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Neuadd y Sir
Y Rhadyr
Brynbuga
NP15 1GA

Dydd Mercher, 18 Chwefror 2026

Hysbysiad o gyfarfod

Pwyllgor Llywodraethu ac Awdit

Dydd Iau, 26ain Chwefror, 2026 at 2.00 pm,
Neuadd Y Sir, Y Rhadyr, Brynbuga, NP15 1GA

Nodwch y cynhelir rhag gyfarfod 30 munud cyn dechrau'r cyfarfod ar gyfer aelodau'r pwyllgor a swyddogion Archwilio Cymru

AGENDA

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Paul Matthews
Prif Weithredwr

CYNGOR SIR FYNWY

MAE CYFANSODDIAD Y PWYLLGOR FEL SY'N DILYN:

Andrew Blackmore Aelod Lleyg

Siwan Davies Aelod Lleyg

Colin Prosser Aelod Lleyg

Rhodri Guest Aelod Lleyg

County Councillor Sara Burch Cantref; Labour and Co-Operative Party

County Councillor John Crook Magor East with Undy; Welsh Labour/Llafur 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

Gwybodaeth Gyhoeddus

Gofynnir i chi nodi y bydd Cyngor Sir Fynwy yn ffilmio'r cyfarfod hwn ac y bydd ar gael i'w weld ar-lein ar ffurf fyw ac archif. Mae'n bosibl y gellid ffilmio ardaloedd lle mae'r cyhoedd yn eistedd a drwy fynd i mewn i'r Siambr rydych yn cydsynio i gael eich ffilmio a defnydd posibl y delweddau hynny a recordiad sain ar gyfer dibenion gwe-ddarlledu. Os ydych yn gwneud sylw i'r cyfarfod bernir eich bod wedi cydsynio i gael eich ffilmio.

Caiff recordiadau o'r cyfarfod eu cadw yn unol â pholisi'r Cyngor ar gadw data. Dim ond os yw'r Swyddog Monitro yn ystyried bod angen hynny oherwydd bod y cyfan neu ran o gynnwys y gwe-ddarllediad yn neu'n debygol o fod yn groes i unrhyw ddarpariaeth statudol neu athrawiaeth cyfraith gyffredin, er enghraifft deddfwriaeth Diogelu Data a Hawliau Dynol neu ddarpariaethau yn ymwneud â gwybodaeth gyfrinachol neu eithriedig, y caiff gwe-darllediadau neu rannau o we-ddarllediadau a archifwyd eu tynnu o wefan y Cyngor.

Mynediad i gopiâu papur o agendâu ac adroddiadau

Gellir darparu copi o'r agenda hwn ac adroddiadau perthnasol i aelodau'r cyhoedd sy'n mynychu cyfarfod drwy ofyn am gopi gan Gwasanaethau Democrataidd ar 01633 644219. Dylid nodi fod yn rhaid i ni dderbyn 24 awr o hysbysiad cyn y cyfarfod er mwyn darparu copi caled o'r agenda hwn i chi.

Edrych ar y cyfarfod ar-lein

Gellir gweld y cyfarfod ar-lein yn fyw neu'n dilyn y cyfarfod drwy fynd i www.monmouthshire.gov.uk neu drwy ymweld â'n tudalen Youtube drwy chwilio am MonmouthshireCC. Drwy fynd i mewn i'r ystafell gyfarfod, fel aelod o'r cyhoedd neu i gymryd rhan yn y cyfarfod, rydych yn caniatáu i gael eich ffilmio ac i ddefnydd posibl y delweddau a'r recordiadau sain hynny gan y Cyngor.

Y Gymraeg

Mae'r Cyngor yn croesawu cyfraniadau gan aelodau'r cyhoedd drwy gyfrwng y Gymraeg neu'r Saesneg. Gofynnwn gyda dyledus barch i chi roi 5 diwrnod o hysbysiad cyn y cyfarfod os dymunwch siarad yn Gymraeg fel y gallwn ddarparu ar gyfer eich anghenion.

Canllawiau ar gyfer Fforwm Agored i'r Cyhoedd y Pwyllgor Llywodraethu ac Awdit

Mae ein cyfarfodydd Pwyllgor Llywodraethu ac Awdit yn cael eu ffrydio'n fyw a bydd dolen i'r ffrwd fyw ar gael ar dudalen cyfarfod gwefan Cyngor Sir Fynwy

Os hoffech rannu eich barn ar unrhyw faterion sy'n cael eu trafod gan y Pwyllgor Llywodraethu ac Awdit, gallwch fynychu'r cyfarfod yn bersonol (neu ymuno o bell drwy Microsoft Teams), neu gyflwyno sylwadau ysgrifenedig (drwy Microsoft Word, uchafswm o 500 gair).

Y dyddiad cau ar gyfer cyflwyno sylwadau i'r Cyngor yw 5pm, a hynny dri diwrnod gwaith clir cyn y cyfarfod. Bydd yr holl sylwadau a dderbynnir ar gael i Aelodau'r Pwyllgor cyn y cyfarfod.

Mae'r amser a roddir i bob aelod o'r cyhoedd i siarad yn ddibynnol ar Gadeirydd y Pwyllgor. Gofynnwn i gyfraniadau beidio â bod yn hwy na 4 munud.

Os hoffech fynychu un o'n cyfarfodydd i siarad o dan y Fforwm Agored i'r Cyhoedd yn y cyfarfod, bydd angen i chi roi tri diwrnod gwaith o rybudd drwy e-bostio GACRegistertoSpeak@monmouthshire.gov.uk

Os hoffech awgrymu pynciau yn y dyfodol i'w hystyried gan y Pwyllgor Llywodraethu ac Awdit, e-bostiwch GACRegistertoSpeak@monmouthshire.gov.uk

Nodau a Gwerthoedd Cyngor Sir Fynwy

Ein diben

Adeiladu Cymunedau Cynaliadwy a Chydnerth

Amcanion y gweithiwn tuag atynt

- Rhoi'r dechrau gorau posibl mewn bywyd i bobl
- Sir lewyrchus a chysylltiedig
- Cynyddu i'r eithaf botensial yr amgylchedd naturiol ac adeiledig
- Llesiant gydol oes
- Cyngor gyda ffocws ar y dyfodol

Ein Gwerthoedd

Bod yn agored. Rydym yn agored ac yn onest. Mae pobl yn cael cyfle i gymryd rhan mewn penderfyniadau sy'n effeithio arnynt, dweud beth sy'n bwysig iddynt a gwneud pethau drostynt eu hunain/eu cymunedau. Os na allwn wneud rhywbeth i helpu, byddwn yn dweud hynny; os bydd yn cymryd peth amser i gael yr ateb, byddwn yn esbonio pam; os na allwn ateb yn syth, byddwn yn ceisio eich cysylltu gyda'r bobl a all helpu - mae adeiladu ymddiriedaeth ac ymgysylltu yn sylfaen allweddol.

Tegwch. Darparwn gyfleoedd teg, i helpu pobl a chymunedau i ffynnu. Os nad yw rhywbeth yn ymddangos yn deg, byddwn yn gwrando ac yn esbonio pam. Byddwn bob amser yn ceisio trin pawb yn deg ac yn gyson. Ni allwn wneud pawb yn hapus bob amser, ond byddwn yn ymrwymo i wrando ac esbonio pam y gwnaethom weithredu fel y gwnaethom.

Hyblygrwydd. Byddwn yn parhau i newid a bod yn hyblyg i alluogi cyflwyno'r gwasanaethau mwyaf effeithlon ac effeithiol. Mae hyn yn golygu ymrwymiad gwirioneddol i weithio gyda phawb i groesawu ffyrdd newydd o weithio.

Gwaith Tim. Byddwn yn gweithio gyda chi a'n partneriaid i gefnogi ac ysbrydoli pawb i gymryd rhan fel y gallwn gyflawni pethau gwych gyda'n gilydd. Nid ydym yn gweld ein hunain fel 'trefnwyr' neu ddatrysyr problemau, ond gwnawn y gorau o syniadau, asedau ac adnoddau sydd ar gael i wneud yn siŵr ein bod yn gwneud y pethau sy'n cael yr effaith mwyaf cadarnhaol ar ein pobl a lleoedd.

Caredigrwydd – Byddwn yn dangos caredigrwydd i bawb yr ydym yn gweithio gyda nhw, gan roi pwysigrwydd perthnasoedd a'r cysylltiadau sydd gennym â'n gilydd wrth wraidd pob rhyngweithio.

Rôl Cyn-cyfarfod

1. Pam fod y Pwyllgor yn ystyried yr eitem hon ar yr agenda? (perthnasedd a materoldeb)
2. Beth yw rôl y Pwyllgor a pha ganlyniadau y mae Aelodau am eu sicrhau?
3. A oes digon o wybodaeth i gyflawni hyn? Os na, pwy all ddarparu hyn?
4. Beth yw barn gyfrinachol yr archwilwyr ar y materion perthnasol?
 - Trafod barn/pryderon allweddol yr aelodau gyda'r papurau a chytuno ar flaenoriaethau

Cwestiynau / Ystyriaethau Posib ar gyfer y Cyfarfod

Archwilio Mewnol (AM)

1. Beth yw'r model swyddogaethol AM ac a yw'n addas at y diben?
2. A oes gan AM awdurdod a dylanwad digonol ar draws yr Awdurdod?
3. A oes digon o adnoddau gan AM ac a yw wedi'i ymrymuso'n addas? A yw'r cynllun AM blynyddol yn briodol? Ar ba sail ydym yn gwneud y dyfarniad hwn?
4. A yw Prif Swyddogion yn amlwg yn derbyn ac yn hyrwyddo rôl AM? Sut maent yn gwneud hyn?
5. A yw Swyddogion yn gweithredu'n egniol ar ganfyddiadau AM? Sut mae hyn yn cael ei ddangos? A ydyn ni'n herio ac yn dwyn swyddogion i gyfrif yn effeithiol am weithredu canfyddiadau AM?
6. Sut gallwn ni fod yn hyderus bod yr amgylchedd rheolaeth fewnol yn parhau i fod yn briodol?
7. A oes gennym ni hyder mewn effeithiolrwydd cyffredinol AM? Ar beth ydym yn seilio hyn?
8. A yw barn flynyddol/cyfnodol AM yn gredadwy?
9. A oes gennym ddigon o welededd dros waith, allbwn ac effeithiolrwydd y timau AM cysylltiedig, e.e. CBST?

Llywodraethu

1. A oes disgrifiad cydlynus sydd wedi ei amlinellu mewn cod ar gyfer trefniadau llywodraethu cyffredinol CSF? A yw'n addas at y diben?

Archwilio Allanol (AA)

1. A yw'r tîm AA (ariannol a pherfformiad) yn gredadwy?
2. A ydym yn hyderus ynglŷn â'r trefniadau ar gyfer datblygu cynllun gwaith/amserlen waith flynyddol AA ac a yw'n cyd-fynd â'n dealltwriaeth o risgiau allweddol?
3. A yw Prif Swyddogion/uwch swyddogion yn ymgysylltu'n briodol ag AA? Sut mae hyn yn cael ei ddangos?
4. A oes perthynas adeiladol rhwng AM ac AA (ac arolygiaethau eraill)? Beth yw'r dystiolaeth o hyn?
5. A yw swyddogion perthnasol wedi ystyried canlyniadau/casgliadau adroddiadau cenedlaethol a phenodol AA?
6. A oes gennym ni welededd da dros faterion sy'n dod i'r amlwg a nodwyd gan AA?
7. O ran ISA260 ac adroddiadau ariannol cyfatebol gan AA, a yw swyddogion yn dangos yn glir eu bod yn deall y materion a godwyd ac a oes ganddynt gynllun credadwy i ddatrys materion ar gyfer y flwyddyn ariannol nesaf?
8. A oes gan AA hyder yn Swyddogion CSF a threfniadau llywodraethu?

Cyllidebu / Risg Ariannol / Cronfeydd Wrth Gefn

1. A oes yna broses ac amserlen sydd wedi'u diffinio, eu llywodraethu a'u gwirio'n glir ar gyfer datblygu cyllideb yr Awdurdod?
2. A oes cyfres briodol o bolisiau sy'n ymwneud â risgiau ariannol? A ydynt yn addas?
3. A yw'r rhagdybiaethau ariannol/gweithredol allweddol yn ddealladwy, yn gredadwy, wedi'u dogfennu ac yn cael eu profi gan

2. A oes eglurder ynghylch llywodraethu'r trefniadau goruchwyllo a chraffu amrywiol ar gyfer (ac effeithiolrwydd) partneriaethau a chydweithrediadau materol?
3. A oes eglurder ynglŷn â dyrannu cyfrifoldebau ac awdurdodau gwneud penderfyniadau?
4. Sut mae achosion o dorri rheolau llywodraethu/rheolaeth yn cael eu nodi a'u hadrodd?
5. A ydym yn hyderus bod y trefniadau ar gyfer gwariant materol (tendro, contractio a chaffael cyfalaf) yn gadarn?
6. A oes gennym ni hyder yn y trefniadau chwythu'r chwiban (a threfniadau tebyg) ar gyfer codi pryderon?

Risgiau Corfforaethol

1. A yw atebolrwydd allweddol ar gyfer adnabod, asesu, monitro a rheoli risgiau wedi'i ddiffinio a'i weithredu'n ddigonol?
2. A yw'r dull o reoli risgiau wedi'i gynllunio a'i weithredu'n effeithiol?
3. Sut y gall y Pwyllgor fod yn hyderus bod y Gofrestr Risgiau Corfforaethol yn cynnwys yr holl risgiau sylweddol sy'n wynebu'r Awdurdod?
4. A yw'r cynlluniau gweithredu lliniaru risgiau yn gredadwy ac yn ddigonol er mwyn sicrhau'r canlyniadau a

straen?

4. A oes gan y swyddogaeth Gyllid alluoedd a chapasiti addas i reoli risg ariannol / cwrdd â gofynion a rhwymedigaethau statudol i'r Cyngor?
5. A ydym yn hyderus bod y broses gyllidebol yn debygol o gynhyrchu cyllideb gredadwy / MTFP?
6. A oes trefniadau addas ar waith i reoli ac adrodd ar berfformiad ariannol cyffredinol?

Datganiadau Ariannol / Risgiau Camddatganiad

1. A oes dealltwriaeth gyffredin o ddiben y Pwyllgor wrth adolygu datganiadau ariannol drafft?
 - a) A yw'r Nodiadau i'r Cyfrifon yn rhesymol?
 - b) A yw'r adroddiadau naratif, gan gynnwys y Datganiad Llywodraethu Blyneddol, yn rhesymol ac yn cydfynd â barn y pwyllgor?
2. Ydym ni'n gyfforddus â barn gwaith ac archwilio AA?

ddymunir?

Cwestiynau ar gyfer y Pwyllgor i orffen...

A oes gennym ni'r wybodaeth angenrheidiol i ddod i gasgliadau/gwneud argymhellion / uwchgyfeirio materion i'r Uwch Dîm Gweithredol, y cyngor, y pwyllgor craffu perthnasol?

A oes angen i ni wneud gwaith pellach? Os felly, sut?

**Governance and Audit Committee Action List
30th January 2026**

Action	Subject/ Meeting	Officer	Outcome	Due date	Action Status	Recommended to close Action Yes/No
1	Audit Wales Report: Arrangements for commissioning services and council management response	Richard Jones	Ensure that the commissioning framework (in development) is brought to Governance and Audit Committee at a suitable stage for scrutiny	April 16th 2026	OPEN	No
2	Audit Wales Work Programme: Council Progress update	Cath Fallon	Circulate FPOP Organisational Development Framework	Circulated 30th January 2026	CLOSED	

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REPORT

SUBJECT:	2026/27 Capital Strategy and 2026/27 Treasury Management Strategy
DIRECTORATE:	Resources
MEETING:	Governance and Audit Committee
DATE:	26th February 2026
DIVISION/WARDS AFFECTED:	Countywide

1. PURPOSE

- 1.1. Full Council delegates responsibility for the monitoring and scrutiny of the borrowing consequences of capital investment to the Governance & Audit Committee. This includes the treasury management policy, strategy and practices.
- 1.2. The capital plans of the Authority are inherently linked with the treasury management activities it undertakes, and therefore the capital strategy is brought alongside the treasury management strategy report.
- 1.3. The purpose of this report is to collect the Committee's views and response to the Council's draft 2026/27 Capital and Treasury Management Strategies, including the Minimum Revenue Provision (MRP) policy.

2. RECOMMENDATIONS

- 2.1. That Governance & Audit Committee considers the draft Capital strategy for 2026/27 as found at **Appendix 1** and endorses for onward circulation and approval by full Council.
- 2.2. That Governance & Audit Committee considers the draft Treasury management strategy for 2026/27 as found at **Appendix 2** and endorses for onward circulation and approval by full Council. This includes the:
 - 2026/27 Minimum Revenue Provision Policy Statement, and;
 - 2026/27 Investment & Borrowing Strategies
- 2.3. That Governance & Audit Committee note the requirement to review the Council's treasury management activities on behalf of the Council by continuing to receive quarterly treasury management activity updates during 2026/27 as per the requirements of the updated CIPFA Treasury Code of Practice.

3. **KEY ISSUES:**

2026/27 Capital Strategy

Purpose of the report

- 3.1. The strategy provides a high-level framework setting out how the Council plans, prioritises and finances capital investment, and how the associated risks and long-term financial implications are managed.

Context

- 3.2. The Capital Strategy is produced in line with the CIPFA Prudential Code and is intrinsically linked to the Treasury Management Strategy and the Medium Term Financial Plan.
- 3.3. Decisions on capital investment and borrowing have financial consequences that extend over many decades and therefore require a clear, proportionate and prudent framework to support member decision-making.
- 3.4. The strategy has been intentionally written at a high level to support transparency and accessibility, focusing on principles, governance and affordability rather than detailed scheme-by-scheme analysis, which is considered and approved through medium term financial plans and through the annual budget process.

Key messages

- 3.5. The strategy highlights the challenging financial context within which capital investment is being planned. Demand for capital resources continues to exceed the level of funding that the Council can afford, requiring difficult prioritisation decisions and an increased reliance on external grant funding, asset rationalisation and partnership working.
- 3.6. The strategy confirms that:
- Capital investment remains constrained by ongoing revenue pressures and borrowing affordability limits.
 - The Council's capital programme and borrowing plans are prudent, affordable and sustainable within the parameters of the Medium Term Financial Plan.
 - Clear governance arrangements are in place to prioritise, monitor and scrutinise capital investment decisions.
 - There are increasing risks associated with the timing, uncertainty and conditions attached to capital grant funding, which reinforces the need for a clear strategic framework and disciplined programme management.
 - The Council continues to take a cautious and proportionate approach to borrowing, investments and commercial activity.

Assurance

- 3.7. The Section 151 Officer is satisfied that the Capital Strategy complies with the requirements of the Prudential Code and provides an appropriate framework for managing capital investment, borrowing and risk.
- 3.8. The strategy supports long-term financial sustainability while recognising the operational and financial challenges facing the Council over the medium to longer term.
- 3.9. The strategy will be kept under review and updated annually alongside the Treasury Management Strategy to ensure it remains aligned with the Council's financial position, priorities and risk appetite.

4. 2026/27 Treasury Management Strategy

Purpose of the report

- 4.1. The strategy sets out the Council's approach to managing borrowing, investments, cash flows and treasury-related risks, together with the proposed Minimum Revenue Provision (MRP) Policy Statement for the year.
- 4.2. The strategy is prepared in accordance with the CIPFA Code of Practice on Treasury Management and relevant Welsh Government guidance and is closely aligned with the Capital Strategy and Medium Term Financial Plan.

Context

- 4.3. Treasury management decisions play a critical role in supporting the delivery of the Council's capital programme and in safeguarding the Council's financial resilience. These decisions directly affect the cost of borrowing, the management of cash balances, and the exposure of public funds to financial and credit risks.
- 4.4. The strategy has been deliberately structured to focus on principles, risk management and governance, rather than operational detail, reflecting feedback from previous years and supporting effective member oversight of a highly technical area.

Key messages

- 4.5. The strategy reflects a challenging but stabilising economic environment, with easing inflation and expectations of gradual reductions in short-term interest rates, alongside continued volatility in longer-term borrowing costs. Against this backdrop, the strategy confirms that:
 - The Council continues to adopt a cautious and proportionate approach to treasury management, prioritising security and liquidity over yield.
 - Internal borrowing remains a core element of the strategy, helping to limit exposure to higher long-term borrowing costs while maintaining sufficient liquidity.
 - Borrowing decisions will continue to be closely aligned to the capital programme and will not be undertaken in advance of need other than where this is justified as part of prudent risk management.

- Investment activity is primarily focused on cash flow management, with strict counterparty limits and ongoing monitoring supported by independent treasury advisers.

Minimum Revenue Provision (MRP) Policy

- 4.6. A key element of this strategy is the proposed Minimum Revenue Provision (MRP) Policy Statement for 2026/27. MRP represents the mechanism through which the Council makes prudent provision for the repayment of capital debt over time.
- 4.7. The strategy recommends continuation of the Council's established approach to MRP, applying the annuity method for borrowing-funded capital expenditure so that financing costs are spread fairly over the useful life of assets. This approach supports long-term affordability, intergenerational equity and financial sustainability.
- 4.8. While Welsh Government has provided time-limited flexibility for 2026/27 in relation to MRP, the proposed strategy does not assume any departure from the Council's prudent MRP methodology. Any future use of such flexibility would require explicit approval by Full Council through a revised MRP Policy Statement.

Assurance

- 4.9. The Section 151 Officer is satisfied that the Treasury Management Strategy and MRP Policy Statement for 2026/27 are compliant with the CIPFA Code and Welsh Government guidance, and that they provide an appropriate framework for managing risk, affordability and long-term financial sustainability.
- 4.10. The strategy will be monitored throughout the year and reported to the Governance and Audit Committee in line with the Council's treasury management reporting arrangements.

5. CONSULTEES:

Deputy Chief Executive – Director for Resources (Section 151 Officer)

Cabinet Member for Resources

Arlingclose – Treasury Management Advisors to Monmouthshire CC

Governance & Audit Committee

6. APPENDICIES:

Appendix 1 – 2026/27 Capital strategy

Appendix 2 - 2026/27 Treasury Management Strategy including the Minimum Revenue Provision policy statement and Investment & Borrowing Strategies

7. AUTHORS:

Daniel Francis – Finance business partner

Email: danielfrancis@monmouthshire.gov.uk

Jonathan Davies – Head of Finance (Deputy S151 officer)
Email: jonathandavies2@monmouthshire.gov.uk

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Strategy & Treasury Management Strategy 2026/27

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6. Long Term capital investment
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8. Treasury management
9. Investments for service purposes
10. Commercial investments
11. Knowledge & skills

Appendix 2 - 2026/27 Monmouthshire County Council Treasury Management Strategy

1. Economic background and financial context
2. Local Context
3. Borrowing strategy
4. Investment Strategy
5. Other matters
6. Additional requirements of Welsh Government Investment Guidance
7. Advisors Economic & Interest Rate Forecast
8. MRP Policy Statement 2026/27
9. Glossary of treasury terms

1. Executive Summary

Capital Strategy

The Capital Strategy is produced in accordance with the CIPFA Prudential Code and provides a high-level framework for how the Council plans, prioritises and finances capital investment. It is intended to support transparency, member understanding and effective governance of decisions that have long-term financial implications.

Capital investment decisions shape the Council's asset base and financial position for many decades. As such, the strategy focuses on ensuring that capital expenditure and borrowing decisions are affordable, prudent and sustainable, and that the associated risks to the Council's future financial resilience are clearly understood and managed.

The strategy sets out the long-term context within which capital decisions are made, recognising the significant financial constraints facing the Council. Demand for capital investment continues to exceed the level of funding that can be supported within the Medium Term Financial Plan, requiring careful prioritisation of schemes, disciplined programme management and a strong focus on value for money.

In recent years, the Council's approach to capital investment has increasingly been shaped by the need to maintain and safeguard existing assets, manage growing maintenance backlogs and address health and safety and statutory requirements. While opportunities to secure external funding and work with partners remain important, the strategy recognises the operational and financial challenges associated with short-term and restricted grant funding and the need to avoid over-reliance on uncertain funding sources.

The Capital Strategy therefore places emphasis on clarity of purpose and outcomes. It provides a framework for balancing competing demands, including maintaining the existing asset base, supporting priority infrastructure and enabling longer-term transformation where this can be achieved within affordable limits. This approach supports consistent decision-making and effective member scrutiny, particularly where difficult trade-offs are required.

The strategy also highlights the close relationship between capital investment, borrowing and treasury management. Decisions on how capital expenditure is financed directly affect future revenue budgets through borrowing costs and Minimum Revenue Provision. The strategy confirms that the Council's approach to borrowing and capital financing remains prudent and aligned with its long-term financial capacity.

Overall, the Capital Strategy provides assurance that capital investment decisions are being taken within a clear governance framework, informed by long-term financial planning and a realistic assessment of risk. It supports the Council's commitment to stewardship of public resources, financial sustainability and the delivery of priority outcomes for residents.

Treasury Strategy

Treasury management is concerned with the effective management of the Council's cash flows, borrowing and investments, and the associated financial risks. Given the scale and long-term

nature of the Council's capital programme, treasury management decisions have a significant influence on affordability, financial resilience and the stability of future revenue budgets.

The Treasury Management Strategy is prepared in accordance with the CIPFA Treasury Management Code of Practice and relevant Welsh Government guidance. It provides the framework within which borrowing and investment decisions are taken, ensuring that these activities are carried out prudently, transparently and in a manner consistent with the Council's overall financial strategy.

The strategy is set within a challenging but gradually stabilising economic environment. While inflationary pressures have eased and interest rates are expected to reduce modestly over the medium term, longer-term borrowing costs remain volatile and subject to wider economic and geopolitical risks. In this context, the strategy prioritises the protection of public funds, the management of risk and the maintenance of sufficient liquidity over the pursuit of higher returns.

The Council continues to adopt a cautious approach to borrowing and investment. Internal borrowing remains a central feature of the strategy, helping to limit exposure to higher long-term borrowing costs while maintaining flexibility to respond to changing market conditions. Where external borrowing is required, decisions will be closely aligned to the capital programme and informed by affordability and risk considerations over the long term.

Investment activity is primarily focused on the management of day-to-day cash flows and the safeguarding of balances held. The strategy confirms that security and liquidity remain the Council's overriding priorities when investing treasury funds, supported by clearly defined counterparty limits, ongoing monitoring and the use of independent professional advice.

A key component of the Treasury Management Strategy is the Minimum Revenue Provision (MRP) Policy Statement. MRP ensures that borrowing undertaken to finance capital expenditure is repaid in a prudent and sustainable manner over the useful life of assets. The strategy recommends continuation of the Council's established MRP approach, supporting intergenerational fairness and long-term financial sustainability.

The Treasury Management Strategy sets out the framework within which the Council's borrowing and investment activities are undertaken, enabling the Governance & Audit Committee to effectively monitor performance, compliance and risk. It provides assurance that these activities are managed within a robust governance and control environment, aligned to the Capital Strategy and Medium Term Financial Plan, and focused on risk management, affordability and the prudent stewardship of public resources.

1. Introduction

- 1.1. This Capital Strategy report gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services, along with an overview of how associated risk is managed and a summary of the implications for future financial sustainability. It has been written in an accessible style to enhance members' understanding of these sometimes technical areas.
- 1.2. Decisions made this year on capital and treasury management will have financial consequences for the Authority for many years into the future. They are therefore subject to both a national regulatory framework and to local policy framework, summarised in this report.
- 1.3. In the current economic climate of financial constraints and a continued Medium Term Financial Projection (MTFP) revenue budget gap, expenditure on capital needs to remain within affordable limits. Demand for capital resources remains high and therefore inevitably, prioritisation of projects, leveraging in other sources of funding and working with partners remain key to meeting this demand.
- 1.4. The strategy highlights the key risks and considerations:
 - The Council's medium-term capital programme includes annual funding from unsupported borrowing. While this borrowing remains affordable and is factored into medium-term revenue budget planning, recent budget reviews have identified several capital backlog pressures that will need substantial action within the financial plan period. If other funding sources cannot be secured, additional borrowing will become necessary.
 - Given the considerable demands on capital resources and their limited availability, it is essential to integrate and coordinate the organisation's various strategic plans that drive capital investment. Developing alternative strategies to address these demands will enable the Council to prioritise its capital programme within an affordable framework. This approach will also provide greater transparency and evaluation of required maintenance for assets such as property, highways, and other operational holdings, while placing emphasis on asset rationalisation.
 - Useable capital receipts have been used successfully to provide a limited one-off resource to support financing of the capital programme. In recent years the Council has made use of Welsh Government's guidance allowing flexible use of capital receipts to meet one-off revenue costs associated with service reform. The Council has called upon this flexibility since 2019/20 and plans to do similarly over the medium term.
 - With the pool of useable capital receipts forecast to be at minimal levels at the end of the medium term financial plan period, the continued use of capital receipts for this purpose is recognised as necessary but will be required to be tapered down.
 - Due to the funding pressures on the Capital programme and the challenges with delivering projects on time, it's important to have strong governance structures in place.

Traditionally, this has been managed through finance oversight and by the Capital working group, who have ensured that services and project managers are accountable for progress. However, the level of project slippage remains a challenge that can impact both wider capacity for project delivery, and future funding clarity.

- The prudential indicators, including borrowing limits, are in line with the Council's medium term financial plan.

1.5. The strategy will be reviewed and updated on an annual basis alongside the Treasury Management Strategy given that both strategies are intrinsically linked.

1.6. The strategy sets out:

- The key objectives outlined in the Prudential Code and the governance arrangements for the Capital Strategy and programme (Section 2)
- The medium term capital programme, its financing, and the revenue implications arising from capital investment (Sections 3 to 5)
- Long term projections for the capital financing costs of the Council and where future demands arise from the various strategic plans across the Council for further capital investment. (Section 6)
- Capital disposals & receipts (Section 7)
- The link to treasury decision making. (Section 8)
- Consideration of investment for service purposes and commercial activity of the Council and the strategy going forward. (Section 9 and 10)
- Summary of the skills and knowledge the Council holds in order for it to carry out its capital investment and treasury functions. (Section 11)

2. The Prudential Code

2.1. The objective of the Prudential Code is to ensure, within a clear framework, that the capital expenditure plans of local Councils are:

- **AFFORDABLE** - It is important that the Council's capital investment remains within sustainable limits. The Code requires Councils to consider the resources currently available to them and those estimated to be available in the future, together with the totality of the capital plans and income and expenditure forecasts. As well as capital expenditure plans, Councils should consider the cost of past borrowing, ongoing and future maintenance requirements, planned asset disposals and the MRP policy, which all impact upon affordability.
- **PRUDENT** – All external borrowing and other long-term liabilities are within prudent levels. The full Council set an authorised limit and operational boundary for external debt, these need to be consistent with the Council's plans for affordable capital expenditure and financing, and with its treasury management policy statement and practices.

- **SUSTAINABLE** – taking into account the arrangements for repayment of debt (including through MRP) and consideration of risk and the potential impact on the Council's overall financial sustainability in the medium to longer term.
- 2.2. The risks associated with investments for commercial purposes should be proportionate to the Council's financial capacity and standing.
 - 2.3. Treasury management decisions should be taken in accordance with good professional practice and in full understanding of the risks involved and how these risks will be managed to levels that are acceptable to the organisation.
 - 2.4. The Prudential Code requires Councils to look at capital expenditure plans, investments and debt in the light of overall organisational strategy and resources and ensure that decisions are being made with sufficient regard to the long-term financing implications and potential risks to the Council.
 - 2.5. In order to demonstrate that local Councils have fulfilled these objectives, the Prudential Code sets out the prudential indicators that must be used, and the factors that must be taken into account. These indicators are presented alongside the final budget presented to Council.
 - 2.6. **Governance & reporting**
 - 2.7. The responsibility for decision making in respect of capital investment, investment and borrowing, and prudential indicators lies with full Council.
 - 2.8. Council will approve the Capital strategy and the annual Treasury management strategy (including the investment strategy and MRP policy statement).
 - 2.9. The Council delegates responsibility for the detailed implementation, monitoring and scrutiny of capital investment and its associated treasury management policy, strategy and practices to the Section 151 Officer, with oversight and assurance provided by the Governance & Audit Committee.
 - 2.10. The execution and administration of treasury management decisions is delegated the Section 151 officer or deputy, who will act in accordance with the policy and strategy and follow CIPFA's Standard of Professional Practice on Treasury Management.
 - 2.11. The Council recognises the value in the use of treasury advisors to support the management of risk and to access specialist skills and resources. Support provided by its current advisors Arlingclose Limited includes advice on timing of decision making, training, credit updates, economic forecasts, research, articles and advice on capital finance.
 - 2.12. **Revised strategy:** Full Council would be asked to approve a revised Treasury Management Strategy should the assumptions on which this report is based change significantly. Such circumstances could include, for example, a large unexpected change in

interest rates, a significant change in the Council's capital programme or in the level of its investment balance, or a material loss in the fair value of a non-financial investment identified as part of the year end accounts preparation and audit process.

3. Setting capital budgets

Over the next four years the Council is planning capital expenditure of £55.9m as summarised below:

Table 1: Capital Medium Term Financial Plan

Scheme Type	Indicative Budget 2026/27	Indicative Budget 2027/28	Indicative Budget 2028/29	Indicative Budget 2029/30
Asset Management Schemes	2,251,599	2,230,049	2,230,049	2,230,049
School Development Schemes	0	0	0	0
Infrastructure & Transport Schemes	9,186,137	6,704,740	4,204,740	4,204,740
Regeneration Schemes	730,200	730,200	730,200	730,200
Inclusion Schemes	1,200,000	1,200,000	1,200,000	1,200,000
ICT Schemes	370,655	413,000	413,000	413,000
Vehicles Leasing	1,500,000	1,500,000	1,500,000	1,500,000
Capitalisation Directive	2,707,500	1,707,500	707,500	0
Other Schemes	550,000	550,000	590,000	590,000
Total Expenditure	18,496,091	15,035,489	11,575,489	10,867,989

3.1. Member responsibility for assets rests with the Cabinet member for Resources. The main governance and approval process for capital investment is summarised as follows:

- Council approve the overall revenue and capital budgets following recommendations from Cabinet. They also approve the borrowing limits of which the capital programme will need to remain within (***the Authorised limit***). This limit is a key performance indicator for treasury management and ensures that capital expenditure is limited and borrowing remains within an affordable limit.
- Any variation of the Authorised borrowing limit can only be approved by Council.
- Council approve the Treasury Management, Investment & Borrowing strategies, which are intrinsically linked to capital expenditure and the capital strategy.
- Service managers put forward proposals for any change or additional capital investment annually which are collated and scrutinised by senior finance teams, who consider the financing cost of the proposals. These are initially screened against the approved priority investment matrix, and a recommendation made to the strategic leadership team (SLT).
- SLT further consider the recommendations against the approved priority matrix and wider Council plans and strategies in place. Following review, SLT will make recommendation to Cabinet for inclusion in the capital budget and to be considered further by Cabinet and Council at final budget setting stage.

- Monitoring of capital expenditure is reported to Cabinet and includes updates on capital receipts and any consequential impact on the revenue budget of the scheme progress made.
- The 2026/27 and forward capital budgets include investment in schemes which attract significant match funding from external bodies which services will be responsible for bidding for. The agreed priority investment matrix listed below plays a key role in ensuring investment is properly aligned with the overall Community and Corporate Plan and wider strategic principles of the Council.

Ref	Aspect	Indicative Rank
H&S	Health & safety works (life & limb works)	1
Legal	Legal & regulatory obligations	1
Rev	Allow a balanced revenue budget to be set, or a net deficit in revenue spending to be positively addressed	2
Corp	Deliver Community & corporate plan priorities	2
Third	Attract significant 3 rd party or private match funding to the County	3
S2S	Spend to save transformational works (including flexible use of capital receipts)	3
INC	Spend to earn net income – rents, interest and dividends	3
Sust	Create sustainable income streams – business rates and council tax	3
AMP	Asset management plan outcomes	4
INF	Addresses major infrastructure investment	4

- 3.2. The current capital MTFP does not cover all the capital budget pressures that have been identified. This shows that there is more demand for capital spending than the Council considers it can reasonably afford. This means that capital schemes will have to be ranked or the capital available has to be divided more widely than is ideal.
- 3.3. All stakeholders must understand that paying for capital spending by borrowing only pushes the cost to revenue budgets over future years, but at the same time if capital maintenance works are put off then the total lifetime costs of keeping an asset are likely to go up. This

effect is often hidden in medium term financial planning as asset lives are much longer than four years.

- 3.4. There might be other calls for capital funding for schemes that are not yet included in the overall programme. Any new schemes that come forward during the year will either need to be paid for by specific funding sources or represent a call upon any available programme under spends. It is important that capital spending stays at a reasonable level within the framework agreed and, therefore, ranking of capital spending is essential and needs to be affordable and sustainable in the long-term.
- 3.5. Frequent reviews of previously approved schemes that have been delayed will be carried out to ensure that they are still affordable within set budgets. This is especially important in the current economic situation of high inflation and supply chain disruption.

4. Capital financing requirement

- 4.1. All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The planned financing of the above expenditure is as follows:

Table 2: Capital financing

Financing source	Final Budget 2026/27	Indicative Budget 2027/28	Indicative Budget 2028/29	Indicative Budget 2029/30
Debt	10,848,936	9,302,989	7,592,889	7,592,889
External sources	4,692,000	3,872,000	3,122,000	3,122,000
Capital Receipts	2,757,500	1,757,500	757,500	50,000
Reserves	197,655	103,000	103,000	103,000
Total Funding	18,496,091	15,035,489	11,575,489	10,867,989

- 4.2. Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as Minimum Revenue Provision (MRP). Alternatively, proceeds from selling capital assets (capital receipts) may be used to replace debt finance.
- 4.3. The Council's cumulative outstanding amount of debt finance is measured by the Capital Financing Requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace the debt.
- 4.4. The table below provides the medium-term outlook for the Council's CFR, inclusive of the impact of PFI arrangements. This is based on the indicative medium term capital

programme and, therefore, does not reflect any potential additional borrowing beyond that already approved.

Table 3: CFR and related MRP charges in £m

	2025/26 Forecast £m's	2026/27 Estimate £m's	2027/28 Estimate £m's	2028/29 Estimate £m's	2029/30 Estimate £m's
Capital Financing Requirement	196.0	226.8	237.1	237.7	237.8
Minimum Revenue Provision	6.0	6.1	6.3	6.5	6.6

4.5. Delivery of the capital programme within planned timeframes has proved challenging to achieve, as evidenced by the significant levels of slippage incurred over recent financial years. Therefore, it is important to recognise the possibility that the actual CFR may be lower than estimated by the end of the 2026/27 financial year, and in turn reducing the actual need to undertake external borrowing.

4.6. It is important that capital expenditure plans are realistic, as otherwise this can result in unnecessarily committing revenue resources towards capital financing budgets, which in turn restricts alternative investment in achieving service delivery aspirations.

5. Revenue budget implications

5.1. Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. These net annual charges are known as financing costs. The table below compares these financing costs to the net revenue stream i.e. the amount of income from Council Tax (MCC element), business rates and general government grants.

Table 4: Proportion of financing costs to net revenue stream

Proportion of financing Costs to net revenue stream	2025/26 Estimate £m's	2026/27 Estimate £m's	2027/28 Estimate £m's	2028/29 Estimate £m's	2029/30 Estimate £m's
Net Interest payable	6.8	7.0	7.3	7.3	7.3
MRP	6.0	6.1	6.3	6.5	6.6
Total Financing costs	12.8	13.2	13.6	13.8	13.9
Net Revenue Stream	214.5	229.7	234.4	239.5	244.7
Proportion of net revenue stream %	5.98%	5.74%	5.79%	5.76%	5.69%

5.2. The overall proportion of financing costs remains broadly stable over the MTFP window which is reflective of the total revenue stream increasing in line with expected inflationary impacts whilst the financing costs increase moderately in line further capital investment made.

- 5.3. **Sustainability:** Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years afterwards. The Section 151 officer is satisfied that the proposed capital programme is prudent, affordable and sustainable because the financing costs have been spread over no more than, the lower of 50 years and the expected life of the resultant asset, so the assets will be paid for by the Council tax payers benefitting from them over the life of the assets. The financing costs for assets funded by debt are included in each annual revenue budget which is balanced before approval by Council.

6. Long term capital investment

Purpose and Strategic Context

- 6.1. Capital expenditure enables the Council to deliver services by investing in long-term assets such as land, buildings, infrastructure and equipment. These assets underpin both statutory services (including schools, housing and libraries) and discretionary services (such as leisure facilities and museums) and therefore play a critical role in service delivery and community outcomes.
- 6.2. Given the breadth of services provided by the Council, capital investment decisions have wide-ranging implications for both costs and income. Capital spending shapes the Council's asset base for decades and directly influences future revenue budgets. As a result, capital decisions must be taken within a clear strategic framework and with a long-term focus on affordability, sustainability and value for money.

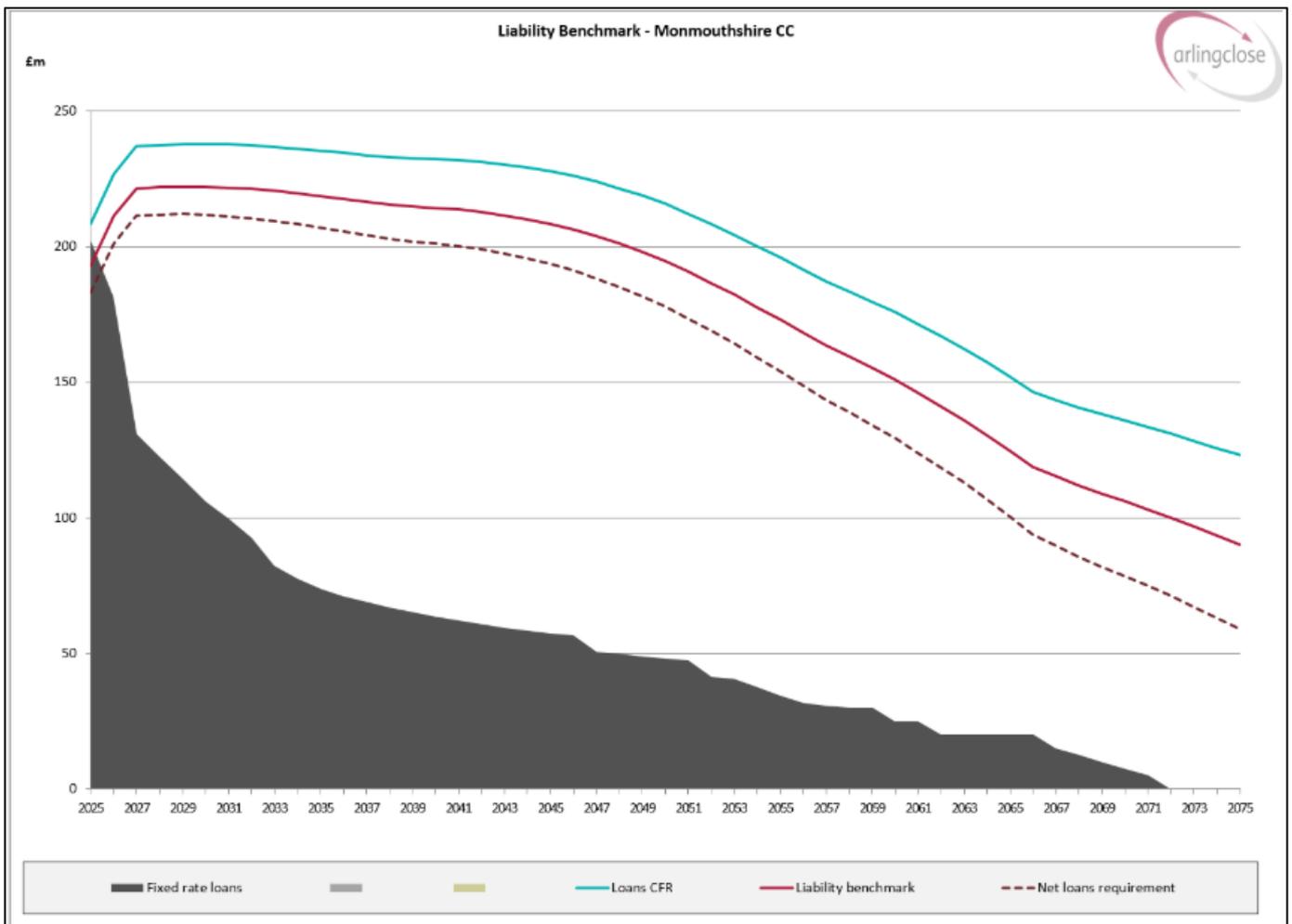
Financing and Affordability

- 6.3. Capital investment is typically associated with assets that have long useful lives, often extending beyond 50 years. How these assets are financed has a significant impact on the Council's financial sustainability. Where expenditure is financed through borrowing, long-term revenue commitments arise, most notably through the requirement to make annual Minimum Revenue Provision (MRP) charges.
- 6.4. Ongoing financial constraints mean that the Council's capacity to support capital investment through borrowing is expected to remain highly restricted over the long term. This significantly limits the Council's ability to fund both new investment and the resolution of existing maintenance backlogs, creating a challenging environment in which to deliver medium and long-term capital aspirations.

Long-Term Borrowing Outlook

- 6.5. The liability benchmark illustrates the long-term impact of the current capital programme and projected borrowing over a 50-year period. In summary, it demonstrates:

- A short-term increase in the Capital Financing Requirement (CFR), reflecting delivery of the existing capital programme and the associated need for external borrowing;
- A gradual reduction in overall CFR over the longer term, driven by assumed annual borrowing levels being lower than annual MRP charges;
- A corresponding long-term reduction in the need for external borrowing; and
- A requirement for further borrowing in the medium to long term to refinance maturing debt, even where capital expenditure levels reduce.



6.6. The modelling is indicative and for planning purposes only. Actual outcomes will be influenced by a range of factors, including the scale and deliverability of the capital programme, the availability of external funding and grants, the Council’s internal resources, and future MRP policy and treasury management strategy.

Grant Funding uncertainty and planning constraints

6.7. The timescales and structure of capital grant funding also present increasing challenges for councils in planning and delivering capital investment effectively. Since the pandemic, the timeframe between notification of funding and the requirement to approve balanced budgets

has shortened significantly, reducing the time available to develop robust capital proposals and limiting opportunities for member scrutiny.

- 6.8. In addition, a significant proportion of capital funding is provided through restricted grants awarded on an annual basis, often confirmed late in the financial year and, in some cases, requiring expenditure within the same year. While such funding can increase overall investment, the short- notice nature of these awards can encourage a more reactive or opportunistic approach, making it harder to align projects with longer- term asset strategies and to maximise value for money.
- 6.9. Short- term and fragmented grant funding can also disrupt delivery of existing capital programmes, as resources must be diverted to develop bids and deliver new schemes at pace. This creates pressure on capacity, complicates integration with revenue planning, and can reduce the effectiveness, efficiency and economy of capital investment over the longer term. The Council therefore seeks, where possible, to plan prudently for grant funding uncertainty and to prioritise schemes that remain affordable and deliverable even where external funding assumptions change
- 6.10. In these circumstances, it is particularly important that the Council's capital programme is underpinned by clear aims and intended outcomes. The capital strategy provides a framework for balancing the competing demands of maintaining the existing asset base, investing in priority new infrastructure and supporting longer- term transformation objectives.
- 6.11. This clarity helps ensure that individual schemes, including those supported by short- term or restricted grant funding, can be assessed consistently, aligned with wider corporate and financial strategies, and prioritised in a way that maximises value for money across the Council area as a whole, while recognising the need for members to balance local and corporate priorities.

Ongoing Capital Programme Development

- 6.12. In the context of constrained resources, it is essential that the Council maintains a clear understanding of its future capital priorities and risks. These are informed by a range of corporate plans and strategies, which set out long-term objectives such as decarbonisation, regeneration and the provision of affordable housing.
- 6.13. Alongside investment in new priorities, there is a continuing need to maintain the existing asset base. Historic funding constraints have contributed to the development of a maintenance backlog, increasing the risk of asset failure over time. While condition surveys and ongoing monitoring help to manage these risks, ageing assets will inevitably require increasing levels of investment to maintain fitness for purpose or to undertake major refurbishment.
- 6.14. Balancing capital investment with day-to-day revenue spending presents an ongoing challenge. Revenue expenditure can often provide more immediate responses to service

pressures, whereas capital projects typically have longer lead-in times and extended delivery periods. This can make capital investment harder to prioritise in periods of acute service demand.

- 6.15. However, deferring capital investment can lead to higher costs in the longer term. Poor-quality or outdated assets can drive increased maintenance expenditure, reduce service effectiveness and expose the Council to inflationary pressures in construction costs. In many cases, timely capital investment represents the more sustainable and cost-effective option.
- 6.16. The capital programme therefore prioritises maintenance and refurbishment funding towards the highest-risk assets, focusing on condition, criticality and health and safety considerations. In parallel, estate rationalisation, asset disposals, transfers and targeted refurbishment or replacement projects will be used to mitigate the scale of the backlog where this can be achieved in an affordable way. While this approach will not eliminate the backlog in full, it supports a risk-based and proportionate response.
- 6.17. Looking ahead, additional priorities are likely to emerge over the medium to long term, including future phases of the Welsh Government's Sustainable Communities for Learning Programme and further regeneration initiatives. These schemes will require significant match funding and will need to be carefully assessed alongside other competing demands to ensure overall affordability and alignment with the Council's strategic objectives.

7. Capital disposals & receipts

- 7.1. The Council's [Asset Management Strategy](#) (AMS) sets out the strategic objectives for our land and property. The strategy sets out the way property will be managed and contribute to the policy objectives of the council. The Asset Management Strategy provides a clear vision of the future of property assets and management of their strategic performance.
- 7.2. Asset Management Strategy objectives:
 - **A fit for purpose and collaborative estate** – providing assets necessary to deliver council services, in the right location, compliant and co-located where possible.
 - **Be good role models for climate and nature practices** – manage our assets well, lowering our carbon footprint and promoting more sustainable practices.
 - **Maximised and commercialised asset base** – generate more revenue and higher value outcomes (financial and non-financial) from sales of surplus assets.
 - **Strengthen the enablement role of Landlord Services** – continue to support service objectives including job creation, tackling homelessness, constructing affordable homes, driving value for money.
 - **Optimise social value from community assets** – support community assets equitably, transparently, and consistently.

- 7.3. MCC benefits from a diverse land and property portfolio that has delivered a commercial return over a number of years. There are over 1500 assets in MCC ownership which support different services and public needs.
- 7.4. In circumstances where property is deemed surplus to requirements and can be sold, the Disposal Strategy within the AMS provides the process by which this happens and considerations for doing so. To enable a consistent approach to the disposal of surplus land and property, the Disposal policy clarifies the circumstances within which the council will achieve its requirements for best consideration, whilst supporting the Council's objectives as per the Community & Corporate Plan and AMS.
- 7.5. The AMS acknowledges a need for assets to align to its five core objectives. In circumstances where properties are considered to not meet this criteria, have alternative development potential or can be rationalised to unlock capital receipts, the Council's Disposal Policy can be exercised to support the disposal of surplus assets.
- 7.6. When capital receipts are generated these can be spent on new assets or to repay debt. The Council is currently also permitted to spend capital receipts "flexibly" on service transformation projects under the Welsh Government flexible use of capital receipts policy. Repayments of capital grants, loans and investments also generate capital receipts.
- 7.7. The Council anticipates the following capital receipts in the forthcoming financial years:

Table 5: Forecast Capital receipts

	2025/26	2026/27	2027/28	2028/29	2029/30
	£000	£000	£000	£000	£000
Balance as at 1st April	6,083	4,627	4,430	3,474	2,819
Less: capital receipts used for financing	(289)	(367)	(50)	(50)	(50)
Less: capital receipts used to support capitalisation directive	(3,770)	(2,708)	(1,708)	(708)	0
Capital receipts for Redundancies	0	0	0	0	0
Capital receipts received	2,500	0	0	0	0
Capital receipts forecast	103	2,878	803	103	103
Forecast Balance as at 31st March	4,627	4,430	3,474	2,819	2,871

- 7.8. Further specific details of planned asset disposals are reported regularly to Cabinet Members.
- 7.9. The value of Capital receipts forecast after 2026/27 drops off quite considerably as the Council awaits the outcome of the replacement Local Development Plan.
- 7.10. Traditionally receipts have been earmarked to finance the Councils future schools investment. Whilst the Council has further future schools aspirations, it is not proposed to advocate a similar approach to members in respect of futures tranches of investment.

Schools based assets commonly have a useful life of 50 years+, and as such traditional long term loan funding can be sourced at competitive rates with limited annual revenue volatility. The Council derives greater revenue benefit by using capital receipts in affording replacement of short life assets, given the avoidance of proportionately more significant minimum revenue provision.

8. Treasury management

- 8.1. The Treasury management strategy is developed in conjunction with the Capital strategy, each influencing the Council's debt levels and investment decisions. Treasury management ensures the Council maintains enough cash to meet spending needs, balancing revenue surpluses against capital shortfalls to minimise borrowing and avoid unnecessary credit balances.
- 8.2. Currently, the Council favours internal borrowing, funding capital expenditure from available reserves and positive cash flows, rather than taking out new long-term loans. This approach reduces reliance on external borrowing and helps minimise investment counterparty risk when market rates remain volatile.
- 8.3. While internal borrowing lowers risk and costs in the short term, it carries exposure to future interest rate increases. The Council closely monitors market conditions to manage this risk and aims to achieve a low, predictable cost of finance, balancing short-term flexibility with the certainty of long-term borrowing rates.
- 8.4. The Council's treasury investment policy prioritises security and liquidity over maximising returns, with short-term funds invested securely and longer-term cash invested more broadly.
- 8.5. Further details on these policies and practices can be found in the adjoining Treasury Management Strategy document.

9. Investments for Service Purposes

- 9.1. The Council has historically incurred the majority of its capital expenditure on the assets required to provide its services such as schools, highways and corporate facilities.
- 9.2. However it may also invest in other entities for the wider economic and societal benefits of its communities or businesses. This may include making loans or taking an equity interest in local bodies or the Council's subsidiaries and joint ventures which in turn contribute to services to Monmouthshire residents. It may also include providing guarantees to other bodies.

- 9.3. In light of the public service objective, the Council traditionally is willing to take more risk on these investments than it would with more traditional treasury investments, which are more highly regulated, however any such arrangement should only be entered into if such investments are assessed to break even after all costs are taken into account or if the benefits of the scheme are considered to be worth the net cost.
- 9.4. Decisions on service related investments (e.g. vibrant homes loans afforded through WG repayable grant or economic development loans) can be made by the relevant service manager provided a 100% loss can be covered by the managers existing budgets. Should additional budget/funding be required in the event of a default, then before making the service expense/investment, the Section 151 officer is required to be consulted and where member approval is felt necessary that the details and risks involved presented to Cabinet for approval.
- 9.5. The criteria and limits laid down in the strategy for treasury Investments can be used as a comparator to measure risks against. Most loans and shares are capital expenditure and such decision requires approval of full Council to be added to the capital programme.
- 9.6. A list of investments for service purposes including loans and guarantees will be maintained by the Treasury team and they will be assessed at least annually and reported as part of the annual accounts and include Foster carer loans and Low cost home ownership equity interest.

10. Commercial Activities

- 10.1. Monmouthshire County Council adopted an Asset Investment Policy in May 2018, with a further amendment to the policy approved in February 2019, which afforded the authority the powers to acquire property to meet policy objectives. The commercial asset investment portfolio contains the strategic sites that are to generate a revenue return to MCC, and/or afford regenerative or social benefit via the ownership of strategic investments.
- 10.2. Total commercial investments held by the Council are currently valued at £28.4m:

Table 6: Value of Commercial investments

Asset	Value @ 01/04/2024	Movement	Value @ 31/03/2025
Castlegate Business Park	6,654,270	129,735	6,784,005
Castlegate Business Park - Service Charge	201,422	0	201,422
Newport Leisure Park	18,819,000	-3,203,000	15,616,000
Oak Grove Solar Farm	5,610,937	174,478	5,785,415
Total	31,285,629	-2,898,787	28,386,842

- 10.3. The ratio of commercial income compared to the Council's net revenue budget is around 1.2% and is considered prudent and proportionate, and is not considered to expose the Council to undue risk if any one income stream was compromised. To assist in managing

this risk the Council holds reserves for its commercial investments that look to further mitigate the factors that may impact upon future income generation.

Governance

- 10.4. The Council paused any further active consideration of commercial investments activity as a consequence of the pandemic and the resultant uncertainty in property and investment markets. No investments have been made subsequent to the strengthening of the Prudential code and confirmation has been provided on an annual basis to the DMO that no PWLB borrowing is intended for the purpose of acquiring investment assets primarily for the purposes of yield.
- 10.5. A residual capital budget of £1.78m is held to support any further capital investment required on existing investments, in order to maintain value and maximise return on investment.
- 10.6. As a result of the Council's risk appetite any further new investment will only be considered in order to support the core policy objectives contained within the Council's latest Community and Corporate Plan, and where deemed prudent, sustainable and affordable.
- 10.7. In terms of any future investment proposals, these can be considered in line with the Council's current constitution and decision-making processes through Council, Cabinet or otherwise.
- 10.8. The Investment Committee, as an existing sub-committee of Council, has been retained but put in abeyance. This therefore allows Council in future, and if it so wishes, to request the Investment Committee to preside over an investment proposal before making recommendation back to Council for consideration. In such circumstances this will retain the cross-party scrutiny and consideration of any such investment proposals.
- 10.9. The Performance & Overview Scrutiny Committee now focuses on maintaining oversight and scrutiny of the performance of the Council's property investment portfolio on a six-monthly basis.
- 10.10. The Governance and Audit Committee looks to seek ongoing assurance on overall governance arrangements of the commercial and property investments as part of the Council's overall land and property portfolio.

11. Knowledge & skills

Internal expertise

- 11.1. The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. The Section 151 officer, deputy Section 151 officer, and Head of Commercial and Integrated

Landlord Services are professionally qualified with extensive Local Government experience between them.

- 11.2. The central finance team who manage day-to-day cashflow activities and monitor capital investment activity consists of experienced qualified and part-qualified accountants who maintain Continuous Professional Development (CPD) and attend courses on an ongoing basis to keep abreast of new developments and obtain relevant skills.

External expertise

- 11.3. Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisors, and Alder King as property investment advisors. This approach is more cost effective than employing such staff directly and ensures that the Council has access to expert knowledge and skills commensurate with its risk appetite.

Members

- 11.4. Training is offered to members to ensure they have up to date skills to make capital and treasury decisions. The most recent training was provided in November 2022, with a number of new members attending for the first time. A register is also kept on member attendance.

Appendix 2

2026/27 Treasury Management Strategy

1. Economic background and financial context

- 1.1. **Economic background:** The most significant impacts on the Authority's treasury management strategy for 2026/27 are expected to include: the influence of the government's

budget strategy, lower short-term interest rates alongside higher medium- and longer-term rates, slower economic growth, together with ongoing uncertainties around the global economy, stock market sentiment, and geopolitical issues.

- 1.2. In February 2026, the MPC held Bank Rate at 3.75%, but the more dovish tone accompanying the decision led markets to bring forward expectations of monetary easing. Four members voted for an immediate cut, and two of the holding majority indicated they may support a reduction soon, reflecting continued disinflation, rising unemployment and softening wage growth.
- 1.3. The February 2026 Monetary Policy Report indicates that UK economic growth remains subdued but stabilising, with the Bank of England projecting GDP to expand by around 1.4% in 2026, broadly consistent with the modest outlook signalled in earlier forecasts. Although recent data confirm only slight momentum in late- 2025, the Bank notes that easing inflation, looser monetary conditions and gradually improving global demand should support a modest pickup in activity later in the year. Nevertheless, risks around domestic demand, higher taxes, and continued labour- market slack suggest that the recovery will remain fragile. This reinforces the overall picture of a slow- growth environment, in line with both Bank projections and other independent assessments of UK economic prospects.
- 1.4. CPI inflation was 3.4% in December 2025, slightly below expectations and continuing its downward trend. The Bank of England now anticipates inflation will fall more sharply than previously projected, reaching around 2.1% by Q2 2026, driven in part by lower energy prices and the impact of fiscal measures announced in Budget 2025. Wage and price pressures have continued to moderate, giving the MPC increased confidence that inflation is on track to return sustainably to the 2% target thereafter.
- 1.5. The labour market continues to ease with rising unemployment, falling vacancies and flat inactivity. In the three months to October 2025, the unemployment rate increased to 5.1%, higher than the level previously expected by the BoE, while the employment rate slipped to 74.9%. Pay growth for the same period eased modestly, with total earnings (including bonuses) growth at 4.7% and while regular pay was 4.6%.
- 1.6. The US Federal Reserve also continued to cut rates, including reducing the target range for the Federal Funds Rate by 0.25% at its December 2025 meeting, to 3.50%-3.75%, in line with expectations. The minutes of the meeting noted that most Fed policymakers judged that further rate cuts would be likely in 2026 if inflation continues to ease, however they were still divided in their assessment of the risks between inflation and unemployment.
- 1.7. The European Central Bank (ECB) kept its key interest rates unchanged in December for a fourth consecutive meeting, maintaining the deposit rate at 2.0% and the main refinancing rate at 2.15%. The ECB maintained that future policy decisions will remain data-dependent, that inflation is close to its 2% target and that the euro area economy continues to expand despite a challenging global environment, including heightened geopolitical risks and trade tensions.

- 1.8. **Credit outlook:** Credit Default Swap (CDS) prices, which spiked in April 2025 following President Trump's 'Liberation Day' tariff announcements, have since trended lower, returning to levels broadly consistent with their 2024 averages. Although CDS prices rose modestly during October and November, the overall credit outlook remains stable, and credit conditions are expected to remain close to the range seen over the past two years.
- 1.9. While lower interest rates may weigh on banks' profitability, strong capital positions, easing inflation, steady economic growth, low unemployment, and reduced borrowing costs for households and businesses all support a favourable outlook for the creditworthiness of institutions on (the authority's treasury management advisor) Arlingclose's counterparty list. Arlingclose's advice on approved counterparties and recommended investment durations is kept under continuous review and will continue to reflect prevailing economic and credit conditions.
- 1.10. **Interest rate forecast (December 2025):** Arlingclose, the Authority's treasury management adviser, currently forecasts that the Bank of England's Monetary Policy Committee will continue to reduce Bank Rate in 2026, reaching around 3.25%. This forecast reflects amendments made following the Autumn Budget and an assessment of the fiscal measures and their market implications, and following the BoE MPC meeting held on 18th December.
- 1.11. Long-term gilt yields, and therefore interest rates payable on long-term borrowing, are expected to remain broadly stable on average, though with continued volatility, and to end the forecast period marginally lower than current levels. Yields are likely to stay higher than in the pre-quantitative tightening era, reflecting ongoing balance sheet reduction and elevated bond issuance. Short-term fluctuations are expected to persist in response to economic data releases and geopolitical developments.
- 1.12. A more detailed economic and interest rate forecast provided by Arlingclose is in Appendix A.
- 1.13. For the purpose of setting the budget, it has been assumed that new treasury investments will be made at an average rate/yield of 3.2%, and that new long-term loans will be borrowed at an average rate of 4.7%.

2. Local Context

- 2.1. On 31st December 2025, the Council held £182.8m of borrowing and £12.0m of treasury investments as demonstrated below:

Table 1: Current debt and investment levels

	31st Dec 2024 Actual Portfolio £m's	Average Rate %	31st Dec 2025 Actual Portfolio £m's	Average Rate %

External borrowing:				
Public Works Loan Board	135.8	3.52%	148.6	3.7%
LOBO loans from banks	0.0	0.0%	0.0	0.0%
Welsh Government Loans	4.7	0.0%	6.2	0.0%
Council to Council & other ST loans	44.0	5.06%	28.0	4.5%
Total external borrowing	184.5	3.71%	182.8	3.69%
Treasury investments:				
Banks & building societies (unsecured)	0.0	0.0%	2.0	3.60%
Government (incl. local Councils)	9.0	4.99%	3.0	4.35%
Money Market Funds	2.5	4.78%	3.0	4.17%
Strategic pooled funds	4.0	5.44%	4.0	5.48%
Total treasury investments	15.5	5.03%	12.0	4.56%
Net debt	169.0		170.8	

- 2.2. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying sums available for investment. The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.
- 2.3. The Council has an increasing CFR due to the indicative capital programme, but minimal investments and will therefore be required to borrow additional sums over the longer term.
- 2.4. CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. The Authority expects to comply with this recommendation during 2026/27.
- 2.5. **Liability benchmark:** To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to a minimum level of £10m at each year-end to maintain sufficient liquidity but minimise credit risk.
- 2.6. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

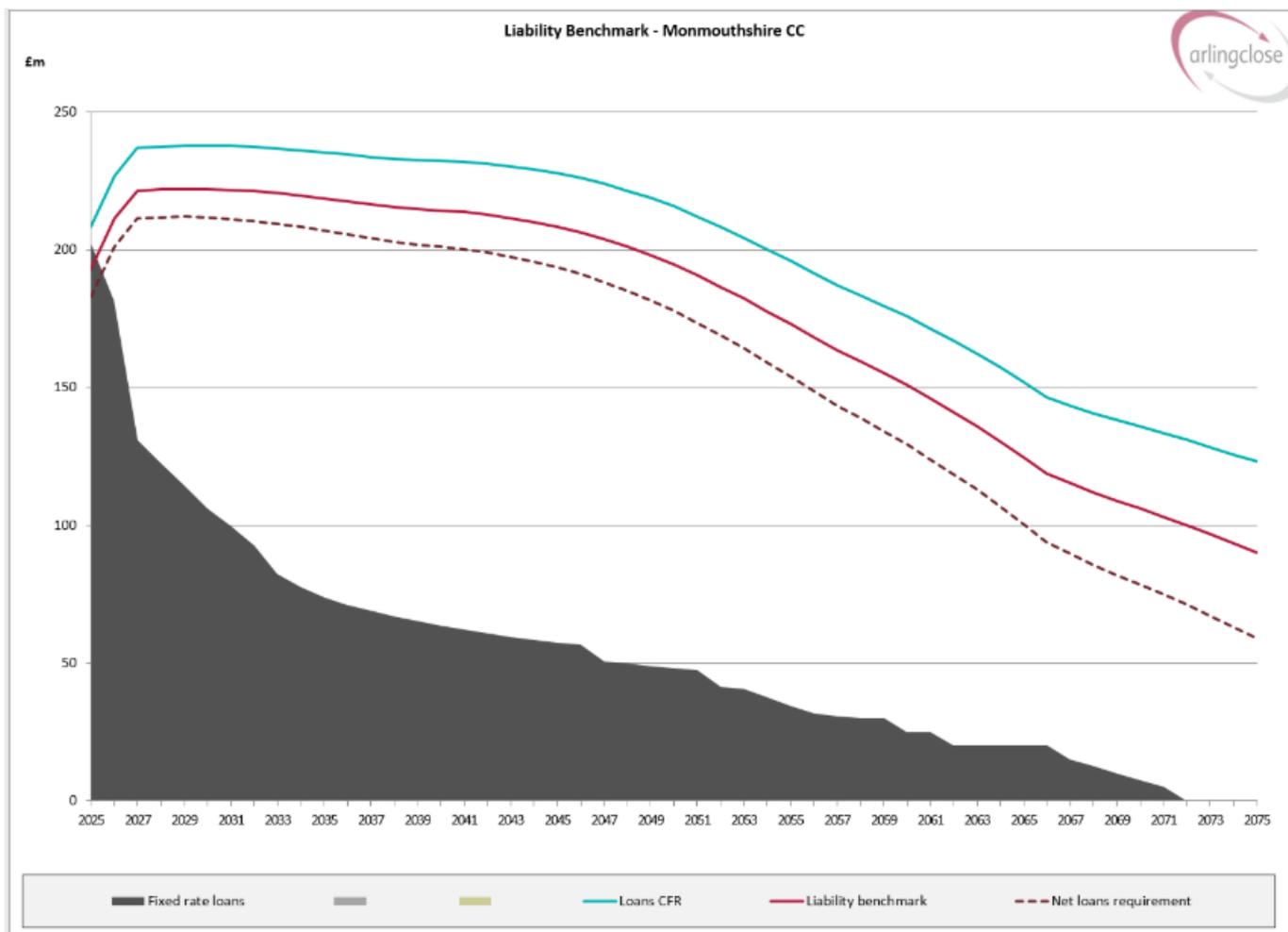
Table 2: Liability benchmark

	31.3.25 Actual	31.3.26 Forecast	31.3.27 Forecast	31.3.28 Forecast	31.3.29 Forecast	31.3.30 Forecast

	£m	£m	£m	£m	£m	£m
Loans CFR	196.0	226.8	237.1	237.5	237.7	237.8
Less: Balance sheet resources	(34.1)	(25.5)	(25.5)	(25.5)	(25.5)	(25.9)
Net loans requirement	161.9	201.3	211.6	212.0	212.2	211.9
Plus: Liquidity allowance	10.0	10.0	10.0	10.0	10.0	10.3
Liability benchmark	171.9	211.3	221.6	222.0	222.2	222.2
Current loan profile**	(202.3)	(182.1)	(131.8)	(123.5)	(115.3)	(106.8)
Borrowing requirement	0.0	29.2	89.8	98.5	106.9	115.4

** shows only loans to which the Council is committed and excludes optional refinancing

2.7. 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:



2.8. The underlying need to borrow is shown by the top blue line and increases sharply over the short term due to the current approved capital programme. However, due to the use of reserves and working capital, the Council is expected to need total external borrowing between the full and dotted red lines. As the existing loans portfolio (shown in grey) reduce as loans mature, new loans will therefore be required to fill the gap between the grey area and the red lines over the longer term. The Council intends to maintain a level of short term loans which will partly fill this gap, but we will still need to take out longer term loans, mainly to fund the long-term capital investment built into the Capital MTFP.

2.9. The Council does not intend to borrow in advance of need and will not do so just to gain financially from short term investment of that borrowing. However, this option may be considered if it is felt that borrowing in advance allows opportunities to lock into favourable long-term rates as part of risk mitigation. This will be limited to no more than the expected increase in the Council’s Capital Financing Requirement over its medium term financial plan.

3. Borrowing Strategy

3.1. The Council currently holds £182.8m of loans, a reduction of £1.7m compared to the previous year, as part of its strategy for funding previous years’ capital programmes. The liability

benchmark above shows that the Council expects to take new loans of up to £89.8m in 2026/27 as existing loans mature and new capital investment is made. The Council may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing.

- 3.2. **Objectives:** The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.
- 3.3. **Strategy:** Given the constraints on public expenditure over recent years and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. Short-term interest rates have fallen over the past year, and are expect to fall a little further, and it is therefore likely to be more cost effective over the medium-term to either use internal resources, or to borrow short-term loans instead.
- 3.4. The risks of this approach will be managed by keeping the Authority's interest rate exposure within the limit set in the treasury management prudential indicators, noted later in the strategy.
- 3.5. By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal / short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly.
- 3.6. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2026/27 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.
- 3.7. The Council has previously raised the majority of its long-term borrowing from the PWLB but will consider long-term loans from other sources including banks, pensions and local Councils, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local Councils planning to buy investment assets primarily for yield; the Council intends to avoid this activity in order to retain its access to PWLB loans.
- 3.8. Alternatively, the Council may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.
- 3.9. In addition, the Authority may borrow further short-term loans to cover unplanned cash flow shortages.

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

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
- National Wealth Fund Ltd (formerly UK Infrastructure Bank Ltd)
- any institution approved for investments (see below)
- any other bank or building society or insurance company authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except the Greater Gwent Pension Fund)
- Capital market bond investors
- Retail investors via a regulated peer-to-peer platform
- CSC Foundry Ltd

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

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

3.11. **LOBOs:** The Council no longer holds LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost.

3.12. **Short-term and variable rate loans:** These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below. Financial derivatives may be used to manage this interest rate risk (see section below).

3.13. **Debt rescheduling:** The PWLB allows Councils to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk. The recent rise in interest rates means that more favourable debt rescheduling opportunities.

3.14. **Authorised limit and Operational boundary:** The Council is legally obliged to approve an affordable borrowing limit (also termed the 'authorised limit' for external debt) each year. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

3.15. Based on the capital programme proposed, it is recommended that the Council approve the following authorised limits and operational boundaries. The undertaking of other long-term liabilities, within the overall limit, is delegated to the Section 151 Officer based on the outcome of financial option appraisals and best value considerations.

3.16. The operational boundary remains an internal management tool to monitor borrowing levels and exceeding the boundary would not represent a compliance failure.

Table 3: Authorised limit and operational boundary for external debt in £m

Operational boundary and Authorised limit	2026/27 Estimate £m's	2027/28 Estimate £m's	2028/29 Estimate £m's	2029/30 Estimate £m's
Operational Boundary - borrowing	255.5	259.3	262.0	262.5
PFI, leases & right of use assets/Headroom	17.8	17.8	17.8	17.8
Operational Boundary - total external debt	273.3	277.1	279.8	280.3
Authorised Limit – borrowing	270.9	274.7	277.4	277.9
PFI, leases & right of use assets/Headroom	18.8	18.8	18.8	18.8
Authorised Limit - total external debt	289.7	293.5	296.2	296.7

Maturity structure of borrowing: This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Table 4: (Treasury management indicator) - Maturity structure of borrowing

Refinancing rate risk indicator	Upper limit	Lower limit
Under 12 months	50%	0%
12 months and within 24 months	30%	0%
24 months and within 5 years	30%	0%
5 years and within 10 years	30%	Cumulatively minimum 30%
10 years and within 20 years	30%	
20 years and within 30 years	30%	
30 years and within 40 years	30%	
40 years and within 50 years	30%	
50 years and above	30%	

4. Investment strategy

Treasury Investment strategy

- 4.1. The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the year to date, the Council's treasury investment balance has ranged between £10.2m and £50.1m million. It is anticipated that the level of investments held in 2026/27 will remain at the lower end, as cash balances are used in lieu of external borrowing, in line with the authority's internal borrowing strategy.
- 4.2. **Objectives:** Both the CIPFA Code and the WG Guidance require the Council to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested. The Council aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.
- 4.3. **Strategy:** As demonstrated by the liability benchmark above, the Council expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds currently provides a degree of risk diversification into different sectors.
- 4.4. The CIPFA Code does not permit local Councils to both borrow and invest long-term for cash flow management. But the Council may make long-term investments for treasury risk management purposes, including to manage interest rate risk by investing sums borrowed in advance for the capital programme for up to three years; to manage inflation risk by investing usable reserves in instruments whose value rises with inflation; and to manage price risk by adding diversification to the strategic pooled fund portfolio.
- 4.5. **ESG policy:** Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Council's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Council will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, and the UK Stewardship Code.
- 4.6. An updated list of signatories to both the charters is provided by the Authority's treasury advisors each quarter and will continue to be monitored. Any counterparties not meeting the criteria will be removed from the Authorities investment portfolio, with any existing funds to be divested at the earliest appropriate opportunity.
- 4.7. At this stage, ESG considerations inform counterparty selection rather than acting as a quantitative investment constraint. The Council will continue to engage with its advisors Arlingclose to evaluate its existing investments and assess whether a more sophisticated ESG policy can be applied. Governance and Audit Committee will be kept informed of progress through the regular reporting of treasury performance into committee.

- 4.8. **Business models:** Under the new IFRS 9 accounting standard, the accounting for certain investments depends on the Council’s “business model” for managing them. The Council aims to achieve value from its treasury investments by a business model of collecting contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.
- 4.9. **Approved counterparties:** The Council may invest its surplus funds with any of the counterparty types in the table below, subject to the limits shown.

Table 5: Treasury investment counterparties and limits

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	50 years	Unlimited	n/a
Local Councils & other government entities	25 years	£4m	Unlimited
Secured investments *	5 years	£4m	75%
Banks (unsecured) *	13 months	£3m (£4m total for the Councils operational bank)	Unlimited
Building societies (unsecured) *	13 months	£2m	50%
Registered providers (e.g. Housing Associations (unsecured) *	5 years	£2m	50%
Money market funds *	n/a	£4m	Unlimited
Strategic pooled funds	n/a	£5m	£10m
Real estate investment trusts	n/a	£5m	£10m
Covered or Supranational bonds	n/a	£5m	£10m
Other Investments*	13 months	£2m	£5m

* **Minimum credit rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

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

Uk Government: Sterling-denominated investments with or explicitly guaranteed by the UK Government, including the Debt Management Account Deposit Facility, treasury bills and gilts. These are deemed to be zero credit risk due to the government’s ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

Local authorities and other government entities: Loans to, and bonds and bills issued or guaranteed by, other national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk.

Secured investments: Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds, secured deposits and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments. A higher limit applies for investments fully secured on UK or other government collateral.

Banks and building societies (unsecured): Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

Registered providers (unsecured): Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

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

Strategic pooled funds: Bond, equity and property funds, including exchange traded funds, that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date but can be either withdrawn after a notice period or sold on an exchange, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

Real estate investment trusts: Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

Other investments: This category covers treasury investments not listed above, for example unsecured corporate bonds and unsecured loans to companies and universities. Non-bank companies cannot be bailed-in but can become insolvent placing the Council's investment at risk.

Operational bank accounts: The Council may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £4m per bank. The Bank of England

has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.

Risk assessment and credit ratings: Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. The credit rating agencies in current use are listed in the Treasury Management Practices document. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
 - any existing investments that can be recalled or sold at no cost will be, and
 - full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.
- 4.10. Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as “negative watch”) so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.
- 4.11. **Reputational aspects:** The Authority is aware that investment with certain counterparties, while considered secure from a purely financial perspective, may leave it open to criticism, valid or otherwise, that may affect its public reputation, and this risk will therefore be taken into account when making investment decisions.
- 4.12. When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008, 2020 and 2022, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government, or with other local Councils. This will cause investment returns to fall but will protect the principal sum invested.
- 4.13. **Investment limits:** The Council's revenue reserves available to cover investment losses currently stand at £15.0m. In order that no more than a third of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £5m. A group of entities under the same ownership will be treated as a single organisation for limit purposes.
- 4.14. Limits are also placed on fund managers, investments in brokers' nominee accounts and foreign countries as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 6: Additional investment limits

	Cash limit
Any group of pooled funds under the same management	£5m per manager
Negotiable instruments held in a broker's nominee account	£5m per broker
Foreign countries	£4m per country

4.15. **Liquidity management:** The Council uses its own cash flow forecasting system to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium-term financial plan and cash flow forecast.

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

Treasury Management Indicators

4.17. The Council measures and manages its exposures to treasury management risks using the following indicators.

4.18. **Security:** The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating / 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.

Credit risk indicator	Target
Portfolio average credit rating / score	A-/5.0

4.19. **Long-term treasury management investments:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management investments will be:

Price risk indicator	2025/26	2026/27	2027/28	No fixed date
Limit on principal invested beyond year end	£5m	£4m	£2m	£10m

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

5. Other matters

- 5.1. The CIPFA Code requires the Council to include the following in its treasury management strategy:
- 5.2. **Financial derivatives:** Local Councils have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in section 24 of the Local Government and Elections (Wales) Act 2021 removes much of the uncertainty over local Councils' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).
- 5.3. The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.
- 5.4. Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.
- 5.5. In line with the CIPFA Code, the Council will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.
- 5.6. **External Funds:** The Council will from time to time hold fund on behalf of external organisations, companies or individuals. Unless a specific agreement is in place for the investment of the funds held, the Council will normally allocate interest returns based on a calculation of the average returns achieved from an overnight deposit rate with the Debt Management Office over the period held.
- 5.7. **Markets in Financial Instruments Directive:** The Council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the Section 151 officer or deputy believes this to be the most appropriate status.
- 5.8. **Government Guidance:** Further matters required by the WG Guidance are included in Section 6 below.

Financial Implications

- 5.9. The budget for investment income in 2026/27 is £804k, based on an average investment portfolio of £22m and existing pooled fund investments. Returns are expected to come from pooled fund investments, from shorter term investments with the Government, from secured/unsecured investments, or from Money Market Funds.
- 5.10. The budget for debt interest paid in 2026/27 is £7.85m, based on existing loans and assumed new borrowing at an average rate of 4.7%. If actual levels of investments and borrowing, or actual interest rates, differ from those forecasts, performance against budget will be correspondingly different.

Other Options Considered

- 5.11. The WG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local Councils to adopt. The Section 151 officer believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

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

6. Additional requirements of Welsh Government Investment Guidance

- 6.1. The Welsh Government (WG) published revised Investment Guidance in November 2019 which places additional reporting requirements upon local Councils that are not integral to this Council's treasury management processes. The guidance also covers investments that are not part of treasury management, for example investment property and loans to local organisations.
- 6.2. **Contribution:** The Council's investments contribute to its service delivery objectives and/or to promote wellbeing as follows:
- treasury management investments support effective treasury management activities,
 - loans to local organisations provide financial support to those organisations to enable them to deliver local public services that would otherwise be provided directly by the Council, and
 - investment property provides a net financial surplus that is reinvested into local public services and supports economic regeneration.
- 6.3. **Climate change:** The Authority's investment decisions consider long term climate risks to support a low carbon economy to the extent that the Council has invested in, as part of the overall capital programme, a number of energy efficiency related schemes, including LED lighting and Solar PV, as well as ultra-low emission vehicles. In addition, the newly constructed Abergavenny 3-19 school is designed to operate on a net carbon zero basis.
- 6.4. **Specified investments:** The WG Guidance defines specified investments as those:
- denominated in pound sterling,
 - due to be repaid within 12 months of arrangement unless the counterparty is a local Council,
 - not defined as capital expenditure by legislation, and
 - invested with one of:
 - the UK Government,
 - a UK local Council, parish council or community council, or
 - a body or investment scheme of "high credit quality".
- 6.5. The Council defines "high credit quality" organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds "high credit quality" is defined as those having a credit rating of [A-] or higher.
- 6.6. **Loans:** The WG Guidance defines a loan as a written or oral agreement where the Council temporarily transfers cash to a third party, joint venture, subsidiary or associate who agrees a return according to the terms and conditions of receiving the loan, except where the third party is another local Council.

- 6.7. The Council uses an allowed 'expected credit loss' model for loans and receivables as set out in *International Financial Reporting Standard 9 Financial Instruments* as adopted by proper practices to measure the credit risk of its loan portfolio. Appropriate consideration is given to state aid rules and competition law. The Council has appropriate credit control arrangements to recover overdue repayments in place.
- 6.8. **Non-specified investments:** Any financial investment not meeting the definition of a specified investment or a loan is classed as non-specified. Given the wide definition of a loan, this category only applies to units in pooled funds and shares in companies. Limits on non-specified investments are shown below; the Council confirms that its current non-specified investments remain within these limits.

Table 7: Non-specified investment limits

	Cash limit
Units in pooled funds without credit ratings or rated below [A-]	£10m
Shares in real estate investment trusts	£10m
Shares in local organisations	£5m
Total non-specified investments	£25m

- 6.9. **Non-financial investments:** This category covers non-financial assets held primarily or partially to generate a profit, primarily investment property. Security is determined by comparing each asset's purchase price to its fair value using the model in International Accounting Standard 40: Investment Property as adapted by proper practices.
- 6.10. Based on current information, the Council's investment property portfolio does not currently provide sufficient security for capital investment since its fair value is below its purchase price. It should be noted however, that the Council has elected to make Minimum Revenue Provision (MRP) for commercial investments funded via prudential borrowing. This ensures that over the expected useful life of the assets, that sufficient overall provision is being made for the financing of the assets, and that the Council is not reliant on any future capital disposal value.
- 6.11. The Council continues to closely review options in respect of existing non-financial investments, including:
- Retaining assets and increasing net returns
 - Disposing of assets
 - Retaining assets for future capital gains
 - Maximising return on capital in another way

- 6.12. The Council consider that the scale of its commercial investments including property are proportionate to the resources of the Council since gross income from such investments represent around 1.2% of the overall net revenue budget stream.
- 6.13. **Liquidity:** The Council's liquidity management has been detailed in the main Treasury report with regard to treasury activities. Before supporting local entities or placing a commercial investment the impact on liquidity is fully addressed, most commonly by taking out loans of an appropriate maturity to ensure funds are available for the life of the activity.
- 6.14. Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice and can take a considerable period to sell in certain market conditions. To ensure that the invested funds can be accessed when they are needed, for example to repay capital borrowed, the Council will follow its Investment strategy for Commercial assets which ensures that any borrowed capital will be repaid with annual income earned from the investment or that an exit strategy identified during the due diligence will be followed.
- 6.15. **Investment advisers:** The Council has appointed Arlingclose Limited as treasury management advisers and use Alder King as advisers for Commercial Property management. The quality of these services is controlled by the Finance and Estates teams.
- 6.16. **Borrowing in advance of need:** Welsh Government guidance is that local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed. The Authority, after having regard to the guidance, will only borrow in advance of need as part of a strategy for reducing risk of future interest rate rises and would not undertake such activity purely in order to profit from an investment.
- 6.17. **Capacity and skills:** The Section 151 officer is responsible for ensuring that those elected members and statutory officers involved in the investment decision making process have appropriate capacity, skills and information to enable them to:
- take informed decisions as to whether to enter into a specific investment;
 - assess individual investments in the context of the strategic objectives and risk profile of the local Council; and
 - understand how the quantum of these decisions have changed the overall risk exposure of the local Council.
- 6.18. Steps taken include relevant training for elected members and a minimum level of qualification for statutory officers, as well as ensuring continuing professional development, via attendance at relevant training courses. Officers will always take advice from its independent advisers regarding investment and borrowing activity.
- 6.19. **Commercial deals:** Any commercial deals that the Council would be involved in would involve statutory officers in those discussions and any final decisions. This ensures that the core principles of the prudential framework and the regulatory regime of the local authority is adhered to when making such decisions.

6.20. **Corporate Governance:** The Council has a clear corporate governance framework set out within its constitution, delegation framework and Annual Governance Statement. This ensures that decisions regarding investment are taken at the appropriate level. For example, the overarching treasury strategy and framework is approved by full Council. Operational decisions, such as day to day cashflow management, including borrowing, are delegated to the Section 151 officer or Deputy.

7. Advisors Economic & Interest Rate Forecast – December 2025

Underlying assumptions:

- The Bank of England duly delivered on expectations for a December rate cut, but, despite softer economic data over the past two weeks, the minutes highlighted increased caution surrounding both the inflation outlook and the speed of future easing. With a close vote of 5-4 in favour of a rate reduction, this suggests that the bar for further monetary easing may be higher than previously thought despite the possibility of the CPI rate falling to target in 2026.
- Budget policies and base effects will mechanically reduce the CPI rate in 2026, on top of the downward pressure arising from soft economic growth and the looser labour market. However, many policymakers appear concerned that household and business inflation and pricing expectations are proving sticky following recent bouts of high price and wage growth, which may allow underlying inflationary pressure to remain elevated. While, the Bank's measure of household expectations ticked lower in December, it remains above levels consistent with the 2% target at 3.5%.
- While policymakers hold valid concerns, these appear somewhat out of line with current conditions; CPI inflation fell to 3.2% in November, private sector wage growth continued to ease amid the highest unemployment rate since the pandemic, and the economy contracted in October after barely growing in Q3. Business surveys pointed to marginally stronger activity and pricing intentions in December but also suggested that the pre-Budget malaise was not temporary. These data are the latest in a trend suggesting challenging economic conditions are feeding into price and wage setting.
- Risks to the growth and inflation outlook lie to the downside, which may ultimately deliver lower Bank Rate than our central case. However, the minutes suggest that the bar to further rate cuts beyond 3.25% is higher and the near-term upside risks to our Bank Rate forecast have increased. Having said that, we believe inflation expectations will naturally decline alongside headline inflation rates.
- Investors appear to have given the UK government some breathing space following the Budget, with long-term yields continuing to trade at slightly lower levels than in late summer/early autumn. Even so, sustained heavy borrowing across advanced economies, the DMO's move towards issuing more short-dated gilts and lingering doubts about the government's fiscal plans will keep short to medium yields above the levels implied by interest rate expectations alone.

Forecast:

- In line with our long-held forecast, Bank Rate was cut to 3.75% in December
- Continuing disinflation, rising unemployment, softening wage growth and low confidence suggests that monetary policy will continue to be loosened.
- Arlingclose expects Bank Rate to be cut to 3.25% by middle of 2026. However, near-term upside risks to the forecast have increased.
- Medium and long-term gilt yields continue to incorporate premia for UK government credibility, global uncertainty and significant issuance. These issues may not be resolved quickly and we expect yields to remain higher.

	Current	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28
Official Bank Rate													
Upside risk	0.00	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central Case	3.75	3.50	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
Downside risk	0.00	0.00	-0.25	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
3-month money market rate													
Upside risk	0.00	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central Case	3.82	3.55	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.35	3.35	3.35
Downside risk	0.00	0.00	-0.25	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
5yr gilt yield													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	3.96	3.85	3.80	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.80	3.80	3.80
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
10yr gilt yield													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	4.52	4.40	4.35	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.35	4.35	4.35
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
20yr gilt yield													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	5.16	5.00	4.95	4.90	4.90	4.90	4.90	4.90	4.90	4.90	4.95	4.95	4.95
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
50yr gilt yield													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	4.74	4.65	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.65	4.65	4.65
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85

PWLB Standard Rate = Gilt yield + 1.00%

PWLB Certainty Rate = Gilt yield + 0.80%

PWLB HRA Rate = Gilt yield + 0.40%

UK Infrastructure Bank Rate = Gilt yield + 0.40%

8. MRP Policy Statement 2026/27

- 8.1. Where the Council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Council to have regard to Welsh Government's Guidance on Minimum Revenue Provision (the WG Guidance) most recently issued in 2018.
- 8.2. The broad aim of the WG Guidance is to ensure that capital expenditure is financed over a period that is either reasonably commensurate with that over which the capital expenditure

provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

8.3. The WG Guidance requires the Council to approve an Annual MRP Statement each year and provides a number of options for calculating a prudent amount of MRP but does not preclude the use of other appropriate methods. The following statement only incorporates options recommended in the Guidance.

8.4. MRP is calculated by reference to the capital financing requirement (CFR) which is the total amount of past capital expenditure that has yet to be permanently financed, noting that debt must be repaid and therefore can only be a temporary form of funding. The CFR is calculated from the Authority's balance sheet in accordance with the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Expenditure in Local Authorities, 2021 edition.

8.5. MRP options recommended in the Guidance include:

Option 1	For capital expenditure incurred before 1st April 2008, and for supported capital expenditure incurred on or after that date, MRP will be determined in accordance with the former regulations that applied on 31st March 2008.
Option 2	For General Fund capital expenditure incurred before 1st April 2008, and for supported capital expenditure incurred on or after that date, MRP will be determined as 4% of the capital financing requirement in respect of that expenditure.
Option 3	For capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset as the principal repayment on an annuity with an annual interest rate equal to the average relevant PWLB rate for the year of expenditure, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.
Option 4	For capital expenditure incurred after 31st March 2008, MRP will be determined as being equal to the accounting charge for depreciation and impairment on those assets (or parts of) continuing until the expenditure has been fully funded.
Option 5	Where former operating leases have been brought onto the balance sheet due to the adoption of the IFRS 16 Leases accounting standard, and the asset values have been adjusted for accruals, prepayments, premiums and/or incentives, then the MRP charges will be adjusted so that the overall charge for MRP over the life of the lease reflects the value of the right-of-use asset recognised on transition rather than the liability.
Option 6	For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Council will make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital

financing requirement instead. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. While this is not one of the options in the WG Guidance, it is thought to be a prudent approach since it ensures that the capital expenditure incurred in the loan is fully funded over the life of the assets.

Note: This does not preclude other prudent methods.

MRP in 2026/27:

8.6. The following MRP policy will be applied:

Type of Expenditure	Option Applied	MRP Calculation
Supported Borrowing funded Expenditure	Option 3	Calculated on an annuity basis over the expected useful life of an asset, whereby the MRP element increases over time to reflect a consistent charge over life of the assets taking into account the real value of money
Unsupported Borrowing funded Expenditure	Option 3	Calculated on an annuity basis over the expected useful life of an asset, whereby the MRP element increases over time to reflect a consistent charge over life of the assets taking into account the real value of money
Leases and PFI	Option 5	MRP charges will be adjusted so that the overall charge for MRP over the life of the lease reflects the value of the right-of-use asset recognised on transition rather than the liability.
Loans classed as capital expenditure	Option 6	As prescribed

- 8.7. For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Council may make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. While this is not one of the options in the WG Guidance, it is thought to be a prudent approach since it ensures that the capital expenditure incurred in the loan is fully funded over the life of the assets.
- 8.8. In all cases Capital expenditure incurred during 2026/27 will not be subject to an MRP charge until 2027/28. The 2026/27 budget proposals reflect these outlined positions.
- 8.9. In February 2026, Welsh Ministers issued supplementary guidance alongside amendments to the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003, providing time- limited flexibility for the 2026/27 financial year only in relation to Minimum Revenue Provision (MRP). The amended regulations allow county and county borough councils to exercise discretion in that year to charge no MRP, charge a reduced amount, or continue to charge MRP in line with existing guidance, subject to the requirement that any amount charged must be considered prudent.
- 8.10. Where the Council chooses to apply this flexibility, Welsh Government guidance makes clear that any decision to reduce or defer MRP in 2026/27 must be temporary and fully unwound in future years. Any foregone or reduced provision must be reassessed annually and recovered over time, with Welsh Ministers recommending that any resulting adjustment is spread over a reasonable period and normally no longer than ten years, to avoid creating unsustainable future budget pressures. The guidance therefore reinforces that the flexibility is intended to support short- term financial management only and does not remove the Council's long- term obligation to make prudent provision for the repayment of capital debt.
- 8.11. Any use of this flexibility by the Council would represent a material change to its established approach to MRP. Accordingly, the application of the discretion provided by the 2026 Regulations would require explicit approval by Full Council, through consideration and adoption of a revised MRP Policy Statement, in line with the governance requirements set out in the 2018 MRP guidance. No departure from the Council's approved MRP methodology would be implemented without such approval being obtained.

9. Glossary of treasury terms

Authorised Limit	<p>The affordable borrowing limit determined in compliance with the Local Government Act 2003 (English and Welsh Councils) and the Local Government in Scotland Act 2003. This Prudential Indicator is a statutory limit for total external debt. It is set by the Council and needs to be consistent with the Council'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>
Balances and Reserves	Accumulated sums that are maintained either earmarked for specific future costs or commitments or generally held to meet unforeseen or emergency expenditure.
Bail-in	Refers to the process which the banking regulatory Councils 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 Council 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.
Bank Rate	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'.
Bond	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.
Capital Expenditure	Expenditure on the acquisition, creation or enhancement of capital assets
Capital Financing Requirement (CFR)	The Council's underlying need to borrow for capital purposes representing the cumulative capital expenditure of the local Council that has not been financed.
Capital growth	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)
Capital receipts	Money obtained on the sale of a capital asset.

CIPFA	Chartered Institute of Public Finance and Accountancy
Constant Net Asset Value (CNAV)	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.
Collective Investment Schemes	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.
Corporate Bonds	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.
Corporate Bond Funds	Collective Investment Schemes investing predominantly in bonds issued by companies and supranational organisations.
CPI <i>Also see RPI</i>	Consumer Price Index. (This measure is used as the Bank of England's inflation target.)
Credit Default Swap (CDS)	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.
Credit Rating	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.
Cost of carry	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.
Credit default swaps	Financial instrument for swapping the risk of debt default; the buyer effectively pays a premium against the risk of default.

Diversification / diversified exposure	The spreading of investments among different types of assets or between markets in order to reduce risk.
Derivatives	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'.
ECB	European Central Bank
Federal Reserve	The US central bank. (Often referred to as "the Fed")
Floating Rate Notes	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
GDP	Gross domestic product – also termed as "growth" in the economy. The value of the national aggregate production of goods and services in the economy.
General Fund	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).
Gilts (UK Govt)	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.
Housing Revenue Account (HRA)	A ring-fenced account of all housing income and expenditure, required by statute
IFRS	International Financial Reporting Standards
Income Distribution	The payment made to investors from the income generated by a fund; such a payment can also be referred to as a 'dividend'
Investments - 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 Councils with banks and building societies are at risk of bail-in should the regulator determine that the bank is failing or likely to fail.

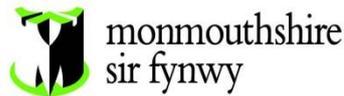
Liability Benchmark	Term in CIPFA's Risk Management Toolkit which refers to the minimum amount of borrowing required to keep investments at a minimum liquidity level (which may be zero).
LOBOs	LOBO stands for 'Lender's Option Borrower's Option'. The underlying loan facility is typically long term and 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.
LVNAV (Low Volatility Net Asset Value)	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)
Maturity	The date when an investment or borrowing is repaid.
Maturity profile	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.
MiFID II	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.
Money Market Funds (MMF)	Pooled funds which invest in a range of short term assets providing high credit quality and high liquidity.
Minimum Revenue Provision	An annual provision that the Council is statutorily required to set aside and charge to the Revenue Account for the repayment of debt associated with expenditure incurred on capital assets
Non-Specified Investments	Term used in the Communities and Local Government Guidance and Welsh Assembly Guidance for Local Council 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.
Net Asset Value (NAV)	A fund's net asset value is calculated by taking the current value of the fund's assets and subtracting its liabilities.
Operational Boundary	This is the limit set by the Council as its most likely, i.e. prudent, estimate level of external debt, but not the worst case scenario. This limit links directly to the Council's plans for capital

	expenditure, the estimates of the Capital Financing Requirement (CFR) and the estimate of cashflow requirements for the year.
Permitted Investments	Term used by Scottish Councils as those the Council has formally approved for use.
Pooled funds	See Collective Investment Schemes (above)
Premiums and Discounts	<p>In the context of local Council 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>
Private Finance Initiative (PFI)	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 Council.
Prudential Code	Developed by CIPFA and introduced on 01/4/2004 as a professional code of practice to support local Council capital investment planning within a clear, affordable, prudent and sustainable framework and in accordance with good professional practice.

Prudential Indicators	Indicators determined by the local Council 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 Councils.
PWLB	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 Councils and other prescribed bodies, and to collect the repayments.
Quantitative Easing	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
Registered Provider of Social Housing	Formerly known as Housing Association
Revenue Expenditure	Expenditure to meet the continuing cost of delivery of services including salaries and wages, the purchase of materials and capital financing charges
RPI	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 updated using the CPI index.
SORP	Statement of Recommended Practice for Accounting (Code of Practice on Local Council Accounting in the United Kingdom).
Specified Investments	Term used in the CLG Guidance and Welsh Assembly Guidance for Local Council Investments. Investments that offer high security and high liquidity, in sterling and for no more than 1 year. UK government, local Councils and bodies that have a high credit rating.
Supported Borrowing	Borrowing for which the costs are supported by the government or third party.

Supranational Bonds	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.
Treasury Management Code	CIPFA's Code of Practice for Treasury Management in the Public Services. The current Code is the edition released in autumn 2011.
Temporary Borrowing	Borrowing to cover peaks and troughs of cash flow, not to fund spending.
Term Deposits	Deposits of cash with terms attached relating to maturity and rate of return (interest)
Unsupported Borrowing	Borrowing which is self-financed by the local Council. This is also sometimes referred to as Prudential Borrowing.
Usable Reserves	Resources available to finance future revenue and capital expenditure
Variable Net Asset Value (VNAV)	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.
Working Capital	Timing differences between income/expenditure and receipts/payments
Yield	The measure of the return on an investment instrument

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SUBJECT:	INTERNAL AUDIT STRATEGY (2026/27)
MEETING:	GOVERNANCE & AUDIT COMMITTEE
DATE:	FEBRUARY 2026
DIVISION/WARDS AFFECTED:	ALL

1. PURPOSE:

- 1.1 To request the Governance & Audit Committee approve the Internal Audit Strategy for 2026/27 and the move to an Agile / Rolling Internal Audit Plan.

2. RECOMMENDATIONS:

- 2.1 That Members of the Governance & Audit Committee comment on and approve the Internal Audit Strategy for the 2026/27 Financial Year.
- 2.2 That the Governance & Audit Committee approve the move to a rolling Internal Audit plan subject to a review in 12 months time.

3. KEY ISSUES:

- 3.1 The Global Internal Audit Standards - Standard 9.2 (Internal Audit Strategy) requires the chief audit executive to develop and implement a strategy for the internal audit function. This needs to support the strategic objectives and success of the organisation and aligns with the expectations of the Governance & Audit Committee, senior management, and other key stakeholders.
- 3.2 An internal audit strategy is a plan of action designed to achieve a long-term or overall objective. The internal audit strategy must include a vision, strategic objectives, and supporting initiatives for the internal audit function. An internal audit strategy helps guide the internal audit function toward the fulfilment of the internal audit mandate.
- 3.3 The first Internal Audit Strategy for Monmouthshire County Council was approved by the Governance & Audit Committee in May 2025.
- 3.4 The amended Strategy and this report recommends that MCC transitions from a traditional fixed single-year internal audit plan to a dynamic and agile rolling internal audit plan. The rolling plan will be updated quarterly throughout the year, allowing for greater responsiveness to emerging risks, regulatory changes and organisational priorities. This approach is increasingly recognised as best practice, supports greater alignment with strategic objectives and enhances the audit team's ability to adapt to a changing risk landscape. A small number of other Welsh Local Government Internal Audit teams have already started to take this approach.

4. REASONS:

- 4.1 Traditionally, Internal Audit Services operate with a fixed annual plan, set at a single point in time before the start of the financial year. A fixed annual audit plan, while familiar and predictable, often struggles to remain relevant as the year progresses. Risks, priorities, and resource availability can shift rapidly, leaving the audit plan quickly out-of-date and less effective. The audit team can be seen as chasing performance targets, such as the percentage of plan completed, rather than being reactive and ensuring that value is added. A rolling plan, by contrast, is continuously refreshed, ensuring that audit coverage remains current and responsive to the organisation's needs. This transition is supported by the new Global Internal Audit Standards and aligns with the move towards integrated assurance, risk based internal auditing and enterprise-wide risk management.
- 4.2 The planning process will continue to take into account all possible systems, processes, sections and establishments that could possibly be audited within Monmouthshire, our 'Audit Universe'. This includes all services, activities and functions which MCC commissions and/ or delivers itself, via a third party or a collaborative / partnership arrangement. Historically, the key part of the planning process involved an annual review of the corporate risk register and consultation with the Strategic Leadership Team, Chief Officers and Heads of Services across the Authority inviting them to highlight any emerging or changing risk profiles within their own service areas. It is proposed that this review will now take place continuously with documented reviews being completed on a quarterly basis.
- 4.3 As the financial position of the Council gets tighter, the Internal Audit team can become more proactive in completing reviews in areas where financial challenges exist which can impact on operational service delivery as and a consequence the Community & Corporate Plan.
- 4.4 Benefits of a Rolling Internal Audit Plan;
- Enhanced Agility: The plan is reviewed and updated quarterly. This enables swift adjustments in response to emerging risks, regulatory changes, and organisational developments, ensuring audit coverage remains relevant.
 - Continuous Risk Alignment: Regular updates to the plan ensure that audit activities are consistently aligned with the Councils latest risk assessments and the Community & Corporate Plan.
 - Improved Stakeholder Engagement: Frequent plan reviews foster ongoing dialogue between internal audit, management, and the Governance & Audit Committee, promoting transparency and collaboration.
 - Resource Optimisation: A rolling plan provides greater flexibility in resource allocation, allowing the audit team to focus efforts where they are most needed as circumstances change.
 - Follow-up work: At the present time, with the exception of following up previously issued unfavourable opinions, all follow-up work is completed at a single point in time during the year. With a move to a rolling approach, the follow-up can be tailored to a specific timescale following the final report being issued. The findings can then be reported to the G&AC more frequently, adding continual assurance that Internal Audit recommendations are being promptly addressed.

- 4.5 Drawbacks of a Rolling Internal Audit Plan
- Increased Administrative Effort: Frequent updates and reviews of the audit plan require additional time and coordination from audit management, however, this is considered to be a minimal increase in time over and above what currently takes place.
 - Potential for Uncertainty: Auditees may perceive the plan as less predictable, with possible adjustments to audit scopes or timings during the year.
 - Change Management: Transitioning to a rolling plan may require cultural and process adjustments across the organisation, necessitating effective communication and stakeholder buy-in.
- 4.6 The Rolling Internal Audit plan and the work being undertaken by the Internal Audit Section will be presented to the Governance & Audit Committee for approval each quarter within the Chief Internal Auditors quarterly report. Members of the Committee along with Officers of the Council are able to propose to the Chief Internal Auditor areas of concerns which they will consider for inclusion. Although the quarterly plan has been agreed, this will remain flexible and subject to change should an urgent request for work be made and agreed by the Chief Internal Auditor.
- 4.7 The reporting of Conclusions arising from Internal Audit Reviews will continue to be presented to the Governance & Audit Committee promptly at the end of each quarter. Although it may be necessary to redact certain information where investigatory processes are underway. This will be agreed between the Chief Internal Auditor and the Deputy Chief Executive with the Chair of the Governance & Audit Committee also being informed.
- 4.8 It is also proposed that the methodology in how the Internal Audit team completes its follow-up work will also change. The requirement for completing follow-up work sits within the Global Internal Audit Standards Domain V: Performing Internal Audit Services, specifically under Principle 15 – Communicate Engagement Conclusions and Monitor Action Plans.
- It is proposed that no change will be made to the current process where an Unfavourable audit opinion (Limited or No Assurance) has been issued. These will continue to be formally followed up to confirm that agreed actions have been implemented and controls improved. A revised conclusion will be issued and reported to the G&AC.
 - For Substantial or Reasonable Assurance opinions, responsible officers complete a self-assessment, which Internal Audit may validate through testing. The change will be that historically, these self-assessments were issued at a single point in time during the financial year. Meaning that some areas may receive and complete their self-assessment much later than others and more than a year after the original report was issued. This also meant that G&AC and senior management only received feedback on how areas were implementing recommendations on an annual basis. In a change to this, these self-assessments will now be issued in the quarter following 12 months from the date of the final report being issued. The Chief Internal Auditors quarterly report will be used moving forward to report completion of this exercise so that the Committee and Management receive more real time information and can address any concerns proactively.-assessment, which Internal Audit may validate through testing.
 - Follow-up reviews will be scheduled based on the date of the final report allowing enough time for management actions to be implemented and then embedded – normally a 12 month period.

- 4.9 Within the amended Internal Audit Strategy and to align with the new planning approach it is also necessary to review the key performance indicators for the team. The current suite of KPIs have been unchanged for many years and only measure against specific areas such as the percentage of plan completion and the timeliness of issuing draft and final reports based on end of fieldwork dates. Within the strategy a new list of KPIs have been included, however, this itself will be subject to ongoing review as the Welsh Chief Auditors Group are currently examining these along with other benchmarking data to standardise across Wales. The KPI's will continue to be reported in both the Internal Audit Service Business Plan and reports to the Governance & Audit Committee on a quarterly basis.
- 4.10 The revised Internal Audit Strategy and the change of planning methodology was discussed at a meeting of the Strategic Leadership Team in January 2026. They were supportive of the approach but sought assurance that appropriate coverage would still be made across all Council areas especially those areas which have previously received little to no coverage.
- 4.11 It is proposed that within the Governance arrangements for the amended Internal Audit Strategy that the Strategy itself along with the planning methodology (rolling plan) and KPI's will be formally reviewed and presented back through the Strategic Leadership Team and Governance & Audit Committee in 12 months to ensure that the new approach has been successfully implemented or if a return to the previous annual planning mechanism would be better.

5. RESOURCE IMPLICATIONS:

The Internal Audit team consists of 6 full time equivalents (FTE) headed by the Chief Internal Auditor. There is a dedicated resource of 1FTE to provide a Counter Fraud response both proactively and reactively.

6. CONSULTEES:

Deputy Chief Executive & Strategic Director – Resources (S151 Officer)
Chief Executive
Strategic Leadership Team
Chair & Vice Chair of the Governance & Audit Committee
Cabinet Member for Resources
Audit Wales
Internal Audit Team

7. BACKGROUND PAPERS:

Audit Universe – January 2026
Internal Audit Update Report Quarterly Report Q3 (2025/26)

8. AUTHOR AND CONTACT DETAILS

Jan Furtek, Chief Internal Auditor
Telephone: 01600 730521

Email: janfurtek@monmouthshire.gov.uk



INTERNAL AUDIT STRATEGY & PLAN

FEBRUARY 2026

Version

Draft - February 2026

Author

Jan Furtek, Chief Internal Auditor

Approved by

Governance & Audit Committee

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1. Introduction & Purpose

- 1.1 The objective of this internal audit strategy is to describe the framework for conducting audits within Monmouthshire County Council that will support the strategic objectives and success of the Council and aligns with the expectations of the Governance & Audit Committee, senior management, and other key stakeholders. The strategy aims to ensure accountability, transparency, and the efficient utilisation of resources. It provides a structured approach for identifying, assessing, and managing risks, ensuring that the authority operates in compliance with relevant laws, regulations, and policies.
- 1.2 It is a requirement of the Global Internal Audit Standards that the vision and strategic objects of the Internal Audit Team is documented.

Standard 9.2 Internal Audit Strategy

The chief audit executive must develop and implement a strategy for the internal audit function that supports the strategic objectives and success of the organisation and aligns with the expectations of the board, senior management, and other key stakeholders. An internal audit strategy is a plan of action designed to achieve a long-term or overall objective. The internal audit strategy must include a vision, strategic objectives, and supporting initiatives for the internal audit function. An internal audit strategy helps guide the internal audit function toward the fulfillment of the internal audit mandate. The chief audit executive must review the internal audit strategy with the board and senior management periodically.

- 1.3 The Internal Audit Strategy is designed to be read in conjunction with the Monmouthshire County Council Internal Audit Charter.

2. Objectives of Internal Audit

- 2.1 The primary objectives of the internal audit team are:
 - a) To deliver independent assurance regarding the adequacy and effectiveness of the authority's risk management, control, and governance processes.
 - b) To support the authority in achieving its strategic aims and objectives by providing recommendations for enhancing processes and systems.
 - c) Fulfilment of the Internal Audit Mandate as contained within the Internal Audit Charter.

- d) To ensure compliance with statutory and regulatory requirements.
- e) To foster a culture of continuous improvement within the authority.
- f) Deliver audit services in accordance with the Global Internal Audit Standards, subject to the interpretations and additional requirements set out in the Application Note of the Standards in the UK Public Sector, and the Code of Practice for the Governance of Internal Audit in UK Local Government.
- g) Support managers to develop and maintain a culture in which fraud, bribery and corruption are understood across the organisation as being unacceptable.

3. Vision of Internal Audit

- 3.1 The internal audit team aspires to be a cornerstone of accountability, integrity, and continuous improvement within Monmouthshire County Council. By providing independent, objective assurance and consulting services, the team will empower decision-makers, enhance public trust, and drive the efficient use of resources.
- 3.2 Our vision is to:
 - **Safeguard public resources:** Champion transparency and ensure the responsible management of taxpayers' funds to deliver value and meet community needs.
 - **Support robust governance:** Strengthen risk management, compliance, and ethical practices across all departments, fostering an environment of excellence and accountability.
 - **Be a trusted advisor:** Collaborate with stakeholders to provide actionable insights and strategic guidance that aligns with organisational goals and legislative requirements.
 - **Drive innovation:** Promote adaptability and forward-thinking solutions that enable continuous improvement and responsiveness to changing needs.
 - **Enhance public trust:** Demonstrate the highest standards of professionalism and objectivity, ensuring every audit contributes to building confidence in local government operations.

- **Inspire internal auditors:** To continuously improve emphasising the importance of fostering a culture of excellence and innovation within the internal audit team.
- 3.3 By delivering insightful recommendations and ensuring compliance with regulations, the internal audit team will be instrumental in shaping a Council that operates with transparency, efficiency, and a relentless commitment to serving its community.

4. Governance and Oversight

- 4.1 Effective governance and oversight are critical to the success of the internal audit strategy. The Governance & Audit Committee and the Senior Leadership Team will play a pivotal role in:
- a) Providing oversight and direction to the internal audit function.
 - b) Ensuring that the audit process is conducted in accordance with established standards and practices.
 - c) Reviewing and approving the audit plan and reports.
 - d) Monitoring the implementation of audit recommendations.

5. Internal Audit Plan

- 5.1 From the start of the 2026/27 financial year the Monmouthshire County Council Internal Audit team will be transitioning from a traditional fixed single-year internal audit plan to a dynamic rolling internal audit plan, sometimes known as ‘agile’ internal auditing. The rolling plan will be updated quarterly throughout the year, allowing for greater responsiveness to emerging risks, regulatory changes and organisational priorities. This approach is increasingly recognised as best practice, supporting greater alignment with strategic objectives and enhancing the audit team’s ability to adapt to a changing risk landscape.
- 5.2 The scheduled plan of work for the team will be reported to the Governance & Audit Committee quarterly throughout the year along with the results and conclusions from the reviews undertaken.

Non-negotiables

- 5.3 As part of the transition to a rolling plan of work, it has been agreed that a number of non-negotiables will need to be considered by the Chief Internal Auditor when developing the quarterly plan. These are;
- a) Provide strategic assurance by ensuring that internal audit activity is aligned to organisational priorities and delivered consistently across all Council Directorates.
 - b) Engage proactively with the Strategic Leadership Team and the Governance & Audit Committee on a quarterly basis to identify emerging risks early and ensure they are reflected in forward-looking assurance plans.
 - c) Maintain strategic oversight of the Council's risk landscape by monitoring the Strategic Risk Register and prioritising review activity around the most significant and evolving risks.
 - d) Strengthen the Council's financial governance by sustaining a planned, risk-based cycle of reviews for all key financial systems.
 - e) Lead the delivery of the Council's Counter Fraud response (see Section 6), ensuring that internal audit work provides a robust and evidence-based platform for organisational integrity and accountability.
 - f) Champion proactive financial governance by offering advisory support outside formal audit cycles and continuing to deliver financial assessments on behalf of Adult Services Commissioning.
 - g) Expand the use of Control Risk Self-Assessments to embed stronger ownership of internal controls, enhance risk awareness, and promote best practice across service areas.
 - h) Ensure that the breadth and depth of Internal Audit work undertaken provides the Chief Internal Auditor with a strong evidence base for issuing an annual opinion on the Council's internal control environment.
 - i) Escalate any resource pressures that may affect delivery of the assurance plan to the Deputy Chief Executive & Chief Officer for Resources (S151 Officer) and the Chair of the Governance & Audit Committee to support informed decision-making.

Follow-up work

- 5.4 In accordance with the Global Internal Audit Standards the Internal Audit team will continue to follow-up the implementation of recommendations and agreed management actions from previously issued reports. This will be completed in two different ways;
- Where a positive opinion (Substantial or Reasonable Assurance) has been issued – the responsible officers will be required to complete a self-assessment approximately 12 months from the date of the final report. The

Internal Audit team will review the return and reserve the right to complete testing to validate the assessment.

- When the review receives an ‘unfavourable’ opinion (Limited or No Assurance) the area in question will be supported and a formal follow-up review completed at an appropriate moment in time, normally between 6 to 12 months from the date of the issued final report. The date of when the follow-up review will be completed is at the discretion of the Chief Internal Auditor. A new conclusion will be issued based on the control environment at the time of the follow-up review.

5.5 The findings from all follow-up work will be reported to the G&AC quarterly, adding assurance that Internal Audit recommendations are being promptly addressed.

6. Counter Fraud

8.1 Within the Internal Audit team is a dedicated resource (1 FTE) covering both proactive and reactive Counter Fraud work across the Council. The work undertaken will be supported by a Counter Fraud Risk Assessment which will be reviewed and reported to the Governance & Audit Committee at least annually.

8.2 Counter Fraud work undertaken will be reported through the Chief Internal Auditors quarterly reports to the Governance & Audit Committee although it may be necessary on occasion to redact or withhold information where there are ongoing sensitive concerns which could result in disciplinary action, a referral to the Police or another outside agency such as the Education Workforce Council / Social Care Wales.

7. Continuous Professional Development

7.1 Continuous professional development for auditors is crucial to maintaining high standards of audit quality and effectiveness. The Chief Internal Auditor will ensure there are opportunities to help internal auditors develop their competencies. This can be achieved through:

- Regular participation in professional training programs and workshops.
- Obtaining industry-recognised certifications and qualifications.
- Engaging in peer reviews and benchmarking exercises.

- Staying updated with the latest developments in audit methodologies, regulations, and best practices.
- Encouraging knowledge sharing and collaboration among audit staff.

8. Continuous Improvement

8.1 The internal audit strategy promotes a culture of continuous improvement by:

- Regularly reviewing and updating the audit universe, audit methodologies and practices.
- Incorporating feedback from stakeholders, the Senior Leadership Team and the Governance & Audit Committee to better understand their expectations and provide valuable insight.
- Adopting best practices and industry standards.
- Enhancing the skills and capabilities of audit personnel.
- The Chief Internal Auditor regularly evaluating the technology used by the internal audit function and pursue opportunities to improve effectiveness and efficiency.

9. Performance Indicators

9.1 Risk-based agile internal auditing is a dynamic process and therefore more difficult to manage than traditional methodologies. Monitoring progress against a plan that is constantly changing is a challenge. However, the rewards outweigh these difficulties and we have reviewed our performance measures to ensure the difficulties in measuring internal audit's effectiveness are considered. We have in place a quality assurance and improvement programme to ensure continuous improvement of our internal audit service. We have adopted a reduced and streamlined suite of performance measures to determine the effectiveness of our work, which can be seen in the table below.

Performance Indicator	Target (2026/27)
Audits completed to draft within 4 months	90%
Number of Audit Conclusions issued during the quarter	8
Number of Audit Conclusions issued during the rolling 12 month period	32
Clients satisfied with service received	100%
Number of staff	6 FTE
Frequency of Plan Updates	Quarterly
Recommendations either fully or partially implemented within 12 months	90%
Response to fraud allegations or requests for advice	2 days

9.2 As this is the first year of a rolling Internal Audit Plan, the performance indicators will be reviewed in 12 months time to ensure they are fit for purpose or if there are other areas which require monitoring. In addition, the Welsh Chief Auditors Group are currently reviewing its suite of performance measures for benchmarking purposes to ensure they remain relevant and consistent across all 21 member councils. The Performance Indicators for MCC will be examined again once this review has been completed.

10. Review

10.1 This internal audit strategy will be reviewed on an annual basis or whenever changes occur to Monmouthshire County Councils strategic objectives. Given the change in planning methodology, the next strategy review will assess the implementation and impact of this change and to consider if a rolling plan was to continue.

10.2 Factors that may prompt an immediate review of the internal audit strategy include:

- Changes in the Council's strategy or the maturity of its governance, risk management, and control processes.
- Significant changes in the Council's Constitution, policies and procedures or relevant laws and/or regulations.

- Significant changes in members of the Governance & Audit Committee, senior management, or the Chief Internal Auditor.
- Results of internal and external assessments of the internal audit function.





SUBJECT:	INTERNAL AUDIT Progress Report for Quarter 3 (2025/26) & Quarter 1 Plan (2026/27)
DIRECTORATE:	Resources
MEETING:	Governance & Audit Committee
DATE:	February 2026
DIVISION/WARDS AFFECTED:	All

1. PURPOSE

To consider the adequacy of the internal control environment within the Council based on the outcomes of audit reviews and subsequent conclusions issued to the 31st December 2025.

To consider the performance of the Internal Audit Section over the 9 months of the current financial year and the audit reviews to be undertaken during the first quarter of the 2026/27 financial year.

2. RECOMMENDATION(S)

That the Committee note the audit conclusions issued.

That the Committee note the progress made by the Section towards meeting the 2025/26 Operational Audit Plan and the Section's performance indicators at the 9 month stage of the financial year which are currently just below the profiled target.

That the Committee approve the first iteration of the Internal Audit 'Rolling Plan' covering Quarter 1 2026/27.

3. KEY ISSUES

3.1 Audit work has started in line with the 2025/26 agreed draft audit plan, considered by the Governance & Audit Committee in June 2025.

3.2 The Global Internal Audit Standards (GIAS) came into force for the UK public sector in April 2025 replacing the Public Sector Internal Audit Standards. A self-assessment and gap analysis of compliance to the new standards has been completed and an action plan is in place to ensure the team fully meet the requirements.

3.3 The year end opinion for 2025/26 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.

- 3.4 Attached as Appendix 1 to this report is the Internal Audit & Counter Fraud Update Report from the Chief Internal Auditor covering the period until the 31st December 2025.
- 3.5 The report included as Appendix 1 covers the following 5 areas.
1. Results from Internal Audit Reviews
 2. Follow-up of Previous Audit Recommendations
 3. Quarterly Internal Audit Plan (Q1 2026/27)
 4. Counter Fraud Investigations and Outcomes
 5. Performance Indicators

4. SERVICE MANAGEMENT RESPONSIBILITIES

- 4.1 Chief Officers, 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.
- 4.2 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.

5. RESOURCE IMPLICATIONS

None.

6. CONSULTEES

Deputy Chief Executive / Strategic Director – Resources (S151 Officer)

Results of Consultation:

N/A

7. BACKGROUND PAPERS

Operational Audit Plan 2025/26

8. AUTHORS AND CONTACT DETAILS

Jan Furtek, Chief Internal Auditor
Telephone: 01600 730521
Email: janfurtek@monmouthshire.gov.uk



**MONMOUTHSHIRE
COUNTY COUNCIL**
INTERNAL AUDIT

INTERNAL AUDIT & COUNTER FRAUD

UPDATE REPORT

JAN FURTEK
CMIIA CIA

CHIEF INTERNAL AUDITOR

2025/26 Quarter 3

(to 31st December 2025)





QUARTERLY REPORT CONTENT

1. Results from Internal Audit Reviews
2. Follow-up of Previous Audit Recommendations
3. Quarterly Internal Audit Plan
4. Counter Fraud Investigations and Outcomes
5. Performance Indicators





SUMMARY OF AUDITS CONCLUSIONS

Each Internal Audit report contains a conclusion (opinion) which is an overall assessment of the control environment reviewed.

The conclusions used are those recommended by CIPFA within their paper Internal Audit Engagement: Setting Common Definitions.

CONCLUSION	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.



SUMMARY OF AUDITS COMPLETED

Assurance work and Conclusions issued in draft since the last update report.

It has been agreed that where an Unfavourable Conclusion has been issued further information will be provided to G&AC on the following slides (if applicable).

Audit Title	Conclusion	Status
St Mary's RC Primary	Substantial Assurance	Final
Flood Risk Management	Substantial Assurance	Draft
School Catering	Substantial Assurance	Final
National Fraud Initiative (NFI)	Substantial Assurance	Final
Educational Trips & Visits (Evolve System)	Reasonable Assurance	Draft
MyST	Reasonable Assurance	Draft
Assistive Technology	Reasonable Assurance	Draft
Job Evaluation / Equal Pay (Follow-up)	Reasonable Assurance	Draft
Deprivation of Liberty Safeguards (DoLS)	Limited Assurance	Draft



SUMMARY OF AUDITS

UNFAVOURABLE CONCLUSION

Deprivation of Liberty Safeguards (DoLS) – Limited Assurance

The audit concluded with a Limited Assurance rating due to significant weaknesses in governance, statutory compliance, and operational oversight. A critical issue was identified in the substantial backlog of DoLS applications, with a significant number of overdue assessments, including long-standing high-priority cases. This represents non-compliance with the Mental Capacity Act (2005) and exposes the Authority to legal and reputational risk. Further significant weaknesses include outdated or unadopted policies, absence of a current service plan, missing consortium documentation, infrequent panel meetings, incomplete system records, insufficient oversight of Best Interest Assessors and Relevant Persons Representatives, and procurement non-compliance for training.

RISK RATING	DESCRIPTION	TOTAL IDENTIFIED
CRITICAL	Major or unacceptable risk which requires immediate action.	1
SIGNIFICANT	Important risk that requires attention as soon as possible.	7
MODERATE	Risk partially mitigated but should still be addressed.	4
STRENGTH	No risk. Sound operational controls and processes confirmed.	15



SUMMARY OF AUDITS

UNFAVOURABLE CONCLUSION

Name of Audit Review – Limited Assurance

Ref.	CRITICAL
2.13	The Authority was in breach of the Mental Capacity Act (2005) with regard to the timeliness of approving Deprivation of Liberty Safeguards (DoLS) applications.

Ref.	SIGNIFICANT
1.02	There was no evidence that the Operational Policy and Procedure had been adopted by Monmouthshire County Council or the Gwent Deprivation of Liberty Safeguards Consortium. The document had not been reviewed for a significant amount of time.
1.03	There was an absence of a short to medium term strategic plan to focus and drive the service. Service Business Plans had not been properly updated.
1.04	The Memorandum of Understanding for the Gwent Deprivation of Liberty Safeguards Consortium could not be provided.
1.05	The Gwent Deprivation of Liberty Safeguards (DoLS) Panel met infrequently.
2.14	Records of an individual having a Deprivation of Liberty Safeguards (DoLS) status had not always been entered onto the Adult Social Care System (FLO).

Ref.	SIGNIFICANT
2.15	No central record was maintained of who completed Best Interest Assessments. We were informed that not all trained Best Interest Assessors were actively involved in undertaking assessments.
3.03	A central record of who was acting as the Relevant Persons Representative (RPR) was not maintained. Where an RPR was appointed via the contracted RPR Service the officers DBS status had not been verified.

Ref.	MODERATE
1.06	The Gwent Consortium Governance Group's Terms of Reference was historic and created with its inception during 2007/08. Membership, details around the chair and some activities did not reflect current practice.
1.07	There was no process within the Gwent Consortium Governance Group meetings, agendas and minutes to ensure that any outstanding actions from previous meeting have been resolved.
2.16	The communication of the Deprivation of Liberty Safeguards (DoLS) outcome was not always completed on a timely basis.
3.04	The procurement of professional training was not compliant with Contract Procedure Rules.



SUMMARY OF AUDITS YEAR TO DATE

*The number of Audit
Conclusions / Opinions
issued since 01st April 2025
(2025/26 Financial Year).*

Conclusion	Number
Substantial Assurance	6
Reasonable Assurance	10
Limited Assurance	3
No Assurance	0
Unqualified (Grant Claim)	1
Qualified (Grant Claim)	0
Total Conclusions issued	20



SUMMARY OF AUDITS IN PROGRESS

Audit work currently in progress where no draft report has yet been issued.

This is as of 31st December 2025

Audit Title	Directorate	Start Date	Fieldwork % Complete			
			25%	50%	75%	100%
Budgetary Control (Capital)	Resources	04/11/25	100%	100%	100%	100%
Ysgol y Fenni	Children, Learning, Skills & Economy	20/10/25	100%	100%	100%	100%
Monmouth Comprehensive School	Children, Learning, Skills & Economy	13/11/25	Visit delayed at School Request			
King Henry VIII School (Unplanned)	Children, Learning, Skills & Economy	16/11/25	100%	100%	100%	100%
Schools Control Risk Self Assessments	Children, Learning, Skills & Economy	05/12/25	100%	100%	100%	100%
Mardy Park (Follow-up)	Social Care & Safeguarding	15/12/25	100%	100%	100%	100%
CLA Savings (Follow-up)	Social Care & Safeguarding	12/11/25	Initial meeting – January 2026			
Fuel Management	Infrastructure	11/07/25	100%	100%	100%	100%
Control Risk Self-Assessments	Place & Community Wellbeing	22/12/25	100%	100%	100%	100%
Employee Travel & Mileage Claims (Follow-up)	People, Performance & Partnerships	25/09/25	100%	100%	100%	100%
Employee General Expenses (Follow-up)	People, Performance & Partnerships	20/10/25	100%	100%	100%	100%
Monitoring Implementation of Previous Recommendations x9	All	04/12/25	100%	100%	100%	100%



SUMMARY OF AUDITS VALUE ADDED

Value-added audit work is internal audit activity that improves organisational performance by providing meaningful assurance, practical insights, and recommendations that enhance governance, risk management, and operational effectiveness.

Audit Title	Type of Work
Resources	Financial Advice
Law & Governance	Financial Advice
Learning, Skills & Economy	Financial Advice
Social Care, Safeguarding & Health	Financial Advice
Infrastructure	Financial Advice
Place	Financial Advice
Chief Executives – Housing, Rural Development & Strategic Partnerships	Financial Advice
Customer, Culture and Wellbeing - Mon Life	Financial Advice
People, Performance and Partnerships	Financial Advice
Corporate	Annual Governance Statement



FOLLOW-UP AUDITS PREVIOUSLY UNFAVOURABLE

The requirement for follow-up sits within the Global Internal Audit Standards **Domain V: Performing Internal Audit Services**, specifically under **Principle 15 – Communicate Engagement Conclusions and Monitor Action Plans**.

Unfavourable audit opinions (Limited or No Assurance) are formally followed up to confirm that agreed actions have been implemented and controls improved. A revised conclusion will be issued and reported to the G&AC.

For Substantial or Reasonable Assurance opinions, responsible officers must complete a self-assessment, which Internal Audit may validate through testing.

Follow-up reviews are scheduled based on the date of the final report allowing enough time for management actions to be implemented and then embedded.

Year	Audit Title	Opinion	Status
2023/24	Employee Mileage	Limited	Fieldwork
	General Expenses	Limited	Fieldwork
	Children Looked After Savings	Limited	2025/26 – Q4
2024/25	Job Evaluation	Limited	Reasonable
	Procurement Cards	Limited	Fieldwork
	Mardy Park Residential	Limited	2025/26 – Q4
	Facilities & Building Cleaning	Limited	2025/26 – Q4
	Bank Imprest - Severn View Residential	Limited	2026/27
	Caldicot School	Limited	2025/26 – Q4
	Supply Staff at Schools	Limited	2026/27
2025/26	Contract Management	Limited	2026/27
	Pupil Referral Service	Limited	2026/27
	My Mates	Limited	2026/27
	H&S Building Compliance	Limited	2026/27



AUDIT PLAN

NON-NEGOTIABLES

As agreed within the Internal Audit Strategy 2026-27, there are a number of areas to be considered within each Quarterly Internal Audit plan considered to be non-negotiables.

The table opposite details these areas and when a review of the area can be next expected.

Audit Title	Directorate	Type of Review	Last Reviewed	Next Review
Payroll	People, Policy & Performance	Assurance	2022/23	2027/28
Budgetary Control (Revenue)	Resources	Assurance	2021/22	2027/28
Budgetary Control (Capital)	Resources	Assurance	2025/26	2028/29
Procurement	Resources	Assurance	2024/25	2026/27 Q1
Creditors	Resources	Assurance	2023/24	2027/28
Procurement Cards	Resources	Assurance	2025/26	2027/28
Debtors	Resources	Assurance	2025/26	2028/29
Council Tax	Resources	Assurance	2023/24	2027/28
National Non Domestic Rates (NDR)	Resources	Assurance	2022/23	2026/27 Q3
Housing Benefits	Resources	Assurance	2023/24	2028/29
Health & Safety	Resources	Assurance	2019/20	2026/27 Q2
Safeguarding	Social Care & Safeguarding	Assurance	2020/21	2026/27 Q1
Annual Governance Statement	Cross Cutting	Assurance	Annual	Annual
Financial Advice	Cross Cutting	Added Value	Ongoing	Ongoing
Financial Assessments (Social Care Providers)	Social Care & Safeguarding	Added Value	Ongoing	Ongoing

1

AUDIT PLAN QUARTER 1

Based on the ongoing rolling Internal Audit Plan, the Chief Internal Auditor has identified the areas scheduled for review during this quarter.

A risk-based internal auditing approach has been applied to prioritise the team's workload for the period. These priorities may be adjusted if organisational needs or risk levels change.

Audit Title	Directorate	Type of Review	Risk	Status
Corporate Safeguarding	Social Care & Safeguarding	Assurance	High	Planned
Seven View Park	Social Care & Safeguarding	Assurance & Follow-up	High	Planned
Procurement	Resources	Assurance	High	Planned
Additional Payments (Schools)	PPP	Assurance	Medium	Planned
School Admissions	CLSE	Assurance	Medium	Planned
Osbaston Primary School	CLSE	Assurance	Medium	Planned
Raglan VC Primary School	CLSE	Assurance	Medium	Planned
Licensing	Social Care & Safeguarding	Assurance	Medium	Planned
Grounds Maintenance	Infrastructure	Assurance	Medium	Planned
Follow-Up of Recommendations	Cross Cutting	Follow-up	Medium	Continuous
Annual Governance Statement	Corporate	Added Value	Medium	Planned
Financial Advice	Cross Cutting	Added Value	Medium	Continuous
New Social Care Management System (Project Board Advisor)	Social Care & Health	Added Value	High	On-going



COUNTER FRAUD

CURRENT INVESTIGATIONS

These are the investigations or pieces of Counter Fraud work which were ongoing at the end of the quarter.

After an initial review, some concerns may be deemed not to require any further action. Others may be investigated directly by Internal Audit, or the team may provide support to other Council officers who are appointed as the formal Investigating Officer.

Year	Investigation Title	Reason for Investigation	Status
2025/26	Overtime payments (Cross Cutting)	Proactive review	Ongoing
	Employee E (School Based)	Inappropriate payments & non-compliance with Policy	Ongoing
	Employee F (Social Care & Health)	Secondary employment & safeguarding	Ongoing



COUNTER FRAUD INVESTIGATION OUTCOMES

These are investigations or proactive pieces of Counter Fraud work completed during the rolling 12 months which have been deemed as being closed at the end of the quarter.

Where necessary, concerns may be passed to outside agencies such as the Police, Social Care Wales or the Education Workforce Council.

Year	Investigation Title	Reason for Investigation	Outcome
2025/26	Employee A (Infrastructure)	Fraud & Safeguarding	Disciplinary Hearing Referral to DBS
	Employee B (Social Care & Safeguarding)	Fraud	Disciplinary Hearing Referral to DBS
	Supplier A (Infrastructure)	Bribery	Withdrawal of Contract Referral to Gwent Police (No Further Action)
	Employee C & D (Infrastructure)	Bribery	Fact Find – No Further Action Required



COUNTER FRAUD NATIONAL FRAUD INITIATIVE

Monmouthshire County Council participates in the National Fraud Initiative (NFI), a UK-wide data-matching exercise led by the Cabinet Office and Audit Wales to identify fraud and overpayments. The Council submits various datasets on a statutory cycle, with the latest results from the 2024 upload released in January 2025. MCC is required to promptly review and report on all returned data matches. Internal Audit coordinates the process and investigates high-risk matches, while the Shared Benefits Service reviews those relating to Council Tax Reduction and Housing Benefits.

The outcomes being reported as of the 01st December 2025 are;

NFI 2024/25 Exercise	
Matches Processed	3,093
Investigating	8
Cleared	2,938
Frauds	1
Errors	154
Total Outcomes	£1,797.55 (being recovered)
Total Cabinet Office Estimated Saving	£118,457.60
Total Overall Outcomes	£120,255.15

It must be noted that the majority of the errors identified, as well as most of the Cabinet Office Estimated Savings, specifically £116,718, are attributable to Blue Badge Parking Permits that remained active on the system despite the permit holder having passed away. This will not bring MCC a monitory saving.



INTERNAL AUDIT

PERFORMANCE INDICATORS

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	2024/25	Q1	Q2	Q3	Q4	Target
1	Percentage of planned audits completed	10%	32%	49%	82%	80% pa
2	Average no. of days from audit closing meeting to issue of a draft report	2.7 days	1.7 days	2.3 days	1.8 days	15 days
3	Average no. of days from receipt of response to draft report to issue of the final report	N/A*	3.3 days	3.0 days	3.8 days	10 days
4	Percentage of recommendations made that were accepted by the clients	N/A*	100%	100%	100%	95%
5	Percentage of clients at least 'satisfied' by audit process	N/A*	100%	100%	100%	95%

	2025/26	Q1	Q2	Q3	Q4	Target
1	Percentage of planned audits completed	9%	30%	48.5%		50% in Q3 80% pa
2	Average no. of days from audit closing meeting to issue of a draft report	1.5 days	3.2 days	3.7 days		15 days
3	Average no. of days from receipt of response to draft report to issue of the final report	N/A	3.9 days	2.4 days		10 days
4	Percentage of recommendations made that were accepted by the clients	N/A	100%	100%		95%
5	Percentage of clients at least 'satisfied' by audit process	N/A	100%	100%		95%

GOVERNANCE & AUDIT COMMITTEE WORK PROGRAMME 2025-26

1ST MAY 2025

Reports to be with Peter by – 7th April 2025
 Reports to be with Wendy Barnard/Chair prior to pre-meeting – 10th April 2025
 Pre-meeting – 14th April 2025
 Finalised reports to Democratic Services – 17th April 2025
 Despatch by Democratic Services – 23rd April 2025

Report Title	Report Author	Terms of reference category				
		Financial Affairs	Risk, Internal Control, Performance & Corporate Governance	Complaints	Internal Audit	External Audit
Self - assessment of Performance Management Arrangements Report	Richard Jones		✓			
Audit Wales Work Programme: Council Progress Update	Richard Jones		✓			
Internal Audit Plan 25/26	Jan Furtek				✓	
Implementation of Internal Audit agreed recommendations	Jan Furtek				✓	
Internal Audit Charter, Mandate and Strategy	Jan Furtek				✓	
Audit Wales Work Programme and Timetable quarterly update - March 2025	Steve Wyndham/Charlotte Owen					✓
Audit Wales Annual Audit Plan 2025 - 26	Steve Wyndham					✓

12TH JUNE 2025

Reports to be with Peter by – 23rd May 2025
 Reports to be with Wendy Barnard/Chair prior to pre-meeting – 29th May 2025
 Pre-meeting – 2nd June 2025
 Finalised reports to Democratic Services – 3rd June 2025
 Despatch by Democratic Services – 4th June 2025

Report Title	Report Author	Terms of reference category				
		Financial Affairs	Risk, Internal Control, Performance & Corporate Governance	Complaints	Internal Audit	External Audit
Effectiveness of Strategic Risk Management Framework	Richard Jones		✓			
Draft Freedom of Information (FOI) & Data Protection Act (DPA) Breaches & Date Subject Access Request (DSARs)	Sian Hayward		✓			
Internal Audit Annual Report 2024/25	Jan Furtek				✓	
SRS Annual Internal Audit Report – Torfaen CBC IA Team	Jan Furtek				✓	

2024/25 Treasury Outturn report	Jonathan Davies	✓				
Audit Wales Annual Audit Summary 2024	Audit Wales/Richard Jones		✓			✓
Audit Wales Counter Fraud Arrangements Review & Management Response	Audit Wales/Richard Jones		✓			✓
Whistleblowing Annual Report	Philippa Green	✓				✓

24TH JULY 2025

Reports to be with Peter by – 7th July 2025
 Reports to be with Wendy Barnard/Chair prior to pre-meeting – 10th July 2025
 Pre-meeting – 14th July 2025
 Finalised reports to Democratic Services – 15th July 2025
 Despatch by Democratic Services – 16th July 2025

Report Title	Report Author	Terms of reference category				
		Financial Affairs	Risk, Internal Control, Performance & Corporate Governance	Complaints	Internal Audit	External Audit
Revenue & Capital MTFP update and process	Jon Davies	✓				
2025/6 Q1 - Treasury report	Jon Davies	✓				
Mon CC Draft Statement of Accounts 2024/25	Jon Davies	✓				
Draft Annual Governance Statement 2024/25	Jan Furtek				✓	
Draft Self-Assessment Report 2024/25	Richard Jones		✓			

11TH SEPTEMBER 2025

Reports to be with Peter by – 22nd August 2025
 Reports to be with Wendy Barnard/Chair prior to pre-meeting – 28th August 2025
 Pre-meeting – 1st September 2025
 Finalised reports to Democratic Services – 2nd September 2025
 Despatch by Democratic Services – 3rd September 2025

Report Title	Report Author	Terms of reference category				
		Financial Affairs	Risk, Internal Control, Performance & Corporate Governance	Complaints	Internal Audit	External Audit
Internal Audit Quarterly progress report (Q1)	Jan Furtek				✓	
Governance & Audit Committee Annual report 2024/5	Chair – Andrew Blackmore		✓			

2024/25 Welsh Church Fund/Monmouthshire Farm School Endowment Trust Draft Statements of Accounts	Jon Davies	✓				
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30TH OCTOBER 2025 (MOVED FROM 16TH OCTOBER 2025)

Reports to be with Peter by – 10th October 2025
 Reports to be with Wendy Barnard/Chair prior to pre-meeting – 16th October 2025
 Pre-meeting – 20th October 2025
 Finalised reports to Democratic Services – 21st October 2025
 Despatch by Democratic Services – 22nd October 2025

Report Title	Report Author	Terms of reference category				
		Financial Affairs	Risk, Internal Control, Performance & Corporate Governance	Complaints	Internal Audit	External Audit
2024/25 MCC Statement of Accounts Final	Jon Davies	✓				
WAO Audit of Accounts Report	Steve Wyndham/Charlotte Owen					
Global Internal Audit Standards – Implementation and Self-Assessment	Jan Furtek				✓	
Health and Safety Annual Report	Kate Thompson		✓			
Anti-Fraud, Corruption & Bribery Policy Update	Jan Furtek				✓	
Call in of the Chief Officer for Social Care, Safeguarding and Accessible Health Services in response to the My Mates Internal Audit Report	Jan Furtek					
Audit Wales Report: National Fraud Initiative 2024/25 - Update for Monmouthshire County Council	Steve Wyndham		✓			✓
Internal Audit quarterly progress report (Q2)	Jan Furtek				✓	

27TH NOVEMBER 2025

Reports to be with Peter by – 10th November 2025
 Reports to be with Wendy Barnard/Chair prior to pre-meeting – 13th November 2025
 Pre-meeting – 17th November 2025
 Finalised reports to Democratic Services – 18th November 2025
 Despatch by Democratic Services – 19th November 2025

Report Title	Report Author	Terms of reference category				
		Financial Affairs	Risk, Internal Control, Performance & Corporate Governance	Complaints	Internal Audit	External Audit
25/26 Q2 Treasury report	Jon Davies	✓				

Whole Authority Annual Complaints Report	Annette Evans			✓		
The Ombudsmans's Annual Letter	Annette Evans			✓		
Annual Audit Plan 24-25 Welsh Church Funds						✓

Richard Jones

Panel Performance Assessment: Purpose to provide the committee with an early overview of the arrangements being put in place as part of the council's Panel Performance Assessment	Matthew Gatehouse		✓			
Effectiveness of Strategic Risk Management Framework and summary of wider arrangements	Richard Jones		✓			

15TH JANUARY 2026

Reports to be with Peter by – 24th December 2025
 Reports to be with Wendy Barnard/Chair prior to pre-meeting – Wednesday 31st December 2025
 Pre-meeting – 5th January 2026
 Finalised reports to Democratic Services – 6th January 2026
 Despatch by Democratic Services – 7th January 2026

Report Title	Report Author	Terms of reference category				
		Financial Affairs	Risk, Internal Control, Performance & Corporate Governance	Complaints	Internal Audit	External Audit
2024/5 WCF/Mon Farm Statement of Accounts Final and ISA260 for trust funds	Jon Davies	✓				
2026/27 Capital strategy & Treasury strategy	Jon Davies	✓				
Audit Wales Work Programme: Council Progress update	Richard Jones		✓			
Audit Grants report	Audit Wales					✓
National Fraud Initiative 2024/25 Exercise	Jan Furtek		✓			

26TH FEBRUARY 2026

Reports to be with Peter by – 9th February 2026
 Reports to be with Wendy Barnard/Chair prior to pre-meeting – 12th February 2026
 Pre-meeting – 16th February 2026
 Finalised reports to Democratic Services – 17th February 2026
 Despatch by Democratic Services – 18th February 2026

Report Title	Report Author	Terms of reference category				
		Financial Affairs	Risk, Internal Control, Performance & Corporate Governance	Complaints	Internal Audit	External Audit

25/26 Q3 Treasury report	Jon Davies	✓				
Internal Audit quarterly progress report (Q3)	Jan Furtek				✓	
Draft Internal Audit Plan 2025/26	Jan Furtek				✓	

16th APRIL 2026

Reports to be with Peter by – 24th March 2026
 Reports to be with Wendy Barnard/Chair prior to pre-meeting – 27th March 2025
 Pre-meeting – 1st April
 Finalised reports to Democratic Services – 4.00pm 8th April 2026
 Despatch by Democratic Services – 8th April 2026

Report Title	Report Author	Terms of reference category				
		Financial Affairs	Risk, Internal Control, Performance & Corporate Governance	Complaints	Internal Audit	External Audit
Review of the proposed update to the Council's constitution	James Williams - TBC		✓			.
Procurement Annual Report	Procurement/Ardal		✓			
Whole Authority commissioning framework and approach	Richard Jones		✓			

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4th JUNE 2026

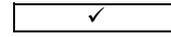
Reports to be with Peter by
 Reports to be with Wendy Barnard/Chair prior to pre-meeting
 Pre-meeting
 Finalised reports to Democratic Services
 Despatch by Democratic Services

Report Title	Report Author	Financial Affairs	Risk, Internal Control, Performance & Corporate Governance	Complaints	Internal Audit	External Audit

15th October 2026

Anti Fraud, Bribery and Corruption Risk Assessment

Jan Furtek



Public Document Pack Agenda Item 9

MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Governance and Audit Committee held
at Council Chamber, County Hall, The Rhadyr USK on Wednesday, 28th January, 2026
at 2.00 pm

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

Lay members: Siwan Davies, Colin Prosser and Rhodri Guest

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

OFFICERS IN ATTENDANCE:

Peter Davies	Deputy Chief Executive and Chief Officer for Resources
Jan Furtek	Chief Internal Auditor
Wendy Barnard	Democratic Services Officer
Richard Jones	Performance and Data Insight Manager
Jonathan Davies	Head of Finance/Section 151
Steve Wyndham	Audit Wales Officer
Hannah Carter	Performance Analyst
Daniel Francis	Finance Business Partner Corporate

APOLOGIES:

None

1. Declarations of Interest.

Item 5: 2024/25 Welsh Church Fund/ Monmouthshire Farm School Endowment Trust Statement of Accounts Final and ISA260 Audit Reports for Trust Funds.

County Councillor Ann Webb declared a personal, non-prejudicial interest as Chair of the Welsh Church Fund Committee. County Councillor Malcolm Lane declared a personal, non-prejudicial interest as a member of the Welsh Church Fund Committee.

<https://www.youtube.com/live/8SiLjxIQOIQ?si=rvgqH5ICftRAcf&t=27>

2. Public Open Forum.

No Members of the public were present.

3. To note the Action List from the previous meeting.

<https://www.youtube.com/live/8SiLjxIQOIQ?si=ZyDNbKmOMKaPdde3&t=92>

1. Commissioning Framework: The Performance and Data Insight Manager reported that this action has been added to the Forward Work Programme, and the update will be

MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Governance and Audit Committee held at Council Chamber, County Hall, The Rhadyr USK on Wednesday, 28th January, 2026 at 2.00 pm

provided at the April 16th 2026 meeting. The update will be provided by the Procurement Team in partnership with Ardal. [OPEN]

2. Updated valuations – Castlegate Business Park: The Head of Finance updated the Committee that a report will be presented to the Performance and Overview Scrutiny Committee in early April to include an updated valuation of Castlegate Business Park. [CLOSED]
3. Ombudsman Annual Letter: The Monitoring Officer circulated an e mail response to all Committee Members explaining that the Monitoring Officer has no remit or powers in respect of the internal management of town and community councils. These are entirely separate entities to the County Council. The Public Services Ombudsman for Wales (PSOW) has the statutory power, pursuant to the Local Government Act 2000, to investigate complaints of maladministration. Audit Wales also has the power under Public Audit (Wales) Act 2004 to intervene in relation to issues under their remit.

In relation to issues of standards and the member code of conduct, only the PSOW has the statutory power to investigate whether or not a member has breached the code. If the PSOW investigates a complaint and finds that there is a case to answer, then it will either refer the matter to the Monitoring Officer to arrange a hearing of the Standards Committee (who will then make a determination on breach and any sanction); or for more serious issues, it will refer the matter directly to the Adjudication Panel for Wales.

The Monitoring Officer is able to advise clerks of town and community councils on issues such as training and on how complaints about standards issues may be dealt with; for example, by following the relevant local resolution protocol for minor breaches or referring the matter to the PSOW. The Monitoring Officer has no powers to investigate or intervene in these matters. [CLOSED]

4. 2024/25 Welsh Church Fund / Monmouthshire Farm School Endowment Trust Statement of Accounts Final and ISA260 Audit Reports for Trust Funds.

The Head of Finance and Audit Wales Officer presented the 2024/25 Welsh Church Fund/Monmouthshire Farm School Endowment Trust Statement of Accounts Final and ISA260 Audit Reports for Trust Funds. Following presentation of the report, Committee Members were invited to ask questions:

https://www.youtube.com/live/8SiLjxlQOIQ?si=aKsIWN_KmrNzSZWm&t=209

In line with the report recommendations, the Committee resolved:

1. That the audited 2024/25 statement of accounts for The Welsh Church Act Fund (Appendix 1) are approved in conjunction with the Audit Wales ISA260 Audit of Accounts report for The Welsh Church Act Fund.
2. That the independently examined financial statements for The Monmouthshire Farm School Endowment Trust Fund for 2024/25 (Appendix 3) are approved in conjunction with the Independent Examination Report for The Monmouthshire Farm School Endowment Trust Fund.

5. Audit Wales Work Programme: Council Progress Update.

The Performance Officer and Performance and Data Insight Manager presented the Audit Wales Work Programme: Council Progress Update. Following presentation of the report, Members were invited to ask questions:

MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Governance and Audit Committee held at Council Chamber, County Hall, The Rhadyr USK on Wednesday, 28th January, 2026 at 2.00 pm

https://www.youtube.com/live/8SiLjxIQOiQ?si=92BwbZa8_DOr4X5r&t=925

As per the report recommendations:

1. Members scrutinised the Council's response to the Audit Wales work programme, sought assurance and was generally satisfied that adequate progress is being made.
2. Members had the opportunity, but did not on this occasion, refer any issues contained within Audit Wales national studies to other committees for consideration where they identify there are findings of particular relevance to the council that need further scrutiny.

[ACTION]: Information was requested from the Head of Strategic Change, Partnerships and Procurement on the Strategic Improvement Change Programme FPOP specifically the Organisation Development Framework.

6. Treasury Management Activity Update - Quarter 3 2025/26.

The Finance Business Partner Corporate and Head of Finance presented the Treasury Management Activity Update – Q3 2025/26. Following presentation of the report, Members were invited to ask questions:

<https://www.youtube.com/live/8SiLjxIQOiQ?si=MbMFICVmltSTwxPZ&t=1914>

As contained in the report recommendations the Governance & Audit Committee reviewed the results of treasury management activities and the performance achieved in quarter 3 as part of their delegated responsibility to provide scrutiny of treasury policy, strategy and activity on behalf of Council.

7. National Fraud Initiative (NFI) 2024-25 Exercise.

The Chief Internal Auditor introduced the National Fraud Initiative (NFI) 2024-25 Exercise. Following presentation of the report, Members were invited to ask questions:

<https://www.youtube.com/live/8SiLjxIQOiQ?si=XaVmFbxFbMPv1J6S&t=2686>

As per the report recommendations, Members of the Governance and Audit Committee noted the work completed on the National Fraud Initiative data release 2024/25 to 01st December 2025 and were assured that appropriate procedures are in place to help detect and minimise the impact of fraud.

8. Governance and Audit Committee Forward Work Plan.

The Forward Work Plan was noted.

<https://www.youtube.com/live/8SiLjxIQOiQ?si=nXEHuNgJAyBiQNVY&t=3447>

9. To approve the minutes of the previous meeting.

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

<https://www.youtube.com/live/8SiLjxIQOiQ?si=EAvyOY4-Rga2DXyY&t=3467>

MONMOUTHSHIRE COUNTY COUNCIL

**Minutes of the meeting of Governance and Audit Committee held
at Council Chamber, County Hall, The Rhadyr USK on Wednesday, 28th January, 2026
at 2.00 pm**

10. **Date of Next Meeting: 26th February 2026 at 2.00pm.**

Meeting ended at 2.59 pm