remaining payments of principal and interest due in respect of the loan being repaid prematurely, calculated on normal actuarial principles. More details are contained in the PWLB's lending arrangements circular.</p>
<b>Private Finance Initiative (PFI)</b>	Private Finance Initiative (PFI) provides a way of funding major capital investments, without immediate recourse to the public purse. Private consortia, usually involving large construction firms, are contracted to design, build, and in some cases manage new projects. Contracts can typically last for 30 years, during which time the asset is leased by a public authority.
<b>Prudential Code</b>	Developed by CIPFA and introduced on 01/4/2004 as a professional code of practice to support local authority capital investment planning within a clear, affordable, prudent and sustainable framework and in accordance with good professional practice.
<b>Prudential Indicators</b>	Indicators determined by the local authority to define its capital expenditure and asset management framework. They are designed to support and record local decision making in a manner that is publicly accountable; they are not intended to be comparative performance indicators between authorities.
<b>PWLB</b>	Public Works Loans Board. It is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury. The PWLB's function is to lend money from the National Loans Fund to local authorities and other prescribed bodies, and to collect the repayments.
<b>Quantitative Easing</b>	In relation to the UK, it is the process used by the Bank of England to directly increase the quantity of money in the economy. It "does not involve printing more banknotes. Instead, the Bank buys assets from private sector institutions - that could be insurance companies, pension funds, banks or non-financial firms - and credits the seller's bank account. So the seller has more money in their bank account, while their bank holds a corresponding claim against the Bank of England (known as reserves). The end result is more money out in the wider economy". Source: Bank of England
<b>Registered Provider of Social Housing</b>	Formerly known as Housing Association
<b>Revenue Expenditure</b>	Expenditure to meet the continuing cost of delivery of services including salaries and wages, the purchase of materials and capital financing charges

<b>RPI</b>	Retail Prices Index. A monthly index demonstrating the movement in the cost of living as it tracks the prices of goods and services including mortgage interest and rent. Pensions and index-linked gilts are uprated using the CPI index.
<b>SORP</b>	Statement of Recommended Practice for Accounting (Code of Practice on Local Authority Accounting in the United Kingdom).
<b>Specified Investments</b>	Term used in the CLG Guidance and Welsh Assembly Guidance for Local Authority Investments. Investments that offer high security and high liquidity, in sterling and for no more than 1 year. UK government, local authorities and bodies that have a high credit rating.
<b>Supported Borrowing</b>	Borrowing for which the costs are supported by the government or third party.
<b>Supranational Bonds</b>	Instruments issued by supranational organisations created by governments through international treaties (often called multilateral development banks). The bonds carry an AAA rating in their own right. Examples of supranational organisations are those issued by the European Investment Bank, the International Bank for Reconstruction and Development.
<b>Treasury Management Code</b>	CIPFA's Code of Practice for Treasury Management in the Public Services.
<b>Temporary Borrowing</b>	Borrowing to cover peaks and troughs of cash flow, not to fund spending.
<b>Term Deposits</b>	Deposits of cash with terms attached relating to maturity and rate of return (interest)
<b>Unsupported Borrowing</b>	Borrowing which is self-financed by the local authority. This is also sometimes referred to as Prudential Borrowing.
<b>Usable Reserves</b>	Resources available to finance future revenue and capital expenditure
<b>Variable Net Asset Value (VNAV)</b>	A term used in relation to the valuation of 1 share in a fund. This means that the net asset value (NAV) of these funds is calculated daily based on market prices.
<b>Working Capital</b>	Timing differences between income/expenditure and receipts/payments
<b>Yield</b>	The measure of the return on an investment instrument

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## REPORT

<b>SUBJECT:</b>	<b>TREASURY MANAGEMENT ACTIVITY UPDATE - QUARTER 1 2023/24</b>
<b>MEETING:</b>	<b>Governance &amp; Audit Committee</b>
<b>DATE:</b>	<b>27<sup>th</sup> July 2023</b>
<b>DIVISIONS/WARD AFFECTED:</b>	<b>All</b>

### 1. **PURPOSE:**

- 1.1. During the first three months of 2023/24, the Council's treasury management activity was underpinned by the Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code for Capital Finance in Local Authorities (the Prudential Code) and complimented by the CIPFA guidance "Treasury Management in the Public Services" which sets out good practice in treasury management.
- 1.2. These place a requirement on local authorities to produce annually a Treasury Management Strategy Statement and Prudential Indicators on their likely financing and investment activity, and to ensure that the appropriate governance function that oversees the treasury management activities of the Authority is kept informed of activity quarterly.
- 1.3. This report represents the first update of treasury management activity during 2023/24 following the approval of the Treasury Strategy to Governance & Audit committee on the 9<sup>th</sup> of March 2023.

### 2. **RECOMMENDATIONS:**

- 2.1. That Governance & Audit committee review the treasury management activities and the performance achieved in the first quarter of 2023/24 as part of their delegated responsibility to provide scrutiny of treasury policy, strategy and activity on behalf of Council.

### 3. **KEY ISSUES:**

- 3.1. The Authority's treasury management strategy for 2023/24 was approved by Council on 9<sup>th</sup> March 2023. Over the first quarter of the year the Authority has borrowed and invested substantial sums of money and is therefore 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 risk remains central to the Authority's treasury management strategy.
- 3.2. Treasury risk management at the Authority is conducted within the framework of the CIPFA Prudential code and Treasury Management in the Public Services which requires the Authority to approve a treasury management strategy before the start of each financial year and, as a minimum, a quarterly update report, and annual treasury outturn report.
- 3.3. This quarter one update report presents the following information:
  - An update on the [external market conditions](#) impacting treasury activity during the first quarter;
  - An update of the [movement in treasury balances](#) and forecast performance against budget;
  - details of [borrowing activity](#), [investment activity](#) and [non-treasury investment](#) matters;

- [compliance](#) with treasury limits and indicators for the quarter.

#### 4. **External market conditions**

- 4.1. Economic background: From the start of the quarter until May it looked like peak global monetary policy rates were in sight as inflation continued to ease and central banks turned more dovish in tone. Only a few weeks later, stronger and more persistent inflation data, particularly in the UK, changed the picture.
- 4.2. The UK situation was not welcome news for the Bank of England. GDP growth was weak, confirmed at 0.1% in Q1, although more recent monthly GDP data has been somewhat better. The housing market has stalled, consumer demand is weak but seemingly recovering despite higher interest rates, and labour demand remained strong, with repercussions for wage growth which is accelerating.
- 4.3. April data showed the unemployment rate increased to 3.8% (3mth/year) while the employment rate rose to 76.0%. Pay growth was 6.5% for total pay (including bonuses) and 7.2% for regular pay, the largest growth rate of the latter outside of the Covid pandemic. Once adjusted for inflation, however, growth in total pay and regular pay remained negative.
- 4.4. Inflation fell from its peak of 11.1% reached in October 2022, but annual headline CPI in May 2023 was higher than the consensus forecast at 8.7% (8.4% expected), largely driven by services inflation, while the annual measure of underlying core inflation rose to 7.1% from 6.8%.
- 4.5. After a sharp rise in interest rate expectations, with clearly serious implications for mortgage markets due to higher inflation and wage data, the Bank of England's Monetary Policy Committee reaccelerated monetary policy tightening over the period with a 0.25% rise in May to a 0.5% rise in June, taking Bank Rate to 5.0%. At both meetings the vote was 7-2 in favour of increasing rates, with the two dissenters preferring to keep rates on hold.
- 4.6. Interest rate expectations priced in further hikes in policy rates. Arlingclose, the authority's treasury adviser, revised its forecast to forecast a further 0.5% of monetary tightening to take Bank Rate to 5.5%. The risks, however, are that rates could be higher; financial markets are forecasting policy interest rates above 6%.
- 4.7. With many mortgages at low fixed rates now systematically being re-set over the next 12-24 months at higher rates at the end of their fixed rate period, there has been a lagged effect of the feed through of monetary policy on households' disposable income. The economic slowdown is expected to develop over time and therefore, despite the GfK measure of consumer confidence rising to -24 in June, it is likely confidence will be negatively affected at some point. The manufacturing sector contracted during the quarter according to survey data, which will eventually feed into services, whose expansion is slowing.
- 4.8. Despite the US Federal Reserve increasing its key interest rate to 5.00-5.25% over the period, activity in the region continued to defy monetary tightening, particularly in labour markets which have so far appeared robust, supporting the Fed's assertions of two more rate hikes after it paused in June. Annual US inflation continued to ease, falling from 4.9% in April to 4.0% in May, the lowest level since March 2021. US GDP growth at 2% annualised in the first calendar quarter of 2023 was also significantly stronger than expected against the initial estimate of 1.3%.
- 4.9. In the euro zone, the picture was somewhat different. The European Central Bank maintained its hawkish tone and increased its key deposit, main refinancing, and marginal lending interest rates to 3.50%, 4.00% and 4.25% respectively. There were signs of weakening activity, particularly in Germany whose manufacturing sector has taken a hit from high energy prices and weaker global

demand. However, inflation remained sticky, annual headline CPI fell to 5.5% in June while annual core inflation rose to 5.4% from 5.3%, which means the ECB is unlikely to stop monetary tightening.

- 4.10. **Financial markets:** Financial market sentiment and bond yields remained volatile, the latter continuing their general upward trend as uncertainty and concern over higher inflation and higher interest rates continued to dominate.
- 4.11. Gilt yields rose over the period. The 5-year UK benchmark gilt yield rose from 3.30% to 4.67%, the 10-year gilt yield from 3.43% to 4.39%, and the 20-year yield from 3.75% to 4.51%. The Sterling Overnight Rate (SONIA) averaged 4.37% over the quarter.
- 4.12. **Credit review:** Having completed a review of its credit advice on unsecured deposits at UK and non-UK banks following concerns of a wider financial crisis after the collapse of Silicon Valley Bank purchase of Credit Suisse by UBS, as well as other well-publicised banking sector issues, in March Arlingclose reduced the advised maximum duration limit for all banks on its recommended counterparty list to 35 days.
- 4.13. Over the period S&P upgraded NatWest Group and related entities to A+ (except NatWest Markets which was upgraded to A), revised the UK sovereign outlook to stable from negative, and upgraded both Barclays Bank PLC and Barclays Bank UK PLC to A+.
- 4.14. Fitch put the US sovereign rating on Rating Watch Negative following increased political partisanship which at the time was hindering the latest resolution to raise the debt ceiling. It also upgraded the outlook on United Overseas Bank to stable, the outlook on Clydesdale to positive, and the outlook on Bank of Montreal to stable.
- 4.15. Moody's withdrew Guildford BC's rating (who chose not to continue being rated) and affirmed the Aaa rating of the European Investment Bank.
- 4.16. Arlingclose continued to monitor and assess credit default swap levels for signs of ongoing credit stress but made no changes to the counterparty list or recommended durations over the quarter. Nevertheless, heightened market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remains under constant review.

## 5. Movement in Treasury balances during the quarter

- 5.1. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying resources available for investment. The Authority pursued its strategy of keeping borrowing and investments below their underlying levels for the quarter, known as internal borrowing, in order to reduce risk and keep interest costs low. These factors are summarised in the table below.

**Table 1: Balance Sheet Summary**

	31.3.23 £m	Movement £m	30.6.23 £m	31.3.24 Forecast £m
General Fund CFR	193.3	6.5	199.8	223.2
<b>Less: *Other debt liabilities</b>	<b>(2.4)</b>	0.0	<b>(2.4)</b>	<b>(2.4)</b>
<b>Borrowing CFR</b>	<b>190.9</b>	<b>6.5</b>	<b>197.4</b>	<b>220.8</b>
<b>Less: External borrowing</b>	<b>(198.7)</b>	17.9	<b>(180.8)</b>	<b>(204.2)</b>
<b>Net External borrowing</b>	<b>(7.8)</b>	<b>24.3</b>	<b>16.6</b>	<b>16.6</b>
<b>Less: Usable reserves</b>	<b>(39.8)</b>	0.0	<b>(39.8)</b>	<b>(30.3)</b>

Less: Working capital	9.0	(10.8)	(1.8)	(1.3)
<b>(Net Investments) at 31<sup>st</sup> March 2023</b>	<b>(38.5)</b>	<b>13.5</b>	<b>(25.0)</b>	<b>(15.0)</b>

\* finance leases, PFI liabilities and transferred debt that form part of the Authority's total debt

5.2. The Authority will look to maintain its strategy of internal borrowing as we move through the remainder of the financial year. If capital expenditure plans remain accurate, the Authority is likely to have a further borrowing requirement through to the end of the year of around £23.4m (£204.2m less £180.8m) in addition to the borrowing required to refinance maturing short-term loans. To that end, the Authority has already entered into forward starting loans of £25m as outlined in table 4 of this report.

5.3. The treasury management position at 30th June and the change over the quarter is shown in the table below.

**Table 2: Borrowing and Investment Summary**

	31.3.23 Balance £m	31.3.23 Rate %	Movement	30.6.23 Balance £m	30.6.23 Rate %
Long-term borrowing	133.0	3.2	(0.5)	132.5	3.24
Short-term borrowing	65.7	2.8	(17.4)	48.3	3.23
<b>Total borrowing</b>	<b>198.7</b>	<b>3.1</b>	<b>(17.9)</b>	<b>180.8</b>	<b>3.24</b>
Long-term investments	0.0	N/A	0.0	0.0	N/A
Short-term investments	(13.0)	2.1	10.0	(3.0)	4.37
Pooled Funds	(4.0)	4.5	0.0	(4.0)	5.46
Cash and cash equivalents	(21.5)	Included in ST above	3.5	(18.0)	Included in ST above
<b>Total investments</b>	<b>(38.5)</b>	<b>2.36</b>	<b>13.5</b>	<b>(25.0)</b>	<b>4.54</b>
<b>Net Borrowing</b>	<b>160.2</b>		<b>(4.4)</b>	<b>155.8</b>	

5.4. During the first quarter of 2023/24 the authorities net borrowing position has reduced by £4.4m. This is primarily due to the unwinding of temporary/short-term borrowing which was replaced in advance by long-term borrowing at the end of 2022/23.

## 6. **Borrowing activity during the quarter**

6.1. There has been a substantial rise in the cost of both short and long-term borrowing over the last 18 months. In this quarter, Bank Rate rose from 4.25% at the beginning of April to 5.0% at the end of the quarter.

6.2. Gilt yields faced upward pressure since early April following signs that UK growth has been more resilient and inflation stickier than expected. Consequently, PWLB borrowing rates continued to rise over the quarter. On 30th June, the PWLB certainty rates for maturity loans were 5.25% for 10 year loans, 5.36% for 20-year loans and 4.95% for 50-year loans. Their equivalents on 31st March 2023 were 4.33%, 4.70% and 4.41% respectively.

**Table 3: Borrowing Position**

	31.3.23 Balance	31.3.23 Weighted Average Rate	31.3.23 Weighted Average	Balance Movement	30.6.23 Balance	30.6.23 Weighted Average Rate	30.6.23 Weighted Average

	£m	%	Maturity (years)		£m	%	Maturity (years)
Public Works Loan Board	119.8	3.3	22.8	(1.1)	118.7	3.3	21.4
Banks (LOBO)	13.6	4.8	18.8	0.0	13.6	4.8	18.5
Welsh Gov Interest Free	5.3	0.0	3.0	0.2	5.5	0.0	3.3
Local authorities/Other	60.0	2.6	0.3	(17.0)	43.0	3.1	0.3
<b>Total borrowing</b>	<b>198.7</b>	<b>3.1</b>	<b>15.2</b>	<b>(17.9)</b>	<b>180.8</b>	<b>3.2</b>	<b>15.6</b>

- 6.3. At 30th June the Authority held £180.8m of loans, a decrease of £17.9m from 31st March 2023 due to the unwinding of temporary/short-term borrowing which was replaced in advance by long-term borrowing at the end of 2022/23.
- 6.4. The Authority's short-term borrowing cost has continued to increase with the rise in Bank Rate and short-dated market rates. The average rate on the Authority's short-term loans at 30th June 2023 on a balance £43m was 3.1%, this compares with 2.6% on £60m of loans 3 months ago.
- 6.5. **Forward starting loans:** In a rising interest rate environment, and to enable certainty of cost to be achieved without suffering a cost of carry in the intervening period, the Authority arranged £25m of forward starting loans with fixed interest rates of 4.5% for the delivery of cash in under one year's time, details of which are below:

**Table 4: Forward starting loans**

	Amount £m	Rate %	Period (Years)	Forward Start
Local Authority Loan 1	5.0	3.8	1.0	Nov-23
Local Authority Loan 2	5.0	4.4	1.0	Sep-23
Local Authority Loan 3	5.0	4.5	1.0	Feb-24
Local Authority Loan 4	5.0	5.0	0.75	Aug-23
Local Authority Loan 5	5.0	5.0	0.75	Sep-23
<b>Total</b>	<b>25.0</b>	<b>4.5</b>		

- 6.6. There remains a strong argument for diversifying funding sources, particularly if rates can be achieved on alternatives which are below gilt yields + 0.80%. The Authority will evaluate and pursue these lower cost solutions and opportunities with its advisor Arlingclose.
- 6.7. **Other borrowing activity**
- 6.8. **LOBO Loans:** The Authority continues to hold £13.6m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate as set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost.
- 6.9. In a rising interest rate environment the probability of LOBOs being called has been higher than in the recent past. £7.0m of LOBO loans had annual call option dates during the first quarter, however no lender exercised their option.
- 6.10. The Authority has £6.6m of LOBO loans with call dates within the next 9 months. The Authority has liaised with treasury management advisors Arlingclose over the likelihood of the options being exercised. If required, the Authority will repay the LOBO loans with available cash, by borrowing from other local authorities, or from the PWLB.

## **Treasury Investment Activity**

7.1. The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the first quarter, the Authority's investment balances ranged from between £25.0m and £65.2m due to timing differences between income and expenditure. The investment position at the end of the first quarter was:

**Table 5: Treasury Investment Position**

	31.3.23 Balance	Net Movement	31.6.23 Balance	31.3.23 Income Return	31.3.23 Weighted Average Maturity Days
	£m	£m	£m	%	
Banks & building societies (unsecured)	(2.0)	1.5	(0.5)	Average 4.37%	Up to 180 days
Government (incl. local authorities)	(13.0)	10.0	(3.0)		
Money Market Funds (MMFs)	(19.5)	2.0	(17.5)		
Multi asset income, Pooled funds	(4.0)	0.0	(4.0)	5.46%	N/A
<b>Total investments</b>	<b>(38.5)</b>	<b>13.5</b>	<b>(25.0)</b>		

7.2. As demonstrated by the liability benchmark in this report, the Authority expects to be a long-term borrower and new treasury investments are therefore primarily made to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different sectors and increase investment income.

7.3. Bank Rate increased by 0.75%, from 4.25% at the beginning of April to 5% by the end of June, with the prospect of further increases to come. Short-dated cash rates rose commensurately, with 3-month rates rising to around 5.25% and 12-month rates to nearly 6%. The rates on DMADF deposits also rose, ranging between 4.8% and 5.4% by the end of June and Money Market Rates between 4.70% and 4.83%.

7.4. Given the comparably higher returns available from DMADF deposits compared to Money market rates over recent months (which is at odds with recent historic trends), the Authority will look to adjust its position accordingly in quarter two of the year.

7.5. The comparison of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in the table below.

**Table 6: Investment Benchmarking – Treasury investments managed in-house**

	Credit Score	Credit Rating	<u>Bail-in Exposure</u>	Weighted Average Maturity (days)	Rate of Return %
MCC 31.03.2023	AA-	4.46	62%	4	3.89
MCC 30.06.2023	AA-	3.90	86%	TBC	4.54
Similar LAs	TBC	TBC	TBC	TBC	TBC
All LAs	TBC	TBC	TBC	TBC	TBC

7.6. **Externally Managed Pooled Funds:** £4m of the Authority's investments are invested in externally managed strategic pooled multi-asset and property funds where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and longer-term price stability. These funds generated £48k or an annualised average 5.46% income return, together with

a £7k unrealised capital loss over the first quarter. Total unrealised capital losses since purchase stand at £437k.

- 7.7. Financial market conditions remained volatile during the quarter, but favourable in some areas. Resilient economic data, which led to diminishing talk of recessions at a time when interest rate peaks are thought to be near initially helped UK, euro-area and US equity markets. However, UK equities fell in May (sterling's strength weighed on some sectors) and ended the quarter marginally lower. Eurozone equities were slightly higher but did not match the larger global rally in US equities (helped by a soft-landing scenario for the economy and enthusiasm over AI) and Japanese equities.
- 7.8. Fixed income markets, however, moved lower as interest rate expectations picked up again. This was most apparent in the UK government gilts with rising yields (i.e. prices falling) on higher than expected inflation. Corporate bond yields also rose but were helped by a narrowing in credit spreads as the fallout from the March mini-bank crisis continued to fade. This has directly affected capital values of the Authority's multi-asset funds where there was some beneficial offset from equity performance.
- 7.9. UK property markets continued to struggle as higher interest rates and bond yields and higher funding costs weighed on the sector. There was some improvement in May, building on signs of returning investor interest and transactional activity in calendar Q1 and a perception that the downturn in commercial real estate may be bottoming out. This has helped support capital values and rental income. The additional move upwards in yields in late May/June and the prospect of sluggish economic growth however constrain the outlook.
- 7.10. Because pooled funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's medium to long-term investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over the longer term that total returns will exceed cash interest rates.
- 7.11. **Statutory override:** In April 2023 the Department for Levelling Up, Housing and Communities published the full outcome of the consultation on the extension of the statutory override on accounting for gains and losses on pooled investment funds. The override has been extended for 2 years until 31st March 2025 but no other changes have been made; Welsh Government have similarly extended the statutory override.
- 7.12. Whether the override will be extended beyond the new date is currently unknown but commentary to the consultation outcome suggests not. The Authority will discuss with Arlingclose the implications for the investment strategy and what action may need to be taken over the two year period.
- 7.13. The Authority maintains a treasury risk reserve to mitigate against the risk that capital losses on pooled funds are realised and result in a charge against the Council Fund.

## 8. **Environmental, Social and Governance strategy update**

### 8.1. Update TBC

## 9. **Treasury performance forecast**

- 9.1. The Authority measures the financial performance of its treasury management activities in terms of its impact on the revenue budget with the latest forecast shown in the table below:

**Table 7: Budget performance forecast**

	Forecast £000's	Budget £000's	Over / (under) Budget
<b>Interest Payable</b>			
PWLB	3,788	3,922	(134)
Market loans	652	652	0
Short term loans	2,658	2,316	342
Other Activities (Internal Arrangements)	301	61	240
<b>Total Interest payable on borrowing</b>	<b>7,399</b>	<b>6,951</b>	<b>448</b>
<b>Interest Receivable</b>			
Invested cash short term	(910)	(925)	15
Pooled Funds	(155)	Included above	(155)
Finance lease income	(55)	Included above	(55)
Other Interest	(3)	Included above	(3)
<b>Total income from Investments</b>	<b>(1,123)</b>	<b>(925)</b>	<b>(198)</b>
<b>Net Over/(Under)spend</b>	<b>6,276</b>	<b>6,026</b>	<b>250</b>

## 10. Non-Treasury Investments

10.1. The definition of investments in CIPFA's Treasury Management Code covers all the financial assets of the Authority as well as other non-financial assets which the Authority holds primarily for financial return. Investments that do not meet the definition of treasury management investments (i.e. management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and/or for commercial purposes (made primarily for financial return).

10.2. The Authority held a net book value of £31.6m of such non-financial asset investments at the 31<sup>st</sup> March 2023 (£30.4m as at 31<sup>st</sup> March 2022) made up of:

	Net (income) / loss 2022/23 £000's	Carrying Value 31.03.23 £000's	Net return 2022/23 %	Net return 2021/22 %
Oak Grove Solar Farm	(737)	5,485	13.44	11.02
Newport Leisure Park & service loan	(2)	19,756	0.01	3.05
Castlegate Business Park	405	6,159	(6.58)	0.66
Commercial loan – Broadway partners	(211)	763	0.78	0.78
<b>Total</b>	<b>(334)</b>	<b>31,600</b>	<b>1.06</b>	<b>4.02</b>

10.3. The Authority also holds the following portfolio of legacy non-financial asset investments that have been held for over a decade and are retained for income generation, capital gain or to support wider economic development or broader policy objectives. Income generation for these assets is a secondary consideration and as such return against original investment would be considered negligible.



	<b>Net (income) / loss 2022/23 £000's</b>	<b>Carrying Value 31.03.23 £000's</b>
Agricultural Properties	33,600	27,800
Industrial Properties and Retail units	3,400	3,500

#### 10.4. Update TBC

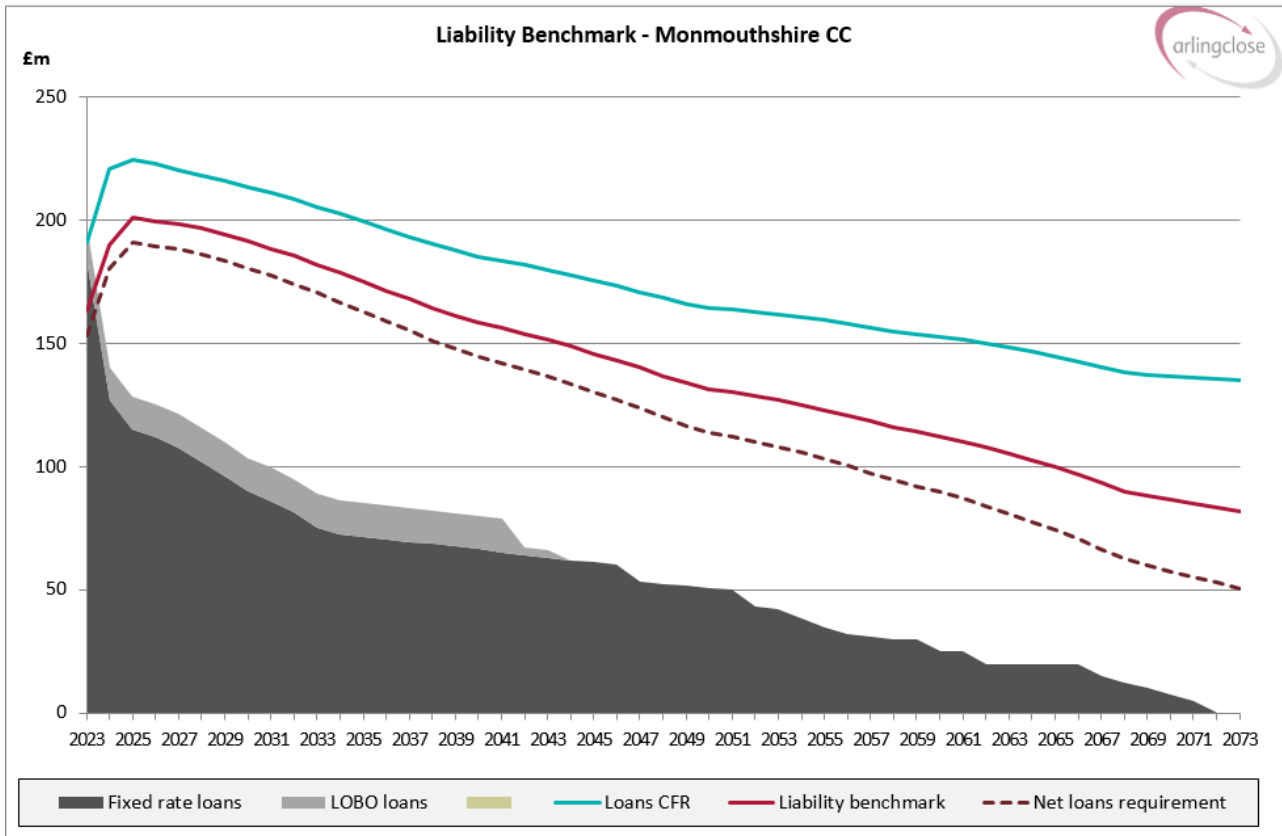
### 11. Compliance with prudential indicators and treasury limits

11.1. The Section 151 officer reports that all treasury management activities undertaken during the first quarter complied fully with the CIPFA code and the limits and indicators as set out in the Authority's approved Treasury Management Strategy.

11.2. **Liability Benchmark:** This indicator compares the Authority's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. 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. It represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

	<b>31.3.23 Actual</b>	<b>31.3.24 Forecast</b>	<b>31.3.25 Forecast</b>	<b>31.3.26 Forecast</b>
Loans CFR	190.9	220.8	224.7	222.9
Less: Balance sheet resources	(37.6)	(40.6)	(33.4)	(33.2)
<b>Net loans requirement</b>	153.3	180.2	191.3	189.7
Plus: Liquidity allowance	10.0	10.0	10.0	10.0
<b>Liability benchmark</b>	<b>163.3</b>	<b>190.2</b>	<b>201.3</b>	<b>199.7</b>
<b>Current loan profile</b>	<b>(198.7)</b>	<b>(140.4)</b>	<b>(128.7)</b>	<b>(125.5)</b>
<b>Borrowing requirement</b>	<b>0.0</b>	<b>49.8</b>	<b>72.6</b>	<b>74.2</b>

11.3. Following on from the medium-term forecast above, the long-term liability benchmark assumes capital expenditure funded by borrowing is in line with the medium-term financial plan, minimum revenue provision on new capital expenditure is based on the annuity method, and expenditure and reserves all increasing by inflation of 2.5% p.a. This is shown in the chart below together with the maturity profile of the Authority's existing borrowing.



11.4. **Maturity Structure of Borrowing:** This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

Maturity	30.6.23 Actual	Lower Limit	Upper Limit	Complied?
Under 12 months	27%	0%	60%	Yes
12 months and within 24 months	4%	0%	30%	Yes
24 months and within 5 years	7%	0%	30%	Yes
5 years and within 10 years	15%	0%	30%	Yes
10 years and within 20 years	13%	0%	30%	Yes
20 years and within 30 years	12%	0%	30%	Yes
30 years and within 40 years	11%	0%	30%	Yes
40 years and within 50 years	11%	0%	30%	Yes
50 years and above	0%	0%	30%	Yes

11.5. **Long-Term Treasury Management Investments:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management limits are:

	During quarter
Actual principal invested for 365 days & beyond year end	£0m
Limit	£5m
Complied?	Yes

11.6. Long-term investments with no fixed maturity date include strategic pooled funds, real estate investment trusts and directly held equity but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

11.7. **Security:** The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating or credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	30.6.23 Actual	2023/24 Target	Complied?
Portfolio average credit	AA-/3.90	A-/5.0	Yes

11.8. **Borrowing limits:** Compliance with the [authorised limit](#) and [operational boundary](#) for external debt is demonstrated below.

	Q1 2023/24 Maximum during the quarter £m	30.6.23 Actual £m	2023/24 Operational Boundary £m	2023/24 Authorised Limit £m	Complied? Yes/No
Borrowing	198.7	180.8	239.9	263.9	Yes
PFI, Finance Leases & Other LT liabs	2.2	2.2	2.9	4.4	Yes
<b>Total debt</b>	<b>200.9</b>	<b>183.0</b>	<b>242.8</b>	<b>268.3</b>	<b>Yes</b>

11.9. **Note:** Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

11.10. **Treasury investment counterparties and limits** - The Council may invest its surplus funds with any of the counterparty types in the table below, subject to the limits shown:

	Maximum in quarter	30.6.23 Actual	2023/24 Limit	Complied? Yes/No
The UK Government	£34.3m	£3m	Unlimited	Yes
Local Authorities per counterparty	£0m	£0	£4m	Yes
Secured Investments	£0m	£0	£4m	Yes
Banks per counterparty, rating A- or above	£2m (£3m total for the Councils operational bank)	£0.5m	£2m (£3m total for the Councils operational bank)	Yes
Building societies (unsecured)	£0m	£0	£2m	Yes
Registered providers (e.g. Housing Associations (unsecured))	£0m	£0	£2m	Yes

Money Market Funds	£4m	£4m	£4m	Yes
Any group of pooled funds under the same management	£2m	£2m	£5m	Yes
Real estate investment trusts	£0m	£0	£5m	Yes
Limit per non-UK country	£0m	£0	£4m	Yes
Other Investments	£0m	£0	£2m	Yes

12. **CONSULTEES**

Cabinet Member - Resources

Deputy Chief Executive, (Section 151 officer)

Arlingclose Limited – External Treasury management advisors to Monmouthshire CC

13. **BACKGROUND PAPERS**

Glossary of treasury terms

14. **AUTHORS:**

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<b>Authorised Limit</b>	The affordable borrowing limit determined in compliance with the Local Government Act 2003 (English and Welsh authorities) and the Local Government in Scotland Act 2003. This Prudential Indicator is a statutory limit for total external debt. It is set by the Authority and needs to be consistent with the Authority's plans for capital expenditure financing and funding. The Authorised Limit provides headroom over and above the <i>Operational Boundary</i> to accommodate expected cash movements. Affordability and prudence are matters which must be taken into account when setting this limit.  (see <b>also</b> <i>Operational Boundary</i> , below)
<b>Balances and Reserves</b>	Accumulated sums that are maintained either earmarked for specific future costs or commitments or generally held to meet unforeseen or emergency expenditure.
<b>Bail-in</b>	Refers to the process which the banking regulatory authorities will use to restructure a financial institution which is failing or likely to fail. Unsecured creditors of and investors in that financial institution will participate in its restructure who will, as a consequence, incur a non-recoverable loss (commonly referred to as a 'haircut') on their obligation/investment. Local authority investments with banks and building societies such as term deposits, certificates of deposit, call accounts and non-collateralised bonds are unsecured investments and are therefore vulnerable to bail-in.
<b>Bank Rate</b>	The official interest rate set by the Bank of England's Monetary Policy Committee and what is generally termed at the "base rate". This rate is also referred to as the 'repo rate'.
<b>Bond</b>	A certificate of debt issued by a company, government, or other institution. The bond holder receives interest at a rate stated at the time of issue of the bond. The price of a bond may vary during its life.
<b>Capital Expenditure</b>	Expenditure on the acquisition, creation or enhancement of capital assets
<b>Capital Financing Requirement (CFR)</b>	The Council's underlying need to borrow for capital purposes representing the cumulative capital expenditure of the local authority that has not been financed.
<b>Capital growth</b>	Increase in the value of the asset (in the context of a collective investment scheme, it will be the increase in the unit price of the fund)
<b>Capital receipts</b>	Money obtained on the sale of a capital asset.
<b>CIPFA</b>	Chartered Institute of Public Finance and Accountancy
<b>Constant Net Asset Value (CNAV)</b>	Also referred to as Stable Net Asset Value. A term used in relation to the valuation of 1 share in a fund. This means that at all times the value of 1 share is £1/€1/US\$1 (depending on the currency of the fund). The Constant NAV is maintained since dividend income (or interest) is either added to the shareholders' account by creating shares equal to the value of interest earned or paid to the shareholder's bank account, depending on which option is selected by the shareholder.
<b>Collective Investment Schemes</b>	Funds in which several investors collectively hold units or shares. The assets in the fund are not held directly by each investor, but as part of a pool (hence these funds are also referred to as 'Pooled Funds'). Unit Trusts and Open-Ended Investment Companies are types of collective investment schemes / pooled funds.
<b>Corporate Bonds</b>	Corporate bonds are bonds issued by companies. The term is often used to cover all bonds other than those issued by governments in their own currencies and includes issues by companies, supranational organisations and government agencies.

<b>Corporate Bond Funds</b>	Collective Investment Schemes investing predominantly in bonds issued by companies and supranational organisations.
<b>CPI</b> <i>Also see RPI</i>	Consumer Price Index. (This measure is used as the Bank of England's inflation target.)
<b>Credit Default Swap (CDS)</b>	A Credit Default Swap is similar to an insurance policy against a credit default. Both the buyer and seller of a CDS are exposed to credit risk. Naked CDS, i.e. one which is not linked to an underlying security, can lead to speculative trading.
<b>Credit Rating</b>	Formal opinion by a registered rating agency of a counterparty's future ability to meet its financial liabilities; these are opinions only and not guarantees.
<b>Cost of carry</b>	When a loan is borrowed in advance of requirement, this is the difference between the interest rate and (other associated costs) on the loan and the income earned from investing the cash in the interim.
<b>Credit default swaps</b>	Financial instrument for swapping the risk of debt default; the buyer effectively pays a premium against the risk of default.
<b>Diversification / diversified exposure</b>	The spreading of investments among different types of assets or between markets in order to reduce risk.
<b>Derivatives</b>	Financial instruments whose value, and price, are dependent on one or more underlying assets. Derivatives can be used to gain exposure to, or to help protect against, expected changes in the value of the underlying investments. Derivatives may be traded on a regulated exchange or traded 'over the counter'.
<b>ECB</b>	European Central Bank
<b>Federal Reserve</b>	The US central bank. (Often referred to as "the Fed")
<b>Floating Rate Notes</b>	A bond issued by a company where the interest rate paid on the bond changes at set intervals (generally every 3 months). The rate of interest is linked to LIBOR and may therefore increase or decrease at each rate setting
<b>GDP</b>	Gross domestic product – also termed as "growth" in the economy. The value of the national aggregate production of goods and services in the economy.
<b>General Fund</b>	This includes most of the day-to-day spending and income. (All spending and income related to the management and maintenance of the housing stock is kept separately in the HRA).
<b>Gilts (UK Govt)</b>	Gilts are bonds issued by the UK Government. They take their name from 'gilt-edged': being issued by the UK government, they are deemed to be very secure as the investor expects to receive the full face value of the bond to be repaid on maturity.
<b>Housing Revenue Account (HRA)</b>	A ring-fenced account of all housing income and expenditure, required by statute
<b>IFRS</b>	International Financial Reporting Standards
<b>Income Distribution</b>	The payment made to investors from the income generated by a fund; such a payment can also be referred to as a 'dividend'

<b>Investments</b> <ul style="list-style-type: none"> <li>- Secured</li> <li>- unsecured</li> </ul>	<p>Secured investments which have underlying collateral in the form of assets which can be called upon in the event of default</p> <p>Unsecured investments do not have underlying collateral. Such investments made by local authorities with banks and building societies are at risk of bail-in should the regulator determine that the bank is failing or likely to fail.</p>
<b>Liability Benchmark</b>	<p>Term in CIPFA's Risk Management Toolkit which refers to the minimum amount of borrowing required to keep investments at a minimum liquidity level (which may be zero).</p>
<b>LOBOs</b>	<p>LOBO stands for 'Lender's Option Borrower's Option'. The underlying loan facility is typically long term and the interest rate is fixed. However, in the LOBO facility the lender has the option to call on the facilities at predetermined future dates. On these call dates, the lender can propose or impose a new fixed rate for the remaining term of the facility and the borrower has the 'option' to either accept the new imposed fixed rate or repay the loan facility.</p>
<b>LVNAV (Low Volatility Net Asset Value)</b>	<p>From 2019 Money Market Funds will have to operate under a variable Net Value Structure with minimal volatility (fluctuations around £1 limited to between 99.8p to 100.2p)</p>
<b>Maturity</b>	<p>The date when an investment or borrowing is repaid.</p>
<b>Maturity profile</b>	<p>A table or graph showing the amount (or percentage) of debt or investments maturing over a time period. The amount or percent maturing could be shown on a year-by-year or quarter-by-quarter or month-by-month basis.</p>
<b>MiFID II</b>	<p>MiFID II replaced the Markets in Financial Instruments Directive (MiFID I) from 3 January 2018. It is a legislative framework instituted by the European Union to regulate financial markets in the bloc and improve protections for investors.</p>
<b>Money Market Funds (MMF)</b>	<p>Pooled funds which invest in a range of short term assets providing high credit quality and high liquidity.</p>
<b>Minimum Revenue Provision</b>	<p>An annual provision that the Authority is statutorily required to set aside and charge to the Revenue Account for the repayment of debt associated with expenditure incurred on capital assets</p>
<b>Non-Specified Investments</b>	<p>Term used in the Communities and Local Government Guidance and Welsh Assembly Guidance for Local Authority Investments. It includes any investment for periods greater than one year or those with bodies that do not have a high credit rating, use of which must be justified.</p>
<b>Net Asset Value (NAV)</b>	<p>A fund's net asset value is calculated by taking the current value of the fund's assets and subtracting its liabilities.</p>
<b>Operational Boundary</b>	<p>This is the limit set by the Authority as its most likely, i.e. prudent, estimate level of external debt, but not the worst case scenario. This limit links directly to the Authority's plans for capital expenditure, the estimates of the Capital Financing Requirement (CFR) and the estimate of cashflow requirements for the year.</p>
<b>Permitted Investments</b>	<p>Term used by Scottish Authorities as those the Authority has formally approved for use.</p>
<b>Pooled funds</b>	<p>See Collective Investment Schemes (above)</p>

<b>Premiums and Discounts</b>	<p>In the context of local authority borrowing, (a) the premium is the penalty arising when a loan is redeemed prior to its maturity date and (b) the discount is the gain arising when a loan is redeemed prior to its maturity date. If on a £1 million loan, it is calculated* that a £100,000 premium is payable on premature redemption, then the amount paid by the borrower to redeem the loan is £1,100,000 plus accrued interest. If on a £1 million loan, it is calculated that a £100,000 discount receivable on premature redemption, then the amount paid by the borrower to redeem the loan is £900,000 plus accrued interest.</p> <p>PWLB premium/discount rates are calculated according to the length of time to maturity, current market rates (plus a margin), and the existing loan rate which then produces a premium/discount dependent on whether the discount rate is lower/higher than the coupon rate.</p> <p>*The calculation of the total amount payable to redeem a loan borrowed from the Public Works Loans Board (PWLB) is the present value of the remaining payments of principal and interest due in respect of the loan being repaid prematurely, calculated on normal actuarial principles. More details are contained in the PWLB's lending arrangements circular.</p>
<b>Private Finance Initiative (PFI)</b>	<p>Private Finance Initiative (PFI) provides a way of funding major capital investments, without immediate recourse to the public purse. Private consortia, usually involving large construction firms, are contracted to design, build, and in some cases manage new projects. Contracts can typically last for 30 years, during which time the asset is leased by a public authority.</p>
<b>Prudential Code</b>	<p>Developed by CIPFA and introduced on 01/4/2004 as a professional code of practice to support local authority capital investment planning within a clear, affordable, prudent and sustainable framework and in accordance with good professional practice.</p>
<b>Prudential Indicators</b>	<p>Indicators determined by the local authority to define its capital expenditure and asset management framework. They are designed to support and record local decision making in a manner that is publicly accountable; they are not intended to be comparative performance indicators between authorities.</p>
<b>PWLB</b>	<p>Public Works Loans Board. It is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury. The PWLB's function is to lend money from the National Loans Fund to local authorities and other prescribed bodies, and to collect the repayments.</p>
<b>Quantitative Easing</b>	<p>In relation to the UK, it is the process used by the Bank of England to directly increase the quantity of money in the economy. It "does not involve printing more banknotes. Instead, the Bank buys assets from private sector institutions – that could be insurance companies, pension funds, banks or non-financial firms – and credits the seller's bank account. So the seller has more money in their bank account, while their bank holds a corresponding claim against the Bank of England (known as reserves). The end result is more money out in the wider economy". Source: Bank of England</p>
<b>Registered Provider of Social Housing</b>	<p>Formerly known as Housing Association</p>
<b>Revenue Expenditure</b>	<p>Expenditure to meet the continuing cost of delivery of services including salaries and wages, the purchase of materials and capital financing charges</p>
<b>RPI</b>	<p>Retail Prices Index. A monthly index demonstrating the movement in the cost of living as it tracks the prices of goods and services including mortgage interest and rent. Pensions and index-linked gilts are uprated using the CPI index.</p>



<b>SORP</b>	Statement of Recommended Practice for Accounting (Code of Practice on Local Authority Accounting in the United Kingdom).
<b>Specified Investments</b>	Term used in the CLG Guidance and Welsh Assembly Guidance for Local Authority Investments. Investments that offer high security and high liquidity, in sterling and for no more than 1 year. UK government, local authorities and bodies that have a high credit rating.
<b>Supported Borrowing</b>	Borrowing for which the costs are supported by the government or third party.
<b>Supranational Bonds</b>	Instruments issued by supranational organisations created by governments through international treaties (often called multilateral development banks). The bonds carry an AAA rating in their own right. Examples of supranational organisations are those issued by the European Investment Bank, the International Bank for Reconstruction and Development.
<b>Treasury Management Code</b>	CIPFA's Code of Practice for Treasury Management in the Public Services.
<b>Temporary Borrowing</b>	Borrowing to cover peaks and troughs of cash flow, not to fund spending.
<b>Term Deposits</b>	Deposits of cash with terms attached relating to maturity and rate of return (interest)
<b>Unsupported Borrowing</b>	Borrowing which is self-financed by the local authority. This is also sometimes referred to as Prudential Borrowing.
<b>Usable Reserves</b>	Resources available to finance future revenue and capital expenditure
<b>Variable Net Asset Value (VNAV)</b>	A term used in relation to the valuation of 1 share in a fund. This means that the net asset value (NAV) of these funds is calculated daily based on market prices.
<b>Working Capital</b>	Timing differences between income/expenditure and receipts/payments
<b>Yield</b>	The measure of the return on an investment instrument

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## AGENDA ITEM TBC

<b>SUBJECT:</b>	<b>DRAFT STATEMENT OF ACCOUNTS 2022/23 – CHARITABLE TRUST FUNDS</b>
<b>MEETING:</b>	<b>Governance and Audit Committee</b>
<b>DATE:</b>	<b>27<sup>th</sup> July 2023</b>
<b>DIVISIONS/WARD AFFECTED:</b>	<b>All</b>

### 1. PURPOSE:

- 1.1 This report has been prepared to provide Governance and Audit Committee Members with an opportunity to review and provide comments on the:
- Draft 2022/23 Welsh Church Fund Accounts (**Appendix 1**)
  - Draft 2022/23 Monmouthshire Farm School Endowment Trust Fund Accounts Fund (**Appendix 2**)
  - Draft 2022/23 Llanelly Hill Social Welfare Centre Accounts (**Appendix 3**)

### 2. RECOMMENDATIONS:

- 2.1 That the Governance & Audit Committee review the 2022/23 draft Statement of Accounts for the above bodies and provide comments or proposed amendments which will be considered alongside the external audit process and prior to publication of final accounts.

### 3. KEY ISSUES

- 3.1 The Authority acts as lead or investment trustee for a number of charitable trust funds.
- 3.2 The accounts for these funds have to be prepared in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on the 16th of July 2014 and the Charities Act 2011, alongside the UK Generally Accepted Practice as it applies from the 1st of January 2015.

### 4. Welsh Church Act Fund

#### Background

- 4.1 Monmouthshire County Council acts as lead trustee for the Welsh Church Act Fund, a charitable trust covering the Council administrative areas of Blaenau Gwent, Caerphilly, Monmouthshire, Torfaen, and the City of Newport.
- 4.2 The primary object of the trust is to assist public groups and individuals for educational, social, recreational, and other charitable benefit purposes. Grants are available from the fund for capital or revenue purposes. Capital grants may be awarded to assist organisations in the furnishing and upkeep of buildings. Revenue grants are designed to further the aims of societies and to assist individuals in their various pursuits.

- 4.3 An annual budget for grant payments is agreed by full Council in March preceding the financial year and is split between the five administrative bodies on a population basis. Each trustee approves grant applications and pay monies in line with their own financial regulations.
- 4.4 The overall grant allocation from the fund in each financial year is considered in line with the long-term financial viability of the trust and to maintain the ability to generate funds in future years for distribution by maintaining sufficient capital assets.
- 4.5 In line with the requirements of lead trustee, Monmouthshire County Council is responsible for preparing the draft accounts as presented in **Appendix 1** and these will be subject to external audit by Audit Wales, and subsequently a final version will be considered for approval by this committee, scheduled for the meeting in January 2024. Following final approval, the accounts will be lodged with the Charities Commission by the end of January 2024.

#### **Activity in year**

- 4.6 The fund has decreased in value by £479,749 during the year (£366,412 gain in 2021/22) with this decrease primarily due to unrealised losses on investments (£472,972) due to volatile economic market conditions following the recovery from the pandemic and the continuing conflict in Ukraine. The objectives of these funds are for regular revenue income and longer-term price stability, with acknowledgment that capital values will move both up and down on months, quarters and even years; but with the confidence that over the long-term that total returns should exceed cash interest rates.
- 4.7 Income during the year principally comprised of investment income of £212,453 (£192,896) in 2021/22), which has increased slightly in regard to distributions from the pooled fund investments.
- 4.8 Charitable resources expended during the year amounted to £219,230 (£177,112 in 2021/22) and principally comprised grant payments of £204,850 (£163,610 in 2021/22).

## **5. Monmouthshire Farm School Endowment Trust Fund**

### **Background**

- 5.1 Monmouthshire County Council acts as Trust administrator and Investment custodian for the Monmouthshire Farm School Endowment Trust Fund.
- 5.2 The primary object of this charitable trust is to make awards to students in need of assistance to attend Usk Agricultural College, or at the discretion of the governing body, any other college, institution, or university to pursue courses of study in agricultural subjects.
- 5.3 The draft accounts presented will be subject to independent examination by Audit Wales and will subsequently be considered by the trustees prior to lodging with the Charities Commission by the end of January 2024.

### **Activity in year**

The Fund has decreased in value by £61,321 (£30,045 increase in 2021/22) over the financial year primarily due to unrealised losses on investments (£82,846) due to the volatile economic market conditions experienced following the recovery from the pandemic and the continuing conflict in Ukraine.

- 5.4 Income consisted of interest on investments and cash held of £26,287 (£23,448 in 2021/22), and £1,077 (£4,649 2021/22) in respect of the annual payment from the Roger Edwards Educational Trust.

- 5.5 Expenditure of £5,839 (£10,840 in 2021/22) primarily comprised of grants payable of £3,871 (£9,182 in 2021/22) in line with the Charity's objects. An unrealised investment loss of £82,846 (£12,721 gain in 2021/22) was made in relation to investments held.
- 5.6 The current strategy is to ensure that there are sufficient funds to meet the needs of beneficiaries. The income generation from investments forms the main basis of the following year's grant allocations to ensure continuity and non-degradation of the fund's capital assets and to perpetuate the Charity as a going concern.

## **6. Llanelly Hill Social Welfare Centre**

### **Background**

- 6.1 The Llanelly Hill Social Welfare centre is a registered charitable trust owned and run by a board of trustees and supported by Monmouthshire County Council.
- 6.2 Due to the comparatively small size of the trust and the values involved, the statement of accounts does not require a formal audit or inspection process and will subsequently be lodged with the Charities Commission.

### **Activity in year**

- 6.3 The trust has generated income of £3,036 during the year (£5,541 in 2021/22) primarily from income generating activities at the centre. This has failed to cover the management and maintenance costs incurred during the year of £4,859, resulting in an overall operational loss on the fund of £1,823.

## **7. REASONS**

- 7.1 To consider the accounts as presented enabling the external audit and independent inspection process to be undertaken and reported in due course.

## **8. RESOURCE IMPLICATIONS**

- 8.1 As outlined in the respective accounts to be found in the Appendices.

## **9. CONSULTEES**

Cabinet Member - Resources  
Deputy Chief Executive (Section 151 Officer)

## **10. BACKGROUND PAPERS**

**Appendix 1** - Draft 2022/23 Welsh Church Fund Accounts

**Appendix 2** - Draft 2022/23 Monmouthshire Farm School Endowment Trust Fund Accounts

**Appendix 3** - Draft 2022/23 Llanelly Hill Social Welfare Centre Accounts

## **11. AUTHORS:**

Jonathan S. Davies  
Head of Finance

## **12. CONTACT DETAILS**

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Tel: (01633) 644114

**APPENDIX 1**

**The Monmouthshire County Council  
Welsh Church Act Fund**

**Annual Report and Financial Statements for the year  
ended the 31 March 2023**

Registered Charity Number: 507094

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2023**

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**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2023**

**Trustee, Officers and Advisors**

**Trustee**

Monmouthshire County Council

**Secretary**

Matthew Phillips  
Chief Officer, People & Governance (Monitoring Officer)  
Monmouthshire County Council

**Registered Office**

County Hall  
The Rhadyr  
Usk  
NP15 1GA

**Auditors**

Audit Wales  
24, Cathedral Road  
Cardiff  
CF11 9LJ

**Solicitor**

Matthew Phillips  
Chief Officer, People & Governance (Monitoring Officer)  
Monmouthshire County Council

**Investment Custodian**

Monmouthshire County Council

**General Management**

Mr Peter Davies  
Deputy Chief Executive  
Monmouthshire County Council

**Bankers**

Barclays Bank  
1-5 St David's Way  
St David's Centre  
Cardiff  
CF10 2DP

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2023**

**Report of the Trustee for the year ended 31 March 2023**

The Trustee presents its annual report and the audited financial statements for the year ended 31 March 2023 of The Monmouthshire County Council Welsh Church Act Fund ('the Charity').

The information with respect to the Trustee, officers and advisors set out on page 1 forms part of this report.

The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on the 16<sup>th</sup> July 2014 and the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Charities Act 2011 and the UK Generally Accepted Practice as it applies from the 1<sup>st</sup> January 2015.

The financial statements have been prepared to give a 'true and fair' view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a 'true and fair view'. This departure has involved following Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005 which has since been withdrawn.

**Structure, Governance and Management**

The Charity is governed by the Welsh Church Act 1914 and the Welsh Church Act (Designation and Specification) Order 1996 and is registered with the Charity Commissioners under charity number 507094.

The Trust covers the Council administrative areas of Blaenau Gwent, Caerphilly, Monmouthshire, Torfaen, and the City of Newport, with Monmouthshire County Council being designated as the host Authority. The Monmouthshire Welsh Church Act Fund was established on 1 April 1996, from the former Gwent Welsh Church Act Fund and part of the former Mid Glamorgan Welsh Church Act Fund.

Monmouthshire County Council as the Corporate Body is the Trustee for the Welsh Church Fund and therefore there are no policies and procedures adopted for the induction and training of trustees. The trustees also have regard to the Charity Commission's guidance on public benefit.

The management of the Trust Fund is undertaken by officers of the Council and a calculated proportion of their time is charged to the Fund.

**Objectives**

The primary object of the Charity for each year, as stated in its governing document, is to assist public groups and individuals for educational, social, recreational, and

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2023**

other charitable benefit purposes. Grants are available from the Fund for capital or revenue purposes. Capital grants may be awarded to assist organisations in the furnishing and upkeep of buildings. Revenue grants are designed to further the aims of societies and to assist individuals in their various pursuits.

**Grants allocation policy**

An annual budget set by the Trustee for grant payments is split between the administrative areas of Blaenau Gwent, Caerphilly, Monmouthshire, Torfaen, and Newport on a population basis.

A Committee set up by the Trustee approves grant applications on a basis in line with full Council meetings or as deemed required by the participating authorities. Grants are made in pursuance of the Charity's objectives.

The grant allocation of each financial year is considered in line with the long-term financial viability of the trust and to maintain the ability to generate funds in future years for distribution by maintaining sufficient capital assets.

**Review of activities and future developments**

The statement of financial activities for the year is set out on page 8 of the financial statements. A summary of the financial results and the work of the Charity are set out below.

The Fund has decreased in value by £479,749 during the year (£348,489 gain in 2021/22, this decrease is primarily due to large unrealised losses (£472,972) at the 31<sup>st</sup> March 2023 valuation date due to volatile economic conditions following recovery from the pandemic and the ongoing conflict in Ukraine.

Income is principally comprised of investment income of £212,453 (£192,896 in 2021/22), this has increased slightly in regard to distributions from the pooled investments funds held on the financial markets. The Trust has utilised the Trustee's own investment managers to manage the other individual market investments, thus, controlling management fees and therefore maximising returns whilst at the same time maintaining a balanced capital risk strategy.

Charitable resources expended during the year amounted to £219,230 (£177,112 in 2021/22) and principally comprised grant payments of £204,850 (£163,310 in 2021/22).

Net losses on investments held amounted to £472,972 (£349,668 net gain in 2021/22). These non-realised investment losses have been due to the continued impact of the volatility in financial markets after the fiscal policies implemented during the autumn budget rounds. The 'Trusts' current investment strategy of diversifying the portfolio across several investment categories has enabled a certain degree of stability amid the current volatility in the financial markets. The long-term projections on these charity fund investments as indicated by the Trustees' Treasury consultants continue to offer a balanced risk portfolio between income generation and asset growth.

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2023**

**Assumptions made about the future and other major sources of estimation uncertainty**

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

The items in the Trust's Balance Sheet at 31st March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

**The revaluation of investment property and property funds**

Valuation techniques are used to determine the carrying amount of pooled property funds and investment property. Investment assets have been revalued as at the 31<sup>st</sup> March 2023 reporting date.

Changes in the valuation assumptions used, together with significant changes in rental growth could affect (increase or decrease) the fair value of property-based investments. As the investments are held on a long-term strategy basis, the fund does not foresee any long-term negative effect in the generation of future income streams.

**Income generation**

The Charity's investment income was £212,453 compared to £192,896 in 2021/22. The diverse external pooled fund investment strategy that mainly replaced the pooled investment strategy with Monmouthshire County Council has continued to produce consistent returns in the financial markets due to investment in more specific charitable investment funds. This income generation forms the main basis of the following years grant allocations to ensure continuity and non-degradation of the funds capital assets and to perpetuate the charity as a 'going concern'.

**Bad debt provision**

There are no bad debts arising in the year of account.

**Investment powers, policy, and performance**

Under the terms of the Trust Deed, the Trustee has general powers of investment, subject to the provisions of The Trustee Act 2000. The investment policy of the Trust is to maximise the rate of investment return, whilst employing a risk strategy that minimises any potential reduction in the capital value of the Fund.

The Trustee reviewed its investment strategy and produced an investment and fund strategy for 2022/23, which was approved by Monmouthshire County Council in its capacity as sole and corporate trustee, on 3<sup>rd</sup> March 2022.

Financial market investments have been restated at the financial year-end to reflect their current open market value.

## **The Monmouthshire County Council Welsh Church Act Fund Annual Report for year ended 31 March 2023**

### **Changes in fixed assets**

The fixed asset investments were re-valued in the 2022/23 financial year in line with the Investment Asset policy of revaluation every year.

### **Reserves**

The Trustee's policy is to maintain the level of investments at a level that provides sufficient annual income to fund the Charity's charitable expenditure. The level of funds held at 31<sup>st</sup> March 2023 is £5,201,291 (£5,681,040 in 2021/22). The Trustee reviewed its Fund strategy and produced an investment and fund strategy for 2022/23, which stated that the purpose of reserves is to maintain investments such that they realise sufficient income to provide grants to organisations at a consistent level. Whilst the strategy is to ensure that there is no long-term detrimental effect on overall reserve balances, recommendations made by the Charity Commission has resulted in grants allocations being made in line with investment returns.

### **Governance of the Charity**

Representative Councillors from each of the five administrative areas of Blaenau Gwent, Caerphilly, Monmouthshire, Torfaen, and Newport are appointed by their respective councils annually to form a committee to oversee fund management. Members are appointed to the committee for the term of the Council.

### **Risk management**

The Trustee has undertaken a review of the major risks to which the Charity is exposed, and its risk management and internal control procedures should be updated to ensure that systems are in place to mitigate the risks identified. The risk assessment was considered by Monmouthshire County Council on 3rd March 2022 and no risks were identified.

### **Auditors**

Audit Wales were appointed as auditors to the Welsh Church Act Fund in 2007/08.

### **Statement of Trustee's responsibilities**

The Trustee is responsible for preparing financial statements for each financial year, which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the charity and its financial activities for that period.

In preparing those financial statements, the Trustee is required to:

- select suitable accounting policies and then apply them consistently.
- make judgements and estimates that are reasonable and prudent.
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any departures disclosed and explained in the financial statements; and

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2023**

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operational existence.

The Trustee confirms that it has complied with the above requirements in preparing the financial statements.

The Trustee is responsible for keeping accounting records which disclose with reasonable accuracy at any time the financial position of the charity and to enable it to ensure that the financial statements comply with the Charities Act 1993. It is also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustee certifies that:

- as far as it is aware, there is no relevant information of which the Charity's auditors are unaware; and
- as Trustee of the Charity, it has taken all the steps that it ought to have taken in order to make itself aware of any relevant audit information and to establish that the Charity's auditors are aware of that information.

**By order of the Trustee**

**Mr Peter Davies  
Deputy Chief Executive (Section 151 Officer), Monmouthshire County Council**

**Date:**

**The Monmouthshire County Council Welsh Church Act Fund  
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**The independent auditor's report of the Auditor General for Wales to the trustee  
of the Monmouthshire County Council Welsh Church Act Fund**

Awaiting audit

The Monmouthshire County Council Welsh Church Act Fund  
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**Statement of financial activities (Sofa) for the year ended 31  
March 2023**

	Notes	2022/23 Total Unrestricted Funds £	2021/22 Total Unrestricted Funds £
<b>Income &amp; Endowments from:</b>			
Investment income	2	212,453	192,896
Other incoming resources		0	960
<b>Total income &amp; Endowments</b>		<b>212,453</b>	<b>193,856</b>
<b>Resources Expended</b>			
Raising funds:			
Investment Property		(480)	(400)
Professional fees			
Management and administration		(2,550)	(2,500)
		<b>(3,030)</b>	<b>(2,900)</b>
<b>Charitable expenditure</b>			
Costs of activities in furtherance of the Charity's objects			
Grants payable	3,4	(204,850)	(163,310)
Management and administration		(5,095)	(4,647)
<b>Other</b>			
Governance Costs	5	(6,255)	(6,255)
<b>Total Resources Expended</b>		<b>(219,230)</b>	<b>(177,112)</b>
Gains/(losses) on investment	9,10	(472,972)	349,668
<b>Net Income /(Expenditure)</b>		<b>(479,749)</b>	<b>366,412</b>
<b>Net movement in funds</b>		<b>(479,749)</b>	<b>366,412</b>
Fund balances brought forward April 2022		5,681,040	5,314,628
<b>Fund balances carried forward</b>	13	<b>5,201,291</b>	<b>5,681,040</b>
<b>31 March 2023</b>			

All incoming resources and resources expended are derived from continuing activities. There are no recognised gains or losses other than those disclosed above.



**The Monmouthshire County Council Welsh Church Act Fund  
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**Balance Sheet as at 31 March 2023**

	Notes	<b>2022/23</b>	2021/22
		<b>Unrestricted</b>	Unrestricted
		<b>Funds</b>	Funds
		<b>£</b>	<b>£</b>
<b>Fixed assets</b>			
Investment Land	9	<b>475,750</b>	513,000
Investments	10	<b>4,654,323</b>	5,090,045
		<b>5,130,073</b>	5,603,045
<b>Current assets</b>			
Debtors: amounts falling due within one year	11	<b>47,159</b>	44,811
Cash at bank		<b>228,458</b>	171,267
		<b>275,617</b>	216,078
<b>Current Liabilities</b>			
Creditors: amounts falling due within one year	12	<b>(204,399)</b>	(138,083)
<b>Net current assets or liabilities</b>		<b>71,218</b>	77,995
<b>Net assets or liabilities</b>		<b>5,201,291</b>	5,681,040
<b>The Funds of the Charity:</b>			
Unrestricted Funds	13	<b>5,201,291</b>	5,681,040
<b>Total Charity funds</b>		<b>5,201,291</b>	5,681,040

The accounts on pages 10 to 19 were approved by the Trustee on tbc, and signed on their behalf by:

**By order of the Trustee**

**Mr Peter Davies**  
**Deputy Chief Executive – Monmouthshire County Council**

**Date:**

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2023**

**Statement of Cash flows as at 31 March 2023**

	<b>Total Funds £</b>	<b>Prior Year Funds £</b>
<b>Cash flows from operating activities</b>		
<i>Net cash provided by operating activities</i>	<b>(155,262)</b>	<b>(268,362)</b>
<b>7</b>		
<hr/>		
<b>Cash flow from investing activities</b>		
Dividends and rents from investments	<b>212,453</b>	192,896
Cash received from pooled funds with MCC	<b>0</b>	50,000
<hr/>		
<i>Change in cash and cash equivalents in the reporting period</i>	57,191	(25,466)
<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>171,267</b>	196,733
<hr/>		
<i>Cash and cash equivalents at the end of the reporting period</i>	<b>228,458</b>	171,267
<hr/>		

## **Notes to the financial statements for the year ended 31 March 2023**

### **1 Principal accounting policies**

The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 and the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Charities Act 2011. The trust constitutes a public benefit entity as defined by FRS 102. The trustees consider that there are no material uncertainties about the Trust's ability to continue as a going concern.

A summary of the principal accounting policies, which have been applied consistently, are set out below.

#### **Basis of accounting**

The financial statements are prepared in accordance with the historical cost convention, as modified by the inclusion of investments and tangible fixed assets at market value. During the year, the Charity reviewed its accounting policies in accordance with FRS 102 'Accounting Policies'. No accounting policies have been changed as a result.

#### **Incoming Resources**

All income is accounted for on an accrual's basis.

#### **Cash Balances**

Cash is sums of money available for immediate use by the Welsh Church Fund. Such items are deemed to be cash balances held in the Fund's bank accounts (less un-presented cheques). The Welsh Church Fund does not hold Cash in Hand.

#### **Resources expended**

All expenditure is accounted for on an accrual's basis. Where costs cannot be directly attributed to particular headings, they have been allocated to activities on a basis consistent with use of the resources.

#### **Grants payable**

Grants payable are accounted for in full as liabilities of the Charity when approved by the Trustee and accepted by the beneficiaries.

#### **Management and administration**

Management and administration costs include expenditure on administration of the Charity and, an appropriate apportionment of overheads based upon a time allocation.

#### **Governance Costs**

Governance costs comprise costs involving the compliance with constitutional and statutory requirements. These costs relate to audit fees payable to the appointed

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2023**

external auditor.

**Irrecoverable VAT**

Any irrecoverable VAT is charged to the statement of financial activities or capitalised as part of the cost of the related asset, where appropriate.

**Recognition of liabilities**

Liabilities are recognised when an obligation arises to transfer economic benefits as a result of past transactions or events.

**Debtors/ Creditors**

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

**Fund accounting**

Funds are unrestricted funds which are available for use at the discretion of the Trustee in furtherance of the general objectives of the Charity and which have not been designated for other purposes.

**Investment Land and Property**

*Capitalisation, Replacement and Valuation*

The Trust's policy is to revalue its Investment land on an annual basis in line with the Charities SORP. Valuations will also be undertaken where identified that there have been material movements between formal valuations, as holdings are Investment Land not tangible fixed assets.

All land Investments were valued internally by a qualified land surveyor as at 31<sup>st</sup> March 2023 and all assets held at year-end are included in the accounts at that valuation date. Vacant properties are valued at open market value.

**Depreciation**

Land is not depreciated. The Fund currently has no buildings on the fixed asset register.

**Investments**

Any realised and unrealised gains and losses on revaluation or disposals of investments are included in the statement of financial activities. The Authority is authorised to invest any surplus income or dispose of any investments when it deems appropriate. Investments are strategically placed in external pooled fund investment funds specifically designed for charitable organisations. The basis of valuation on the market-based investments held with CCLA, M&G, UBS, and Schroder's, is the open market value of the unit holdings on the 31<sup>st</sup> March 2023 multiplied by the units held. Investment performance is reviewed periodically in light of prevailing economic changes. The Treasury Stock 2024 valuation is based upon the market value of the Treasury Gilts at the 31<sup>st</sup> March 2023 as listed on the dmo.gov website. The value of the 'pooled' investment with Monmouthshire County Council is the cash value as at the 31<sup>st</sup> March 2023.

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2023**

**Fees and similar income**

Fees receivable and charges for services and use of premises are accounted for in the period in which the service is provided.

**Cash flow statement**

The Charity has produced a cash flow statement under Financial Reporting Standard 102 under section 7 on the basis that it meets the relevant conditions and size criteria specified in the Companies Act.1985.

**2 Investment income**

	<b>2023</b>	2022
	<b>£</b>	£
Investments with Monmouthshire County Council	<b>0</b>	0
Investment Property Rental Income	<b>4,138</b>	6,533
External Investments	<b>208,315</b>	186,363
	<b>212,453</b>	192,896

**3 Grants Payable**

	<b>2023</b>	2022
	<b>£</b>	£
Grants have been paid to the following administering Local Authorities for them to make to groups and individuals on behalf of the Fund:		
Monmouthshire County Council	<b>18,750</b>	34,440
Torfaen County Borough Council	<b>24,925</b>	26,353
Newport City Council	<b>56,038</b>	32,564
Blaenau Gwent County Borough Council	<b>22,800</b>	25,200
Caerphilly County Borough Council	<b>82,337</b>	44,753
	<b>204,850</b>	163,310

The management and administration cost of the fund and grants distributed were £4,695 during the year.

**4 Analysis of Grants**

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2023**

	Grants to Organisations £	Grants to Individuals £
The Advancement of Education	2,121	2,643
The Advancement of Religion	81,530	0
The Relief of Poverty	1,450	24,325
Other Purposes Beneficial to the Community	92,781	0
<b>Total</b>	<b>177,882</b>	<b>26,968</b>

Unspent balances are retained for distribution in subsequent financial years. Grants to Churches and other Religious establishments totaled £81,530 and Community Organisations £92,781 respectively during the financial year. Grants of essential equipment and furnishings to the value of £24,325 were allocated to individuals for the relief of families deemed to be in poverty. No organization or individual received more than one grant award during 2022/23.

## **5 Governance Costs**

	2023 £	2022 £
Auditor's remuneration	<b>6,255</b>	6,255
	<b>6,255</b>	6,255

No indemnity insurance for Trustee's liability has been purchased by the Charity however the Fund is covered by Monmouthshire County Councils' fidelity guarantee insurance. Insurance covers financial losses incurred as a result of fraudulent acts conducted by Authority employees but does not cover the Trustee for any wrong decisions that may have been made.

## **6 Taxation**

The Charity is a registered charity, and as such is entitled to certain tax exemptions on income and profits from investments, and surpluses on any trading activities carried on in furtherance of the Charity's primary objectives, if these profits and surpluses are applied solely for charitable purposes.

The Charity is not separately registered for VAT because it falls within the Local Authority's VAT Registration as Corporate trustee and accordingly, all their expenditure is recorded exclusive of any VAT incurred.

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2023**

**7 Reconciliation of net income/ (expenditure) to net cash flow  
from operating activities as at 31 March 2023**

	Current Year £	Prior Year £
<i>Net income/(expenditure) for the reporting period (as per the statement of financial activities)</i>	<b>(479,749)</b>	366,412
<b>Adjustments for non-cash transactions</b>		
(Gains) /losses on investments	<b>472,972</b>	(349,668)
Dividends, Interest & Rents from investments	<b>(212,453)</b>	(192,896)
(Increase)/ decrease in debtors / bad debts	<b>(2,348)</b>	(3,305)
Increase/(decrease) in creditors	<b>66,316</b>	(88,904)
<b>Net cash provided and (used in) operating activities</b>	<b>(155,262)</b>	(268,362)

**8 Analysis of cash and cash equivalents as at 31 March 2023**

	Current Year £	In Year Movement £	Prior Year £
Cash at bank	<b>228,458</b>	(57,191)	<b>171,267</b>
<b>Total cash and cash equivalents</b>	<b>228,458</b>	(57,191)	<b>171,267</b>

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2023**

**9 Investment Land and Property**

	<b>Total £</b>
<b>Valuation</b>	
At 1 April 2022	513,000
Disposals	0
Revaluation	(37,250)
<b>At 31 March 2023</b>	<b>475,750</b>
<b>Depreciation</b>	
At 1 April 2022	0
Charge in year	0
Disposals	0
<b>At 31 March 2023</b>	<b>0</b>
<b>Net book Value</b>	
At 1 April 2022	513,000
<b>At 31 March 2023</b>	<b>475,750</b>

Tangible Investment Assets solely consist of freehold land. Valuations were carried out in accordance with the valuation policy in the 2022/23 financial year and thereafter on an annual rolling basis.

**10 Investments**

	<b>2023 £</b>	2022 £
CCLA - COIF Property Fund	968,824	<b>1,148,750</b>
UBS Multi Asset Income Fund	525,558	<b>628,164</b>
M&G Charibond Fund	612,365	<b>659,767</b>
Schroders Income Maximiser	359,688	<b>375,291</b>
M&G Charifund	516,083	<b>549,675</b>
CCLA - COIF Investment Fund	1,257,721	<b>1,314,934</b>
Treasury Stock 2024 2.5%	114,084	<b>113,464</b>
Invested with Monmouthshire County Council	300,000	<b>300,000</b>
	4,654,323	<b>5,090,045</b>

The Trust has externally managed investments held with UBS, M&G, Schroeder's,



**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2023**

CCLA, and HM Treasury. The pooled investment with Monmouthshire County Council is managed by the Authority's treasury management team, aided by their appointed external treasury management advisors. Returns from Monmouthshire County Council are generated on a "pooled" basis. The average rate of interest generated on the pooled funds from Monmouthshire was 2.2800% for 2022/23 (0.5200% for 2021/22).

There were no additions or disposals of investments during the financial year. None of the Investments are held outside of the territorial limits of the United Kingdom and the cost of the revaluations is contained within the charity management fee charged annually from Monmouthshire County Council.

**11 Debtors**

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
<b>Amounts falling due within one year</b>		
<b><i>Prepayment &amp; accrued income</i></b>		
Investment Income	<b>47,159</b>	44,136
Other Debtors	<b>0</b>	0
MCC Bank Transfer	<b>0</b>	0
<b><i>Trade debtors</i></b>		
Rental income	<b>0</b>	0
Bad debt provision for loss of rental income	<b>0</b>	0
<b><i>Other Debtors</i></b>		
HM Revenue and Customs	<b>0</b>	675
Other Debtors	<b>0</b>	0
	<b>47,159</b>	44,811

All investment interest due from the trustee was paid in year in 2022/23.

**12 Creditors**

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
<b>Amounts falling due within one year</b>		
Grant creditors	<b>190,400</b>	131,838
Other creditors	<b>13,999</b>	6,245
	<b>204,399</b>	138,083

Grant creditors are recognised as the amounts awarded by the five constituent authorities of the Welsh Church Fund unpaid at the financial year-end. Other creditors are fees reimbursable for professional services utilised during the financial year by the Charity.

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2023**

**13 Funds**

	*Balance 1 April 2022	Incoming resources	Resources Expended	Other Recognised Gain / (Loss)	<b>Balance 31 March 2023</b>
	£	£	£	£	£
Unrestricted funds	5,681,040	212,453	(219,230)	(472,972)	<b>5,201,291</b>

\*Balance b/f re-stated for late debtor / creditor balances rolled forward

**14 Related party transactions**

During the year transactions with related parties arose as follows:

	2023		2022	
	Receipts	Payments	Receipts	Payments
	£	£	£	£
Monmouthshire County Council	<b>10,110</b>	<b>5,095</b>	2,206	5,133

Members of the Authority have direct control over the Welsh Church Fund's financial and operating policies. Where work or services have been commissioned, or where grants were made during the financial year in which members had an interest, members have a duty to declare such an interest. The Welsh Church Fund must ensure that grants allocated were in full compliance with the Authority's standing orders and that grants were made with proper consideration of declarations of such interests.

During the financial year, members who declared an interest did not take part in any discussion or decision relating to grants made or works or services commissioned. Details of all interests declared are recorded in minutes or relevant meetings and recorded in the Register of Members' Interest, open to public inspection at County Hall, Usk.

There are outstanding balances for expenditure of £5,095 with Monmouthshire County Council. The Trust also held a £300,000 investment fund balance with Monmouthshire County Council at the year-end.

**15 Trustee's Expenses, Remuneration and Benefits**

No Expenses, Remuneration or Benefits were incurred during the year of account

**APPENDIX 2**

**Monmouthshire Farm School Endowment  
Trust Fund**

**Annual report  
for the year ended 31 March 2023**

Registered Charity Number: 525649

**Monmouthshire Farm School Endowment Trust Fund  
Annual report for the year ended 31st March 2023**

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**Monmouthshire Farm School Endowment Trust Fund  
Annual report for the year ended 31st March 2023**

**Trustees, officers and advisers**

**Trustees**

R Edwards  
Monmouthshire County Council  
(left during year)

P Murphy  
Monmouthshire County Council

A Easson  
Monmouthshire County Council  
(left during year)

D WH Jones  
Monmouthshire County Council

B Thomas  
Blaenau Gwent County Borough Council  
(left during year)

M. Cross  
Blaenau Gwent County Borough Council  
(started in year)

Dr W O C Symondson  
University of Wales College Cardiff

R Clark  
Torfaen County Borough Council

M Feakins  
Mounmouthshire County Council  
(left during year)

B Jones  
Monmouthshire County Council  
(left during year)

M Groucutt  
Monmouthshire County Council  
(started in year)

J McKenna  
Monmouthshire County Council  
(started in year)

M. Stevens  
Monmouthshire County Council  
(started in year)

L. Wright  
Monmouthshire County Council  
(started in year)

P. James  
University College Wales Aberystwth

Helen Morgan  
Director Usk Campus – Coleg Gwent

D Havard  
Caerphilly County Borough Council  
(left in year)

C. Andrews  
Caerphilly County Borough Council  
(started in year)

**Secretary**  
Matthew Phillips  
Head of Legal Services  
Monmouthshire County Council

**Registered Office**

County Hall, The Rhadyr, Usk, NP15 1GA

**Independent Examiners**  
Audit Wales, 24 Cathedral Road, Cardiff, CF11 9LJ

**Solicitors**  
Matthew Phillips  
Head of Legal Services  
Monmouthshire County Council

**Investment custodian**  
Monmouthshire County Council

**Bankers**  
Barclays Bank  
1-5 St David's Way  
St David's Centre  
Cardiff

# **Monmouthshire Farm School Endowment Trust Fund**

## **Annual report for the year ended 31st March 2023**

CF10 2DP

### **Report of the Trustees for the year ended 31st March 2023**

The Trustees present their annual report and the independently examined financial statements for the year ended 31 March 2023 of The Monmouthshire Farm School Endowment Trust Fund. The information with respect to the Trustees, officers and advisers set out on page 1 forms part of this report. The financial statements have been prepared in accordance with the Financial Reporting Standards applicable in the UK and Republic of Ireland (FRS102) issued on 16 July 2014 and Charity Act 2011. The financial statements comply with the Charity's trust deed.

#### **Status and administration**

The Charity is governed by the 1959 Principal Scheme as amended by the Altering Scheme of 1971, although the governing body may rightly claim a history stretching back to 1894. The Fund is registered with the Charity Commission under Charity number 525649. The Trustees also have regard to the Charity Commission's guidance on public benefit.

#### **Objects**

The primary object of the Charity, as stated in its governing document, is to make awards to students in need of assistance to attend Usk Agricultural College, or at the discretion of the governing body, any other college, institution or university to pursue courses of study in agricultural subjects. The governing body can use its discretion to apply any unawarded income to provide funding towards the cost of facilities or amenities at Usk College which would benefit these students. The grants awarded have allowed the beneficiaries to pursue land based courses to enhance career opportunities. The area of benefit is clearly defined; household income is a consideration when making the award. The total grant awards were £3,871 (£9,182 in 2021/22).

#### **Review of activities and future developments**

The statement of financial activities for the year is set out on page 5 of the financial statements. A summary of the financial results and the work of the Charity is set out below.

The Fund has decreased in value by £61,321 (£29,978 increase in 2021/22) over the financial year as a result of losses on unrealised investments which exceeded income resources.

Income consists of dividends and interest from investments and cash held of £26,287 (£23,448 in 2021/22), and £1,077 (£4,716 2021/22) in respect of the annual payment from the Roger Edwards Educational Trust. Expenditure of £5,839 (£10,840 in 2021/22) primarily comprised grants payable of £3,871 (£9,182 in 2021/22) in line with the Charity's objects. An unrealised investment loss of £82,846 (£12,721 gain in 2021/22) was made in relation to investments held.

The current strategy is to ensure that there are sufficient funds to meet the needs of beneficiaries. This income generation forms the main basis of the following year's grant allocations to ensure continuity and non-

## **Monmouthshire Farm School Endowment Trust Fund Annual report for the year ended 31st March 2023**

degradation of the fund's capital assets and to perpetuate the Charity as a going concern.

### **Investment powers, policy and performance**

Under the terms of the Trust Deed, the Trustees have general powers of investment, subject to the provisions of the Trustee Act 2000. The Trustees have reviewed their investment strategy and produced an investment and fund strategy for 2022/23 which was approved by Monmouthshire County Council in its capacity as Trust administrator on 2<sup>nd</sup> March 2022. Investments are strategically placed in low-risk investments. Investment performance is reviewed periodically in light of prevailing economic changes.

### **Grant making policy**

Grants are made in pursuance of the Charity's objectives in assisting students in need to attend Usk Agricultural College, or at the discretion of the governing body, any other college, institution or university to pursue courses of study in agricultural subjects.

### **Changes in fixed assets**

The movements in fixed asset investments during the year are set out in note 7 to the financial statements.

## **Monmouthshire Farm School Endowment Trust Fund Annual report for the year ended 31st March 2023**

### **Reserves**

The Fund consists primarily of the sale proceeds of the Former Monmouthshire Farm School by the governing body of the school to Monmouthshire County Council. The Fund is entitled to receive an annual payment from The Roger Edwards Educational Trust (Charity Number 525638) equivalent to two thirds of the net annual investment and rental income accrued to the Trust.

The Trust has reviewed its fund strategy and produced an investment and fund strategy for 2022/23 which states that it is the Trust's policy to maintain funds at approximately the current level and utilise the annual income received to fund its charitable expenditure. This was approved by Cabinet on the 3rd March 2022.

### **Governance of the Charity**

Representative Trustees appointed by Monmouthshire County Council have a term of office equivalent to the term of a County Council (five years); the other representative Trustees have a term of office of three years and the co-opted Trustees have a term of office of five years. County Council Trustees are elected to the board of Trustees. Trustees that represent other organisations are internally appointed. The Trustees are listed on page 1.

### **Risk management**

Monmouthshire County Council as appointed administrator of the Trust Fund periodically review the major risks to which the Charity is exposed as part of the Authority's overall risk management processes. The Roger Edwards Educational Trust has historically provided significant income to this trust to be used for the distribution of grants. This income is received after the independent examination of the accounts and therefore this is usually late in the financial year. A risk assessment policy was approved by Cabinet on 2<sup>nd</sup> March 2022.

### **Independent examiners**

Audit Wales are the appointed independent examiners to the Charity.

### **Trustees' responsibilities**

The Trustees are required by Charity law to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Charity and of the net incoming/outgoing resources of the Charity as at the end of the financial year.

The Trustees confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31st March 2023. The Trustees also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Charity and enable them to ensure that the financial statements comply with the Charities Act 1993. They are also responsible for safeguarding the assets of the Charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **By order of the Trustees**

Trustee:

Date:



**Monmouthshire Farm School Endowment Trust Fund**  
**Annual report for the year ended 31st March 2023**

**Report of the independent examiner to the Trustees of**  
**Monmouthshire Farm School Endowment Trust Fund**

To be undertaken

**Statement of financial activities (Sofa) for the year ended 31st**

**Monmouthshire Farm School Endowment Trust Fund**  
**Annual report for the year ended 31st March 2023**

**March 2023**

	Notes	2023 Unrestricted Funds £	2022 Unrestricted Funds £
<b>Income &amp; Endowments from:</b>			
Investment income	2	26,287	23,448
Income from Roger Edwards Educational Trust		1,077	4,716
<b>Total income &amp; Endowments</b>		<b>27,364</b>	<b>28,164</b>
<b>Resources Expended</b>			
<b>Charitable expenditure</b>			
Costs of activities in furtherance of the Charity's objects			
Expenditure on charitable activities	3	(3,871)	(9,182)
Other expenditure	3 & 4	(1,968)	(1,658)
<b>Total Resources expended</b>		<b>5,839</b>	10,840
(Losses) / Gains on investment assets	5	(82,846)	12,721
<b>Net Income / (Expenditure)</b>		<b>(61,321)</b>	30,045
<b>Net movement in funds</b>			
Fund balances brought forward 1 April 2022		<b>683,970</b>	653,925
<b>Fund balances carried forward 31 March 2023</b>		<b>622,649</b>	683,970

All incoming resources and resources expended are derived from continuing activities. There are no recognised gains or losses other than those disclosed above.

**Monmouthshire Farm School Endowment Trust Fund**  
**Annual report for the year ended 31st March 2023**

	Notes	2023	2022
		Unrestricted Funds	Unrestricted Funds
		£	£
<b>Fixed assets</b>			
Investments	7	560,755	643,602
		<b>560,755</b>	643,602
<b>Current assets</b>			
Debtors: amounts falling due within one year	8	1,138	7,306
Cash at bank and in hand		62,819	34,927
		<b>63,957</b>	42,233
<b>Current Liabilities</b>			
Creditors: amounts falling due within one year	9	(2,063)	(1,865)
<b>Net current assets</b>		<b>61,894</b>	40,368
<b>Net assets</b>		<b>622,649</b>	683,970
<b>The Funds of the Charity:</b>			
Unrestricted Funds	10	622,649	683,970
<b>Total Charity funds</b>		<b>622,649</b>	683,970

The financial statements were approved by the Trustees on 17th July 2023 and signed on their behalf by:

Trustee:

Date:

**Notes to the financial statements for the year ended 31<sup>st</sup> March**

# **Monmouthshire Farm School Endowment Trust Fund**

## **Annual report for the year ended 31st March 2023**

### **2023**

## **1 Principal accounting policies**

### **Basis of accounting**

The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standards applicable in the UK and Republic of Ireland (FRS102) issued on 16 July 2014 and the Financial Reporting Standard applicable in the United Kingdom and Republic (FRS 102) and Charity Act 2011.

The trust constitutes a public benefit entity as defined by FRS 102. The Trustees consider that there are no material uncertainties about the Trust's ability to continue as a going concern.

### **Resources expended**

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with the use of resources.

### **Incoming Resources**

All income received is accounted for on a receivable basis and has been classified under the appropriate categories. The income from the Roger Edwards Educational Trust is an estimate of the income to be received for the year.

### **Grants payable**

Grants payable are accounted for in full as liabilities of the Charity when approved by the Trustees and accepted by the beneficiaries.

### **Management and administration**

Monmouthshire County Council administer the Trust Fund on behalf of the Trustees. Management and administration costs include expenditure on administration of the Charity and compliance with constitutional and statutory requirements, and an appropriate apportionment of support service recharges and overhead apportionments. The basis of the apportionment is a fixed fee agreed with the Trustees of £200 per year.

### **Debtors/ Creditors**

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### **Irrecoverable VAT**

Any irrecoverable VAT is charged to the statement of financial activities, or capitalised as part of the cost of the related asset, where appropriate.

### **Recognition of liabilities**

Liabilities are recognised when an obligation arises to transfer economic benefits as a result of past transactions or events.

### **Fund accounting**

General funds are available for use at the discretion of the Trustees in furtherance of the general objectives of the Charity. Investment income and gains are allocated to the appropriate fund.

### **Investments**

Investments are included at market value at the balance sheet date. Any realised and unrealised gains and losses on revaluation or disposals are combined in the statement of financial activities.

### **Assumptions made about the future and other major sources of estimation uncertainty**

## Monmouthshire Farm School Endowment Trust Fund Annual report for the year ended 31st March 2023

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

The items in the Trust's Balance Sheet at 31st March 2023 for which there is a significant risk of adjustment in the forthcoming financial year are as follows:

### The revaluation of investment property and property funds

Changes in the valuation assumptions used, together with significant changes in rental growth could affect (increase or decrease) the fair value of property-based investments. Indicative net asset statements for property funds are subject to uncertainty at the reporting date and the valuation for pooled property funds and investment property is less reliable than usual. As the investments are held on a long-term strategy basis, the fund does not foresee any long-term negative effect in the generation of future income streams.

### Transition to FRS 102

The opening fund position at the date of transition has not been restated and no subsequent restatement of items has been required in making the transition to FRS 102. The transition date was 1 April 2016.

### Cash flow statement

The Charity has taken exemption from preparing a cash flow under Charities SORP FRS 102 Update Bulletin 1.

## 2 Income from Investments

	2023	2022
	£	£
Interest on cash balances	1,072	151
Interest on Investments	25,215	23,297
	<b>26,287</b>	<b>23,448</b>

## 3 Expenditure on Charitable Activities

	2023	2022
	£	£
Grants payable	(3,871)	(9,182)
Management & administration	(1,968)	(1,658)
	<b>(5,839)</b>	<b>(10,840)</b>

Grants payable comprise numerous payments to individual students in respect of full time and part-time courses attended. It is not possible to provide further details due to restrictions of confidentiality.

## 4 Governance Costs

**Monmouthshire Farm School Endowment Trust Fund**  
**Annual report for the year ended 31st March 2023**

	2023	2022
	£	£
Net incoming resources is stated after charging:		
Independent Examiner's remuneration	(1,458)	(1,458)
	<b>(1,458)</b>	<b>(1,458)</b>

No indemnity insurance for Trustees liability has been purchased by the Charity. Though no specific indemnity insurance has been purchased by the Charity, the Fund is covered by Monmouthshire County Council's fidelity guarantee insurance. Insurance covers financial losses incurred as a result of fraudulent acts conducted by Authority employees but does not cover the Trustees for any wrong decisions that may have been made. Governance costs have remained the same during the year as a result of the Public Audit Wales Act and in particular the duty placed on the Wales Audit Office to ensure full cost recovery in its audit fees. The audit fee is included in the management and administration spend as per note 3.

## 5 Gains and losses on revaluation and disposal of investment assets

	Market Value	Market Value	Gain/(Loss)
	2022	2023	
	£	£	£
Charibond	224,812	208,660	(16,151)
OEIC	168,600	141,092	(27,508)
COIF	250,190	211,003	(39,187)
Total	643,602	560,755	(82,846)

## 6 Taxation

The Charity is a registered charity, and as such is entitled to certain tax exemptions on income and profits from investments, and surpluses on any trading activities carried on in furtherance of the Charity's primary objectives, if these profits and surpluses are applied solely for charitable purposes.

The Charity falls with Monmouthshire County Council regulations for VAT, and therefore any liability is accounted for within Monmouthshire County Council.

## 7 Fixed asset investments

**Total**

**Monmouthshire Farm School Endowment Trust Fund**  
**Annual report for the year ended 31st March 2023**

	£
Valuation at 1 April 2022	643,602
Purchase	0
Net revaluation loss	82,846
<b>Valuation at 31 March 2023</b>	<b>560,755</b>

Fixed asset investments solely consist of the quoted investments. All investments are stated at their market value at 31st March 2023. The historical cost of the investments at 31st March 2023 was £639,000. All of the Charity's investments are quoted in the UK. The details of these are disclosed in the table below, being Charibond, COIF and OEIC Fund.

Investments with a market value greater than 5% of the total portfolio market value at 31st March 2023 are as follows:

	£	%
COIF	211,003	38%
Charibond	208,660	37%
OEIC Fund	141,092	25%

The percentage shown above is the percentage of the total portfolio market value as at 31<sup>st</sup> March 2023.

## 8 Debtors

	2023	2022
	£	£
<b>Amounts falling due within one year</b>		
REET	1,076	4,716
Other	62	2,590
	1,138	7,306

## 9 Creditors

**Monmouthshire Farm School Endowment Trust Fund**  
**Annual report for the year ended 31st March 2023**

	2023 £	2022 £
<b>Amounts falling due within one year</b>		
Accruals and deferred income	(2,063)	(1,865)
	<b>(2,063)</b>	<b>(1,865)</b>

The amounts owed relate to audit fees and payments to Monmouthshire County Council to administer the trust.

## 10 Unrestricted Funds

	Balance 1 April 2022 £	Incoming resources £	Resources Expended £	Investment Gain/(Loss) £	<b>Balance 31 March 2023 £</b>
Permanent endowed funds	683,970	27,364	(5,839)	(82,846)	622,649

## 11 Related party transactions

No remuneration directly or indirectly out of the funds of the Charity was paid or payable for the year to any Trustees. Payments have been made to Monmouthshire County Council respect of management and administration expenses.



## APPENDIX 3

Charity Registration No: 523661

### **Llanelly Hill Social Welfare Centre Trust Fund** **Statement of financial activities for the year ended 31<sup>st</sup> March** **2023**

	2023	2022
	£	£
<hr/>		
<i>Incoming resources</i>		
Income Generated by Management Committee	3,036	5,541
Contribution from Monmouthshire County Council	0	0
<b>Total incoming resources</b>	<b>3,036</b>	<b>5,541</b>
<hr/>		
<b>Charitable expenditure:</b>		
Costs of activities in furtherance of the Charity's objects		
Management and Maintenance	4,859	5,355
<b>Total resources expended</b>	<b>4,859</b>	<b>5,355</b>
<b>Net Gain / (Loss) before transfers</b>	<b>(1,823)</b>	186
<b>Net incoming resources before fixed asset revaluations</b>	<b>0</b>	0
Gains/(losses) on the revaluation of fixed assets	0	0
<b>Net movement in funds</b>	<b>0</b>	0
Fund balances brought forward 1 April	68,236	68,050
<b>Fund balances carried forward 31 March</b>	<b>66,413</b>	<b>68,236</b>

Charity Registration No: 523661

**Llanelly Hill Social Welfare Centre Trust Fund**

**Balance Sheet at 31st March 2023**

	2023	2022
	£	£
<b>Fixed assets</b>		
Building and Land	65,000	65,000
	<b>65,000</b>	65,000
<b>Current assets</b>		
Debtors: amounts falling due within one year	66,747	63,711
Creditors: amounts falling due within one year	65,334	60,475
<b>Net current Liabilities</b>	1,413	3,236
<b>Total assets less current liabilities</b>	<b>0</b>	0
<b>Net assets</b>	<b>66,413</b>	68,236
<b>Reserves:</b>		
Endowment capital	66,413	68,236
<b>Total funds</b>	<b>66,413</b>	68,236



**SUBJECT: MONMOUTHSHIRE COUNTY COUNCIL  
ANNUAL GOVERNANCE STATEMENT (2022/23)**

**DIRECTORATE: Resources**  
**MEETING: Governance & Audit Committee**  
**DATE: 27<sup>th</sup> July 2023**  
**DIVISION/WARDS AFFECTED: All**

## 1. PURPOSE

To receive a **draft** version of the Council's Annual Governance Statement [Appendix 1] prior to inclusion into the Statement of Accounts 2022/23.

## 2. RECOMMENDATION(S)

That the Governance & Audit Committee contribute to the appropriateness and content of the draft Annual Governance Statement (2022/23). Considers the review of effectiveness and the assessment made against each of the governance principles. The Committee endorses the Annual Governance Statement for inclusion within the Draft Statement of Accounts 2022/23.

## 3. KEY ISSUES

- 3.1 Corporate Governance is about doing the right thing at the right time for the right people in an open and transparent way. The Councils Code of Corporate Governance [Appendix 2] was presented to the Council's former Audit Committee in June 2020 and approved by Cabinet in September 2021.
- 3.2 The Code of Corporate Governance, which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) Framework 'Delivering Good Governance in Local Government', was approved by Council in July 2011; the Code was revised and updated in May 2014 and more recently in 2020. A copy of the Code is available from the Chief Internal Auditor. This Annual Governance Statement explains how the Council has complied with the Code, the updated 2016 guidance and also meets the requirements of the Accounts and Audit (Wales) Regulations 2014, the Local Government Measure and the Local Government & Elections (Wales) Act 2021.
- 3.3 The Annual Governance Statement demonstrates that Monmouthshire County Council has appropriate governance arrangements in place to meet the governance principles and that a review has been undertaken to assess the effectiveness of those arrangements.
- 3.4 This Statement has been prepared in accordance with guidance produced by CIPFA and SOLACE, the 'Delivering Good Governance in Local Government Framework 2016' and Delivering Good Governance in Local Government Guidance Notes for Welsh Authorities 2016'. It embraces the elements of internal financial control required by the 'Code of Practice on Local Authority Accounting in the United Kingdom'.

- 3.5 Monmouthshire County Council is responsible for ensuring that its business is conducted in accordance with the law and to proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 3.6 The Council is also required to self-assess its governance and performance as outlined in the Local Government and Elections (Wales) Act 2021. Any recommendations or actions from this Governance Statement for the Council will be integrated into the Council's Annual Wellbeing and Self-Assessment Report.
- 3.7 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and which includes arrangements for the management of risk.

#### **4 The Purpose of the Governance Framework**

- 4.1 The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 4.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk or failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 4.3 The governance framework has been in place at the Council for the year ended 31 March 2023 and up to the date of approval of the statement of accounts.
- 4.4 The Statement itself [Appendix 1] demonstrates that Monmouthshire has appropriate governance arrangements in place to meet the challenges of the governance principles and that a review has been undertaken to assess the effectiveness of those arrangements. The Council can demonstrate that in the majority of areas it has effective governance arrangements in place which are continually improving, but also recognises that there is always further work to do.

#### **5 The Governance Framework**

- 5.1 The Council's Code of Corporate Governance has been developed in line with the following principles:

Overarching requirements for acting in the public interest:

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- B. Ensuring openness and comprehensive stakeholder engagement

In addition achieving good governance in the Council requires effective arrangements for:

- C. Defining outcomes in terms of the economic, social, environmental and cultural benefits

- D. Determining the interventions necessary to optimise the achievement of the intended outcomes
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it
- F. Managing risks and performance through robust internal control and strong public financial management
- G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

## **6 REASONS**

- 6.1 In accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014 an Annual Governance Statement must be prepared and included within the Council's year-end financial statements. The Council is now required to self-assess its governance and performance as outlined in the Local Government and Elections (Wales) Act 2021.

## **7 RESOURCE IMPLICATIONS**

None.

## **8 CONSULTEES**

MCC Corporate Governance Group;  
Deputy Chief Executive & Chief Officer Resources  
Chief Officer People and Governance  
Head of Policy, Performance & Scrutiny  
Head of Finance  
Head of Workforce Planning & Development  
Head of Info Technology & Security  
Head of Public Protection  
Performance & Data Insight Manager  
Corporate Health & Safety Manager  
Audit Manager

## **9 BACKGROUND PAPERS**

MCC Code of Corporate Governance

## **10 AUTHOR AND CONTACT DETAILS**

Jan Furtek, Audit Manager  
Telephone: 01600 730521  
Email: [janfurtek@monmouthshire.gov.uk](mailto:janfurtek@monmouthshire.gov.uk)



# ANNUAL GOVERNANCE STATEMENT

## 2022/23

Date of Report Issue

11<sup>th</sup> July 2023

Report Status

Draft v6 (G&AC)

Report Author

Page 86  
Jan Furtek, Audit Manager



**Executive Summary**

This Annual Governance Statement demonstrates that Monmouthshire County Council has appropriate governance arrangements in place to meet the challenges of the governance principles and that a review has been undertaken to assess the effectiveness of those arrangements. The Council can demonstrate that it has effective governance arrangements in place across the organisation which are continually improving, but also recognise that there is always further work to do.

The Council has managed to maintain the majority of its governance arrangements this year and has sound and effective arrangements in place in the services it delivers. The Code of Corporate Governance was presented to the Council's former Audit Committee in June 2020 and approved by Cabinet in September 2021.

Audit Wales's review of Good Governance (2017) concluded that the Council has a clear strategic approach for significant changes, although better information would help Members when deciding the future shape of the Council. This has been addressed.

The Council is now required to self-assess its governance and performance as outlined in the Local Government and Elections (Wales) Act 2021. Any recommendations or actions from this Governance Statement for the Council will be integrated into the Council's Annual Wellbeing and Self-Assessment Report.

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- 1 This Statement has been prepared in accordance with guidance produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE), the 'Delivering Good Governance in Local Government Framework 2016' and Delivering Good Governance in Local Government Guidance Notes for Welsh Authorities 2016'. It embraces the elements of internal financial control required by the 'Code of Practice on Local Authority Accounting in the United Kingdom'.
- 2 The Statement itself demonstrates that Monmouthshire has governance arrangements in place to meet the challenges of the governance principles and that a review has been undertaken to assess the effectiveness of those arrangements. We have demonstrated that in most areas we have effective governance arrangements in place which are continually improving, but also recognise that there is further work to do. Progress against the 2021/22 Action Plan is shown on page 30.

### **Scope of Responsibility**

- 3 Monmouthshire County Council (the Council) (MCC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government (Wales) Measure 2011 and the Local Government and Elections (Wales) Act 2021 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to strategic effectiveness, service quality, service availability, fairness, sustainability, efficiency and innovation.
- 4 In discharging these responsibilities, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and which includes arrangements for the management of risk.
- 5 The Council's financial management arrangements conform to the governance requirements of the 'CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)'.
- 6 The **Code of Corporate Governance**, which is consistent with the principles of the CIPFA / SOLACE Framework 'Delivering Good Governance in Local Government', was initially approved by Council in July 2011; the Code was revised and updated again in June 2020, approved by Cabinet in September 2021. A copy of the Code is available from the Chief Internal Auditor. This statement explains how the Council has complied with the revised Framework and Guidance (2016) and also meets the requirements of the Accounts and Audit (Wales) Regulations 2014. The revised Code sets out what governance arrangements are in place within Monmouthshire CC for each of the Governance Principles. The Council plan to review the Code of Corporate Governance during the 2023/24 financial year as an area for future improvement (action 2).

### **The Purpose of the Governance Framework**

- 7 The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads in the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 8 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, outcomes and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised. Appropriate internal controls also ensure the Council's resources are utilised, and services are delivered efficiently, effectively and economically.
- 9 The governance framework has been in place at the Council for a number of years and continued to be in place for the year ended 31<sup>st</sup> March 2023 and up to the date of approval of the statement of accounts.

## The Governance Framework

- 10** The Council's Code of Corporate Governance is in line with the CIPFA / SOLACE Framework 'Delivering Good Governance in Local Government' principles:

Overarching requirements for acting in the public interest:

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- B. Ensuring openness and comprehensive stakeholder engagement

In addition, achieving good governance in the Council requires effective arrangements for:

- C. Defining outcomes in terms of sustainable economic, social, environmental and cultural benefits
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it
- F. Managing risks and performance through robust internal control and strong public financial management
- G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

### Wellbeing of Future Generations (Wales) Act 2015

- 11** Monmouthshire has to demonstrate it is compliant with the Well-being of Future Generations (WFG)(Wales) Act 2015 and this complements the way it functions in line with the above principles of good governance; the core behaviours being:

- behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law; and
- ensuring openness and comprehensive stakeholder engagement

This needs to be applied to the five ways of working outlined in the 2015 Act. These five ways of working have to permeate all segments of delivering outcomes which, in turn, should ensure effective use of resources as the Council maximises its contribution to the economic, social, environmental and cultural well-being of Monmouthshire and Wales.

- Long Term
- Prevention
- Integration
- Collaboration
- Involvement

- 12** The key elements of the Council's governance arrangements are set out in its Corporate Plan 2017-2022, "A Monmouthshire that works for everyone" which was approved by Council in February 2018. A mid-term refresh was presented to Council in March 2020.

- 13** Since the Local Government elections in May 2022, a new administration and new Leader of the Council were elected. The administration has been working without a majority. Over the course of the year this administration, along with officers, developed a Community and Corporate Plan 2022-28. This was approved by Council on 20<sup>th</sup> April 2023.

- 14 As part of the requirements of the Well-being of Future Generations (Wales) Act 2015 the Public Service Board (PSB) is focused on improving social, economic, environmental and cultural wellbeing, in accordance with the sustainable development principle. Public Service Boards have a planning responsibility to prepare and publish an assessment of local well-being, produce a local well-being plan and report annually on its progress.
- 15 During 2021/22 Monmouthshire PSB merged with other local PSBs to form the Gwent PSB. The PSB presented its annual report 2021/22 in July 2022 to the Public Services Scrutiny Committee.
- 16 Over the course of the 2022/23 financial year, the Gwent PSB 'Draft Gwent Wellbeing Plan' was considered twice by the Public Services Scrutiny Committee. The Committee raised a number of concerns regarding the draft plan and questioned the efficacy of the pre-decision scrutiny of the plan. The Committee agreed to write to the Leader of the Council to highlight their concerns.

**Review of Effectiveness**

- 17 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Strategic Leadership Team within the Authority which has responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.
- 18 The review of effectiveness has been completed using a six point scale which is used within Monmouthshire County Council to assess the performance framework and progress with the Community and Corporate Plan.

Level	Definition	Description
6	Excellent	Excellent or outstanding – All performance measures have achieved the target set and all actions have been delivered.
5	Very Good	Major strengths – A significant majority of actions and measures are on track. No more than one or two falling short.
4	Good	Important strengths with some areas for improvement – The weight of evidence shows that the successes are greater than the areas that have not been achieved.
3	Adequate	Strengths just outweigh weaknesses – The evidence of success marginally outweighs areas that are not on track. Some actions are behind schedule and some measures are falling short of planned targets.
2	Weak	Important weaknesses – The majority of measures and actions have not been achieved.
1	Unsatisfactory	Major weakness – In most areas performance is assessed as moving in the wrong direction and the vast majority of actions have not been delivered

- 19 The governance arrangements continue to be regarded as fit for purpose.

**Chief Internal Auditor Statement and Annual Opinion**

- 20 The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an annual opinion based upon and limited to the work performed on the overall adequacy and effectiveness of Monmouthshire County Council's framework of governance, risk management and internal control. This is achieved through a risk-based plan of work, agreed with management, which should provide a reasonable level of assurance. The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation.

The Internal Audit team has completed its internal audit work for the year based upon the Operational Audit Plan approved by the Governance & Audit Committee in June 2022. The Plan was designed to ensure adequate coverage over the Council's financial and operational systems using a risk based assessment methodology.

The audit work included reviews, on a sample basis, of each of these systems/establishments sufficient to discharge the Authority's responsibilities for Internal Audit under section 151 of the Local Government Act 1972 and The Accounts and Audit (Wales) Regulations 2014. The opinion is based upon the work undertaken. Work was planned in order to provide sufficient evidence to give me reasonable assurance of the internal control environments tested.

The 2022/23 Audit opinion is partially reliant on previous work undertaken by the team where Reasonable Assurance opinions were issued; there have been no significant changes to the organisation's systems or key personnel and no major frauds were identified.

Internal Audit opinions on the work undertaken at the Shared Resource Service by Torfaen Internal Audit team were also taken into consideration.

Based on the planned work undertaken during the year, in my view the internal controls in operation give **Reasonable Assurance**; *Adequately controlled, although some risks identified which could compromise the overall control environment. Improvements required.*

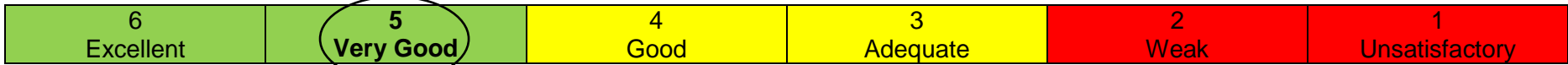
The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation.

Jan Furtek  
Audit Manager (Acting Chief Internal Auditor)  
June 2023

It is worth noting that the following changes to key Governance positions have occurred within Monmouthshire County Council between the end of the 2022/23 financial year and the date of publication of the Annual Statement of Accounts.

- The Chief Internal Auditor left the Authority in April 2023. The duties of this position are being fulfilled by the Audit Manager who is suitably qualified to undertake this role.
- The Chief Officer People & Governance is due to leave the Council in July 2023. A recruitment process is currently on-going to appoint into this key position which will be redesignated as the Chief Officer for Law & Governance.

**Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**



The Council is accountable not only for how much it spends, but also for how we use the resources under our stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes we have achieved. In addition, we have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, we can demonstrate the appropriateness of all our actions and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement																
<b>Behaving with integrity</b> Page 93	<ul style="list-style-type: none"> <li>▪ Members Code of Conduct in Constitution which reflects Local Authorities (Model Code of Conduct) (Wales) Order 2016</li> <li>▪ Officers Code of Conduct in Constitution</li> <li>▪ Registers of interests / hospitality</li> <li>▪ Induction training</li> <li>▪ Member/Officer Protocol in Constitution</li> <li>▪ Member led Authority principles/document</li> <li>▪ Member training programme</li> <li>▪ Council Values — Openness, Fairness, Flexibility, Teamwork, Kindness</li> <li>▪ Whistleblowing Policy</li> <li>▪ Anti-Fraud, Bribery and Corruption Policy</li> <li>▪ Standards Committee</li> <li>▪ Standards Committee Annual Report presented to Council</li> <li>▪ Member Dispute Resolution</li> <li>▪ Complaints procedure</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Code of Conduct for Members and the protocol on Member / Officer relationships are set out in the Constitution, was updated in May 2022.</li> <li>▪ The Standards Committee, which includes a majority of independent representatives, advises on and monitors the Members’ Code of Conduct, the Protocol for Member/Officer Relations, and any other Codes relating to the conduct of Members. The Standards Committee met 2 times during 2022/23.</li> <li>▪ Public Service Ombudsman Wales Annual Report (2021/22) was presented to Cabinet in October 2022.</li> <li>▪ Conduct Complaints about MCC Members received by the Public Services Ombudsman:</li> </ul> <table border="1" style="margin-left: 20px;"> <thead> <tr> <th></th> <th>2019/20</th> <th>2020/21</th> <th>2021/22</th> </tr> </thead> <tbody> <tr> <td>Not upheld</td> <td>2</td> <td>1</td> <td>2</td> </tr> <tr> <td>Referred to Standards Committee</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>Referred to Adjudication Panel</td> <td>0</td> <td>0</td> <td>0</td> </tr> </tbody> </table>		2019/20	2020/21	2021/22	Not upheld	2	1	2	Referred to Standards Committee	0	0	0	Referred to Adjudication Panel	0	0	0	<ul style="list-style-type: none"> <li>▪ Establish a ‘Governance Working Group’ to discuss and review the Governance arrangements across Monmouthshire Council to ensure they are fit for purpose. (Action 1)</li> <li>▪ As part of the Governance Working Group, review the Council’s Code of Corporate Governance. (Action 2)</li> </ul>
	2019/20	2020/21	2021/22																
Not upheld	2	1	2																
Referred to Standards Committee	0	0	0																
Referred to Adjudication Panel	0	0	0																

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement				
	<ul style="list-style-type: none"> <li>▪ Decision 'Call In' process</li> </ul>	<table border="1" data-bbox="943 169 1675 256"> <tr> <td>TOTAL COMPLAINTS CLOSED</td> <td>2</td> <td>1</td> <td>2</td> </tr> </table> <ul style="list-style-type: none"> <li>▪ No judicial reviews were commenced or dealt with at the pre-action stage in the previous year.</li> <li>▪ The Governance &amp; Audit Committee met 9 times during 2022/23 and has the responsibility for ensuring that sufficient checks are in place to identify any potential misconduct within the authority.</li> </ul>	TOTAL COMPLAINTS CLOSED	2	1	2	
TOTAL COMPLAINTS CLOSED	2	1	2				
<p style="text-align: center;"><b>Demonstrating strong commitment to ethical values</b></p> <p style="text-align: center;">Page 94</p>	<ul style="list-style-type: none"> <li>▪ Council Values — Openness, Fairness, Flexibility, Teamwork, Kindness</li> <li>▪ Contract procedure rules</li> <li>▪ Financial procedure rules</li> <li>▪ Codes of conduct for members and employees</li> <li>▪ Whistleblowing Policy</li> </ul>	<p>The ethical governance framework includes:</p> <ul style="list-style-type: none"> <li>▪ Codes of conduct for officers and Members.</li> <li>▪ A protocol governing Member/Officer relations.</li> <li>▪ A whistle-blowing policy widely communicated within the Council.</li> <li>▪ Registers of personal and business interests for Members.</li> <li>▪ Declarations of interests for Chief Officers.</li> <li>▪ An agreed policy and associated corporate procedures for ensuring that complaints about services can be properly made and investigated, and for ensuring that any lessons learnt can be applied.</li> <li>▪ All exemptions of the Contract Procedure Rules are reported through the Governance &amp; Audit Committee periodically. The Internal Audit team co-ordinates the exemption process in conjunction with strategic procurement.</li> <li>▪ The Governance &amp; Audit Committee has the opportunity to call in senior managers during the year and challenge them on why a procurement process went outside the Council's normal tendering processes. There were no call-ins during 2022/23.</li> <li>▪ A Scrutiny and Executive Protocol is in place which is aligned to the updated constitution of May 2022 and provides parameters for effective executive and scrutiny relationships.</li> </ul>					
<p><b>Respecting the rule of law</b></p>	<ul style="list-style-type: none"> <li>▪ Member and Officer Code of Conduct in Constitution</li> <li>▪ Role of Chief Executive, Section 151 Officer and Monitoring Officer established in Constitution</li> <li>▪ CIPFA statement on the Role of the Chief Financial Officer</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Constitution is updated periodically by the Monitoring Officer; the latest update approved by Council was in May 2022. It can be found on the Council's intranet and website.</li> <li>▪ To ensure agreed procedures and all applicable statutes are complied with, the Monitoring Officer attends full Council meetings, Cabinet and SLT. To ensure sound financial management is a key factor in decisions, the Deputy Chief</li> </ul>					

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
	<ul style="list-style-type: none"> <li>▪ Anti-Fraud, Bribery and Corruption Policy</li> <li>▪ Governance &amp; Audit Committee</li> <li>▪ Internal Audit Section</li> <li>▪ Internal Audit Annual Report presented to Governance &amp; Audit Committee</li> <li>▪ External Auditors Annual Audit Letter</li> <li>▪ Standards Committee</li> <li>▪ Whistleblowing Policy</li> <li>▪ Complaints procedure</li> <li>▪ Decision 'Call In' process</li> </ul>	<p>Executive and Chief Officer Resources (S151 Officer) attends SLT, Cabinet and Council meetings.</p> <ul style="list-style-type: none"> <li>▪ In accordance with the Local Government and Housing Act, 1989, the Monitoring Officer ensures compliance with established policies, procedures, laws and regulations. After appropriate consultation, this officer will report to the full Council in respect of any proposals, decisions or omissions which could be unlawful or which have been subject of an Ombudsman Investigation resulting in a finding of maladministration. The Monitoring Officer has not issued a Section 5 report in 2022/23, or in the previous year, 2021/22.</li> <li>▪ An Anti-Bribery compliance update and annual risk assessment was presented to the Governance &amp; Audit Committee by the Deputy Chief Executive (S151 Officer) in October 2022.</li> </ul>	

**Principle B: Ensuring openness and comprehensive stakeholder engagement**

6 Excellent	5 <b>Very Good</b>	4 Good	3 Adequate	2 Weak	1 Unsatisfactory
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Local government is run for the public good; organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
<p><b>Openness</b></p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 96</p>	<ul style="list-style-type: none"> <li>▪ Agendas published in advance of meetings</li> <li>▪ Minutes published following meetings</li> <li>▪ Democratic meetings live streaming on YouTube</li> <li>▪ Decision making process described in Constitution</li> <li>▪ Forward Plan published on internet showing key decisions to be made by Council and Cabinet</li> <li>▪ Annual budget consultation</li> <li>▪ Freedom of Information Scheme</li> <li>▪ Public questions at Council, Cabinet and Select Committees</li> <li>▪ Engagement with hard to reach groups, including those with the protected characteristics defined by the Equality Act 2010. As well as engagement with children and young people to meet the requirement of the United Nations Convention on the Rights of the Child (UNCRC).</li> </ul>	<ul style="list-style-type: none"> <li>▪ Agendas are published in advance of all meetings on the Council’s website; corresponding minutes are published post meeting.</li> <li>▪ Transparency and openness are important to Monmouthshire; the Annual Statement of Accounts was taken through the Governance &amp; Audit Committee process before being endorsed by Cabinet and Council. All Council decisions, reports and questions asked by Members are available on the website. Financial information, Corporate Plan progress, Council activities, achievements, developments, updates and events were included on the Council’s intranet and website. All public meetings of the Council are live streamed and are available to view on the Council’s YouTube channel at any time after the meeting, which provides greater transparency of the Council’s business.</li> <li>▪ A Forward Plan showing key decisions to be made by Council, Cabinet and Committees is published.</li> <li>▪ The Council’s website contains links to the following areas of open data in the interests of openness:               <ul style="list-style-type: none"> <li>○ List of expenditure over £500</li> <li>○ Our spend data as a useful dashboard</li> <li>○ Food Hygiene ratings</li> <li>○ List of Primary Schools</li> <li>○ List of Secondary Schools</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ Review the minute taking process and assess any opportunities to further digitise. (Action 3)</li> <li>▪ Increase the number of datasets published on the council’s website. (Action 4)</li> </ul>



Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
<p>Page 97</p>	<ul style="list-style-type: none"> <li>▪ Publication of open data sets on the Council’s website</li> </ul>	<p>Following a decision of the First Tier Information Rights Tribunal (EA/2018/0033) the Authority no longer publishes business rates data on its open data web page. It will no longer disclose information about business rate accounts in response to FOI requests.</p> <ul style="list-style-type: none"> <li>▪ Policy and decision-making is facilitated through (i) Council and Cabinet; the meetings of which are open to the public and live streamed online except where exempt or confidential matters are being discussed, and (ii) a scheme of delegation to committees and officers as set out in the Constitution: Four Scrutiny Committees (including the statutory Public Services Scrutiny Committee) and a separate Governance &amp; Audit Committee review, scrutinise and hold to account the performance of the Cabinet, decision-making committees and officers. A Scrutiny “Call-In” process for decisions which have been made but not yet implemented is incorporated in the Constitution in order to consider their appropriateness.</li> <li>▪ Implementing Open Government standards which enable us to effectively engage with our citizens and open up our data for anyone who needs to use it. Making the most of digitisation and digital inclusion to enable us to engage with people across our County.</li> <li>▪ Corporate risks are published.</li> </ul>	
<p><b>Engaging comprehensively with institutional stakeholders</b></p>	<ul style="list-style-type: none"> <li>▪ Gwent Public Service Board Partnership arrangements and structure</li> <li>▪ Monmouthshire Public Service Board Well-Being Plan</li> <li>▪ Gwent Public Service Board Well-Being Plan</li> <li>▪ Public Services Select Committee</li> </ul>	<ul style="list-style-type: none"> <li>▪ In May 2018, Monmouthshire Public Services Board (PSB), adopted their Well-being Plan in line with the requirements of the Well-being of Future Generations (Wales) Act. The plan was informed by the Monmouthshire Well-being Assessment which sought the views of Monmouthshire residents and draws together findings from data, academic research and policy papers and the views of local people. This Plan was challenged publicly through Public Services Select Committee, July 2021. During 2021/22 several local PSBs merged to form the Gwent Public Services Board. A Gwent wide well-being assessment has been produced, including an assessment of well-being in Monmouthshire and local communities within the county, March 2022.</li> </ul>	

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
		<ul style="list-style-type: none"> <li>▪ Over the course of the 2022/23 financial year, the Gwent PSB 'Draft Gwent Wellbeing Plan' was considered twice by the Public Services Scrutiny Committee. The Committee raised a number of concerns regarding the draft plan and questioned the efficacy of the pre-decision scrutiny of the plan. The Committee agreed to write to the Leader of the Council to highlight their concerns.</li> </ul>	
<p><b>Engaging stakeholders effectively, including individual citizens and service users</b></p> <p style="text-align: center;">Page 98</p>	<ul style="list-style-type: none"> <li>▪ Ward role of Councillors</li> <li>▪ Consultations on the council website and social media platforms</li> <li>▪ Complaints Policy and Annual Report</li> <li>▪ Medium Term Financial Plan (MTFP)</li> <li>▪ Complaints procedure</li> <li>▪ Integrated Impact Assessment including Future Generations evaluation and Equality Impact Assessment, on decision reports</li> <li>▪ Strategic Equality Plan</li> <li>▪ Communication via Social Media</li> </ul>	<ul style="list-style-type: none"> <li>▪ Social media e.g. Twitter, Facebook and YouTube, are used to engage local people and communicate the corporate message. Scrutiny Committees hold a Public Open Forum on each agenda and the public can attend meetings remotely or in person. They can also submit written, audio or video representations to Scrutiny Committees and submit suggested topics for the scrutiny forward work programme via the Scrutiny Website <a href="http://www.monmouthshire.gov.uk/scrutiny">www.monmouthshire.gov.uk/scrutiny</a>. Chief Officers, Members and the Communications team are very proactive in engaging with the public.</li> <li>▪ Public engagement events and YouTube continued to be used in 2022/23 for the budget proposals. The Council has encouraged the community within Monmouthshire to actively contribute to making stepped changes to improve the way in which services are provided. This links back to the principles of the Well-being of Future Generations Act which sets out five ways of working including involvement.</li> <li>▪ The Medium Term Financial Plan supports the vision for Monmouthshire and extensive public engagement continued in 2022/23 for the 2023/24 budget and Medium Term Financial Plan which engaged with the public in their own community; this included website, social media, drop in sessions, Cabinet Member YouTube video and open meetings.</li> </ul>	

**Principle C: Defining outcomes in terms of sustainable economic, social and environmental benefits**

6 Excellent	5 <b>Very Good</b>	4 Good	3 Adequate	2 Weak	1 Unsatisfactory
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The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the authority's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
<p><b>Defining Outcomes</b></p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 99</p>	<ul style="list-style-type: none"> <li>▪ Corporate Plan produced and reviewed annually in accordance with Local Government &amp; Elections Act 2021 and 'Wellbeing Objectives' in Wellbeing of Future Generations (Wales) Act 2015</li> <li>▪ Quarterly, six monthly &amp; annual Performance Monitoring Reports</li> <li>▪ Corporate Plan Annual Self-Assessment Report</li> <li>▪ Public Service Board Well-being Plan annual report</li> <li>▪ Service Business Plans produced annually and reviewed quarterly by each service area.</li> <li>▪ Monthly Financial Monitoring meetings held for each service area</li> <li>▪ Risk Management Policy and Guidance</li> <li>▪ Whole Authority Strategic Risk Register</li> <li>▪ Capital Review Programme</li> <li>▪ Self-Assessment report</li> </ul>	<ul style="list-style-type: none"> <li>▪ In March 2018 Council approved the Council's Corporate Plan 2017-2022, which incorporated the Council's well-being objectives, and endorsed the Area Plan. The well-being objectives bring together the latest evidence from the well-being assessment, policy and legislation and show how the Council strives to deliver a public service that meets the needs of the present without compromising the ability of future generations to meet their own needs. The Well-being Objectives are incorporated within the Corporate Plan.</li> <li>▪ Over the course of the 2022/23 year, following the local government elections in May 2022, Officers have worked with the new administration to develop a Community &amp; Corporate Plan for 2022-2028. Draft plans were submitted to and considered by Full Council in October 2022, and January 2023 prior to it being approved in April 2023.</li> <li>▪ The Community &amp; Corporate Plan 2022-2028, "Taking Monmouthshire Forward" sets a purpose 'To become a zero-carbon county, supporting well-being, health and dignity for everyone at every stage of life'. This is underpinned by the Councils 6 objectives (fair place, green place, thriving &amp; ambitious place, safe place, connected place and learning place) and 5 values (teamwork, openness, fairness, flexibility and kindness).</li> <li>▪ Monmouthshire County Council is a member of the Gwent PSB (July 2021), where we work with other public services and the</li> </ul>	<ul style="list-style-type: none"> <li>▪ Review the revenue and capital budget process and the Councils financial strategy. (Action 5)</li> </ul>

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
<p>Page 100</p>		<p>voluntary sector on the delivery of the local well-being plan. This includes countywide well-being objectives that are a focus for public services. Combining the ingenuity and initiative of all partners is key to finding new solutions to pressing, social, economic and environmental problems. This sense of ‘power of the collective’ is central to its core purpose, reflected in its values and embodied in its culture.</p> <ul style="list-style-type: none"> <li>▪ Regular budget monitoring reports for revenue and capital were presented to and approved by Cabinet during the year, in October 2022, December 2022, March 2023, and at Outturn. The budget management actions of Cabinet and senior officers are scrutinized regularly by the Performance and Overview Scrutiny Committee following the same timetable. The budget monitoring reporting cycle periodically contains some output measures and unit cost data that are built into services detailed forecasting, so that economic comparison of costs with other Councils can be made. The Council has a Welsh Language Strategy for 2017 – 2022, which sets out a vision of how Welsh language will look in Monmouthshire in 5 years. The Welsh Language Monitoring Report 2021/22 was presented to the Performance and Overview Scrutiny Committee in July 2022.</li> <li>▪ Objectives are supported by Service Business Plans to operationally deliver these objectives. Service plans are made available on the Council’s Hub intranet site. These are quality assessed as part of the service planning process. All service plans were developed to align the delivery of the Council’s Corporate Plan.</li> </ul>	
<p><b>Sustainable economic, social and environmental benefits</b></p>	<ul style="list-style-type: none"> <li>▪ Medium Term Financial Plan (MTFP) covering 3 financial years approved annually by Council</li> <li>▪ Corporate Plan</li> <li>▪ Risk management Policy and Guidance</li> <li>▪ Whole Authority Strategic Risk Register</li> <li>▪ Monmouthshire Public Service Board Well-being Plan</li> </ul>	<ul style="list-style-type: none"> <li>▪ The MTFP process for 2022/23 to 2025/26 was reviewed and approved by Cabinet in December 2021. The Draft Capital Budget Proposals 2022/23 to 2025/26 were taken to Cabinet in January 2022. Draft Revenue Budget Proposals 2023/24 also went to Cabinet in January 2023. Final Proposals went to Cabinet before being approved by Council in March 2023. Ongoing scrutiny of the Council’s budget position in line with the MTFP has provided Members with a greater understanding of the budget setting process and the pressures within individual directorates.</li> </ul>	

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
	<ul style="list-style-type: none"> <li>▪ Future Generations Evaluation, including Equality Impact Assessment, on decision making reports</li> <li>▪ Service Business Plans produced annually and reviewed quarterly by each service area.</li> <li>▪ Climate Emergency Strategy and Action Plan</li> </ul>	<ul style="list-style-type: none"> <li>▪ In May 2019 Monmouthshire County Council declared a Climate Emergency. Plans are underway to meet our target to reduce council carbon emissions to zero by 2030. In November 2021, following wide community consultation, an updated and amended action plan was published.</li> </ul>	

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes

6 Excellent	5 <b>Very Good</b>	4 Good	3 Adequate	2 Weak	1 Unsatisfactory
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Local government achieves its intended outcomes by providing a mixture of legal, regulatory and practical interventions. Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource input while still enabling effective and efficient operations. Decisions made need to be reviewed continually to ensure that achievement of outcomes is optimised

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
<b>Determining interventions</b> Page 102	<ul style="list-style-type: none"> <li>▪ Corporate Plan</li> <li>▪ Scrutiny / Select Committee function</li> <li>▪ Risk management policy and guidance</li> <li>▪ Whole Authority Strategic Risk Register</li> <li>▪ Finance and Legal implications in all Council, Cabinet and Committee reports report writing template and guidance</li> <li>▪ Future Generations Evaluation (including Equality Impact Assessment)</li> <li>▪ Results of consultation exercises</li> <li>▪ Reports to Government Agencies</li> <li>▪ Enabling strategy framework</li> </ul>	<ul style="list-style-type: none"> <li>▪ Monmouthshire is a partner in the South East Wales Consortium Schools Causing Concern protocol. This Policy forms a part of, and is aligned with, the National Model for School Improvement in relation to the informal support and challenge provided by the Local Authority to a school prior to any issuing of a warning notice or invocation of formal powers of intervention based on the six grounds for intervention. It also aligns with the Welsh Government Guidance on Schools Causing Concern (March 2016).</li> <li>▪ Regular reporting into Cabinet, Scrutiny and Governance &amp; Audit Committee enables the achievement of the Council's objectives to be challenged and appropriate actions put in place to address any identified issues so that the intended outcomes can be achieved. The Strategic Risk Register was reviewed by Governance &amp; Audit Committee in September 2022 and Performance &amp; Overview Scrutiny Committee in December 2022.</li> <li>▪ Dealing with customer complaints helps Monmouthshire to identify and deal with failures in service delivery. The Council's complaint / compliment procedure is available on the web site. Out of 163 complaints received in 2021/22, 151 were resolved informally with 12 being formally investigated, 2 of which were referred the Ombudsman, with none formally</li> </ul>	<ul style="list-style-type: none"> <li>▪ Ensure that a suite of enabling strategies and a framework is in place to identify and support any interventions needed. (Action 6)</li> </ul>

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
		<p>investigated. 455 comments were received along with 246 compliments (Governance &amp; Audit Committee March 2023).</p> <ul style="list-style-type: none"> <li>▪ A separate report containing the Ombudsman’s findings in relation to complaints about Monmouthshire County Council was reported separately to both Cabinet and Governance &amp; Audit Committee. It showed that Monmouthshire has one of the lowest levels of complaints reported to the Ombudsman at 0.21 per 1,000 residents.</li> <li>▪ Consultation on budget proposals is extensive.</li> <li>▪ The Authority makes numerous annual returns to various external Governing Bodies, such as the Food Standards Agency, Drinking Water Inspectorate, Department for Levelling Up &amp; Communities, Department for Transport, Home Office, Gambling Commission, DEFRA, Health &amp; Safety Executive, General Registrar’s Office, National Fraud Initiative and other government departments’. These allow the Council to self-assess and determine if any intervention is required within the services provided.</li> </ul>	
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 03 Planning Interventions</p>	<ul style="list-style-type: none"> <li>▪ Monthly Financial Monitoring meetings for each Directorate reviews progress and authorises corrective action where necessary</li> <li>▪ Medium Term Financial Plan</li> <li>▪ Annual budget setting process in place including consultation exercise</li> <li>▪ Financial procedure rules</li> <li>▪ Senior Management Structure</li> <li>▪ Corporate Plan produced and reviewed annually in accordance with Local Government and Elections Act 2021 and 'Wellbeing Objectives' in Wellbeing of Future Generations (Wales) Act 2015</li> <li>▪ Quarterly, six monthly &amp; annual Performance Monitoring Reports</li> <li>▪ Annual Self-Assessment Report</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Council has established robust planning and control cycles covering strategic and operational plans, priorities and targets which is achieved through: <ul style="list-style-type: none"> <li>○ A timetable for producing and reviewing plans on an annual basis.</li> <li>○ Working with a consultation and engagement strategy.</li> <li>○ Quarterly and annual performance monitoring including achievement of national and local performance indicators.</li> </ul> </li> <li>▪ There is robust Medium Term Financial Planning.</li> <li>▪ There is an annual budget setting process in place including an extensive consultation exercise.</li> <li>▪ Self-assessment report presented to Governance &amp; Audit Committee and Performance &amp; Overview Scrutiny Committee to review, scrutinise and make any recommendations for changes.</li> <li>▪ Self-assessment report agreed by Council and published in September 2022. The report provides an assessment of the extent the council met its wellbeing goals, which were set out in the Corporate Plan 2017- 22, the evidence to show this and identified areas of improvement. It also provided an evaluation</li> </ul>	<ul style="list-style-type: none"> <li>▪ Review Service Business Plans to ensure they align to the new Community &amp; Corporate Plan. (Action 7)</li> </ul>

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
	<ul style="list-style-type: none"> <li>▪ Public Service Board Well-being Plan</li> <li>▪ Public Service Board Well-being Plan annual report</li> <li>▪ Service Business Plans produced annually and reviewed quarterly by each service area.</li> <li>▪ Risk Management Policy and Guidance</li> <li>▪ Whole Authority Strategic Risk Register</li> <li>▪ Reports to Government Agencies</li> </ul>	<p>of the key activity delivered as part of the interim Coronavirus strategies and the ‘enabling functions’ that support council services to meet changing demands and ensure their sustainability including financial planning, workforce planning, procurement, assets, digital and data.</p>	
<p><b>Optimising achievement of intended outcomes</b></p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 104</p>	<ul style="list-style-type: none"> <li>▪ Quarterly Financial Monitoring reports to Cabinet and scrutiny</li> <li>▪ Mid-Year Budget Statement to Cabinet</li> <li>▪ Medium Term Financial Plan</li> <li>▪ Budget consultation</li> <li>▪ Community &amp; Corporate Plan</li> <li>▪ Annual Self-Assessment Report</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Council ensures the Medium Term Financial Strategy integrates and balances service priorities, affordability and other resource constraints by setting out any shortfall in resources and spending requirements in the context of service priorities.</li> <li>▪ To ensure that the budget process is all inclusive there is regular engagement with members with robust scrutiny by the Service Improvement &amp; Finance Scrutiny</li> <li>▪ The achievement of the Community &amp; Corporate Plan is reviewed at least annually.</li> </ul>	



**Principle E — Developing the entity's capacity, including the capability of its leadership and the individuals within it.**

6 Excellent	5 Very Good	4 Good	3 <b>Adequate</b>	2 Weak	1 Unsatisfactory
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Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an authority operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of the leadership of individual staff members. Leadership in local government entities is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Developing the entity's capacity</p>	<ul style="list-style-type: none"> <li>▪ Performance review for all staff where required by them or their line manager</li> <li>▪ People Strategy</li> <li>▪ Quarterly financial reports to Cabinet and Scrutiny Committees</li> <li>▪ Partnership &amp; collaborative working arrangements</li> <li>▪ Quarterly, six monthly &amp; annual Performance Monitoring Reports</li> <li>▪ Community &amp; Corporate Plan Annual Self-Assessment Report</li> <li>▪ Public Service Board Well-being Plan annual report</li> <li>▪ Service Business Plans produced annually and reviewed quarterly by each service area.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Council's recruitment procedures provide equality of employment opportunities. The equality-assessed pay structure meets the requirements of the Single Status Agreement of 1997. The Single Status Collective Agreement was approved by Cabinet in September 2010. This is complemented by the People Strategy. The Pay Policy is approved annually by Council and is available on the MCC website.</li> <li>▪ Developing the digital capabilities of people and systems to enable effectiveness, efficiency and enhanced customer services is important within Monmouthshire and is measured via the Digital Programme Service Business Plan. To further enhance service delivery and better deal with cyber security / information risks the Digital Programme Office has been split into the Information Security and Technology Team and the Digital Design and Innovation Team.</li> <li>▪ There is continued support for Members' development through briefing sessions and other learning opportunities. A comprehensive training programme was developed for the intake of new Members following Council elections in May 2022.</li> </ul>	<ul style="list-style-type: none"> <li>▪ A learning management system to be implemented across the organisation to coordinate all training including for schools. (Action 8)</li> <li>▪ A full analysis to define and identify any training need(s). A focus will be to prioritise ensuring people are suitably qualified and experienced to fulfil roles, capable of leadership, future professional development, and staff are digitally enabled. (Action 9)</li> </ul>

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
<p>Page 10</p>		<ul style="list-style-type: none"> <li>▪ A Scrutiny Member Development Training Programme is in place which provides ongoing specific skills based training for Members and includes scrutiny induction; this is agreed by the Scrutiny Chairs' Group. The training programme forms part of the Scrutiny Service Plan.</li> <li>▪ Appropriate and relevant job descriptions were in place for the Chief Executive, Strategic Leadership Team (SLT), Monitoring Officer and Head of Finance.</li> <li>▪ The Council ensures that it has appropriate governance arrangements around its collaborations with other public agencies and other third parties. These can take a range of forms, from informal arrangements to those where governance arrangements are determined through legislation. The governance arrangements form a key part of the decision making processes that the Cabinet or Council follow when deciding to enter a collaborative arrangement, transparent local accountability is a key area of focus.</li> </ul>	
<p><b>Developing the capability of the entity's leadership and other individuals</b></p>	<ul style="list-style-type: none"> <li>▪ Member/Officer Protocol in Constitution</li> <li>▪ Scheme of Delegation published in Constitution</li> <li>▪ Scrutiny member development programme</li> <li>▪ Occupational Health and Wellbeing Policy exists with aim of promoting the health and wellbeing of all employees to enable them to achieve their full potential at work</li> <li>▪ Internal and external audit reports and action plans</li> </ul>	<ul style="list-style-type: none"> <li>▪ Monmouthshire Council takes an active part in the INFUSE programme which is designed to build skills and capacity for future public services across the Cardiff Capital Region. 9 associates from MCC took part in cohort 3 which commenced in January 2023.</li> <li>▪ There has been member led training with both senior officers and cabinet members.</li> <li>▪ There are regular 1-2-1 meetings with the Leader, Cabinet members, Chief Executive, SLT and Heads of Service.</li> <li>▪ The Constitution sets out the Scheme of Delegation which is regularly reviewed.</li> <li>▪ Annual appraisal and performance review</li> </ul>	

**Principle F — Managing risks and performance through robust internal control and strong public financial management**

6 Excellent	5 Very Good	4 <b>Good</b>	3 Adequate	2 Weak	1 Unsatisfactory
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Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will ensure financial discipline, strategic allocation of resources, efficient service delivery and accountability. It is also essential that a culture and structure for scrutiny is in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.

Page 9

Sub Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
<p><b>Managing Risk</b></p>	<ul style="list-style-type: none"> <li>▪ Risk Management Policy and Guidance</li> <li>▪ Whole Authority Strategic Risk Register</li> <li>▪ Service Business Plans produced annually and reviewed quarterly by each service area, including service risk registers</li> <li>▪ Strategic Risk Register reported to Governance &amp; Audit Committee, Performance &amp; Overview Scrutiny Committee and Cabinet</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Council’s Strategic Risk Management Policy was updated and approved by Cabinet in March 2019; progress was reported into Governance &amp; Audit Committee in September 2022. The policy requires the proactive participation of all those responsible for planning and delivering services in identifying, evaluating and managing high level strategic risks to the Council’s priorities, services and major projects. The risk controls necessary to manage them are identified and monitored to ensure risk mitigation.</li> <li>▪ Within the Council the purpose of risk management is to:                             <ul style="list-style-type: none"> <li>○ preserve and protect the Council’s assets, reputation and staff.</li> <li>○ aid good management of risk and support whole authority governance.</li> <li>○ aid delivery of its population outcomes internally and when working with partners.</li> <li>○ improve business performance and anticipated risks in delivering improvements.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ Review and update the Councils Strategic Risk Management Policy. Improve how reports are presented to Cabinet and the Governance &amp; Audit Committee to provide the necessary assurance. (Action 10)</li> <li>▪ Review the governance arrangements for Corporate Health and Safety to ensure the Council is provided with an assurance that key health and safety risks are being effectively managed</li> </ul>

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
<p>Page 108</p>		<ul style="list-style-type: none"> <li>○ avoid unnecessary liabilities, costs and failures.</li> <li>○ shape procedures and responsibilities for implementation.</li> <li>▪ The strategic risk assessment ensures that:               <ul style="list-style-type: none"> <li>○ Strategic risks are identified and monitored by Monmouthshire.</li> <li>○ Risk controls are appropriate and proportionate.</li> <li>○ Senior managers and elected members systematically review the strategic risks facing the Council.</li> </ul> </li> <li>▪ The risk assessment is prepared by drawing on a wide range of evidence including service plans, performance measures, regulatory reports, progress on the previous risk assessment and the views of Select and Governance &amp; Audit Committees. In order to mitigate the risks, proposed actions are recorded and also aligned back into the respective Service Business Plan. The risk assessment is a living document and is updated over the course of the year as new information comes to light.</li> <li>▪ The Council’s Strategic Risk Assessment for 2022/23 contained 14 risks. These were reviewed throughout the year with the latest version was presented to Governance &amp; Audit Committee in March 2023. Following mitigation there were 8 medium risks and 8 high risks.</li> </ul>	<p>across the organisation. (Action 11)</p>
<p><b>Managing performance</b></p>	<ul style="list-style-type: none"> <li>▪ Community &amp; Corporate Plan produced and reviewed annually</li> <li>▪ Corporate Plan Annual Self-Assessment Report</li> <li>▪ Service Business Plans produced annually and reviewed quarterly by each service area.</li> <li>▪ Quarterly, six monthly &amp; annual Performance Monitoring Reports</li> <li>▪ Director of Social Services Annual report</li> <li>▪ Chief Officer Children &amp; Young People Annual Report</li> <li>▪ Scrutiny function</li> <li>▪ Bi-monthly Directorate and Financial monitoring meetings</li> </ul>	<ul style="list-style-type: none"> <li>▪ Audit Wales presented the Councils ISA2060 report for 2021/22 to the Governance &amp; Audit Committee in February 2023.</li> <li>▪ The Councils Self-Assessment report 2021/22 was completed in line with requirements outlined in the Local Government and Elections (Wales) Act 2021 to ensure that members and the public had a clear and transparent assessment of the Council’s performance in 2021/22.</li> <li>▪ The Authority makes numerous annual returns to various external Governing Bodies and Government Agencies, such as the Food Standards Agency, Drinking Water Inspectorate, Department for Levelling Up &amp; Communities, Department for Transport, Home Office, Gambling Commission, DEFRA, Health &amp; Safety Executive, General Registrar’s Office, National Fraud Initiative and other government departments’.</li> </ul>	

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
<p style="text-align: center;">Page 109</p> <p><b>Robust internal control</b></p>	<ul style="list-style-type: none"> <li>▪ Governance &amp; Audit Committee provides assurance on effectiveness on internal control, risk management and governance</li> <li>▪ Governance &amp; Audit Committee Annual Report to Council</li> <li>▪ Anti-Fraud, Bribery and Corruption Policy</li> <li>▪ Role of Internal Audit Section</li> <li>▪ Annual Plans approved by Governance &amp; Audit Committee</li> <li>▪ Annual Reports to Governance &amp; Audit Committee</li> <li>▪ Annual Governance Statement</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Governance &amp; Audit Committee considers the effectiveness of the Council’s arrangements for securing continuous improvement including risk management arrangements. The Governance &amp; Audit Committee also considers corporate governance, monitors the work of auditors and inspectors, and monitors the relationships between auditors and staff and the responses to audit and inspection recommendations. It also has responsibility for reviewing the Annual Statement of Accounts and its associated reports (which include this statement) before approval by Council. The Governance &amp; Audit Committee has an independent, non-political, Chairperson who prepares an annual report of the work of the Governance &amp; Audit Committee.</li> <li>▪ Internal Audit operate to the standards set out in the ‘Public Sector Internal Auditing Standards’ which have been developed from the Institute of Internal Auditors (IIA) International Internal Auditing Standards which came into effect in April 2013. The team’s role and status is set out in the Council’s Internal Audit Charter (revised and updated approved by Governance &amp; Audit Committee September 2021). The Chief Internal Auditor reports a summary of audit findings to the Governance &amp; Audit Committee each quarter; he also reports annually an opinion on the overall adequacy and effectiveness of the Council’s internal control environment through his Internal Audit Annual Report.</li> <li>▪ The Chief Internal Auditor continues to ensure Internal Audit complies with the Public Sector Internal Audit Standards. A self-assessment was undertaken during 2017/18 to assess compliance with the Standards which was validated as compliant in March 2018 by an external assessor. A new external quality assessment is now overdue.</li> <li>▪ The Council has an objective and professional relationship with its external auditors and statutory inspectors. It manages its information resource through strategies and policies to enable effective decision making which is managed via the Information Strategy and action plan.</li> <li>▪ The Anti-Fraud, Bribery and Corruption Strategy was revised and updated during 2017/18. It was approved by Cabinet July</li> </ul>	<ul style="list-style-type: none"> <li>▪ Update the Council’s Anti-Fraud, Bribery &amp; Corruption Policy and raise awareness across the Council. (Action 12 - c/f)</li> <li>▪ Complete an External Quality Assessment of the Council’s Internal Audit Service as required by the Public Sector Internal Audit Standards. (Action 13)</li> </ul>

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement																								
<p>Page 110</p>		<p>2017 and provides a deterrent, promotes detection, identifies a clear pathway for investigation and encourages prevention. An annual risk assessment on fraud and corruption is presented to Governance &amp; Audit Committee (October 2022). The Council's Council Tax Reduction Anti-Fraud Policy was approved by Cabinet in June 2015. A training package has been developed and was previously presented to Governance &amp; Audit Committee (January 2020). This needs to be further rolled out across the Council.</p> <ul style="list-style-type: none"> <li>The overall opinion on the adequacy of the internal control environment for 2022/23 was <b>REASONABLE</b>. Management agreed to implement the recommendations made in audit reports in order to address the weaknesses identified. The Internal Audit opinions issued in 2022/23 were;</li> </ul> <table border="1" data-bbox="907 678 1671 948"> <thead> <tr> <th>Opinion</th> <th>2020-21</th> <th>2021-22</th> <th>2022-23</th> </tr> </thead> <tbody> <tr> <td>Substantial Assurance</td> <td>2</td> <td>5</td> <td>7</td> </tr> <tr> <td>Considerable Assurance</td> <td>6</td> <td>6</td> <td>10</td> </tr> <tr> <td>Reasonable Assurance</td> <td>1</td> <td>7</td> <td>4</td> </tr> <tr> <td>Limited Assurance</td> <td>0</td> <td>2</td> <td>1</td> </tr> <tr> <td><b>Total</b></td> <td><b>9</b></td> <td><b>20</b></td> <td><b>22</b></td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>Reasons why the outcome of an audit review which was deemed to provide Limited Assurance will be presented in a report to the Governance &amp; Audit Committee; assurances have been sought from respective operational managers that action will be taken to make the necessary improvements in control.</li> <li>The Internal Audit team did not have a full complement of staff for the whole year. The Chief Internal Auditor's overall audit opinion is based on the number of audits undertaken and their individual opinions; he was able to give an overall opinion on the adequacy of the control environment but this was based on a limited number of opinions issued. The 2022/23 audit opinion was supported by the knowledge that there were appropriate governance, risk management and internal control assurances in place in previous years, with no significant changes.</li> </ul>	Opinion	2020-21	2021-22	2022-23	Substantial Assurance	2	5	7	Considerable Assurance	6	6	10	Reasonable Assurance	1	7	4	Limited Assurance	0	2	1	<b>Total</b>	<b>9</b>	<b>20</b>	<b>22</b>	
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Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
<p style="text-align: center;">Page 111</p> <p><b>Managing data</b></p>	<ul style="list-style-type: none"> <li>▪ We have established an Information Security &amp; Technology Team across the organisation, including education</li> <li>▪ A cyber security team is in place to support, advise and train our workforce. The same team provides a cyber audit function of our ICT infrastructure and governance arrangements</li> <li>▪ The Information Governance Group with participants from each directorate</li> <li>▪ A Senior Information Risk Officer (SIRO) in place</li> <li>▪ Mandatory training in GDPR and Cyber Security, alongside comprehensive guidance and policies for all aspects of data management</li> <li>▪ Information Asset Register</li> <li>▪ Information sharing &amp; publication guidance in place</li> <li>▪ A comprehensive EDRMS is in place</li> <li>▪ Annual National and Local performance Indicator data collection process and internal audit arrangements</li> </ul>	<ul style="list-style-type: none"> <li>▪ Our comprehensive governance and security arrangements for data and information have enabled us to gain accreditation in industry standards for cyber security.</li> <li>▪ Cyber security arrangements cover cultural, physical and electronic barriers to data access and misuse.</li> <li>▪ Information governance is maintained through policies, guidelines, and training that are reported and disseminated via the Information Governance Group, headed up by the SIRO and with departmental representatives. Performance is reported to the Governance &amp; Audit Committee, and this year our performance targets have been exceeded.</li> <li>▪ Privacy notices are published online and have been updated through the year.</li> <li>▪ Schedules are maintained of all MCC information 'line of business' systems to ensure they are fit for purpose and upgraded/replaced as needed.</li> <li>▪ A central EDRMS system is being rolled out to electronically manage, share and retain all data and information outside of line of business systems.</li> <li>▪ Networks and forums are in place to work with the South East Wales Information Forum (SWIF) and WARP (Warning Advice and Security Point) and the NCSC (National Cyber Security Centre).</li> <li>▪ Data arrangements are audited by Audit Wales and performance reported through the Governance &amp; Audit Committee.</li> <li>▪ The ICT service, the SRS, are audited by the host organisation Torfaen County Borough Council, and all audits are reported through the SRS governance structures.</li> </ul>	
<p><b>Strong public financial management</b></p>	<ul style="list-style-type: none"> <li>▪ Financial procedure rules in Constitution</li> <li>▪ Contract procedure rules in Constitution</li> <li>▪ Accounting Instructions on Intranet</li> <li>▪ Spending Restrictions document on Intranet</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Council ensures both long term achievement of outcomes and short term performance through the delivery of the Medium Term Financial Plan.</li> <li>▪ In July 2018, the Council's Procurement Strategy was approved by Cabinet. The Strategy builds upon workshop sessions undertaken with the Economy and Development Select Committee and the aims, aspirations and priorities for procurement, identified throughout the participative process. In July 2021 Cabinet approved the collaboration with Cardiff</li> </ul>	<ul style="list-style-type: none"> <li>▪ Deliver awareness raising training sessions on the importance of compliance with revised Contract Procedure Rules and Financial Procedure Rules. (Action 14 – c/f)</li> </ul>

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
		<p>Council, for mutual benefit, the discharge and provision of the Council's Strategic Procurement services.</p> <ul style="list-style-type: none"> <li>▪ The Councils Contract Procedure Rules were updated in March 2021.</li> </ul>	<ul style="list-style-type: none"> <li>▪ To produce a new Socially Responsible Procurement Strategy. (Action 15)</li> </ul>



**Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability**

6 Excellent	5 <b>Very Good</b>	4 Good	3 Adequate	2 Weak	1 Unsatisfactory
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Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
<b>Implementing good practice in transparency</b>  Page 113	<ul style="list-style-type: none"> <li>▪ Report writing template and guidance</li> <li>▪ Integrated Impact Assessment including Future Generations evaluation and Equality Impact Assessment, on decision reports</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Council aims to present understandable and transparent reports for both stakeholders and the public which is supported by:-                             <ul style="list-style-type: none"> <li>▪ A Report Authors Protocol which ensures consistency in reports.</li> <li>▪ A Clear Writing guide for Officers.</li> <li>▪ All reports are signed off by Chief Officers, S151 Officer and Monitoring Officer prior to publication.</li> <li>▪ Where possible exempt reports are split so that the main report can be heard in public with confidential information being a separate exempt report.</li> <li>▪ Publication of delegated decisions.</li> <li>▪ Reports are published on the website</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ Alignment of Council, Cabinet, ICMD and Scrutiny forward work planners. (Action 16)</li> </ul>
<b>Implementing good practices in reporting</b>	<ul style="list-style-type: none"> <li>▪ Annual Statement of Accounts audited by an external auditor and approved by Council</li> <li>▪ Code of Corporate Governance based on CIPFA/SOLACE Framework 2016</li> <li>▪ Annual Governance Statement</li> <li>▪ Corporate Plan Annual Self-Assessment Report</li> <li>▪ Service Business Plans produced annually and reviewed quarterly by each service area</li> </ul>	<ul style="list-style-type: none"> <li>▪ Transparency and openness is important to Monmouthshire; the Annual Statement of Accounts was taken through the Governance &amp; Audit Committee before being endorsed by Council. All public meetings of the Council, including Council, Cabinet, Select, Governance &amp; Audit Committee, Planning Committee are live streamed on YouTube and are available to view on the Council's YouTube channel at any time after the meeting, which provides greater transparency of the Council's business.</li> </ul>	

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
<p><b>Assurance and effective accountability</b></p>	<ul style="list-style-type: none"> <li>▪ External Audit provided by Audit Wales</li> <li>▪ ESTYN reviews &amp; reports</li> <li>▪ Care Inspectorate Wales reviews &amp; reports</li> <li>▪ Performance of Internal Audit Section monitored by Governance &amp; Audit Committee</li> <li>▪ Implementation of Audit Wales and Internal Audit recommendations monitored by Governance &amp; Audit Committee</li> <li>▪ Peer Review, Corporate Assessment and Corporate Governance Review action plan monitored by SLT</li> <li>▪ Annual Governance Statement</li> </ul>	<ul style="list-style-type: none"> <li>▪ The South East Wales Education Achievement Service (EAS) Business Plan 2022-25 was presented to Cabinet in March 2022. The plan sets out the priorities, programmes and outcomes to be achieved by the EAS on behalf of the South East Wales Consortium.</li> <li>▪ The Council's enabling strategies have been revised to align to the delivery of the Corporate Plan, these include the Digital Strategy, People Strategy and Asset Management Strategy as well as linking in with Service Business Plans.</li> <li>▪ The Governance &amp; Audit Committee continues to support the Internal Audit team and endorses its annual report and plan. The plan details the work and service areas the team will cover based on a risk assessment in order to provide assurance on the adequacy of the internal controls, governance arrangements and risk management process. The Governance &amp; Audit Committee presents its Annual report to Council.</li> <li>▪ The Whole Authority Report: Complaints, Comments and Compliments 2021/22 was presented to Governance &amp; Audit Committee in March 2023 which identified the number and types of feedback, received and dealt with, from 1 April 2021 until 31 March 2022.</li> <li>▪ Reports and plans to implement Audit Wales and Internal Audit recommendations are reported (as relevant) to Scrutiny and the Governance &amp; Audit Committee.</li> <li>▪ All agreed recommendation and actions from Internal Audit reviews are monitored.</li> <li>▪ The Council takes note of all reports issued by External Regulators such as Audit Wales, ESTYN and Care Inspectorate Wales. Action plans are agreed and followed up.</li> </ul>	

## Progress against the Action Plan 2021/22

Area for Improvement	Progress
Deliver awareness raising training sessions on the importance of compliance with revised Contract Procedure Rules and Financial Procedure Rules	Carried forward into 2023/24 (Action 5)
Raise awareness across the Council on Anti-Fraud, Bribery & Corruption	Carried forward into 2023/24 (Action 3)
Self-assess the Council's objectives and arrangements as required by the Local Government and Elections (Wales) Act 2021.	Complete - The Council's Self-Assessment report 2021/22 was completed in line with requirements outlined in the Local Government and Elections (Wales) Act 2021 to ensure that members and the public had a clear and transparent assessment of the Council's performance in 2021/22

## Annual Governance Statement Action Plan 2022/23

No	Area for Improvement	By Who	By When
1	Establish a 'Governance Working Group' to discuss and review the Governance arrangements across Monmouthshire Council to ensure they are fit for purpose. (Principle A)	Chief Officer – Law & Governance	June 2023 & on-going
2	As part of the Governance Working Group, review the Council's Code of Corporate Governance. (Principle A)	Chief Officer – Law & Governance  (Governance Working Group)	March 2024
3	Review the minute taking process and assess any opportunities to further digitise. (Principle B)	Chief Officer – Law & Governance  (Governance Working Group)	December 2023
4	Increase the number of datasets published on the council's website. (Principle B)	Head Of Policy, Performance & Scrutiny	March 2024
5	Review the revenue and capital budget process and the Council's financial strategy. (Principle C)	Deputy Chief Executive & Chief Officer - Resources	October 2023
6	Ensure that a suite of enabling strategies and a framework is in place to identify and support any interventions needed. (Principle D)	SLT	September 2023
7	Review Service Business Plans to ensure they align to the new Community & Corporate Plan. (Principle D)	Head Of Policy, Performance & Scrutiny	December 2023
8	A learning management system to be implemented across the organisation to coordinate all training including for schools. (Principle E)	Chief Officer – Law & Governance  (Governance Working Group)	March 2024

## Appendix 1

No	Area for Improvement	By Who	By When
9	A full analysis to define and identify any training need(s). A focus will be to prioritise ensuring people are suitably qualified and experienced to fulfil roles, capable of leadership, future professional development, and staff are digitally enabled. (Principle E)	Chief Officer – Law & Governance  (Governance Working Group)	March 2024
10	Review and update the Councils Strategic Risk Management Policy. Improve how reports are presented to Cabinet and the Governance & Audit Committee to provide the necessary assurance. (Principle F)	Head Of Policy, Performance & Scrutiny	March 2024
11	Review the governance arrangements for Corporate Health and Safety to ensure the Council is provided with an assurance that key health and safety risks are being effectively managed across the organisation. (Principle F)	Corporate Health & Safety Manager	March 2024
12 (c/f)	Update the Council's Anti-Fraud, Bribery & Corruption Policy and raise awareness across the Council. (Principle F)	Chief Internal Auditor	December 2023
13	Complete an External Quality Assessment of the Council's Internal Audit Service as required by the Public Sector Internal Audit Standards. (Principle F)	Chief Internal Auditor	March 2024
14 (c/f)	Deliver awareness raising training sessions on the importance of compliance with revised Contract Procedure Rules and Financial Procedure Rules. (Principle F)	Chief Internal Auditor	December 2023
15	To produce a new Socially Responsible Procurement Strategy. (Principle F)	Chief Officer – Communities & Place  Head of Commissioning & Procurement	June 2023
16	Alignment of Council, Cabinet, ICMD and Scrutiny forward work planners. (Principle G)	Chief Officer – Law & Governance  (Governance Working Group)	December 2023

### Monitoring & Evaluation

We propose over the coming year to continually review our governance arrangements to ensure they remain effective and appropriate. Steps will be taken, where appropriate, to further enhance our governance arrangements.

**Certification by the Leader of the Council and the Chief Executive**

Signed:

Date:

**Councillor Mary Ann Brocklesby, Leader of Monmouthshire County Council**

Signed:

Date:

**Paul Matthews, Chief Executive**



**The Code of Corporate Governance  
Monmouthshire County Council  
2020**

**The purpose of this Code is to state the importance to the Council of good corporate governance and to set out the Council's commitment to the principles involved.**

**The Code is based on guidance to all UK local authorities; CIPFA / SOLACE 'Delivering Good Governance in Local Government Framework 2016'**

**The Code is included in the Council's constitution and therefore applies to all members and employees of the Council and also to any individuals or bodies authorised to act on its behalf.**

**The Code will be reviewed in its entirety by no later than 31 March 2024, but minor reviews and updates will be made annually as required.**

**Reviewed and updated April 2020**



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## 1. The Purpose of the Governance Framework

- 1.1. This Code sets out Monmouthshire County Council's approach to achieving and maintaining good corporate governance.
- 1.2. Monmouthshire County Council (the Council) is by nature, a complex organisation which affects the lives of all citizens in the area: As well as providing a diverse range of services, it also works with partner organisations which provide other public services. The Council's aims and priorities reflect these responsibilities.
- 1.3. The Council sees Corporate Governance as doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and also the culture and values, by which the Council is directed and controlled and how it accounts to and engages with its citizens.
- 1.4. Strong, transparent and responsive governance enables the Council to put citizens first by pursuing its aims and priorities effectively, and by underpinning them with appropriate mechanisms for managing performance and risk. In order to maintain citizens' confidence, these mechanisms must be sound and be seen to be sound.
- 1.5. It is essential that there is confidence in our corporate governance and the Council must therefore ensure that:
- as a democratic body, we engage with and account to our citizens and stakeholders effectively;
  - we conduct our business in accordance with the law and to proper standards;
  - public money is properly accounted for and is used economically, efficiently and effectively;
  - controls are proportionate to risk so as not to impede performance;
  - we continuously improve the way in which we function, in terms of effectiveness, quality, service availability, fairness, sustainability and innovation; and
  - we fulfil our purpose and meet our priorities as set out in the Council Plan 2017-22.
- 1.6. The governance framework comprises the systems and processes, culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- 1.7. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively and economically.

## 2. The Governance Framework

2.1. The Delivering Good Governance in Local Government Framework 2016 Edition produced by CIPFA and SOLACE (the Framework) defines governance as:

*'Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.'*

The Framework also states that

*'To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times,*

*Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders.*

2.2. In local government, the governing body is the full council.

### **3. Background**

3.1. The *Delivering Good Governance in Local Government Framework* published by CIPFA and SOLACE in 2007 set the standard for local authority governance in the UK. CIPFA and SOLACE reviewed the Framework in 2015 to ensure it remained fit for purpose and published a revised Framework in spring 2016.

3.2. The new *Delivering Good Governance in Local Government Framework* 2016 edition applies to annual governance statements prepared for the financial year 2016/17 onwards.

3.3. The new Framework introduced 7 new principles as follows:

- A) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- B) Ensuring openness and comprehensive stakeholder engagement.
- C) Defining outcomes in terms of sustainable economic, social and environmental benefits.
- D) Determining the interventions necessary to optimise the achievement of the intended outcomes.
- E) Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- F) Managing risks and performance through robust internal control and string public financial management.
- G) Implementing good practices in transparency, reporting and audit to deliver effective accountability.

COMMITMENTS TO GOVERNANCE PRINCIPLES

**Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

The Council is accountable not only for how much it spends, but also for how we use the resources under our stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes we have achieved. In addition, we have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, we can demonstrate the appropriateness of all our actions and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

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Sub-Principles	The Council is committed to:	What is in place to support this?
<b>Behaving with integrity</b>	<p>A1 Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the Council</p> <p>A2 Ensuring members take the lead in establishing specific standard operating principles or values for the Council and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles)</p> <p>A3 Leading by example and using these standard operating principles or values as a framework for decision making and other actions</p> <p>A4 Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively</p>	<ul style="list-style-type: none"> <li>▪ Members Code of Conduct in Constitution which reflects Local Authorities (Model Code of Conduct)(Wales) Order 2016</li> <li>▪ Officers Code of Conduct in Constitution</li> <li>▪ Registers of interests / hospitality</li> <li>▪ Induction training</li> <li>▪ Member/Officer Protocol in Constitution</li> <li>▪ Member led Authority principles/document</li> <li>▪ Member training programme</li> <li>▪ Council Values — Openness, Fairness, Flexibility, Teamwork</li> <li>▪ Whistleblowing Policy</li> <li>▪ Anti-Fraud, Bribery and Corruption Policy</li> <li>▪ Standards Committee</li> <li>▪ Standards Committee Annual Report presented to Council</li> <li>▪ Member Dispute Resolution</li> <li>▪ Complaints procedure</li> </ul>
<b>Demonstrating strong</b>	<p>A5 Seeking to establish, monitor and maintain the Council's ethical standards and performance</p>	<ul style="list-style-type: none"> <li>▪ Council Values — Openness, Fairness, Flexibility, Teamwork</li> <li>▪ Contract procedure rules</li> </ul>

<p><b>commitment to ethical values</b></p>	<p>A6 Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the Council's culture and operation</p> <p>A7 Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values</p> <p>A8 Ensuring that external providers of services on behalf of the Council are required to act with integrity and in compliance with high ethical standards expected by the Council.</p>	<ul style="list-style-type: none"> <li>▪ Codes of conduct for members and employees</li> <li>▪ Financial procedure rules</li> </ul>
<p><b>Respecting the rule of law</b></p>	<p>A9 Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations</p> <p>A10 Creating the conditions to ensure that the statutory officers, other key post holders and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements</p> <p>A11 Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders</p> <p>A12 Dealing with breaches of legal and regulatory provisions effectively</p> <p>A13 Ensuring corruption and misuse of power are dealt with effectively</p>	<ul style="list-style-type: none"> <li>▪ Member and Officer Code of Conduct in Constitution</li> <li>▪ Role of Head of Paid Service, Section 151 Officer and Monitoring Officer established in Constitution</li> <li>▪ CIPFA statement on the Role of the Chief Financial Officer</li> <li>▪ Anti-Fraud, Bribery and Corruption Policy</li> <li>▪ Audit Committee</li> <li>▪ Internal Audit Section</li> <li>▪ Internal Audit Annual Report presented to Audit Committee</li> <li>▪ External Auditors Annual Audit Letter</li> <li>▪ Standards Committee</li> <li>▪ Whistleblowing Policy</li> <li>▪ Complaints procedure</li> </ul>

**Principle B: Ensuring openness and comprehensive stakeholder engagement**

Local government is run for the public good; organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.

Sub-Principles	The Council is committed to:	What is in place to support this?
<p><b>Openness</b></p>	<p>B1 Ensuring an open culture through demonstrating, documenting and communicating our commitment to openness</p> <p>B2 Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided</p> <p>B3 Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear</p> <p>B4 Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action</p>	<ul style="list-style-type: none"> <li>▪ Agendas published in advance of meetings</li> <li>▪ Minutes published following meetings</li> <li>▪ Democratic meetings live streaming on You Tube</li> <li>▪ Decision making process described in Constitution</li> <li>▪ Forward Plan published on internet showing key decisions to be made by Council and Cabinet</li> <li>▪ Annual budget consultation</li> <li>▪ Freedom of Information Scheme</li> <li>▪ Public questions at Council, Cabinet and Select Committees</li> <li>▪ Engagement with hard to reach groups such as BME, Disability and LGBT communities. As well as engagement with children and young people to meet the requirement of the UNCRC</li> <li>▪ Publication of open data sets on the Council's website</li> </ul>
<p><b>Engaging comprehensively with institutional stakeholders</b></p>	<p>B5 Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably</p> <p>B6 Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively</p>	<ul style="list-style-type: none"> <li>▪ Monmouthshire Public Service Board Well- Being Plan</li> <li>▪ Monmouthshire Public Service Board Partnership arrangements and structure</li> </ul>

	<p>B7 Ensuring that partnerships are based on trust, a shared commitment to change and a culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit</p>	
<p><b>Engaging stakeholders effectively, including individual citizens and service users</b></p>	<p>B8 A clear policy on the type of issues that the Council will meaningfully consult with or involve individual citizens, service users and other stakeholders to ensure that service provision is contributing towards the achievement of intended outcomes</p> <p>B9 Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement</p> <p>B10 Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs</p> <p>B11 Implementing effective feedback mechanisms in order to demonstrate how their views have been taken into account</p> <p>B12 Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity</p> <p>B13 Taking account of the interests of future generations of tax payers and service users</p>	<ul style="list-style-type: none"> <li>▪ Ward role of Councillors</li> <li>▪ Consultations on the council website and social media platforms</li> <li>▪ Annual Staff Survey</li> <li>▪ Complaints Policy and Annual Report</li> <li>▪ MTFP</li> <li>▪ Complaints procedure</li> <li>▪ Future Generations evaluation, including Equality Impact Assessment, on decision reports</li> <li>▪ Strategic Equality Plan</li> </ul>

Principle C: Defining outcomes in terms of sustainable economic, social and environmental benefits

The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the authority's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available

Sub-Principles	The Council is committed to:	What is in place to support this?
<p><b>Defining Outcomes</b></p>	<p>C1 Having a clear vision which is an agreed formal statement of the Council's purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the Council's overall strategy, planning and other decisions</p> <p>C2 Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer</p> <p>C3 Delivering defined outcomes on a sustainable basis within the resources that will be available</p> <p>C4 Identifying and managing risks to the achievement of outcomes</p> <p>C5 Managing service users' expectations effectively with regard to determining priorities and making the best use of the resources available</p>	<ul style="list-style-type: none"> <li>▪ Corporate Plan produced and reviewed annually in accordance with Local Government (Wales) Measure 2009 and 'Wellbeing Objectives' in Wellbeing of Future Generations (Wales) Act 2015</li> <li>▪ Quarterly, six monthly &amp; annual Performance Monitoring Reports</li> <li>▪ Corporate Plan Annual Performance Report</li> <li>▪ Public Service Board Well-being Plan annual report</li> <li>▪ Service business Plans produced annually and reviewed quarterly by each service area.</li> <li>▪ Monthly Financial Monitoring meetings held for each service area</li> <li>▪ Risk Management Policy and Guidance</li> <li>▪ Whole Authority Strategic Risk Register</li> <li>▪ Capital Review Programme</li> </ul>
<p><b>Sustainable economic, social and environmental benefits</b></p>	<p>C6 Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision</p> <p>C7 Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the Council's</p>	<ul style="list-style-type: none"> <li>▪ Medium Term Financial Plan covering 3 financial years approved annually by Council</li> <li>▪ Corporate Plan</li> <li>▪ Risk management Policy and Guidance</li> <li>▪ Whole Authority Strategic risk register</li> </ul>



	<p>intended outcomes and short-term factors such as the political cycle or financial constraints</p> <p>C8 Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs</p> <p>C9 Ensuring fair access to services</p>	<ul style="list-style-type: none"> <li>▪ Monmouthshire Public Service Board Well-being Plan</li> <li>▪ Future Generations Evaluation, including Equality Impact Assessment, on decision making reports</li> <li>▪ Service business Plans produced annually and reviewed quarterly by each service area.</li> </ul>
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Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes

Local government achieves its intended outcomes by providing a mixture of legal, regulatory and practical interventions. Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource input while still enabling effective and efficient operations. Decisions made need to be reviewed continually to ensure that achievement of outcomes is optimised

Sub-Principles	The Council is committed to:	What is in place to support this?
<p><b>Determining interventions</b></p>	<p>D1 Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Therefore ensuring best value is achieved however services are provided</p> <p>D2 Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts</p>	<ul style="list-style-type: none"> <li>▪ Corporate Plan</li> <li>▪ Scrutiny / Select Committee function</li> <li>▪ Risk management policy and guidance</li> <li>▪ Whole Authority Strategic Risk Register</li> <li>▪ Finance and Legal implications in all Council, Cabinet and Committee reports Report writing template and guidance</li> <li>▪ Future Generations Evaluation (including Equality Impact Assessment)</li> <li>▪ Results of consultation exercises</li> </ul>
<p><b>Planning Interventions</b></p>	<p>D3 Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets</p> <p>D4 Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered</p> <p>D5 Considering and monitoring risks facing each partner when working collaboratively including shared risks</p> <p>D6 Ensuring arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances</p>	<ul style="list-style-type: none"> <li>▪ Monthly Financial Monitoring meetings for each Directorate reviews progress and authorises corrective action where necessary</li> <li>▪ Medium Term Financial Plan</li> <li>▪ Annual budget setting process in place including consultation exercise</li> <li>▪ Financial procedure rules</li> <li>▪ Senior Management Structure</li> <li>▪ Corporate Plan produced and reviewed annually in accordance with Local Government (Wales) Measure 2009 and 'Wellbeing Objectives' in Wellbeing of Future Generations (Wales) Act 2015</li> </ul>

	<p>D7 Establishing appropriate local performance indicators (as well as relevant statutory or other national performance indicators) as part of the planning process in order to identify how the performance of services and projects is to be measured</p> <p>D8 Ensuring capacity exists to generate the information required to review service quality regularly</p> <p>D9 Preparing budgets in accordance with organisational objectives, strategies and the medium-term financial plan</p> <p>D10 Informing medium and long-term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy</p>	<ul style="list-style-type: none"> <li>▪ Quarterly, six monthly &amp; annual Performance Monitoring Reports</li> <li>▪ Corporate Plan Annual Performance Report</li> <li>▪ Public Service Board Well-being Plan</li> <li>▪ Public Service Board Well-being Plan annual report</li> <li>▪ Service business Plans produced annually and reviewed quarterly by each service area.</li> <li>▪ Risk Management Policy and Guidance</li> <li>▪ Whole Authority Strategic Risk Register</li> </ul>
<p><b>Optimising achievement of intended outcomes</b></p>	<p>D11 Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints</p> <p>D12 Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term</p> <p>D13 Ensuring the medium-term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage</p>	<ul style="list-style-type: none"> <li>▪ Quarterly Financial Monitoring reports to Cabinet and scrutiny</li> <li>▪ Mid-Year Budget Statement to Cabinet</li> <li>▪ Medium Term Financial Plan</li> <li>▪ Budget consultation</li> <li>▪ Corporate Plan</li> </ul>

**Principle E — Developing the entity's capacity, including the capability of its leadership and the individuals within it.**

Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an authority operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of the leadership of individual staff members. Leadership in local government entities is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities

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Sub-Principles	The Council is committed to:	What is in place to support this?
<p><b>Developing the entity's capacity</b></p>	<p>E1 Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources.</p> <p>E2 Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness</p> <p>E3 Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the Council's resources are allocated so that outcomes are achieved effectively and efficiently</p> <p>E4 Recognising the benefits of partnerships and collaborative working where added value can be achieved</p>	<ul style="list-style-type: none"> <li>▪ Regular performance review f Check in Check Out for all staff</li> <li>▪ Service planning process includes workforce planning</li> <li>▪ People Strategy</li> <li>▪ Quarterly financial reports to Cabinet and Select</li> <li>▪ Partnership &amp; collaborative working arrangements</li> <li>▪ Quarterly, six monthly &amp; annual Performance Monitoring Reports</li> <li>▪ Corporate Plan Annual Performance Report</li> <li>▪ Public Service Board Well-being Plan annual report</li> <li>▪ Service business Plans produced annually and reviewed quarterly by each service area.</li> </ul>
<p><b>Developing the capability of the entity's leadership and other individuals</b></p>	<p>E5 Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained</p> <p>E6 Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body</p>	<ul style="list-style-type: none"> <li>▪ Member/Officer Protocol in Constitution</li> <li>▪ Scheme of Delegation published in Constitution</li> <li>▪ Monthly One to One meetings are held involving the Leader. Cabinet Members, Chief Executive, Chief</li> </ul>

	<p>E7 Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure, whereby the chief executive leads the authority in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority</p> <p>E8 Developing the capabilities of members and senior management to achieve effective shared leadership and to enable the Council to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by:</p> <ul style="list-style-type: none"> <li>• ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged,</li> <li>• ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis,</li> <li>• ensuring personal, organisation and system-wide development through shared learning, including</li> <li>• lessons learnt from both internal and external governance weaknesses</li> </ul> <p>E9 Ensuring that there are structures in place to encourage public participation</p> <p>E10 Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections</p> <p>E11 Holding staff to account through regular performance reviews which take account of training or development needs</p> <p>E12 Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental well being</p>	<p>Officers, Heads of Service and 3rd tier staff</p> <ul style="list-style-type: none"> <li>▪ Councillor Training Programme developed based on a Training Needs Assessment</li> <li>▪ Scrutiny member development programme</li> <li>▪ Annual performance review for all staff under CICO</li> <li>▪ Corporate training and development programme</li> <li>▪ Occupational Health and Wellbeing Policy exists with aim of promoting the health and wellbeing of all employees to enable them to achieve their full potential at work</li> <li>▪ Internal and external audit reports and action plans</li> </ul>
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Principle F — Managing risks and performance through robust internal control and string public financial management

Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will ensure financial discipline, strategic allocation of resources, efficient service delivery and accountability. It is also essential that a culture and structure for scrutiny is in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.

Sub-Principles	The Council is committed to:	What is in place to support this?
<b>Managing Risk</b>	<p>F1 Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making</p> <p>F2 Implementing robust and integrated risk management arrangements and ensuring they are working effectively</p> <p>F3 Ensuring that responsibilities for managing individual risks are clearly allocated</p>	<ul style="list-style-type: none"> <li>▪ Risk Management Policy and Guidance</li> <li>▪ Whole Authority Strategic Risk Register</li> <li>▪ Service Business Plans produced annually and reviewed quarterly by each service area, including service risk registers</li> <li>▪ Strategic Risk Register reported to Audit Committee and Cabinet</li> </ul>
<b>Managing performance</b>	<p>F4 Monitoring service delivery effectively including planning specification, execution and independent post-implementation review</p> <p>F5 Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the Council's financial, social and environmental position and outlook</p> <p>F6 Ensuring an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made, thereby enhancing the Council's performance and that of any organisation for which it is responsible</p>	<ul style="list-style-type: none"> <li>▪ Corporate Plan produced and reviewed annually</li> <li>▪ Corporate Plan Annual Performance Report</li> <li>▪ Service Business Plans produced annually and reviewed quarterly by each service area.</li> <li>▪ Quarterly, six monthly &amp; annual Performance Monitoring Reports</li> <li>▪ Director of Social Services Annual report</li> <li>▪ Chief Officer Children &amp; Young People Annual Report</li> <li>▪ Scrutiny function</li> </ul>

	<p>F7 Providing members and senior management with regular reports on progress towards outcome achievement</p> <p>F8 Ensuring there is consistency between specification stages (such as budgets) and post-implementation reporting (eg financial statements)</p>	<ul style="list-style-type: none"> <li>▪ Bi-monthly Directorate and Financial monitoring meetings</li> </ul>
<b>Robust internal control</b>	<p>F9 Aligning the risk management strategy and policies on internal control with achieving objectives</p> <p>F10 Evaluating and monitoring risk management and internal control on a regular basis</p> <p>F11 Ensuring effective counter fraud and anti-corruption arrangements are in place</p> <p>F12 Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor</p> <p>F13 Ensuring an audit committee or equivalent group or function which is independent of the executive and accountable to the governing body: <ul style="list-style-type: none"> <li>• provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment</li> <li>• that its recommendations are listened to and acted upon</li> </ul> </p>	<ul style="list-style-type: none"> <li>▪ Audit Committee provides assurance on effectiveness on internal control, risk management and governance</li> <li>▪ Audit Committee Annual Report to Council</li> <li>▪ Anti-Fraud, Bribery and Corruption Policy</li> <li>▪ Role of Internal Audit Section</li> <li>▪ Annual Plans approved by Audit Committee</li> <li>▪ Annual Reports to Audit Committee</li> <li>▪ Annual Governance Statement</li> </ul>
<b>Managing data</b>	<p>F14 Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data</p> <p>F15 Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies</p> <p>F16 Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring</p>	<ul style="list-style-type: none"> <li>▪ Data Protection Policy</li> <li>▪ Information Management Strategy</li> <li>▪ Information management governance arrangements</li> <li>▪ Senior Information Risk Officer (SIRO) in place</li> <li>▪ Information Asset Register</li> <li>▪ Information sharing guidance published</li> <li>▪ Information Risk policy</li> <li>▪ Annual National and Local performance Indicator data collection process and internal audit arrangements.</li> </ul>
<b>Strong public financial management</b>	<p>F17 Ensuring financial management supports both long-term achievement of outcomes and short-term financial and operational performance</p>	<ul style="list-style-type: none"> <li>▪ Financial procedure rules in Constitution</li> <li>▪ Contract procedure rules in Constitution</li> </ul>

	F18 Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls	<ul style="list-style-type: none"><li>▪ Accounting Instructions on Intranet</li><li>▪ Spending Restrictions document on Intranet</li></ul>
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**Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability**

Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

Sub-Principles	The Council is committed to:	What is in place to support this?
<p><b>Implementing good practice in transparency</b></p>	<p>G1 Writing and communicating reports for the public and other stakeholders in an understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate</p> <p>G2 Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand</p>	<ul style="list-style-type: none"> <li>▪ Report writing template and guidance</li> </ul>
<p><b>Implementing good practices in reporting</b></p>	<p>G3 Reporting at least annually on performance, value for money and the stewardship of resources</p> <p>G4 Ensuring owners and senior management own the result</p> <p>G5 Ensuring robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and publishing the results on this assessment including an action plan for improvement and evidence to demonstrate good governance (annual governance statement)</p> <p>G6 Ensuring that the Framework is applied to jointly managed or shared service organisations as appropriate</p> <p>G7 Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar organisations</p>	<ul style="list-style-type: none"> <li>▪ Annual Statement of Accounts audited by external auditor and approved by Council</li> <li>▪ Code of Corporate Governance based on CIPFA/SOLACE Framework 2016</li> <li>▪ Annual Governance Statement</li> <li>▪ Corporate Plan Annual Performance Report</li> <li>▪ Service Business Plans produced annually and reviewed quarterly by each service area</li> </ul>
<p><b>Assurance and effective accountability</b></p>	<p>G8 Ensuring that recommendations for corrective action made by external audit are acted upon</p>	<ul style="list-style-type: none"> <li>▪ External Audit provided by Wales Audit Office</li> <li>▪ Performance of Internal Audit Section monitored by Audit Committee</li> </ul>

	<p>G9 Ensuring an effective internal audit service with direct access to members is in place which provides assurance with regard to governance arrangements and recommendations are acted upon</p> <p>G10 Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations</p> <p>G11 Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement</p> <p>G12 Ensuring that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met</p>	<ul style="list-style-type: none"> <li>▪ Implementation of WAO and Internal Audit recommendations monitored by Audit Committee</li> <li>▪ Peer Review, Corporate Assessment and Corporate Governance Review action plan monitored by Corporate Management Team</li> <li>▪ Annual Governance Statement</li> </ul>
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<b>SUBJECT:</b>	<b>INTERNAL AUDIT Progress Report for Quarter 1 (2023/24)</b>
<b>DIRECTORATE:</b>	<b>Resources</b>
<b>MEETING:</b>	<b>Governance &amp; Audit Committee</b>
<b>DATE:</b>	<b>27<sup>th</sup> July 2023</b>
<b>DIVISION/WARDS AFFECTED:</b>	<b>All</b>

## 1. PURPOSE

To consider the adequacy of the internal control environment within the Council based on the outcomes of audit reviews and subsequent opinions issued to the 30<sup>th</sup> June 2023.

To consider the performance of the Internal Audit Section over the first 3 months of the current financial year.

## 2. RECOMMENDATION(S)

That the Committee note the audit opinions issued.

That the Committee note the progress made by the Section towards meeting the 2023/24 Operational Audit Plan and the Section's performance indicators at the 3 month stage of the financial year which are currently ahead of the profiled target.

## 3. KEY ISSUES

- 3.1 Audit work has started in line with the 2023/24 agreed draft audit plan, considered by the Governance & Audit Committee in June 2023.
- 3.2 This report gives brief details of the work undertaken in the year to date. The report also gives details of the Section's performance indicators for the 3 months to 30<sup>th</sup> June 2023.
- 3.3 The Public Sector Internal Audit Standards came into force in April 2013 (updated March 2017) which the Internal Audit team needs to demonstrate compliance with.
- 3.4 The year end opinion for 2023/24 will be based on the audit work undertaken during the year, cumulative audit knowledge from previous years on key financial systems along with any assurance gained from other parties where relevant.

3.5 As agreed during the Governance & Audit Committee on 29<sup>th</sup> June 2023, the opinions used by the Internal Audit team during 2023/24 (and beyond) have been revised to those recommended by CIPFA for use across the public sector. A copy of the opinions and risk ratings in use from 01<sup>st</sup> April 2023 can be seen in Appendix 2 of this report.

#### **4. REASONS**

4.1 Since the start of the financial year, the Internal Audit Section has completed 9 audit jobs to draft stage from its 2023/24 draft Operational Audit Plan; 4 of these being opinion related and are shown in the table at Appendix 1.

4.2 The following changes to the composition of the Internal Audit team occurred during Quarter 1 of the financial year.

- The previous Chief Internal Auditor left the Authority in April 2023 (16<sup>th</sup> April 2023).
- The Audit Manager commenced employment with Monmouthshire County Council during Quarter 1 (24<sup>th</sup> April 2023). The Audit Manager is currently fulfilling the vacant role of the Chief Internal Auditor / Head of Internal Audit while consideration is given to the long-term vision of the service and possible wider collaboration. This arrangement will likely continue for the whole financial year.
- The team was operating without a Senior Auditor for the whole of Quarter 1. However, it is pleasing to report that a successful recruitment process took place with a new post holder due to commence employment during August 2023.

4.3 In relation to audit opinion related reports, 4 had been issued in draft by the end of the 1<sup>st</sup> Quarter;

- Planning Applications – Substantial Assurance.
- Revenues Shared Service – Reasonable Assurance.
- Appointeeships & Deputyships – Reasonable Assurance.
- Partnership Assurance – Reasonable Assurance.

4.4 It is pleasing to report that no 'unfavourable' (Limited Assurance / No Assurance) audit opinions have been issued during Quarter 1.

4.5 Work has been undertaken on the progress of the implementation of Internal Audit Recommendations from previously issued audit reports along with the provision of financial advice across directorates. During Quarter 1, the Internal Audit team have been working with the Digital Design & Innovation team to develop a 'Recommendation Tracker' application to allow operational managers and responsible officers to report when their agreed management actions have been completed and to highlight those which are overdue. User acceptance testing of this new system will begin early in Quarter 2 with a view to rolling out the package to all managers as soon as possible. Progress on this and the implementation of recommendations will be reported to the

Governance and Audit Committee and the Strategic Leadership Team (SLT) later in the year for consideration and timely action.

- 4.6 Other audit work in line with the plan has started and site visits have been undertaken to a number of establishments. At the end of Quarter 1, 36% of the agreed audit plan has been deemed as being started or in progress.
- 4.7 Where reports had been issued in draft, but not finalised, by the 31<sup>st</sup> March 2023, work has been undertaken during Quarter 1. As of the 30<sup>th</sup> June 2023, 8/10 had been successfully finalised. The 2 jobs which have not been finalised relate to School Audit reviews where the Headteacher is refusing to engage with Internal Audit following advice from the National Union of Headteachers (NAHT) in relation to their 'Action Short of Strike' which is currently ongoing. The Audit Manager has attempted to contact the Director of NAHT Cymru to discuss this issue further.

Audit Management are working to finalise these outstanding reports as soon as possible.

- 4.8 One special investigation commenced during Quarter 1 which is currently on-going.
- 4.9 Appendix 3 of the report gives details of the Section's performance indicators as at the 30<sup>th</sup> June 2023.
- 4.10 15% of the 2023/24 Audit Plan has been completed as at 30<sup>th</sup> June 2023. This is ahead of target (10%) and better than the previous year's performance (11%).
- 4.11 The team co-ordinates the administration of the National Fraud Initiative (NFI) data sets on behalf of the Council. Work has commenced during Quarter 1 reviewing the data matches returned by the Cabinet Office in early 2023. This will continue into Quarter 2.

## **5. SERVICE MANAGEMENT RESPONSIBILITIES**

- 5.1 Heads of Service and service managers are responsible for addressing any weaknesses identified in internal systems and demonstrate this by including their management responses within the audit reports. When management agree the audit action plans, they are accepting responsibility for addressing the issues identified within the agreed timescales.
- 5.2 Ultimately, managers within MCC are responsible for maintaining adequate internal controls within the systems they operate and for ensuring compliance with Council policies and procedures. All reports,

once finalised, are sent to the respective Chief Officers and Heads of Service for information and appropriate action where necessary.

## 6. FOLLOW UP AUDIT REVIEWS

- 6.1 Where ‘unfavourable’ (Limited Assurance / No Assurance) audit opinions are issued, they are followed up within a twelve month timescale to ensure that the agreed actions have been taken by management and that the internal control systems are improved.
- 6.2 During Quarter 1, the Internal Audit team have continued to follow-up reviews where an unfavourable audit opinion had been issued. Currently the Internal Audit team have 3 follow-up reviews which are outstanding at the end of Quarter 1. All other previously issued unfavourable opinions have been reported to a previous meeting of the Governance & Audit Committee – these have all obtained a more positive audit opinion.
- 6.3 During 2019/20, 8 reports were issued with a **Limited** opinion. 2 of these have not yet had a final follow-up report issued and reported to the Governance & Audit Committee.

Year	Assignment	Opinion	Revised Opinion/ Status	Date Issued
2019/20	Castle Park Primary School	Limited	Substantial	Draft issued March 2023
	Tintern Old Station	Limited	Q2 2023/24	

- 6.4 Although the draft report has been issued to the Headteacher at Castle Park Primary School, as detailed within section 4.7 of this report, they are receiving advice from the NAHT not to engage further with the Internal Audit team and are therefore refusing to finalise the report.
- 6.5 The Follow-up review of Tintern Old Station commenced in late June 2023 with a site visit planned for July 2023. Due to the impact of the Covid pandemic, Tintern Old Station was closed for much of 2020 and 2021. It was also closed for the winter months of 2022, only reopening to the public in late April 2023. The Audit Manager will provide a verbal update to the Committee on the current status of this audit review as requested during the June 2023 meeting.
- 6.6 Of the 20 opinions issued in 2022/23, 1 **Limited** opinion was issued. The details of why this was considered to be unfavourable was reported to the June 2023 meeting of the Governance & Audit Committee. A follow-up review for this School is planned during the latter part of the 2023/24 financial year.

Year	Assignment	Opinion	Revised Opinion/ Status	Date Issued
2022/23	Our Lady and St Michael's R.C. School	Limited	Q3/4 2023/24	Final issued May 2023

**7. RESOURCE IMPLICATIONS**

None.

**8. CONSULTEES**

Deputy Chief Executive / Chief Officer Resources

**Results of Consultation:**

N/A

**9. BACKGROUND PAPERS**

Draft Operational Audit Plan 2023/24

**10. AUTHORS AND CONTACT DETAILS**

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## AUDIT COMMITTEE SEPTEMBER 2022

### INTERNAL AUDIT SECTION PROGRESS REPORT 2022/23 – 3 MONTHS

#### APPENDIX 1

Internal Audit reviews from the 2023/24 Draft Operational Audit Plan where fieldwork has been completed and/or final reports issued since 01/04/23 are listed in the table below.

Internal Control Opinions give the auditor's overall conclusion on the control environment operating in each system/establishment under review. Opinions range from Substantial Assurance through to No Assurance (Appendix 2).

Draft issued indicates that a draft report has been issued and a response is awaited from the client before the report can be finalised.

### Status of reports as at 30<sup>th</sup> June 2023

#### Internal Audit Services - Management Information for 2023/24 – Quarter 1

Opinion Summary	Number
Substantial Assurance	1
Reasonable Assurance	3
Limited Assurance	0
No Assurance	0
<b>Total</b>	<b>4</b>

Job number	Directorate	Service	Job Name	Risk Rating / Priority	Final / Draft	Opinion given
P2324-40	Communities & Place	Placemaking, Housing, Highways and Flood	Planning Applications	Medium	Draft	Substantial Assurance
P2324-07	Resources	Finance - Revenues, Systems & Exchequer	Revenues Shared Service	Medium	Draft	Reasonable Assurance
P2324-34	Social Care, Health & Safeguarding	Social Services Finance	Appointeeships & Deputyships	Medium	Draft	Reasonable Assurance
P2324-59	Corporate	Corporate	Partnership Assurance	Medium	Draft	Reasonable Assurance



### Non – opinion / Added Value Audit Work

<b>Job number</b>	<b>Directorate</b>	<b>Service</b>	<b>Job Name</b>
P2324-09	Resources	Resources General	Audit Advice
P2324-27	Children & Young People	CYP General	Audit Advice
P2324-37	Social Care, Health & Safeguarding	SCH & Safeguarding General	Audit Advice
P2324-45	Communities & Place	Communities & Place General	Audit Advice
P2324-54	Chief Executive's	Chief Executives General	Audit Advice

Internal Audit Opinions

Each report contains an opinion which is an overall assessment of the control environment reviewed.

OPINION	DESCRIPTION
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.

The table below summarises the risk ratings used during our audits:

RISK RATING	DESCRIPTION
CRITICAL	Major or unacceptable risk which requires immediate action.
SIGNIFICANT	Important risk that requires attention as soon as possible.
MODERATE	Risk partially mitigated but should still be addressed.
STRENGTH	No risk. Sound operational controls and processes confirmed.

**For grant claim audits:**

**Unqualified** opinion - the terms and conditions of the grant were generally complied with;

**Qualified** opinion - the terms and conditions of the grant were not fully complied with; the identified breaches of terms and conditions will be reported to the grantor and internally to relevant Head of Service/Chief Officer.

## AUDIT COMMITTEE SEPTEMBER 2022

### INTERNAL AUDIT SECTION PROGRESS REPORT 2022/23 – 3 MONTHS

#### APPENDIX 3

#### Performance Indicators

N / A – not available

	2022/23	Q1	Q2	Q3	Q4	Target
1	Percentage of planned audits completed	11%	28%	52%	72%	80% pa
2	Average no. of days from audit closing meeting to issue of a draft report	14 days	5 days	4 days	4.4 days	15 days
3	Average no. of days from receipt of response to draft report to issue of the final report	30 days	17 days	8 days	8.5 days	10 days
4	Percentage of recommendations made that were accepted by the clients	90%	100%	100%	100%	95%
5	Percentage of clients at least 'satisfied' by audit process	N/A	N/A	N/A	100%	95%
6	Percentage of directly chargeable time (actual v planned)	68%	67%	66%	73%	60%
7	Number of special investigations	0	0	0	0	

	2023/24	Q1	Q2	Q3	Q4	Target
1	Percentage of planned audits completed	15%				10% in Q1 80% pa
2	Average no. of days from audit closing meeting to issue of a draft report	2				15 days
3	Average no. of days from receipt of response to draft report to issue of the final report	N/A*				10 days
4	Percentage of recommendations made that were accepted by the clients	N/A*				95%
5	Percentage of clients at least 'satisfied' by audit process	N/A*				95%
6	Percentage of directly chargeable time (actual v planned)	67%				60%
7	Number of special investigations	1				

\* These statistics are based on the conclusion of an audit review (final report stage). As at 30<sup>th</sup> June 2023, no 2023/24 audit review had yet been finalised.

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**SUBJECT: GOVERNANCE AND AUDIT COMMITTEE  
ANNUAL REPORT 2022/23**

**DIRECTORATE: Resources**

**MEETING: Governance and Audit Committee**

**DATE: July 2023**

**DIVISION/WARDS AFFECTED: All**

## **Foreword by Andrew Blackmore, Chair of the Governance & Audit Committee**

I am pleased to present the Annual Report of the Governance & Audit Committee which outlines the Committee's work and conclusions for the year ending 31 March 2023.

The Governance & Audit Committee is a key component of the Council's governance framework and provides independent oversight on the effectiveness of its governance, risk, financial management, and internal control arrangements.

The Committee has received valued reports, insights and professional advice from the Council's internal and external auditors in addition to various informative and relevant papers, and other inputs from officers.

I would like to thank all of the officers who have supported the work of this Committee through their attendance at meetings, presentation of reports and papers, constructive responses to the committee over issues and concerns raised, or their provision of much valued administrative support. Similarly, I would like to thank members for their valuable contribution throughout the period.

I am broadly comfortable that the committee has, over the period, substantively met its terms of reference and has made progress in encouraging officers to make targeted improvements across the Council's overall risk and control environment however, within the body of this report I, on behalf of the committee, have highlighted some matters which require addressing by officers. These matters have been previously raised with officers who are considering options for their resolution and are committed to working collaboratively with the committee.

**Andrew Blackmore,  
Chair Governance & Audit Committee, June 2023**

## **1. PURPOSE**

To set out the 2022/23 Annual Report from the Chair of the Council's Governance & Audit Committee which the Committee endorsed at its meeting on 27 July 2023.

## **2. CONCLUSION & RECOMMENDATIONS**

The Committee concluded that it had substantively achieved the majority of its core responsibilities during the 2022/23 period and as a consequence the Council can be reasonably assured over its work, outputs and conclusion noting that the committee is broadly satisfied with the Authority's overall governance, risk and control arrangements. Notwithstanding this conclusion, these arrangements will need to evolve in response to key developments including the updated Corporate and Community Plan and the revised enabling strategies (e.g. asset and HR) and consequential impacts arising from the ongoing financial and operating challenges facing the Council.

During the period the committee scrutinised officers' overall response to the budgetary challenge and highlighted the likely disproportionate, adverse control assurance impacts arising from the proposed reduction of 1 FTE from the Council's internal audit function and recommended to the Cabinet and Council that this headcount reduction not be implemented. The committee is grateful to the Cabinet and Council for accepting this recommendation.

During the year, the committee periodically challenged both the adequacy and sufficiency of the actions taken, and information presented, by officers with a view to ensuring the robustness of the Council's overall governance, risk and control frameworks. Officers have responded positively and constructively to these challenges and the committee is confident that the anticipated improvements, when fully implemented, will provide greater confidence in achieving the objectives as encapsulated within the Council's Corporate and Community Plan.

The Council is invited to consider the conclusion and observations set out within this Annual Report and:

- re- confirm its expectations of the Governance & Audit Committee and in particular whether it wishes to confer on it any additional responsibilities,
- agree that the highlighted improvement areas should be addressed, and as appropriate
- endorse this Report.

### **3. THE COMMITTEE'S RESPONSIBILITIES**

3.1 The core responsibilities for the Governance & Audit Committee are set out in summary form at section 10.2 within the Council's Constitution (18 May 2023 version) with further information on responsibilities and expectations dispersed throughout the remainder of what is a very lengthy document. Section 10.2 states the Committee's responsibilities are to:

- ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
- review and approve the annual statement of accounts, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.
- maintain an overview of the Council's constitution in respect of contract procedure rules and financial regulations.
- make recommendations, as appropriate, to Cabinet and Council on any matters reported through the Governance and Audit Committee

3.2 The Committee understands that it also has the following functions as required by s81, Local Government (Wales) Measure 2011) noting that these functions are not explicitly reflected in the Constitution (paragraph 3.1 above):

- review and scrutinise the authority's financial affairs,
- make reports and recommendations in relation to the authority's financial affairs,
- review and assess the risk management, internal control, performance assessment and corporate governance arrangements of the authority,
- make reports and recommendations to the authority on the adequacy and effectiveness of those arrangements,
- review and assess the authority's ability to handle complaints effectively,
- make reports and recommendations in relation to the authority's ability to handle complaints effectively,
- oversee the authority's internal and external audit arrangements, and
- review the financial statements prepared by the authority.

3.3 In practice officers and members largely acknowledge that the committee's responsibilities do extend to those matters set out in paragraph 3.2 above (and to other matters such as whistleblowing)

however the lack of a comprehensive but concise terms of reference for the Committee has resulted in some inconsistent understanding and unproductive discussions which has adversely impacted the Committee's effectiveness as an oversight body. Officers are aware of the Committee's concerns and are committed to addressing these matters.

- 3.4 In reviewing the extent to which the Committee has fully and effectively discharged its responsibilities during the year, the Committee believes that it has not considered sufficient information to it to opine on matters pertaining to contract procedure rules and financial regulations.
- 3.5 As referenced elsewhere the Committee fully recognises the work and dedication of officers with which it engages. Notwithstanding this, the committee has periodically challenged the timeliness, adequacy and sufficiency of papers and reports presented with a view to ensuring that the topics covered more fully reflected the committee's interpretation of its remit. The Committee has also expressed a preference for more collaborative type working with officers on the proposed design/ re-design of governance, risk and control processes and topics, e.g. the design of the Council's Annual Self-Assessment exercise, as opposed to solely being requested to review the final process design as a by-product of reviewing the process output. The Committee's view is that this upfront engagement provides an opportunity to make more timely and constructive interventions which potentially reduces levels of required re-work by officers.
- 3.6 Officers have generally responded positively and constructively to these challenges and suggestions with the Committee being reasonably confident that the anticipated improvements, when fully implemented, will provide greater confidence in achieving the Council's strategic objectives.
- 3.7 Of perhaps more pertinence, the Council may wish to consider whether it has sufficient clarity and visibility over the Committee's responsibilities, the extent to which these are being discharged and the coherence and balance of responsibilities across its sub-committee structure.

#### **4. RE-CONSTITUTION OF THE COMMITTEE**

- 4.1 Following the Local Government and Elections (Wales) Act 2021 coming into effect the Council's former Audit Committee was re-named as the Governance & Audit Committee with other changes as required by the legislation, such as an increase in the number of lay members to comprise one third of the Committee were made with three lay members (including the Chair) appointed in May 2022 with the final remaining lay member appointed in February 2023 meaning that the Committee has a total of 12 members (comprises eight elected and four lay members).
- 4.2 As a consequence of these changes alongside the results of the 2022 Local Elections, the overwhelming majority of committee members were either new to the Authority and/ or newly appointed to the committee. In recognition of this an induction programme was established to equip elected and lay members with the appropriate information and knowledge



to enable us to make an effective contribution to the committee. There has been a period of adjustment before the Committee settled into a rhythm and on behalf of members I would like to express my gratitude to those officers who have helped with this process.

- 4.3 As an integral and critical component of this adjustment process, Committee members have legitimately challenged the Committee's previous focal points, scope and modus operandi with officers being periodically challenged over the proposed agenda items for the committee and adequacy and sufficiency of papers presented to committee meetings. This level of constructive challenge and purposeful, healthy tension between officers and the Committee's members is a desirable characteristic of any well-functioning governance body with officers generally responding positively to this.
- 4.4 For completeness the Committee acknowledges that there are ongoing discussions with senior officers on the interpretation of key elements of the Committee's responsibilities with a collaborative approach being taken (between members and officers) to designing and delivering concise but meaningful papers, reports and other artefacts to the committee to enable the more effective discharge of its responsibilities.
- 4.5 During the year Councillor Bob Greenland, a long standing and highly respected committee member sadly passed away and was replaced by Councillor Tony Kear. Subsequent to the year-end I note that Councillors Ian Chandler, Laura Wright and Tony Kear have stood down and have been replaced by Ben Callard, Ann Webb and David Jones. The committee acknowledges the valuable contributions made by its ex-members and welcomes the new members.
- 4.6 Our focus for the forthcoming period will be to support officers in demonstrating that governance standards remain appropriate; to refine the Council's approach to risk management and ensure it is embedded consistently across the Authority and to ensure that, inter alia, financial and operational risk controls, including people risks are managed effectively. Further, following the departure of Andrew Wathan, the Council's Chief Internal Auditor (CIA), the Committee intends to ensure that the newly appointed (de facto) CIA is adequately supported by chief officers and is empowered to exercise sufficient influence and authority across the Authority at the earliest opportunity. The Committee will continue to provide to the CIA with whatever guidance, support and encouragement is necessary to ensure that levels of control assurance are maintained, and that officers continue to act on internal audit recommendations.
- 4.7 Whilst the interim arrangements for Internal Audit currently appear adequate (noting the Committee's concerns over the current resourcing position), it is critical that the target resourcing and delivery model is finalised and implemented within a reasonable timeframe so as not to compromise the progress made over recent times. The Committee expects regular updates from the accountable officer on progress in this area.

## **5. SELF-ASSESSMENT, TRAINING & DEVELOPMENT**

- 5.1 As a result of the continuing changes in the Committee's membership from May 2022 and the release of the updated CIPFA guidance for Governance & Audit Committees, a formal self-assessment has not yet taken place however, members have been invited to provide feedback to the Chair as appropriate during the year with such feedback being acted upon to the extent possible.
- 5.2 It is now anticipated that this self-assessment exercise will take place during the early autumn. Whilst it is primarily a self-assessment exercise by the Committee's members, relevant officers will be invited to participate and share observations.
- 5.3 The output from this exercise will inform the ongoing programme of training and development for members noting that Democratic Services will schedule and deliver induction training for new members.

## **6. COMMITTEE MEMBERSHIP & ATTENDANCE**

- 6.1 The Committee is supported by Democratic Services with the, Deputy Chief Executive and Chief Officer Resources, the Head of Finance and the CIA or, occasionally, representatives, in attendance at most meetings. External Audit (Audit Wales) are invited to, and attended, all meetings.
- 6.2 The Committee met on nine separate occasions during 2022/23. For each meeting, the Committee was quorate and there were sufficient members to enable an informed discussion on the matters raised. The high attendance rate by members demonstrates their continued commitment to the work of the Committee.

Governance & Audit Committee meetings 2022/23
6 June 2022
20 June 2022
14 July 2022
8 September 2022
13 October 2022
24 November 2022
26 January 2023
16 February 2023
30 March 2023

## Attendance at Meetings:

Members Attendance/ Committee Date	06.06.22	20.06.22	14.07.22	08.09.22	13.10.22	24.11.22	26.01.23	16.02.23	30.03.23	Meetings attended
Andrew Blackmore	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
CC Peter Strong	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
Colin Prosser	✓	✓	✓	x	✓	✓	✓	✓	✓	8
Martin Veale	x	✓	✓	✓	✓	✓	✓	✓	x	7
Rhodri Guest							✓	✓	✓	3
CC Ian Chandler	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
CC John Crook	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
CC Tony Easson	✓	✓	✓	✓	✓	✓	✓	x	✓	8
CC Bob Greenland	✓									
CC Malcolm Lane	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
CC Phil Murphy	✓	x	✓	✓	✓	✓	✓	✓	✓	8
CC Laura Wright	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
CC Tony Kear						✓	✓	✓	✓	4
<b>Total for Committee</b>	10	9	10	9	10	11	12	11	11	
<b>Attendance Ratio for 2022/23</b>										
94.9%										
<b>Attendance Ratio for 2021/22</b>										
69%										
<b>Attendance Ratio for 2020/21</b>										
79%										

6.3 Regular reports were received by the Governance and Audit Committee throughout the year. Members contributed to the challenge process where officers were held to account for improving identified systems weakness. Members contributed positively to the process and took the responsibility of being on the committee seriously.

6.4 A standard agenda item for the committee is an Action List, where named officers are responsible for updating the committee on previous matters discussed or questions raised. This ensures appropriate responses are received and accepted by the Committee on material issues.

## 7. RESOURCE IMPLICATIONS

None.

## 8. CONSULTEES

Deputy Chief Executive/ S151 Officer.

## 9. RESULTS OF CONSULTATION:

Report agreed.

**10. BACKGROUND PAPERS**

Papers for the Governance & Audit Committee meetings during 2022/23.

**11. AUTHOR AND CONTACT DETAILS**

Andrew Blackmore, Chair, on behalf of the Governance and Audit Committee

[Andrewblackmore@monmouthshire.gov.uk](mailto:Andrewblackmore@monmouthshire.gov.uk)



**SUBJECT: INTERNAL AUDIT  
OPERATIONAL PLAN 2023/24**

**DIRECTORATE: Resources**  
**MEETING: Governance & Audit Committee**  
**DATE: 27<sup>th</sup> July 2023**  
**DIVISION/WARDS AFFECTED: All**

## 1. PURPOSE

To receive and approve the Internal Audit Operational Plan for 2023/24.

## 2. RECOMMENDATION(S)

That the Governance and Audit Committee reviews and approves the Internal Audit Operational Plan for the 2023/24 financial year.

## 3. KEY ISSUES

3.1 This report aims to inform Members of the Governance and Audit Committee of the work to be undertaken by the Internal Audit Section at an operational level for 2023/24.

3.2 This report supplements the report 'Draft Internal Audit Plan 2023/24' which was presented to and considered by the Governance & Audit Committee in June 2023.

3.3 Consideration is given to over 300 possible areas to audit across all services provided by Monmouthshire which are risk assessed and allocated a high, medium or low risk. The audit team staff resources would then be allocated to cover the higher ranked risks as appropriate. That said, inevitably there will be reviews which the audit team have to undertake annually such as the annual governance statement, mandatory grant claim audits and audit advice, which have also been incorporated into the plan, along with follow up reviews, finalisation work and planned work from the previous year not undertaken.

3.4 An allocation of time is included in the plan for special investigations where the team might receive allegations of fraud, theft, non-compliance etc. The plan also needs to be flexible enough to respond to changes to risk profiles and other developments in year; the audit management team will continually monitor this situation.

3.5 For 2023/24, the total available days amounted to 1,430, based on 5.5 FTE auditors in the team for the full year.

- 3.6 As reported to the June 2023 meeting of the Governance & Audit Committee, the Audit Manager is currently fulfilling the Chief Internal Auditor role which leaves a vacancy for 0.5 FTE. It is planned that this will remain vacant for the financial year while the service considers its future delivery options and possible wider regional collaboration. The Team structure for the year will be an Audit Manager supported by one Principal Auditor, two Senior Auditors and one Auditor (5 FTE).
- 3.7 During Quarter 1 of the 2023/24 year, a successful recruitment process took place, and the vacant Senior Auditor position was filled. The new post holder is due to commence in their role during August 2023. The final operational audit plan has been calculated on this basis, with a vacancy provision included for April to August (circa 5 months). This provides a small increase in the available audit days (26) from the Draft plan presented in June 2023.
- 3.8 Due to the vacancies mentioned above the plan has been based on 1,190 total available days. An allowance for leave, sickness, training, management time and admin is deducted from this to give the total number of operational audit days in the year.
- 3.9 Total operational audit resources therefore amounts to **754 days**, which will be allocated across service directorates on a risk basis (summary shown at Appendix 1). This includes 70 days for special investigations and unplanned work.
- 3.10 The total operational audit days of 754 also includes 40 days (an estimated 4 audit jobs) where an external resource will be procured to support the team. This will be funded from the budget surplus arising from the Chief Internal Auditor / Senior Auditor vacancy periods. If this additional resource could not be procured or the cost of the external resource exceeds the available budget this may be a future risk area in completing the audit plan.
- 3.11 Additionally, if it is deemed necessary and ahead of any decision over future delivery models, additional resources will be considered as needed to supplement the team resources and to ensure that sufficient progress is maintained in delivering the plan for the year.
- 3.12 Historically, the time allocated to special investigations is usually a pressure point. For the 2022/23 plan, the allocation of days was reduced to ensure appropriate planned audit coverage was given across all directorates. The number of days allocated within the 2023/24 plan will remain at the reduced amount of 70 days. If time intensive investigation(s) or unplanned work is required, this may impact on the resource available to complete planned audit work and therefore meet the team's performance target.
- 3.13 Chief Officers and Heads of Service were given the opportunity to contribute to and shape this plan. The initial draft plan was discussed and refined through discussions with the Senior Leadership Team, Chief Officers and their Department Management Teams. The comments made by the Governance & Audit Committee in their June 2023 meeting were also considered.

- 3.14 This plan may change as the year progresses if the risk profile of audit work changes. It is intended that this audit plan remains fluid and will be dependent on any new priorities or emerging risks to the Council. The plan will be reviewed quarterly by the Audit Manager and discussed with the Deputy Chief Executive / Chief Officer for Resources as and when necessary. Any significant change to the agreed plan will be brought back to the Governance and Audit Committee for approval.
- 3.15 The Governance and Audit Committee will be kept updated with the progress against the agreed plan via quarterly reports presented by the Audit Manager.
- 3.16 To seek to maximise performance against the plan, Audit Management will ensure audit reports are more focused and timely, that staff with the right skill sets are allocated to appropriate work and non-productive time is minimised.

#### **4. REASONS**

- 4.1 The 2023/24 Internal Audit Operational Plan is attached at Appendix 2 to this report. Audit jobs within the plan have been risk assessed and prioritised and matches the audit resources available for the year. This will be reviewed on an annual basis in order to determine the appropriateness of the risk assessment each year where audit resources will be deployed to cover the higher risk reviews.

44 audit opinion and 24 non-opinion jobs have been incorporated within the 2023/24 Plan.

- 4.2 The Operational Plan has been updated to take account of:
- a) The Authority's latest Risk Assessment;
  - b) New areas for inclusion in the Plan identified from changes to legislation and the regulatory framework for local government and from ongoing discussions with service managers;
  - c) Areas of slippage from previous Operational Plans; and
  - d) The published Regulatory Plan produced by Audit Wales.
  - e) Requests from Chief Officers and Heads of Service.
  - f) Comments from the Governance & Audit Committee at the June 2023 meeting.
- 4.3 The main changes between the Draft Internal Audit Plan presented to the June 2023 meeting and this 'final' operational plan are;
- An additional 26 chargeable days following the earlier than anticipated start date of the new Senior Auditor.
  - Removal of 'Registration Services' audit review (15 days) at management request. This is due to the team receiving notification of a forthcoming external audit by the General

Registrars Office and to prevent any duplication of work this might entail (PSIAS Standard - 2050 Coordination and Reliance).

- Addition of 'Internal Audit External Quality Assessment' which is required to be completed during the financial year (5 days).
- Addition of 'Passenger Transport Unit (PTU) Systems (CTX / Pupil Tracker)' audit review (18 days).
- Addition of Control Risk Self-Assessment – Leisure Centres (15 days).
- Additional time allocated to the audit review of Chepstow School (3 days).

4.4 The Operational Plan will be kept under review through the course of the year to identify any amendments needed to reflect changing priorities and emerging risks. Material changes to the Plan will be reported to the Governance and Audit Committee at the earliest opportunity.

4.5 An Annual Report will be prepared for the Governance and Audit Committee to provide appropriate assurance via the Chief Internal Auditor's annual opinion, along with details on the performance of the Section against the Operational Plan. Interim progress reports will also be provided to the Committee quarterly.

4.6 With effect from 1<sup>st</sup> April 2016 the revised Public Sector Internal Audit Standards (PSIAS) came into force for all public sector bodies including local government organisations. The Audit Manager will ensure that the Audit Team continues to undertake its work in accordance with these Standards. The team will be undergoing an External Quality Assessment as required by the PSIAS during 2023/24, this is now overdue. Time has been included within the Audit plan for this.

4.7 The Governance & Audit Committee are responsible as per their Terms of Reference to approve and monitor the Internal Audit plan over the course of the financial year. Quarterly reports shall be presented promptly by the Chief Internal Auditor, informing the Committee of the current progress against the approved plan, the opinions issued and a summary of all unfavourable reports. The Committees role is to hold officers to account and provide oversight of the audit process and the organisations system of internal control.

## **5. RESOURCE IMPLICATIONS**

None.

## **6. CONSULTEES**

Strategic Leadership Team  
Directorate Management Teams  
Governance & Audit Committee – June 2023 Meeting

## **7. BACKGROUND PAPERS**

Strategic Internal Audit Plan  
Public Sector Internal Audit Standards



**8. AUTHOR AND CONTACT DETAILS**

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**Monmouthshire County Council  
Internal Audit Plan 2023/24**

**Appendix 1**

DIRECTORATE SUMMARY				
	Days	Allocation of Audit Resources	Opinion Job	Non Opinion Job
Resources	116.5	15.5%	7	4
People & Governance	43	5.7%	2	3
Children & Young People	169.5	22.5%	12	3
Social Care, Health & Safeguarding	123.5	16.4%	8	4
Communities & Place	79.5	10.5%	6	3
MonLife	75	9.9%	5	2
Chief Executives	18	2.4%	1	1
Corporate Work	59	7.8%	3	4
Special Investigations	70	9.3%	-	-
Available Productive Audit Days	<b>754</b>	100%	44	24

INTERNAL AUDIT SERVICE - OPERATIONAL PLAN 2023/2024

Resources		Last Review	Opinion Job	Non Opinion Job	Risk	Days
<b>Finance - Corporate Accountancy</b>						
	Insurances	2016/17	Yes		<b>H</b>	15
<b>Finance - Revenues, Systems &amp; Exchequer</b>						
	Council Tax	2017/18	Yes		<b>M</b>	15
	Creditor Payments (2022/23)	2022/23	Yes		<b>M</b>	10
	Procurement Cards	2020/21	Yes		<b>M</b>	13
	Benefits	2021/22	Yes		<b>M</b>	15
	Imprest Accounts Closure	2022/23		Yes	<b>L</b>	6
	Revenues Shared Service (2022/23)	2022/23	Yes		<b>M</b>	7
<b>Commercial, Property &amp; Facilities</b>						
	Cemeteries	Never	Yes		<b>M</b>	15
<b>General</b>						
	Audit Advice	Annual		Yes		14
	Finalisation of previous year's audits (work in progress)	Annual		Yes		2.5
	Monitoring Implementation of Previous Recommendations	Annual		Yes		4
<b>Total Planned Days for Resources</b>			<b>7</b>	<b>4</b>		<b>116.5</b>

**Monmouthshire County Council  
Internal Audit Plan 2023/24**

<b>People &amp; Governance</b>		<b>Last Review</b>	<b>Opinion Job</b>	<b>Non Opinion Job</b>	<b>Risk</b>	<b>Days</b>
<b>Democratic Services &amp; Communications</b>						
	Democratic Services & Governance	Never	Yes		<b>H</b>	15
<b>Electoral Registration</b>						
	Electoral Registration	2009/10	Yes		<b>H</b>	15
<b>General</b>						
	Audit Advice	Annual		Yes		8
	Finalisation of previous year's audits (work in progress)	Annual		Yes		3
	Monitoring Implementation of Previous Recommendations	Annual		Yes		2
<b>Total Planned Days for People &amp; Governance</b>			<b>2</b>	<b>3</b>		<b>43</b>

**Monmouthshire County Council  
Internal Audit Plan 2023/24**

<b>Children &amp; Young People</b>		<b>Last Review</b>	<b>Opinion Job</b>	<b>Non Opinion Job</b>	<b>Risk</b>	<b>Days</b>
<b>Additional Learning Needs</b>						
	ALN (previously SEN)	2017/18	Yes		<b>H</b>	15
<b>Achievement &amp; Extended Services</b>						
	Flying Start	2013/14	Yes		<b>M</b>	15
<b>Finance &amp; Support Services</b>						
	School Improvement Grant	Annual	Yes		<b>M</b>	8
	Pupil Development Grant	Annual	Yes		<b>M</b>	8
<b>Primary Schools</b>						
	Archbishop Rowan Williams Church in Wales Primary	2015/16	Yes		<b>M</b>	10
	Durand Primary	2015/16	Yes		<b>M</b>	10
	Llantilio Pertholey Primary	2016/17	Yes		<b>M</b>	10
	Our Lady & St Michaels RC (Follow-up)	2022/23	Yes		<b>H</b>	10
	Pembroke Primary	2016/17	Yes		<b>M</b>	10
	The Dell Primary	2016/17	Yes		<b>M</b>	10
<b>Secondary Schools</b>						
	Chepstow School	2017/18	Yes		<b>M</b>	17
<b>General</b>						
	Schools Control Risk Self Assessments	New	Yes		<b>M</b>	15
	Audit Advice	Annual		Yes		18
	Finalisation of previous year's audits (work in progress)	Annual		Yes		9.5
	Monitoring Implementation of Previous Recommendations	Annual		Yes		4
<b>Total Planned Days for Children &amp; Young People</b>			<b>12</b>	<b>3</b>		<b>169.5</b>

**Monmouthshire County Council  
Internal Audit Plan 2023/24**

<b>Social Care, Health &amp; Safeguarding</b>		<b>Last Review</b>	<b>Opinion Job</b>	<b>Non Opinion Job</b>	<b>Risk</b>	<b>Days</b>
<b>Commissioning &amp; Disability Service</b>						
	Commissioning & Contracts	Never	Yes		<b>H</b>	18
<b>Safeguarding, Quality Assurance &amp; Child Protection</b>						
	CLA Savings	Never	Yes		<b>H</b>	15
<b>Youth Offending Service</b>						
	Youth Offending Service	2015/16	Yes		<b>M</b>	15
<b>Managed Care/Looked After Children</b>						
	Long Term Support Team	Never	Yes		<b>M</b>	15
<b>Wellbeing</b>						
	Therapeutic Practice	Never	Yes		<b>M</b>	15
<b>Social Services Finance</b>						
	Appointeeships & Deputyships (2022/23)	Ongoing	Yes		<b>M</b>	2
<b>Public Protection</b>						
	Trading Standards & Animal Health	Never	Yes		<b>M</b>	15
	Registration Services	2016/17	Yes	-	<b>M</b>	15
<b>General</b>						
	Audit Advice	Annual		Yes		<b>14</b>
	Financial Assessments	Annual		Yes		<b>5</b>
	Finalisation of previous year's audits (work in progress)	Annual		Yes		<b>5.5</b>
	Monitoring Implementation of Previous Recommendations	Annual		Yes		<b>4</b>
<b>Total Planned Days for Social Care, Health &amp; Safeguarding</b>			<b>8</b>	<b>4</b>		<b>123.5</b>

**Monmouthshire County Council  
Internal Audit Plan 2023/24**

Communities & Place		Last Review	Opinion Job	Non Opinion Job	Risk	Days
<b>Strategic Projects</b>						
	PTU Systems (CTX / Pupil Tracker)	Never	Yes		<b>M</b>	18
<b>Placemaking, Housing, Highways and Floods</b>						
	- Planning Applications (2022/23)	Ongoing	Yes		<b>M</b>	2
	- Private Sector Leasing	Never	Yes		<b>H</b>	15
<b>Enterprise and Community Animation</b>						
	Housing Support Grant	Annual	Yes		<b>M</b>	10
<b>Neighbourhood Services</b>						
	Winter Maintenance (2022/23)	Never	Yes		<b>M</b>	2
	Waste Collections	Never	Yes		<b>M</b>	15
<b>General</b>						
	Audit Advice	Annual		Yes		12
	Finalisation of previous year's audits (work in progress)	Annual		Yes		1.5
	Monitoring Implementation of Previous Recommendations	Annual		Yes		4
<b>Total Planned Days for Communities &amp; Place</b>			<b>6</b>	<b>3</b>		<b>79.5</b>

**Monmouthshire County Council  
Internal Audit Plan 2023/24**

<b>MonLife</b>		<b>Last Review</b>	<b>Opinion Job</b>	<b>Non Opinion Job</b>	<b>Risk</b>	<b>Days</b>
<b>Active</b>						
	Point of Sale System	New	Yes		<b>M</b>	15
	Control Risk Self Assessments - Leisure Centres	New	Yes		<b>M</b>	15
<b>Heritage</b>						
	Old Station, Tintern (Follow-up)	2019/20	Yes		<b>H</b>	10
<b>Outdoor</b>						
	Countryside (2022/23)	2022/23	Yes		<b>M</b>	10
<b>Connect</b>						
	Active Travel	Never	Yes		<b>M</b>	15
<b>General</b>						
	Audit Advice	Annual		Yes		8
	Monitoring Implementation of Previous Recommendations	Annual		Yes		2
<b>Total Planned Days for MonLife</b>			<b>5</b>	<b>2</b>		<b>75</b>

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<b>Policy, Performance &amp; Scrutiny</b>		<b>Last Review</b>	<b>Opinion Job</b>	<b>Non Opinion Job</b>	<b>Risk</b>	<b>Days</b>
	Risk Management	2017/18	Yes		<b>H</b>	15
<b>General</b>						
	Audit Advice	Annual		Yes		3
<b>Total Planned Days for Policy, Performance &amp; Scrutiny</b>			<b>1</b>	<b>1</b>		<b>18</b>



**Monmouthshire County Council  
Internal Audit Plan 2023/24**

Corporate Work		Last Review	Opinion Job	Non Opinion Job	Risk	Days
	Annual Governance Statement	Annual		Yes	<b>M</b>	5
	National Fraud Initiative (NFI)	Annual	Yes		<b>M</b>	15
	Climate Change (previously audited as carbon reduction scheme)	2013/14	Yes		<b>H</b>	16
	Partnership Assurance (2022/23)	2022/23	Yes		<b>M</b>	7
	Internal Audit External Quality Assessment			Yes		5
<b>General</b>						
	Implementation of new Follow-up of Agreed Actions / Recommendations system	New		Yes		8
	Audit Advice	Annual		Yes		3
<b>Total Planned Days for Corporate Work</b>			<b>3</b>	<b>4</b>		<b>59</b>

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TOTAL AUDIT DAYS	684
SPECIAL INVESTIGATIONS	70
<b>TOTAL PLANNED AUDIT DAYS</b>	<b>754</b>
PRODUCTIVE AUDIT DAYS	684
NO' OF DAYS PLAN EXCEEDS AVAILABLE RESOURCES	0

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## Monmouthshire County Council – Detailed Audit Plan 2023

Audit year: 2022-23

Date issued: June 2023

Document reference: 3662A2023



This document has been prepared as part of work performed in accordance with statutory functions. Further information can be found in our [Statement of Responsibilities](#).

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

# About Audit Wales

## Our aims and ambitions

### Assure



the people of Wales that public money is well managed

### Explain



how public money is being used to meet people's needs

### Inspire



and empower the Welsh public sector to improve



Fully exploit our unique perspective, expertise and depth of insight



Strengthen our position as an authoritative, trusted and independent voice



Increase our visibility, influence and relevance



Be a model organisation for the public sector in Wales and beyond

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# Introduction

I have now largely completed my planning work.

This Detailed Audit Plan specifies my statutory responsibilities as your external auditor and to fulfil my obligations under the Code of Audit Practice.

It sets out the work my team intends undertaking to address the audit risks identified and other key areas of focus during 2023.

It also sets out my estimated audit fee, details of my audit team and key dates for delivering my audit team's activities and planned outputs.



**Adrian Crompton**

Auditor General for  
Wales

## My audit responsibilities

I complete work each year to meet the following duties:

- I audit the Council's financial statements to make sure that public money is being properly accounted for.
- the Council has to put in place arrangements to get value for money for the resources it uses, and I have to be satisfied that it has done this.
- the Council needs to comply with the sustainable development principle when setting and taking steps to meet their well-being objectives. The Auditor General must assess the extent to which they are doing this.

## Audit of financial statements

I am required to issue a certificate and report on your financial statements which includes an opinion on their 'truth and fairness' and an assessment as to whether the Narrative Report and Annual Governance Statement is prepared in line with the CIPFA Code and relevant guidance and is consistent with your financial statements and my knowledge of the Authority.

In addition to my responsibilities for auditing the Council's financial statements, I also have responsibility for:

- responding to questions and objections about the accounts from local electors (additional fees will be charged for this work, if necessary);
- the independent examination of Monmouthshire Farm School Endowment Trust charity
- the audit of the Welsh Church Act Fund Charity (a separate plan will be issued for this audit); and
- the certification of a number of grant claims and returns as agreed with the funding bodies.

I do not seek to obtain absolute assurance on the truth and fairness of the financial statements and related notes but adopt a concept of materiality. My aim is to identify material misstatements, that is, those that might result in a reader of the accounts being misled. The levels at which I judge such misstatements to be material is set out later in this plan.

I will also report by exception on a number of matters which are set out in more detail in our [Statement of Responsibilities](#).

There have been no limitations imposed on me in planning the scope of this audit.



## Performance audit work

I carry out a programme of performance audit work to discharge my duties<sup>1</sup> as Auditor General in relation to value for money and sustainable development.

My local performance audit programme will continue to be delivered through a combination of an Assurance and Risk Assessment Project, bespoke local projects and thematic projects examining risks common to all councils.

The majority of my performance audit work is conducted using INTOSAI auditing standards. The International Organisation of Supreme Audit Institutions is a global umbrella organisation for the performance audit community. It is a non-governmental organisation with special consultative status with the Economic and Social Council (ECOSOC) of the United Nations.

<sup>1</sup> When we undertake audit work under our statutory powers and duties we may collect information from public bodies that contains some personal data. Our general audit fair processing notice, explains what we do with personal data, and how you can contact our Data Protection Officer.

# Your audit at a glance



## **My financial statements audit will concentrate on your risks and other areas of focus**

My audit planning has identified the following risks:

Significant financial statement risk

- Management override of controls
- Material misstatement due to fraud in expenditure recognition

Other areas of audit focus:

Other areas of audit focus

- Valuation of land and buildings
- Valuation of the pension fund net liability
- Completeness of related party disclosures
- Capital creditor accruals



## **My performance audit will include:**

- Assurance and Risk Assessment
- Thematic reviews – financial sustainability of Local Government, commissioning and contract management
- Local Report – performance management



## Materiality

Materiality	£3.492 million
Reporting threshold	£0.171 million

# Financial statements materiality



## Materiality £3.429 million

My aim is to identify and correct material misstatements, that is, those that might otherwise cause the user of the accounts to be misled.

Materiality is calculated using:

- 2021-22 gross expenditure of £342.9 million
- Materiality percentage of 1%

I report to those charged with governance any misstatements above a trivial level (set at 5% of materiality).



## Areas of specific interest

There are some areas of the accounts that may be of more importance to the user of the accounts and we have set a lower materiality level for these:

- Senior officer remuneration £1,000
- Senior officer and member related parties £10,000

# Significant financial statements risks

Significant risks are identified risks of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum of inherent risk or those which are to be treated as a significant risk in accordance with the requirements of other ISAs. The ISAs require us to focus more attention on these significant risks.

## Exhibit 1: significant financial statement risks

Significant risk	Our planned response
<p><b>Management Override</b> The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.32-33].</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> <li>• test the appropriateness of journal entries and other adjustments made in preparing the financial statements;</li> <li>• review accounting estimates for bias; and</li> <li>• evaluate the rationale for any significant transactions outside the normal course of business.</li> </ul>
<p><b>Expenditure Recognition</b> There is a risk of material misstatement due to fraud in expenditure and as such is treated as a significant risk [PN 10].</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> <li>• perform risk assessed substantive testing of material classes of transactions within expenditure; and</li> <li>• perform cut-off procedures on a sample basis to check expenditure has been recorded within the correct financial year</li> </ul>

The audit team is yet to conclude all areas of the risk assessment. Should any further significant financial risks arise on completion of this work we will update the S151 officer and the Governance and Audit Committee via its chair and re-issue my Detailed Audit Plan if required.

# Other areas of focus

I set out other identified risks of material misstatement which, whilst not determined to be significant risks as above, I would like to bring to your attention.

## Exhibit 2: other areas of focus

Audit risk	Our planned response
<p><b>Valuation of land and buildings</b></p> <p>The value of land and buildings reflected in the balance sheet and notes to the accounts represent material estimates. Land and buildings are required to be held on a valuation basis which is dependent on the nature and use of the assets. This estimate is subject to a high degree of subjectivity depending on the specialist and management assumptions adopted and changes in these can result in material changes to valuations. Assets are required to be revalued every five years, but values may also change year on year and there is a risk that the carrying value of assets reflected in the accounts could be materially different to the current value of assets as at 31 March 2023. Given continued high levels of inflation, the Authority are intending to uplift asset values to ensure carrying values remain materially correct.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> <li>• review the process undertaken by the Council/Authority to ensure that asset valuations are materially correct.</li> <li>• test a sample of assets revalued in the year to ensure the valuation basis, key data and assumptions used in the valuation process are reasonable, and the revaluations have been correctly reflected in the financial statements; and</li> <li>• test the reconciliation between the financial ledger and the asset register.</li> </ul>
<p><b>Valuation of pension fund net liability</b></p> <p>The Local Government Pension scheme (LGPS) pension fund liability as reflected in the financial statements represents a material estimate. The nature of this estimate means that it is subject to a high degree of estimation uncertainty as it is sensitive to small adjustments in the assumptions used in its calculation.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> <li>• evaluate the instructions issued by management to their management experts (actuary) for this estimate and the scope of the actuary’s work;</li> <li>• assess the competence, capabilities and objectivity of the actuary who carried out the valuations;</li> <li>• assess the accuracy and completeness of the information provided by the Council/Authority</li> </ul>

	<p>to the actuary to estimate the liability;</p> <ul style="list-style-type: none"> <li>• test the accuracy of the pension fund net liability and disclosures in the financial statements with the actuarial report from the actuary; and</li> <li>• assess the reasonableness of the assumptions made by the actuary by reviewing the report of the consulting actuary (auditor's expert) and undertaking any additional procedures required.</li> </ul>
<p><b>Related Party Disclosures</b></p> <p>There is a risk that the disclosures are materially understated given the sensitive nature and lower materiality threshold for related party transactions.</p> <p>In 2021-22, we recommended that the Council put procedures in place to collate updated declarations of interest from members as part of the annual accounts process. Previously, declarations were completed by members following their election and updated on an ad hoc basis. However, this meant some declarations were five years out of date at the time of the 2021-22 audit.</p>	<p>The audit team will</p> <ul style="list-style-type: none"> <li>• review annual returns to identify related parties;</li> <li>• review other sources, such as Companies House, to confirm the completeness of declarations; and</li> <li>• review ledger transactions to confirm all transactions with related parties have been appropriately disclosed.</li> </ul>
<p><b>Capital Creditors</b></p> <p>There is a risk that creditors and expenditure in relation to capital projects is materially overstated. In both the 2019-20 and 2020-21 audits we identified several errors where expenditure in relation to capital projects had been accounted for in the wrong financial year resulting in overstated creditors and expenditure.</p>	<p>The audit team will perform substantive testing of expenditure and creditor balances to confirm transactions have been recorded within the correct financial year.</p>

# Financial statements audit timetable

I set out below key dates for delivery of my accounts audit work and planned outputs.

## Exhibit 3: key dates for delivery of planned outputs

Planned output	Work undertaken	Report finalised
2023 Outline Audit Plan	February – March 2023	March 2023
2023 Detailed Audit Plan	February – June 2023	July 2023
Audit of financial statements work: <ul style="list-style-type: none"><li>• Audit of Financial Statements Report</li><li>• Opinion on the Financial Statements</li></ul>	July – November 2023	November 2023 <sup>2</sup>

<sup>2</sup> Subject to delivery of draft accounts in line with agreed timetable.



# Planned performance audit work

I set out below details of my performance audit work and key dates for delivery of planned outputs.

## Exhibit 4: key dates for delivery of planned outputs

<b>Assurance and risk assessment</b>	Project to identify the level of audit assurance and/or where further audit work may be required in future years in relation to risks to the Council putting in place proper arrangements to secure value for money in the use of resources and acting in accordance with the sustainable development principle.	July 2023 – March 2024
<b>Thematic review – financial sustainability of local government</b>	A review of councils' financial sustainability including a focus on the actions, plans and arrangements to bridge funding gaps and address financial pressures over the medium term.	To be confirmed
<b>Thematic review – commissioning and contract management</b>	A review focusing on how councils' arrangements for commissioning and contract management apply value for money considerations and the sustainable development principle.	To be confirmed
<b>Local review – Performance management</b>	A review of the Council's performance management arrangements.	To be confirmed

We will provide updates on the performance audit programme through our regular updates to the Governance and Audit Committee.

## Certification of grant claims and returns

I have also been requested to undertake certification work on the Council's grant claims, which I anticipate will include Housing Benefits, Teachers Pension, NDR and pooled budget returns.

## Statutory audit functions

In addition to the audit of the accounts, I have statutory responsibilities to receive questions and objections to the accounts from local electors. These responsibilities are set out in the Public Audit (Wales) Act 2004:

- Section 30 Inspection of documents and questions at audit; and
- Section 31 Right to make objections at audit.

As this work is reactive, I have made no allowance in the fee table below. If I do receive questions or objections, I will discuss potential audit fees at the time.

# Fee and audit team

In January 2023, I published the fee scheme for the 2023-24 year as approved by the Senedd Finance Committee. My fee rates for 2023-24 have increased by 4.8% for inflationary pressures. In addition, my financial audit fee has a further increase of 10.2% for the impact of the revised auditing standard ISA 315 on my financial audit approach. More details of the revised auditing standard and what it means for the audit I undertake is set out in **Appendix 1**.

I estimate your total audit fee will be £379,931.

## Exhibit 5: audit fee

This table sets out the proposed audit fee for 2023, by area of audit work, alongside the estimated audit fee for last year.

Audit area	Proposed fee (£) <sup>3</sup>	Estimated <sup>4</sup> fee last year (£)
Audit of accounts <sup>5</sup>	210,007	182,560
Performance audit work <sup>6</sup>	111,510	106,848
• Grant certification work <sup>7</sup>	49,000	54,000
• Other financial audit work <sup>8</sup>	9,414	7,713
• Total fee	379,931	351,121

Planning will be ongoing, and changes to my programme of audit work, and therefore my fee, may be required if any key new risks emerge. I shall make no changes without first discussing them with the S151 and Deputy S151 Officers.

<sup>3</sup> The fees shown in this document are exclusive of VAT, which is not charged to you.

<sup>4</sup> Estimate as performance audit work and grant certification work is ongoing.

<sup>5</sup> Payable November 2021 to October 2022.

<sup>6</sup> Payable April 2022 to March 2023.

<sup>7</sup> Payable as work is undertaken.

<sup>8</sup> Independent Examination of Monmouthshire Farm School Endowment trust £1,896 and Audit of Welsh Church Act Trust Fund £7,518.

**Our financial audit fee is based on the following assumptions:**

- the agreed audit deliverables sets out the expected working paper requirements to support the financial statements and includes timescales and responsibilities; and
- no matters of significance, other than as summarised in this plan, are identified during the audit.

The main members of my team, together with their contact details, are summarised in **Exhibit 6**.

**Exhibit 6:** my local audit team

Name	Role	Contact number	E-mail address
Helen Goddard	Engagement Director	029 20320 642	<a href="mailto:helen.goddard@audit.wales">helen.goddard@audit.wales</a>
Rachel Freitag	Audit Manager (Financial Audit)	029 20829 359	<a href="mailto:rachel.freitag@audit.wales">rachel.freitag@audit.wales</a>
Colin Davies	Audit Manager (Performance Audit)	029 20320 666	<a href="mailto:colin.davies@audit.wales">colin.davies@audit.wales</a>
Julie Owens	Audit Lead (Financial Audit)	029 20829 392	<a href="mailto:julie.owens@audit.wales">julie.owens@audit.wales</a>
Charlotte Owen	Audit Lead (Performance Audit)	029 20829 331	<a href="mailto:charlotte.owen@audit.wales">charlotte.owen@audit.wales</a>

I can confirm that my team members are all independent of the Council and your officers.

# Audit quality

Our commitment to audit quality in Audit Wales is absolute. We believe that audit quality is about getting things right first time.

We use a three lines of assurance model to demonstrate how we achieve this. We have established an Audit Quality Committee to co-ordinate and oversee those arrangements. We subject our work to independent scrutiny by QAD\* and our Chair, acts as a link to our Board on audit quality. For more information see our [Audit Quality Report 2022](#).

## Our People



The first line of assurance is formed by our staff and management who are individually and collectively responsible for achieving the standards of audit quality to which we aspire.

- Selection of right team
- Use of specialists
- Supervisions and review

## Arrangements for achieving audit quality



The second line of assurance is formed by the policies, tools, learning & development, guidance, and leadership we provide to our staff to support them in achieving those standards of audit quality.

- Audit platform
- Ethics
- Guidance
- Culture
- Learning and development
- Leadership
- Technical support

## Independent assurance



The third line of assurance is formed by those activities that provide independent assurance over the effectiveness of the first two lines of assurance.

- EQCRs
- Themed reviews
- Cold reviews
- Root cause analysis
- Peer review
- Audit Quality Committee
- External monitoring

\* QAD is the quality monitoring arm of ICAEW.

# Appendix 1

## The key changes to ISA315 and the potential impact on your organisation

Key change	Potential impact on your organisation
<b>More detailed and extensive risk identification and assessment procedures</b>	<p>Your finance team and others in your organisation may receive a greater number of enquiries from our audit teams at the planning stage of the audit. Requests for information may include:</p> <ul style="list-style-type: none"><li>• information on your organisation's business model and how it integrates the use of information technology (IT);</li><li>• information about your organisation's risk assessment process and how your organisation monitors the system of internal control;</li><li>• more detailed information on how transactions are initiated, recorded, processed, and reported. This may include access to supporting documentation such as policy and procedure manuals; and</li><li>• more detailed discussions with your organisation to support the audit team's assessment of inherent risk.</li></ul>
<b>Obtaining an enhanced understanding of your organisation's environment, particularly in relation to IT</b>	<p>Your organisation may receive more enquiries to assist the audit team in understanding the IT environment. This may include information on:</p> <ul style="list-style-type: none"><li>• IT applications relevant to financial reporting;</li><li>• the supporting IT infrastructure (e.g. the network, databases);</li><li>• IT processes (e.g. managing program changes, IT operations); and</li><li>• the IT personnel involved in the IT processes.</li></ul> <p>Audit teams may need to test the general IT controls and this may require obtaining more detailed audit evidence on the operation of IT controls within your organisation.</p> <p>On some audits, our audit teams may involve IT audit specialists to assist with their work. Our IT auditors may need to engage with members of your IT team who have not previously been involved in the audit process.</p>

Key change	Potential impact on your organisation
<p><b>Enhanced requirements relating to exercising professional scepticism</b></p>	<p>Our audit teams may make additional inquiries if they identify information which appears to contradict what they have already learned in the audit.</p>
<p><b>Risk assessments are scalable depending on the nature and complexity of the audited body</b></p>	<p>The audit team's expectations regarding the formality of your organisation's policies, procedures, processes, and systems will depend on the complexity of your organisation.</p>
<p><b>Audit teams may make greater use of technology in the performance of their audit</b></p>	<p>Our audit teams may make use of automated tools and techniques such as data analytics when performing their audit. Our teams may request different information or information in a different format from previous audits so that they can perform their audit procedures.</p>

Through our Good Practice work we share emerging practice and insights from our audit work in support of our objectives to assure, to explain and to inspire.

Our newsletter provides you with regular updates on our public service audit work, good practice and events, which can be tailored to your preferences.

For more information about our Good Practice work click [here](#).

Sign up to our newsletter [here](#).



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



**GOVERNANCE & AUDIT COMMITTEE WORK PROGRAMME IN LINE WITH ITS TERMS OF REFERENCE**

Review and scrutinise the authority’s financial affairs and make reports and recommendations in relation to them

- Review the financial statements prepared by the authority
- To receive and approve the Council’s Annual Statement of Accounts in accordance with the Accounts and Audit Regulations

	29 June 23	27 July 23	20 Sept 23	19 Oct 23	23 Nov 23	11 Jan 24	22 Feb 24	11 Apr 24
2022/23 MCC Statement of Accounts Head of Finance – Jonathan Davies			✓ Draft		✓ Final			
Statement of Accounts 2022/23 - Charitable Trust Funds Head of Finance – Jonathan Davies			✓ Draft			✓ Final		
Treasury Report Head of Finance – Jonathan Davies		✓ 22/23 Outturn  ✓ 23/24 Q1			✓ 23/24 Q2	✓ 23/24 Q3		
Capital & Treasury Strategy Head of Finance – Jonathan Davies							✓	
Draft Financial Strategy			✓ Draft					

Review and assess the risk management, internal control, performance assessment and corporate governance arrangements of the authority and make reports and recommendations to the authority on the adequacy and effectiveness of those arrangements

- To consider the draft annual self-assessment performance and recommend changes as required ahead of it being considered by Council.
- To consider the report of the (independent) panel performance assessment is also to be made available to the Governance & Audit Committee. A panel performance assessment is to take place at least once during the period between two consecutive ordinary elections of councillors to the Council

	29 June 23	27 July 23	20 Sept 23	19 Oct 23	23 Nov 23	11 Jan 24	22 Feb 24	11 Apr 24
Annual Governance Statement 2022 Audit Manager – Jan Furtek		✓ Draft						
Freedom of Information (FOI) & Data Protection Act (DPA) Breaches & Data Subject Access Request (DSARs) Head of Information Security & Technology – Sian Hayward	✓					✓		
Draft Self Assessment Report Performance & Data Insight Manager – Richard Jones			✓ Draft Report					
Governance & Audit Committee Annual Report - 2022/23 Chair of Governance & Audit Committee – Andrew Blackmore		✓						

Anti Bribery Risk Assessment Deputy Chief Executive – Peter Davies				✓				
Audit Wales Work Programme: Council Progress Performance & Data Insight Manager – Richard Jones				✓				✓
Annual Performance Review of Investment Committee Development Manager - Nick Keyse			✓		✓			
Cyber security Head of Information Security & Technology – Sian Hayward						✓		
Feedback on Collaboration & Partnership arrangements Performance & Data Insight Manager – Richard Jones / Audit Manager – Jan Furtek						✓		
Self Assessment of Performance Management arrangements Performance & Data Insight Manager – Richard Jones							✓	
Effectiveness of Strategic Risk Management Framework Performance & Data Insight Manager – Richard Jones					✓			✓

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Review and assess the authority's ability to handle complaints effectively make reports and recommendations in relation to the authority's ability to handle complaints effectively

	29 June 23	27 July 23	20 Sept 23	19 Oct 23	23 Nov 23	11 Jan 24	22 Feb 24	11 Apr 24
The Ombudsman's Annual Letter (2022/23) Customer Relations Manager – Annette Evans					✓			
Whole Authority annual complaints report Customer Relations Manager – Annette Evans							✓	

Oversee the authority's internal audit arrangements

	29 June 23	27 July 23	20 Sept 23	19 Oct 23	23 Nov 23	11 Jan 24	22 Feb 24	11 Apr 24
Internal Audit Operational Plan 2023/24 Audit Manager – Jan Furtek	✓ Draft	✓ Final						
Internal Audit Annual Report 2022/23 Audit Manager – Jan Furtek	✓							
Internal Audit Revised Opinions Audit Manager – Jan Furtek	✓							
Internal Audit quarterly progress reports		✓			✓		✓	

Audit Manager – Jan Furtek								
Implementation of Internal Audit agreed recommendations								✓
Audit Manager – Jan Furtek								
Internal Audit Plan and Annual Report for Shared Resource Service (SRS) – Torfaen CBC IA Team	✓							

Oversee the authority's external audit arrangements								
	29 June 23	27 July 23	20 Sept 23	19 Oct 23	23 Nov 23	11 Jan 24	22 Feb 24	11 Apr 24
Annual Audit Plan 22-23		✓						✓
Audit Wales Manager – Rachel Freitag								
Annual Audit Plan 22-23 - Welsh Church Funds			✓					
Audit Wales Manager – Rachel Freitag								
Assurance and Risk assessment review				✓				
Audit Wales – Colin Davies								
Annual Grants report				✓				
Audit Wales Manager – Rachel Freitag								
ISA260 Response to Accounts					✓			

Audit Wales Manager – Rachel Freitag / Head of Finance – Jonathan Davies								
ISA 260 or equivalent for Trust Funds Audit Wales Manager – Rachel Freitag / Head of Finance – Jonathan Davies						✓		
Audit Wales Well-Being Objective Setting Review Audit Wales – Charlotte Owen			✓					
Audit Wales Performance Data Review – Audit Wales – Charlotte Owen					Estimated ✓			
Audit Wales Digital Review Audit Wales – Charlotte Owen			Estimated ✓					

# Public Document Pack Agenda Item 14

## MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Governance and Audit Committee held  
at Council Chamber, County Hall, The Rhadyr USK on Thursday, 29th June, 2023 at 2.00  
pm

**PRESENT:** Andrew Blackmore (Chairman)  
County Councillor Tony Easson (Vice Chairman)

Lay Members: Colin Prosser, Martin Veale and Rhodri Guest

County Councillor: Ben Callard, John Crook, Malcolm Lane,  
Phil Murphy, Peter Strong, Ann Webb and David Jones

### **OFFICERS IN ATTENDANCE:**

Wendy Barnard	Democratic Services Officer
Richard Jones	Performance and Data Insight Manager
Jonathan Davies	Head of Finance
Rachel Freitag	Audit Wales Officer
Kathryn Evans	Data Protection and Information Governance Manager
Sian Hayward	Digital and Technology Manager
Matt Lewis	Chief Operating Officer
Jan Furtek	Audit Manager
Kath Beavan- Seymour	Deputy Chief Operating Officer

### **APOLOGIES:**

None

#### **1. Appointment of Chair**

Lay Member, Andrew Blackmore was elected as Chair of the Governance and Audit Committee.

#### **2. Appointment of Vice Chair**

County Councillor Tony Easson was appointed as Vice Chair.

#### **3. Declarations of Interest**

Items 7 and 8: Martin Veale, pursuant to the Members' Code of Conduct, declared a personal, non-prejudicial interest as Chair of Merthyr County Borough Council, Governance and Audit Committee and as a Member of the Governance and Audit Committee of Blaenau Gwent County Borough Council, partner of the Shared Resource Service (SRS).

The Chair, on behalf of the Committee, thanked outgoing members of the Committee, Councillors Ian Chandler, Tony Kear and Laura Wright for their contribution during their period of membership. He also welcomed Councillors Ben Callard, Ann Webb and David Hughes-Jones to their first meeting. Jan Furtek, Audit Manager, was welcomed in the role of interim Chief Internal Auditor (CIA).

#### **4. Public Open Forum**

## MONMOUTHSHIRE COUNTY COUNCIL

### Minutes of the meeting of Governance and Audit Committee held at Council Chamber, County Hall, The Rhadyr USK on Thursday, 29th June, 2023 at 2.00 pm

No members of the public were present.

#### **5. To note the Action List from the previous meeting**

The Action List from the previous meeting was noted:

1. Key Collaborations and Partnerships: The CIA confirmed that the review is complete and the draft report is ready for issue and will be shared with the Committee in due course. Key collaborations and partnerships have been considered as part of the risk assessment and drafting of the Internal Audit operational plan. There will be at least four reviews to be completed for services operating in partnership. These are Housing Benefits, Council Tax, Revenue Shared Service (Lead Authority is Torfaen County Borough Council) and the Youth Offending Service where Monmouthshire is the Lead Authority. Any findings and recommendations from the review will be responded to accordingly. [ONGOING]
- 2a Finance Team capacity: The Head of Finance reported that some appointments had been made to the Finance team. Appointments to some senior posts are ongoing. The delay is being managed by prioritisation of key pieces of work. The aim is to complete recruitment over six to eight weeks to achieve a full complement of staff. In response to a question, it was confirmed that focus is on the current financial situation to ensure that the best use of resources, to continue to deliver the service changes and to produce savings. It is hoped to meet a mid-July deadline for the draft accounts but there remain many variables that could cause delays. The Audit Wales Officer confirmed that the timetable set out is in line with Audit Wales's expectations and it is predicted that there should be a November certification date.

In light of this update, the Committee wished to understand the current position more fully and in particular the consequences of the prioritisation decisions being made. Consequently, the Chair requested a concise paper setting out the Finance Team's organisation structure, type and number of vacancies, plans for resolution and a fuller explanation of the consequences on workload and prioritisation. A Member expressed concern about the continuing delays. [ONGOING]

- 2b Trend analysis of the value of commercial investments year on year, and the income received that contributes to services: It was noted that an e mail has been sent to Members containing the requested information. [CLOSED]
- 4a. Audit Wales Outline Plan: The Chair has seen the Audit Wales letter detailing the revised timetable [CLOSED]
- 4b. Training Materials for ISA 315: It was confirmed that there are no resources or events currently available. Updates will be provided as information becomes available. [CLOSED}
- 5a. People Strategy and Asset Management Plan: will be reported at the 19<sup>th</sup> October meeting 2023 [ONGOING]
- 5b Report language to be more concise with timelines. Will be reported in the regular report at the meeting on 19th October 2023. [CLOSED]
- 5c Social enterprise (slippage of nearly a decade Wales-wide): Further information will be sought to close this item. [ONGOING]



## MONMOUTHSHIRE COUNTY COUNCIL

### Minutes of the meeting of Governance and Audit Committee held at Council Chamber, County Hall, The Rhadyr USK on Thursday, 29th June, 2023 at 2.00 pm

6. Whole authority Complaints report: Consideration of weighting system for future reports [ONGOING]
9. Review of Strategic Risk Register:
  - a) An update on the remaining two elements of Risk 4 was provided prior to the meeting. [CLOSED]
  - b) Strategic Risk Register: refine the structure and contents of this paper so that it is more fully aligned to the responsibilities of the Committee [ONGOING]
12. Forward Work Plan: This has been updated [CLOSED]

#### **6. Presentation from Matt Lewis, SRS - role and purpose of SRS.**

The Committee received a presentation from the Chief Operating Officer, and Deputy Chief Operating Officer of the Shared Resource Service (SRS). Following the presentation, Committee Members were invited to ask questions:

- A Member asked for clarification of the Monmouthshire budget and it was explained that £3,056,000 is the total contribution required for MCC services, services to schools and contracts and licenses. This composes of £738,000 paid directly for contracts and licenses plus MCC's contribution of £1,600,000 (totalling £2,300,000) plus £709,000 income from schools.
- In response to a question, it was confirmed that SRS provides CCTV services for Torfaen County Borough Council and Monmouthshire County Council. There are approximately sixty cameras being monitored in each county 24 hours daily covered by shifts of one person per shift out of office hours plus other operators in the daytime. The cameras are set to zoom in when activity is detected. An offer was made to the Member to speak outside the meeting to discuss specific locations.
- A Member asking about SRS's sustainability and plans to work towards net zero was informed that the new premises is a professionally run data centre with a certified 100% renewable energy source.
- A Member commented that some schools are concerned about the value for money of EdTech and are seeking alternative providers. It was explained that meeting the EdTech standards is costly, but standards are being met by those schools on SLA (confirmed by recent audit). The schools outside the SLA may not have the equipment to meet the standard. There may be an option to reformat the SLAs. Schools need to be aware of hidden costs when seeking alternative provision. Some Newport schools have returned to SRS services from outside providers. Further information and contact with schools outside the SLA would be beneficial.
- In response to a question, it was confirmed that a benchmarking exercise had been carried out across England and Wales, and the lowest percentage IT Budget of an organisation's budget is 2.2% with an average of 2.4%. SRS percentage for its partners ranges from 1.7% to 2.1% contribution of the overall organisation's budget delivering positive value for money.
- A Member asked if a year-end report is provided to provide assurance and it was explained that an annual report is provided to the Board, and there are monthly reports at the Delivery Group meetings where issues are identified and dealt with.

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- A Member asked how much use is being made of the residual Blaenavon premises following the move to Newport and was informed that decommissioning is in progress, with a view to retaining office space unless alternative suitable accommodation can be found.
- The Chair asked how the different priorities between the six partners are managed. The Head of Information Security and Technology explained that she manages the relationship with the SRS and the budget including SLAs with schools. An offer was made to talk to school governors if required. It was added that digital projects, aspirations, and performance are very well communicated, managed and audited. The Business and Collaboration Board with the other partners is an opportunity to discuss collaborative projects and to monitor performance indicators. It was explained that delivery of Monmouthshire's Community and Corporate Plan may require different resources and the budget will be managed with the SRS accordingly.
- It was confirmed that Monmouthshire County Council staff were TUPE transferred to the SRS and Torfaen County Borough Council hosts the service. Monmouthshire contributes the salary cost of the staff transferred.

#### **7. Torfaen Internal Audit: SRS Annual IA report and Audit Plan for 23/24.**

The Group Auditor, Torfaen County Borough Council introduced the SRS Annual Audit Report and Audit Plan for 2023/24. Torfaen County Borough Council provides Audit Services to the SRS on behalf of the six partners. Questions were invited:

- A Member noted the positive report and questioned how a weaker report would be shared with the other five partners' Governance and Audit Committees. It was explained that every report follows the same process and partners are asked for views at the planning stage to ensure all necessary aspects are covered. After the audit, SRS staff are met with, and a draft report written. An exit meeting is held prior to a final report being compiled and sent to senior management and the Finance and Governance Board. Reports have been shared if requested. It was suggested that opinions of Limited or no assurance are communicated to the Chief Internal Auditor. The plans for audits in Monmouthshire to use the CIPFA ratings were noted and it was suggested that Torfaen adopts the same ratings in the future.
- A question was asked about audits between 2015 and 2019. It was explained at that time, there were issues arising from there being new processes and policies and developing a relationship with a new organisation. Since that time there is more definition and organisation that has led to improvements. It was explained that SRS identified a need for a dedicated resource to work on audits. 30% of SRS's working capacity is now dedicated to considering security and ensuring compliance with security controls as a priority. 10% of the allocation is for audit. Prioritisation of audit processes is well understood by the partners.

The Chair thanked the officers for their contribution and noted that he will discuss with the CIA and Head of Information Security how best to ensure that the Committee continued to have visibility over relevant matters pertaining to the Shared Resource Service.

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### **8. Freedom of Information (FOI) & Data Protection Act (DPA) Breaches & Data Subject Access Request (DSARs): Head of Information Security & Technology - Sian Hayward**

The Head of Information Security and Technology and Data Protection Officer presented a report on Freedom of Information Requests, Data Protection Act Breaches and Data Subject Access Requests. Following presentation of the report, the Chair invited Members to ask questions:

- A Member questioned the increased numbers of internal reviews and asked if there had been a change in process or quality checks. It was responded that members of the public are more aware of the use of freedom of information requests if they are unable to get information direct from a service area. There is also an increase in the technical content from the whole authority, and often the authority does not hold the information requested. Requestors may be disappointed with the information received hence the increase in internal reviews. It was responded that all the internal reviews were upheld.
- A Member queried the 78% completion rate for mandatory training, if numbers undertaking the training are monitored and if there is a process planned to ensure greater compliance. It was responded that the priority is learning especially in high-risk areas where personal data is handled and breaches occur. The training is repeated every two years. It is mandatory that new starters complete the training. The training is available online, face to face and bespoke to service area requirements. Schools have a separate module as they are their own data controllers, as are County Councillors. The Chair offered the support of the Committee to encourage better training compliance.

An update was provided about the corporate training database that will assist in capturing data and identifying deficiencies. The Chair asked for a report of the mandatory training completion rates broken down by service area at the next meeting.

A Member emphasised that mandatory training is mandatory, and if it is considered that some staff should be classified as not a priority, and there is a good reason for doing so, their training requirement could be downgraded from mandatory. The Member asked if there is any sanction for members of staff who have failed to comply with mandatory training. It was confirmed that IT privileges would not be removed for business continuity reasons. It was confirmed that there are three weeks during the year that focus on Cyber security and Data Protection to raise awareness.

It was noted that e mails are the biggest source of data breaches, and it was queried if there was any link to staff not completing training. It was confirmed there is no link and staff committing a data breach having not done the training are required to do the training. If they have done the training, they may have to refresh it. Often the breach is classed as human error and the action taken is to contain the breach and inform those involved.

- A Member asked how the number of data breaches compares with other authorities and was informed that levels are similar with the SRS partner authorities. Work is in progress to compare information and performance across South Wales.
- A Member queried the increase in FOI requests for Children and Young People. It was explained that Covid affected numbers of requests and the ability to deal with them. The general trend is upwards for all service areas. There is also an increase in complexity.

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- A Member, whilst not minimising the seriousness of data breaches, commented that the number of e mail data breaches is very small in comparison with the number of e mails sent from the organisation and would be to external and internal sources. In response to a question, it was confirmed that the threshold for reporting to the Information Commissioners Office is by assessing the harm caused.
- The Chair asked for information on governance arrangement for the policies for these areas as the Committee had not received any policies for review and endorsement. The Head of Information Security and Technology informed the Committee that the policies are available to view on the Intranet site and can be presented to the Committee. There is an Information Governance Group that approves changes to policies. The Chair suggested that as part of the governance responsibilities it should be reviewing and endorsing a number of corporate risk control policies and asked that the Deputy Chief Executive consider which of these policies (extending beyond IT and data protection) that the Committee should periodically review and recommend for approval across the authority.

#### **9. Internal Audit Annual Report 2022/23: Audit Manager - Jan Furtek**

The CIA presented the Internal Audit Annual Report 2022/23. Questions were invited from the Committee Members, as follows:

- A Member asked how far back the audit review of Tintern Old Station related to and was informed that the original review was in 2019/20. The venue was closed due to Covid for a substantial length of time then sufficient time was required to embed revised processes and procedures. There have been significant changes and catering is now managed in-house. The follow up audit is in progress currently and verbal interim report with a revised opinion will be provided at the next meeting.
- Relating to Our Lady and St. Michael's RC Primary School and noting that no fraud has been detected, a Member asked for assurance that there had been no substantial loss of funds. It was confirmed that there was no fraud, theft or misappropriation at the school but a general lack of control was detected across some areas. The Headteacher has been fully engaged with the process.

Regarding procurement cards, it was confirmed that officers sign to accept the terms and conditions of the card and transactions are monitored. A follow up review will be conducted and it is hoped that the issues identified will have been addressed and controls will be in place. The work at Our Lady and St. Michael's RC Primary School is not expected to be completed until later in the year to provide the school with time to embed new processes.

As per the report recommendations, the Committee endorsed the Internal Audit Annual Report for 2022/23.

#### **10. Draft Internal Audit Operational Plan 2023/24: Audit Manager - Jan Furtek**

The CIA presented the Draft Internal Audit Operational Plan 2023/24. Following presentation of the report, questions were invited from Members of the Committee:

- A Member expressed concern about the limited staff resources in the Internal Audit Team and the potential need to rely on expensive external resource to carry out the full

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audit programme, and queried if there was any likelihood of resolution. It was explained that it would be preferred not to use external resources. The Senior Auditor vacancy has been filled which takes the team to full complement except for the 0.5 FTE Chief Internal Auditor role. The 5 months vacancy saving for the senior auditor post may be used to procure external resource subject to cost and budgetary considerations.

- It was questioned if the 0.5 FTE Chief Internal Auditor funding could be utilised to provide a lower grade post. This idea was not discounted but the Committee was reminded that there are recruitment issues in audit teams across Wales/UK. The delivery model is under consideration including wider regional collaboration which could give access to specialist provision e.g. IT audit skills. The Chair expects the Committee to be consulted on the proposed new delivery models.

Noting the CIA's assessment that the target 5.5 FTE was barely adequate, the current resourcing position of 5.0 FTE and an extended, uncertain timeline for transitioning to the target delivery model, the Committee endorsed the CIA's comments, noted the likely consequences on levels of control assurance/nature of CIA opinion able to be provided at Year end, the committee requested that this matter be escalated to the Cabinet and Council for formal noting and, as appropriate, discussion with the Deputy Chief Executive.

The Head of Finance accepted the Committee's view whilst welcoming a period to review the position and to explore models of delivery.

- A Member expressed concern about the one-third reduction to the total available days and questioned if there were comparisons available in other organisations as there did not appear to be sufficient auditors to undertake the required work. It was explained that the calculation is based on non-productive days (e.g. team meetings, appraisals, leave etc). It was added that a qualified auditor has a requirement of 40 hours CPD per year.
- The Chair asked why a review of the controls associated with proposing and implementing the anticipated further financial savings by Heads of Service has not been built into the plan. It was responded that all aspects have been considered and the Governance and Audit Committee is invited to input suggestions, and consideration will be given to adding time into the plan.

The Head of Finance provided assurance that Cabinet had requested senior leadership to undertake close and regular budget monitoring of all services for 2023/24. A significant amount of pressure has been added into the budget and the financial risks and budgetary risks of non-delivery of some of those savings. Regular meetings are being held with services presenting a high budget risk for the year and meetings are regularly held with officers responsible for delivering the budgetary savings. These arrangements provide real-time access to the action that's being taken by services to reduce costs. The Head of Finance, commented that reassurance can be taken from the monitoring arrangements for this financial year. Noting these comments, the Chair asked that consideration is given to more clearly considering consequential operational risks on service delivery and overall control alongside the financial risks be included in the plan.

As per the report recommendations, the Governance and Audit Committee reviewed, commented on and noted the Draft Internal Audit Plan 2023/24 prior to its anticipated approval at the next meeting.

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11. **Internal Audit Opinions and Weakness Ratings: Audit Manager - Jan Furtek**

The CIA presented a report on Internal Audit Opinions and Weakness ratings. Following presentation of the report, questions were invited:

Members supported the changes, and it was asked if the documents embedded in the report could be circulated to Committee Members.

As recommended in the report, the Committee approved the change to audit opinions and weakness ratings in use by the Internal Audit team.

12. **Forward Work Plan**

The Forward Work Plan was noted.

13. **To confirm minutes of the previous meeting held on 30th March 2023**

The minutes of the previous meeting were approved as an accurate record.

14. **To note the date of the next meeting as 27th July 2023**

**Meeting ended at 4.30 pm**