

# Public Document Pack



County Hall  
Rhadyr  
Usk  
NP15 1GA

Dydd Mercher, 3 Ionawr 2018

## Notice of meeting

### Pwyllgor Archwilio

Dydd Iau, 11eg Ionawr, 2018 at 2.00 pm,  
Neuadd Y Sir, Y Rhadyr, Brynbuga, NP15 1GA

### AGENDA

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1.	Ymddiheuriadau am absenoldeb	
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3.	Fforwm Agored i'r Cyhoedd	
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	<b>23 Tachwedd 2017.</b>	
<b>16.</b>	<b>Nodi dyddiad ac amser y cyfarfod nesaf ar 8 Mawrth 2018 am 2.00 pm.</b>	
<b>17.</b>	<b>Ystyried p'un ai i eithrio'r wasg a'r cyhoedd o'r cyfarfod pan ystyrir yr eitemau busnes dilynol yn unol ag Adran 100A Deddf Llywodraeth Leol 1972, fel y'i diwygiwyd, ar y sail eu bod yn ymwneud â'r wybodaeth fel y diffinnir ym Mharagraffau 13 a 14 Atodlen 12A y Ddeddf (atodir barn y Swyddog Priodol)</b>	179 - 182
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**Paul Matthews**  
**Chief Executive**

MONMOUTHSHIRE COUNTY COUNCIL  
CYNGOR SIR FYNWY

THE CONSTITUTION OF THE COMMITTEE IS AS FOLLOWS:

County Councillors:

P White  
J. Higginson  
P. Clarke  
A. Easson  
P. Murphy  
B. Strong  
J.Watkins  
M.Feakins  
M.Lane  
S. Woodhouse  
V. Smith

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### Welsh Language

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# Aims and Values of Monmouthshire County Council

## Sustainable and Resilient Communities

### Outcomes we are working towards

#### **Nobody Is Left Behind**

- Older people are able to live their good life
- People have access to appropriate and affordable housing
- People have good access and mobility

#### **People Are Confident, Capable and Involved**

- People's lives are not affected by alcohol and drug misuse
- Families are supported
- People feel safe

#### **Our County Thrives**

- Business and enterprise
- People have access to practical and flexible learning
- People protect and enhance the environment

### Our priorities

- Schools
- Protection of vulnerable people
- Supporting Business and Job Creation
- Maintaining locally accessible services

### Our Values

- **Openness:** we aspire to be open and honest to develop trusting relationships.
- **Fairness:** we aspire to provide fair choice, opportunities and experiences and become an organisation built on mutual respect.
- **Flexibility:** we aspire to be flexible in our thinking and action to become an effective and efficient organisation.
- **Teamwork:** we aspire to work together to share our successes and failures by building on our strengths and supporting one another to achieve our goals.



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# Public Document Pack Agenda Item 4

## MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Audit Committee held  
at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 23rd November, 2017 at 2.00  
pm

**PRESENT:** County Councillor P White (Chairman)  
County Councillor J. Higginson (Vice Chairman)

County Councillors: A. Easson, P. Murphy, B. Strong, J.Watkins,  
M.Feakins, M.Lane, S. Woodhouse and V. Smith

### **OFFICERS IN ATTENDANCE:**

Mark Howcroft	Assistant Head of Finance
Andrew Wathan	Chief Internal Auditor
Kellie Beirne	Chief Officer, Enterprise
Peter Davies	Chief Officer, Resources
Wendy Barnard	Democratic Services Officer
Terry Lewis	Wales Audit Office
Ian Saunders	Head of Tourism, Leisure and Culture
Dave Walton	Audit Manager
Lesley Russell	Senior Accountant - Fixed Assets and Treasury

### **APOLOGIES:**

County Councillor P. Clarke

#### **1. Declarations of Interest**

Item 7 - Kerbcraft Update: County Councillor V. Smith declared a personal, non-prejudicial interest under the Member's Code of Conduct as a LA Governor (and Chair of Health and Safety Committee) of Usk Church in Wales Primary School and as a grandparent of children in Goytre Fawr Primary School.

Item 7 - Kerbcraft Update: County Councillor A. Easson declared a personal, non-prejudicial interest under the Member's Code of Conduct as a Governor of Ysgol Gymraeg Y Ffin.

#### **2. Public Open Forum**

No members of the public were present.

#### **3. To confirm minutes of the previous meeting**

The minutes of the previous meeting held on 19<sup>th</sup> September 2017 were confirmed and signed by the Chairman.

#### **4. To note the Action List from 19th September 2017**

- **Events (Risks):** This matter was exempt and considered at the end of the meeting.

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- **Internal Audit – Implementation of recommendations:** It was confirmed that the Chief Officer, Children and Young People was progressing this matter and will provide a report at the next meeting.
- **Treasury Training:** This to be provided following the meeting today.
- **Unsatisfactory Audit Opinions:** A report is expected at the January meeting.
- **Audited Statement of Accounts and ISO260 response:** The information requested was provided to C.C. V. Smith.
- **Revised Information Strategy:** A response has been included on the Action List in the agenda pack.
- **Constitution:** It was reported that single member decisions are covered by the Constitution (Responsibility for Executive Functions) and in the Executive Procedure Rules.

#### 5. CPR Exemptions 6 monthly report

A six-monthly update on Contract Procedure Rules Exemption was provided.

Key Issues:

- To ensure compliance with the Council's Contract Procedure Rules in the way goods, works and services are procured on behalf of the Authority.
- Reassurance that the exemption process from Contract Procedure Rules is operating as intended by managers procuring goods, works or services on behalf of the Authority.
- Some operational managers procuring goods, works and services on behalf of the Authority may not be as familiar with Contract Procedure Rules and the exemption process as they should be.

A table of exemptions requested for the period November 2016 – May 2017 was provided. There had been an average amount of requests totalling 15 (of which 9 weren't returned and proper authorisation cannot be verified) compared to 13 in the previous period (5 weren't returned of which 4 have been reported upon and 1 was not required).

The position was not considered favourable, consequently the Chief Auditor committed to remind all officers requesting a form of the need to have it properly authorised or provide justification why an exemption is not required, also to remind Heads of Service of due process on a much more formal basis.

In response to a question about non-compliance, and the number of exemptions applied for, it was agreed to provide analysis of notable trends (e.g. by departments) in future reports as necessary.

The Chief Officer Resources commented that current arrangements, and some possible realignment of procedures, will be discussed with Procurement and Internal Audit to tighten arrangements and offer more assurance going forward.

The committee considered calling in respective officers and Heads of Service to demonstrate accountability and agreed that if there were concerns they should be asked to attend an Audit Committee meeting.

The Chair proposed, and it was agreed, to call in officers and respective Head of Service in circumstances where the Contract Procedures Rules have not been complied with for the following high value issues (if no satisfactory response is received in the meantime):



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- 219 Abergavenny Public Realm Scheme (£300,000);
- 210 Redesign of Community Hub, Abergavenny (£100,000); and
- 211 Road repairs (£57,000).

#### **6. Kerbcraft - Update**

The Head of Operations provided an update on the action plan arising from concerns regarding Kerbcraft training in schools as identified by the Wales Audit Office.

It was confirmed that revised procedures are in place. Other requirements include new monitoring and governance arrangements, including reporting to Audit Committee and Cabinet until Members are satisfied that adequate controls and measures are in place. It was agreed to consider today's report as a six monthly report and another will be provided in another six months. If then satisfied with the performance measures, the Cabinet and Audit Committee may consider ending involvement in this matter unless invited again to consider progress.

It was confirmed that new procedures were adopted by Cabinet in July 2017 and new training began in September 2017. There are also new monitoring arrangements to provide feedback on what is taking place and where.

Committee Members were informed that the scheme is undertaken on behalf of Welsh Government, there is no statutory element nor compulsion for schools to participate. Quarterly reports providing feedback are compiled for Welsh Government. Additionally, a list of the schools trained and what training is planned, including feedback from schools and parents on satisfaction with the scheme is available.

A Member asked for more information about bike/motorcycle training. It was agreed to provide a written report with the requested information.

County Councillor A. Easson declared an interest as a governor of Ysgol Gymraeg Y Ffin and asked what the training involves, noting that the school is located on a busy road. It was responded that the level of training is provided according to Welsh Government guidelines as follows:

- Skill 1 – choosing a safe place to cross the road;
- Skill 2 - crossing safely near parked cars; and
- Skill 3 – crossing safely by a junction.

It was explained that details are available on staff procedures and records including the training received by staff, and risk assessments made by staff where training can safely take place. It was confirmed that Road Safety staff can provide the lists of persons trained to schools as required.

In response to a question, it was confirmed that processes have changed and fewer volunteers are now utilised (minimum of six). Assurance was provided that if there are insufficient volunteers or staff, then the training will not be held. If volunteer checks are not in place, then paid staff will run it. Central records are now in place to maintain records of volunteer checks – if incomplete, the volunteer will not be used. It was confirmed that there are sufficient volunteers at present.

# MONMOUTHSHIRE COUNTY COUNCIL

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The Committee agreed the report recommendation regarding implementation of the plan and looked forward to a further update in six months' time with more details on the number of volunteers to be included.

### **7. Half Yearly Treasury Compliance monitoring**

The Committee received the six monthly report on Treasury Management activities. Following presentation of the report, Members were given the opportunity to ask questions.

A Member asked for clarification about the Authority retaining professional status. It was explained that there is a change in financial regulations which has resulted in the re-categorisation of institutions as either Professional or Retail investor status.

The institutions that provide advice have a different standard they are required to meet depending on the investment status being Professional or Retail. The Authority does not use many of the products and instruments a Professional investor is entitled to use, as its strategy is simpler and investments are shorter term. Therefore, it may be most cost effective to retain Retail status as opposed to the cost of acting up to Professional status which would reduce the consequent administrative costs.

It was explained that may be better for a local authority to have Professional status but not use the full extent of that capability as opposed to be re-categorised as Retail as this allows access to a lot more institutions. It was noted that a £10million minimum investment is required to act up to Professional status; it is not a preferred position to borrow money to retain this status and the position is being considered currently. A decision is required by the beginning of January 2018.

A Member questioned the £105m loans held and asked if they were drawn down or if the authority was using "churn" to fund them. It was explained that the amount of loans for the capital financing requirement (if using loans) is £135m. The £105m is actual loans incurred and the Council uses internal borrowing from cash flow for the remainder.

It was further queried if there was any internal rate of return, and if so, could this create a cash flow internally. It was explained that this 'internal borrowing' would not necessarily create new money but is a method of utilising available resources to reduce interest rates on borrowing overall.

In response to questions, it was confirmed, regarding the sustainability of decisions, that the treasury training following the meeting would clarify the information available to officers regarding any loans required for the capital programme.

It was noted that treasury management includes the management of cash flows and that the 'higher than normal expenditure' incurred for 21<sup>st</sup> C Schools is due to expenditure not occurring in the period the cash flows are available for funding. It was added that ideally, capital receipts will be used instead of borrowing. If insufficient funds are available, temporary borrowing is utilised to compensate and is included in the revenue monitoring report as a potential cost. It was explained that for 21<sup>st</sup> C Schools, often Welsh Government provides payments on account that won't have yet been spent.

A Councillor asked why we were not able to build more solar farms to increase income, and the answer given was that the initial investment was underpinned by government support, but the level of support available was now being reduced. Further, it was explained that the saving against the budget for the Solar Farm was for one year as it was still an asset under

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construction and MRP will only start being charged in the year after establishment. The level of capital receipts at the end of 2016/17 had not been sufficient to repay or reduce the capital financing requirement as budgeted creating an overspend of £250,000.

It was questioned, therefore if it was prudent to build Solar Farms for profit and responded that this is the case. There is a one year treasury consequence but also a revenue stream over 20 years monitored through the revenue account, which currently indicates £100,000 annual surplus due to the Solar Farm's activity.

The Cabinet Member explained that the delays on "J" and "E" Block should be considered alongside the Solar Farm. He added that, regarding 21<sup>st</sup> C Schools, permission was granted to use the Welsh Government funding first (£40m) allowing the Council to delay making provision to fund some of the expenditure.

A Member added that Solar Farms are completely underpinned by subsidy from the government and these have been significantly reduced making a less attractive prospect.

As per the report recommendations, the report was reviewed.

#### **8. Internal Audit Progress Report 2017/18 (Quarter 2)**

The Chief Auditor provided the committee with the Internal Audit Progress Report for 2017/18 (Quarter 2). The report provided an update on the internal control environment and progress against performance indicators.

Progress against the plan was reported and it was noted that 22 audit jobs had been completed of which only 2 attracted an opinion as follows;

- Chepstow School: Considerable assurance
- Borough Theatre: Limited assurance

A significant amount of work has been finalised, and some is still in progress waiting to be finalised. Both the Chief Auditor and the Audit Manager have been involved in significant and sensitive special investigations that have taken time away from the Audit Plan.

99% of Audit recommendations have been agreed by Operational Managers and have agreed to implement change to their processes to improve the internal control environment. Reports are taking 21 days to issue in draft and a further 16 days for the final version to be published. This is better than the position last year at this time but still can be improved.

Overall, 23% of the plan has been achieved against a target of 33% due to the extra work on special investigations. It was confirmed there is a full complement of staff.

The Cabinet Member was pleased to see Chepstow School's new status.

In answer to a query, it was confirmed that timeliness of audit reports is based on a 5 day working week

In response to a question, it was explained that, in regard to the Borough Theatre, an audit review was undertaken on the controls expected to be in place and a draft report issued.

The recommendations of the report were noted.

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### Minutes of the meeting of Audit Committee held at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 23rd November, 2017 at 2.00 pm

#### **9. Overview of Performance Management arrangements.**

The Policy and Performance Officer introduced and explained the above report and questions were invited.

In response to a question, an overview of the Check in/Check out process was provided.

It was noted that the report provided a significant level of assurance.

As per the report recommendations, it was agreed that:

- Members had familiarised themselves with the council's performance framework to ensure that they understand the parts of the system that must work together to deliver improvement.
- Members used the update provided to seek assurance on the operation of the Authority's performance management arrangements and identify an areas where they feel action needs to be taken or further information provided.

#### **10. Audit of MCC Assessment of 2016-17 Performance (for information and confirmation of compliance)**

The Policy and Performance Officer introduced the report and it was noted that the certificate met statutory requirements and a satisfactory level of assurance was provided.

#### **11. Audited Trust Funds (Welsh Church Fund and Monmouthshire Farm School Endowment Trust)**

The item was deferred until the next meeting.

#### **12. ISA 260 or equivalent for Trust Funds**

The item was deferred until the next meeting.

#### **13. Forward Work Programme**

The Forward Work Programme was noted.

#### **14. To note the date and time of the next meeting as Thursday 11th January 2018**

#### **15. Treasury Management Training**

The Treasury Management Training took place after the conclusion of the meeting.

#### **16. To resolve to exclude the press and public from the meeting during consideration of the following item of business in accordance with Section 100A of the Local Government Act 1972, as amended, on the grounds that it involves the information as defined in Paragraph 12 of Part 4 of Schedule 12A to the Act [Proper Officer's view attached].**

#### **17. Events Follow-up Audit**

The Committee discussed the Events follow up report and resolved to hold a Special Meeting to consider the matter further.

**MONMOUTHSHIRE COUNTY COUNCIL**

**Minutes of the meeting of Audit Committee held  
at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 23rd November, 2017 at 2.00  
pm**

**The meeting ended at 4.40 pm**

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**Public Document Pack**  
**MONMOUTHSHIRE COUNTY COUNCIL**

**Minutes of the meeting of Audit Committee held**  
**at County Hall, The Rhadyr, Usk, NP15 1GA on Monday, 18th December, 2017 at 10.00**  
**am**

**PRESENT:** County Councillor P White (Chairman)  
County Councillor (Vice Chairman)

County Councillors: A. Easson, P. Murphy, B. Strong, J.Watkins,  
M.Feakins, M.Lane, S. Woodhouse, V. Smith and R.J.W. Greenland

**OFFICERS IN ATTENDANCE:**

Andrew Wathan	Chief Internal Auditor
Kellie Beirne	Chief Officer, Enterprise
Peter Davies	Chief Officer, Resources
Paul Matthews	Chief Executive
Wendy Barnard	Democratic Services Officer
Ian Saunders	Head of Tourism, Leisure and Culture

**APOLOGIES:**

County Councillors J. Higginson and P. Clarke

**1. Declarations of Interest**

No declarations of interest were made.

**2. To consider whether to exclude the press and public from the meeting during consideration of the following items of business in accordance with Section 100A of the Local Government Act 1972, as amended, on the grounds that it involves the information as defined in Paragraphs 13 and 14 of Part 4 of Schedule 12A to the Act (Proper Officer's view attached)**

It was resolved to exclude the press and public from the meeting.

**3. Events Follow Up Audit**

The Committee considered the report and presentation resolving that, provided the Committee receives the independent report, it is generally satisfied with progress. This item will remain in the Internal Audit programme of work.

**The meeting ended at 12.00 pm**

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# Agenda Item 5

## Audit Committee Actions 23<sup>rd</sup> November 2017

<b>Agenda Item:</b>	<b>Subject</b>	<b>Officer</b>	<b>Outcome</b>
4	Implementation of Audit committee recommendations	Andrew Wathan	Chief Officer, CYP to be asked to provide details of measures taken or plans to address audit opinions – report requested for next meeting
4	Unsatisfactory Audit Opinions	Andrew Wathan	Review of Historic audit opinions (past two years) – Report in January 2018
5	Contract Procedure Rules	Andrew Wathan	<b>To call in 3 service heads where contract procedure rules were not followed (if no satisfactory responses received in the meantime).</b>
6	Kerbcraft	Roger Hoggins	Bike/motorcycle training – written report requested

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<b>SUBJECT:</b>	<b>WHOLE AUTHORITY CUSTOMER FEEDBACK AND FREEDOM OF INFORMATION ACT</b>
<b>MEETING:</b>	<b>Audit Committee</b>
<b>DATE:</b>	<b>17 November 2016</b>
<b>DIVISION/WARDS AFFECTED:</b>	<b>All Wards</b>

## 1. PURPOSE:

To provide Audit committee with information on the number and types of complaints, comments and compliments received and dealt with from 1 April 2016 until 31 March 2017.

The report also summarises the number of Freedom of Information Act (FOI) requests received by the Council during this period.

## 2. RECOMMENDATIONS:

To note the contents of the report.

## 3. KEY ISSUES:

- 3.1 Our Whole Authority Complaints and Compliments policy and procedure follows the Model that the Public Services Ombudsman for Wales asked each local authority to adopt in 2011.
- 3.2 The procedure has two stages; the informal stage and the formal stage.  
  
The informal stage aims to resolve the complaint locally wherever possible by means of discussion and problem solving. If it is not possible to resolve the concern, the matter is escalated to the formal investigation stage.
- 3.3 Where initial discussions have not achieved a resolution, complainants have the right to make a formal complaint. Investigations are undertaken and the complainant receives a full response detailing findings, conclusions and any recommendations made. This is the end of the internal process.
- 3.4 Complainants can contact the Public Services Ombudsman if they still remain dissatisfied.

The Ombudsman provides an external independent service to consider complaints about all local authority services. The Ombudsman is concerned with maladministration causing

injustice and will normally require complainants to have used their local council's procedures before accepting a complaint for investigation.

**4. REASONS:**

To ensure that Members are aware of the types of complaints, comments and compliments received and dealt with. Also, to note the FOI statistics and the continuing growth in FOI requests.

**5. RESOURCE IMPLICATIONS:**

Officer time in carrying out formal investigations.

**6. SUSTAINABLE DEVELOPMENT AND EQUALITY IMPLICATIONS:**

No implications have been identified in respect of this proposal.

**7. CONSULTEES:**

Senior Leadership team

**8. AUTHOR:**

Annette Evans, Customer Relations Manager

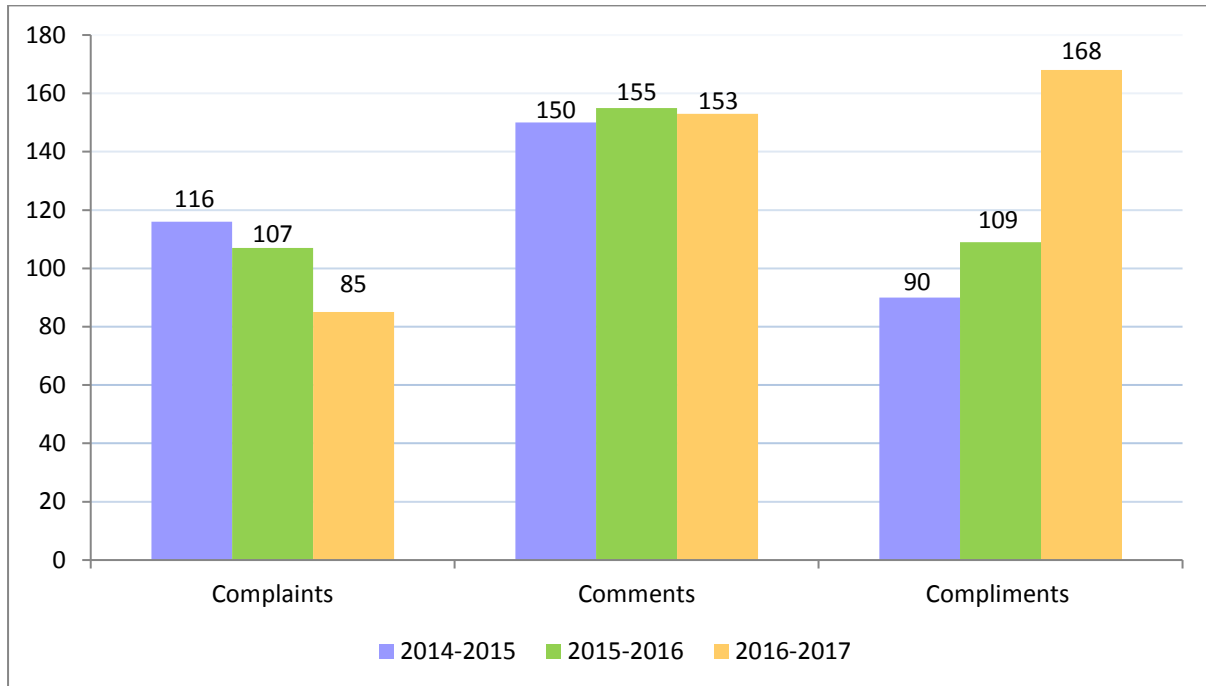
Tel: 01633 644647

Email: [annetteevans@monmouthshire.gov.uk](mailto:annetteevans@monmouthshire.gov.uk)



**Whole Authority Customer Feedback and FOIA Statistics**

**April 2016 – March 2017**



**Complaints**

- 85 Complaints received

**Stage 1 - Informal Resolution**

- 79 Complaints started

**Stage 2 – Formal Investigation**

- 10 Complaints received
- 11 Complaints started
  - 1 complaint proceeded straight to stage 2 (from 2015-2016)
  - 1 complaint escalated straight to stage 2 (from 2015-2016)
  - 4 escalated to stage 2
  - 5 proceeded straight to Stage 2

**Public Services Ombudsman for Wales**

Of the above 10 formal complaints received, 1 complainant went directly to the PSOW. He referred it back to us for subsequent investigation

5 complainants progressed their complaint to the PSOW after formal investigation. The PSOW did not investigate their complaints.

**Complaints:** Examples of most common aspects of services complained about:

- **Waste & Recycling**

Continued missed bin and food waste collections; garden waste not collected; issues with garden waste permits; poor service around household waste collections; hedges not being cut; issues with ownership responsibility of grass area; issues with refuse lorry and grassed area / footpaths; staff conduct; lack of response and not returning calls

- **Highways**

Lack of maintenance of the hedges and verges along the length of the lane; lack of response and communication on hedge / tree problems; lack of responses on reported highway issues; issues with naming of property; issues about Council's handling of highway matters; failure to respond within timescales; lack of maintenance and cleaning of drains in the vicinity of complainant's property;

- **Passenger Transport**

Issues with bus timetables and bus driving; poor school transport; denied school transport; feels that staff have mishandled information regarding allegations made; issues regarding decision to re-tender contract; issues regarding service users being transported on bus; issues about Grass Roots policy regarding clients using wheelchairs; incorrect information in bus stop

- **Development Control**

The manner in which the planning application has been dealt with; issues with site enforcement; the apparent lack of consultation, the action and response resulting from original enquiries; the way in which planning application has been handled; staff conduct; fencing on site not removed

- **Estates**

Issues regarding unregulated possession and development of council land; allegations that officers of the council have misled Elected members concerning the negotiations that have taken place in relation to the occupation of \*\*\*; staff conduct; issue regarding unanswered emails;

- **Leisure**

Incorrect swimming times shown on website; waiting time at the gym for equipment; enforcement issues regarding blue badge parking

- **Others**

- General lack of response from various sections of the Council either by phone or email
- Staff conduct
- Events – issues with noise; lack of notification and difficulties with residential parking, poor communication.
- Issues with the public toilets in Abergavenny.
- Footpath blocked which has been raised previously with no action taken.
- Issues with Library service and ordering of books.
- Issues about the way in which complainant was treated.
- Customers confidential business discussed in public area and handling of personal information;
- Issues regarding Elections – lack of communication.
- Issues about not being able to vote;
- Car parking at Woodstock Way Caldicot

**Stage 2 Formal Investigations concerned matters relating to:**

- ❖ Maintenance of land around resident's property. Unhappy with the work carried out to the hedge in front of their property and that the Council had breached their confidentiality to a neighbour who confronted them about the works.

There were five elements to the complaint which after investigation were deemed to be unfounded.

- ❖ Issues regarding the conduct and outcome of a Professional Strategy meeting.

There were a number of elements to this complaints, 6 of them were not found, one was found and one partially found.

- ❖ Issues regarding the termination of a farm business tenancy.

There were two elements to this complaint, one was found and the other not found.

- ❖ Issues regarding alleged lack of communication and negotiation about County Farms strategy and not renewing leases.

It was concluded that the complaint was not found.

- ❖ The lack of actions taken after employment ended with the Council.

It was concluded that the complaint was found.

- ❖ Regarding a forthcoming Election, numerous phone calls, voice messages, and email communication with the Authority was not responded to by officers in line with the Authority's Customer Care Standards.

There were three elements to the complaint, two were found and one was not found.

- ❖ Alleged failure to act on identified drainage issues after deeming it urgent in a site meeting resulting in further flooding to the property, which was preventable.

There were a number of elements to this complaint, six of which were found and four were not.

- ❖ That historic kerbs in St Johns Street Monmouth were removed and replaced by modern equivalents. This was done in a conservation area.

There were a number of elements to the complaint and they were not found.

- ❖ The manner in which a Planning Application was dealt with by the Authority. The complainant considered that there was maladministration of the application leading to injustice in the way the application had been processed.

The complaint was not found.

- ❖ Complainant felt his amenity had been unacceptably harmed as a result of planning permission being granted. Complainant felt that he could be overlooked in his rear garden which impacted on his privacy.

The complaint was not found.

**Note:** Social Services complaints are dealt with separately under the Social Services complaints procedure. **63** complaints were received, **81** comments and **118** compliments were made about the service.



# Distribution YTD

	Total	Access to Service	Communication Issue	Data Protection	Decision Delay	Discrimination	Member Conduct	Quality of Service	Quality of Works	Reduction in Service	Result of Process	Service Delayed	Service not provided	Service Removed	Staff Conduct	Timescales
<b>Overall Total</b>	<b>85</b>	<b>1</b>	<b>6</b>	<b>1</b>		<b>1</b>		<b>59</b>		<b>1</b>	<b>5</b>		<b>2</b>	<b>1</b>	<b>8</b>	
<b>Total Legal</b>	<b>1</b>	<b>1</b>														
People Services	1							1								
Revenues, Systems & Exchequer	2							2								
<b>Total Resources</b>	<b>2</b>							<b>3</b>								
Community Hubs	4							2							2	
Contact Centre	2							1							1	
Local Democracy	4							4								
<b>Total Governance, Engagement and Improvement</b>	<b>10</b>							<b>7</b>							<b>3</b>	
Highways	10							9			1					
Operations Not Allocated	1														1	
Property Services	1							1								
Passenger Transport	9					1		4		1	2			1		
Waste and Street Services	25		1	1				21					1		1	
<b>Total Operations</b>	<b>46</b>		<b>1</b>	<b>1</b>		<b>1</b>		<b>35</b>		<b>1</b>	<b>3</b>		<b>1</b>	<b>1</b>	<b>2</b>	
Community Education Service	1		1													
Countryside	3							3								
Development Management	7							5							2	
Estates / sustainability	5							3			2					
Housing and Communities	1														1	
Leisure	3		1					1					1			
Tourism, Festival & Events	2		2													
<b>Total Enterprise</b>	<b>22</b>		<b>4</b>					<b>12</b>			<b>2</b>		<b>1</b>		<b>3</b>	

<b>Animal Health and Trading Standards</b>	1							1								
<b>Total Social Care and Health</b>	1							1								
<b>Finance</b>	1							1								
<b>Future Schools Team</b>	1		1													
<b>Total CYP</b>	2		1					1								

## Comments

- 153 Comments

<b>Total</b>	<b>153</b>
<b>Resources</b>	<b>19</b>
Registrars	12
Revenues, Systems & Exchequer	7
<b>Governance, Engagement and Improvement</b>	<b>18</b>
Community Hubs	14
Contact Centre	3
Not allocated	1
<b>Operations</b>	<b>76</b>
Highways	25
Not allocated	1
Passenger Transport Unit	10
Property Services	1
Transport	7
Waste and Street Services	32
<b>Enterprise</b>	<b>22</b>
Attractions – Caldicot Castle	1
Building Control	9
Countryside	2
Development Management	2
Estates and Sustainability	1
Housing	2
Leisure	4
Tourism, Festival & Events	1
<b>Social Care and Health</b>	<b>4</b>
Animal Health and Trading Standards	2
Environmental Health – Public Health	2
<b>Children &amp; Young People</b>	<b>2</b>
Access Unit	1
Future Schools Team	1
<b>External</b>	<b>10</b>
<b>Not allocated to any SIP</b>	<b>1</b>
<b>General – covers all of MCC</b>	<b>1</b>

### A selection of comments received concerned:

- Registrars section: they send out a questionnaire after customers have received a service from them, therefore we do receive a substantial amount of comments and compliments about that service. A selection of them are below:
  - ❖ The Old Parlour (Registrar office in Usk) - Not an easy venue to find as the postcode takes you to the square in the centre of Usk. No signposts to help you find it.

- ❖ Quite difficult at times to get in contact with the Registry office.
- ❖ Customers were not told about the ceremony fee prior to the ceremony,
- ❖ Very convenient to have the office in Abergavenny (Nevill Hall)
- ❖ Registrar was late arriving, so had to wait outside longer. Felt they were rushed through. The songs chosen after the ceremony were cut short.
- ❖ Office is very small and not very welcoming. A more friendly environment would be nicer to conduct difficult conversations in. Waiting room could have more comfortable chairs and general information about what to do when someone has died.

Below are another selection of comments received about the Council:

- State of the graves in cemetery
- Council Tax issues:
  - Heard nothing regarding council tax arrears.
  - Two separate forms to be filled in with regard benefits - why can't it all be incorporated in the same form - causes undue delays and anxiety.
  - Issues with on-line and phone services.
  - No information on website concerning council tax bills/bands/areas
  - Given conflicting information which has led to them acting on incorrect advice from department.
- Development Control:
  - Would like to be able to address planners without feeling like they're walking on "egg shells".
  - Feel the pre application planning advice is too expensive.
  - Understands the Planners are under resourced and over worked but from a commercial perspective this kills business. They need to change their perception and become more business sensed. No issues with Building Control, but must have an integrated approach.
- Website:
  - Interactive form on the web is not user friendly
  - Issues with registering for e billing
- The coastal path from Sudbrook to Black Rock and Sudbrook to the second Severn crossing is seriously overgrown.
- Overgrown brambles and nettles on the footpath between Chapel Road and Pen y pound are extremely dangerous. It is almost impossible to walk the path.
- Hard to obtain information re: homelessness issues
- Leisure:
  - Abergavenny Leisure Centre - lack of cleanliness in the female changing room and toilets. General lack of cleanliness is very noticeable and very off-putting.
  - System put in place re: tickets being issued for leisure facilities - users queuing in the cold/rain although they have paid via direct debit.
- Lack of communication around the bike race. The volunteers who were used to put up the barriers were very rude to tourists.

- Children not receiving lunch time meals at school that they pre-ordered as either school has run out of the ordered food or other children have changed their mind and decided to have the food that others have ordered.
- Parking
  - Received a parking penalty charge notice but already paid the over stay fee.
  - Lack of communication regarding appeal for parking fine.
  - Unhappy with staff attitude.
  - Would like to know why the ticket wasn't given in accordance to the Welsh Language Scheme
  - Rubbish blowing across Fairfield car park into garden.
- Contact Centre
  - Was put on hold and held for over 5 minutes.
  - Issues with the process and forms for a blue badge
  - Issues with bus pass, requesting things that are not needed to support application and when supplying it, asking for something else.
- Operations
  - Tarmac has been laid on Fairfield Road, Bulwark, Chepstow but it has not been flattened down; Lane hasn't been fully resurfaced
  - Vehicle used for cleaning drains has dropped oil on the road at each location where the drains were cleaned. This oil will find its way into the Llangwm Brook, the Olway and the River Usk.
  - Called the OSS numerous times and reported that a significant number of road gullies in Pen y Pound and the access road to the Leisure Centre are completely blocked. The consequence is that, at times of heavy rainfall, the road floods and flood water gets carried down to the town centre. Furthermore a great deal of detritus is swept into Pen y Pound Court.
  - Street lights not working / Street lamp top replaced with modern one but has not worked since it was installed. A fall occurred due to no lighting outside property in St Helens Road
  - Overgrown grass / hedges / bushes
  - Grit box situated on property. Wants it removed from property and asked that someone claims responsibility for the box. Lack of gritting.
  - Road safety issues for eg: Possibility of some warning signs, in some way slow the traffic at the bottom of Common Road in Mitchel Troy to protect school children and pets. 30mph signs, speed bumps.
  - When will the road be completed - between St Arvans and Tintern
  - Roads / lanes / paths / potholes in disrepair and rubbish strewn. Damage caused to vehicles.
  - Temporary traffic signals not working and causing gridlock.
  - Transport
  - Bus stop displaying out-of-date times for 63, 65 & 69 buses
  - Children not allowed on school bus with no bus pass.
  - Issues concerning drop off and pick up points.
  - The service is either running five minutes or so early, or

the timetable details published on the Monmouthshire Council website are incorrect.

- Still waiting for a pass to be sent - grass routes.
- No 3 bus from Brynmawr, that goes into Clydach and on to Gilwern did not turn up at 1:20pm as scheduled.
- Transport to school unreliable
- Received invoice for post 16 transport, however pupil was not able to use the school bus for one month therefore incurring charges catching the Newport transport bus

### Compliments

- 168 Compliments

<b>Total</b>	<b>168</b>
<b>Resources</b>	<b>31</b>
Customer Relations	1
Emergency Planning	2
Registrars	28
<b>Governance, Engagement and Improvement</b>	<b>15</b>
Community Hubs	13
Contact Centre	2
<b>Operations</b>	<b>41</b>
Highways	31
Passenger Transport Unit	1
Property Services	1
Transport	4
Waste and Street Services	4
<b>Enterprise</b>	<b>69</b>
Building Control	49
Development Management	9
Housing	2
Leisure	1
Monmouthshire Youth Service	6
Not allocated	1
Tourism, Festival & Events	1
<b>Social Care and Health</b>	<b>7</b>
Animal Health and Trading Standards	2
Environmental Health – Public Health	4
Environmental Health – Commercial	1
<b>Not allocated to any SIP</b>	<b>4</b>
<b>General – covers all MCC</b>	<b>1</b>

### A selection of compliments received:

A range of compliments about the whole of the Council was received – staff thanked for their professionalism, their quick responses, their efficiency and helpful service.

Some examples:

- Registrars: many compliments about staff being helpful and courteous at ceremonies. Everything was professional.
- Building Control they send out a questionnaire after providing a service and therefore a large number of compliments received about their advice given and efficient service
- Compliments about Waste/Refuse service – prompt response in putting this right and helping to get queries sorted.
- Community Hubs: - compliments about helpful, welcoming and accommodating staff
- Development Control: Commending staff on their excellent customer service, being helpful, patient and efficient. Taking the time to meet with customers.
- Youth Service: Thank you's to staff from young people for organising events and general support
- Reception: Thanks for fantastic, friendly welcome at County Hall.
- Parking: Thanks for helpfulness; visitors to Monmouthshire commented on the reasonable pay and display charge and reasonable overstay charges;
- Operations: impressed with wild flowers on dull verges; thanks for cleansing streets; thanks for cutting grass / hedges

- **Response Timescales**

Our policy for responding to complaints at stage 1 is **10 working days** and for stage 2 formal investigation is **20 working days** plus a further 10 working days for Heads of Service to respond to the report's findings.

Whole Authority Timescales	2015/16		2016/17	
	Stage 1	Stage 2	Stage 1	Stage 2
Up to 10 working days	78	0	62	0
11 – 25 working days	18	1	14	4
25+ working days	7	5	3	7
<b>Total</b>	<b>103</b>	<b>6</b>	<b>79</b>	<b>11</b>

### Requests for service

These are recorded and acted upon.

<b>Total</b>	<b>18</b>
<b>Operations</b>	<b>13</b>
Highways	6
Waste and Street Services	7
<b>Social Care and Health</b>	<b>2</b>
Environmental Health – Public Health	2
<b>External</b>	<b>3</b>

## Analysis of Complaints / Comments

Year	Stage 1 complaints	Stage 2 complaints	Comments	Compliments
2016-17	79	11	153	168
2015-16	103	6	155	109
2014-15	100	25	150	90
2013-14	134	16	172	34
2012-13	106	18	83	50

## Service improvements

Complaints are generally resolved on an individual basis. Most formal investigation reports make recommendations for improvements to processes. These are followed up to ensure the recommendations are addressed.

Here are some examples where recommendations have been made for changes to practices / processes / procedures, as a result of people making complaints.

## Communications Issues

- Apologies given where appropriate
- Being mindful of confidentiality issues
- All conversations with tenant farmers in future in relation to terminating tenancies be minuted in order to provide evidence of thorough dialogue between all parties.
- The Council considers proper reference to the Gunning Principles when entering into any period of formal consultation.
- New standard letter introduced to accompany P45 forms / systems and procedures reviewed for termination forms
- Reminders circulated about the Authority's Customer Care Standards to ensure that response times for customers are adhered to.
- Consideration for alternative plans to be put in place in place to deal with potential high volume customer demands during election periods
- The Electoral Section consider alternative communication methods, providing key cut off dates and signposting customers to the Authority's web pages where important information can be stored regarding deadlines and where polling station information can be found.
- Officers be reminded of the importance of providing information to stakeholders and those affected by projects undertaken by the Authority
- Where reasonably practicable greater transparency and clear communication in the process is available to residents in regards to the audit trail of correspondence within the planning process, with specific reference to ensuring that, where a proposal is altered, there is written clarification of this from the applicant, available for public view, or the application form itself is updated and published.



- Where residents enter into a Stage 1 investigation with the Authority, the appointed investigating officer with the specialist knowledge relating to the area of that complaint make every reasonable effort to meet with the resident/citizen lodging the complaint as part of the process and not relying on an audit trail of communications. This could add a level of clarity between the individual and authority.

## Highways

- Explore the feasibility of more litter bins for specific places.
- Contact the Town Council making them aware of requests for more dog waste bins
- Planting of mature trees for screen purposes
- A goodwill recompense provided as suggested by the Public Service Ombudsman for Wales for lack of timely and accurate responses regarding a matter that took a lengthy time for action to be taken.

## Commentary

We strive to have customer services at the heart of everything we do. There are times however when we will not always get things right and we fall short of the standard of service we want to deliver.

When customers are unhappy with an aspect of service we have provided, they want to be heard, they want the issue dealt with quickly and for the solution to be effective. In handling complaints from customers we aim to be customer and outcome focused, to make it easier for people to let us know they are unhappy and for us to inform them what we are doing to resolve their issues

The number of complaints dealt with under the Whole Authority complaints procedure have gone down slightly this year. However, stage 2 complaints have increased slightly; we dealt with 11 formal complaints whereas the previous year we dealt with 6 formal complaints. Out of the 11 complaints received, 5 of them wanted to proceed directly to stage 2 and a formal investigation undertaken without trying to find an informal resolution to their problems.

On a positive note, compliments rose significantly, generally because people were grateful that we dealt with matters quickly.

We still receive a fair number of enquiries about issues across the Authority and earlier intervention and staff engaging directly with customers solves problems straight away, reducing the level of complaints received.

Enquiries are contacts made by potential complainants asking about the service provided. Where appropriate we try to resolve the problem at an enquiry stage without taking the matter forward as a formal complaint.

Customer feedback also allows us to continue to inform and improve the way we handle complaints.

Annette Evans, Customer Relations Manager

July 2017

# Freedom of Information and Environmental Information Regulations

## Activity Report 1st April 2016 to 31st March 2017

	<b>2016-17</b>	<b>2015-16</b>
Requests received:	1045	1061
Requests closed:	1055	1057
Requests closed on time:	97%	98%

Requests under Fol and EIR are not segregated, and figures include both.

	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>YTD</b>
<b>Resources</b>	116	119	124	177	536
<b>Legal</b>	0	0	1	0	1
<b>Enterprise</b>	14	22	22	15	73
<b>Operations</b>	32	30	31	35	128
<b>Governance, Engagement &amp; Improvement</b>	10	13	9	8	40
<b>Social Care &amp; Health</b>	37	37	54	53	181
<b>Children &amp; Young People</b>	18	21	23	24	86
	227	242	264	312	1045

Note: Distribution by Department is not precise due to the cross-functional nature of many requests. Department headings were those in use for most of the year.

### Most common sources (stated or interpreted)

<b>Main Sources of Fol Requests</b>	<b>2015/16</b>	<b>2016/17</b>
Commercial	<b>39%</b>	<b>41%</b>
Press – not local paper	<b>17%</b>	<b>22%</b>
Campaigner	<b>15%</b>	<b>13%</b>
Political researcher	<b>10%</b>	<b>9%</b>
Local resident	<b>10%</b>	<b>8%</b>
Press - local paper	<b>2%</b>	<b>0%</b>
All others	<b>7%</b>	<b>7%</b>

## Most common subjects (broad categorisation)

Main subject categories of FoI Requests	2015/16	2016/17
Social care	11%	12%
Council Tax/NNDR	10%	10%
Procurement/Contracts	9%	6%
HR and Staffing	8%	5%
Educational Matters	7%	9%
Highways	7%	4%
Public Health	5%	5%
Processes and Services	5%	9%
Intestate Deaths and Public Health Funerals	5%	3%
Housing	4%	4%
Assets and Equipment	4%	5%
Financial Information	3%	2%
Planning	3%	3%
IT and Software	3%	4%
Trading Standards and Animal Health	3%	2%
Structures/Contacts	0%	3%
Licensing	0%	2%
Waste and Recycling	0%	2%
Members and Electoral Matters	0%	2%
All others	13%	6%

## Target for percentage closed in 20 Working Days

A target of 90% has been retained.

## Trends over time

The number of requests received has grown every year since FoI came into force on 1st January 2005. This is common to the public sector in general and is not Monmouthshire specific. Up to the end of 2016-17, the Council has received 7259 requests.

The number of requests received by Monmouthshire in each financial year is as follows:

2004-05 (3 months only)	31	
2005-06	135	
2006-07	118	(believed that some records are missing)
2007-08	172	
2008-09	305	
2009-10	421	
2010-11	609	

2011-12	662
2012-13	780
2013-14	918
2014-15	1002
2015-16	1061
2016-17	1045

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### REPORT

**SUBJECT:** Treasury Management Policy Statement; Strategy Statement including MRP Statement and Investment Strategy and also Prudential Indicators 2018/19

**DIRECTORATE:** Resources

**MEETING:** Audit Committee

**DATE:** 11<sup>th</sup> January 2018

#### 1. PURPOSE:

- 1.1 To set a policy and strategies for the 2018/19 financial year which cover treasury and prudential borrowing activities which Council employees must then adhere to. This is to ensure that an appropriate level of care is taken of the Authority's funds and that a prudent budget is set to cover these activities.

#### 2. RECOMMENDATIONS:

- 2.1 It is recommended that the proposed Treasury Management Policy Statement for 2018/19 (Appendix 1); and proposed Treasury Management Strategy 2018/19 (Appendix 2) including the Investment & Borrowing Strategies & the Minimum Revenue Provision (MRP) Policy Statement in Annex C, be approved together with the Treasury Limits as required by section 3 of the Local Government Act 2003.
- 2.2 It is recommended that the items in 2.1 are ratified by Full Council.
- 2.3 The Audit Committee continues to review the Council's Treasury activities on behalf of the Council by receiving the mid-year report and year-end report.
- 2.4 Note that the Prudential Indicators (full draft list in Appendix 3) are referenced in the Treasury Strategy. If significant changes are made to the Draft Capital MTFP between now and when it is finalised, these Prudential Indicators could change. Any changes will be approved as part of the approval of the Final Capital Budget for 2018/19. Changes are not expected to be significant.

### **3. BACKGROUND:**

#### **Treasury Management Policy Statement and Treasury Management Strategy**

- 3.1 As stated in the Treasury Management Policy Statement, the Council adopts the key recommendations of CIPFA's Code of Practice for Treasury Management in the Public Services (the "Code") (as revised in 2011) which are designed to provide effective control of the risks of Treasury Management activities, prioritising security and liquidity of investments above yield.
- 3.2 The Council also adheres to the Prudential Code for Capital Finance in Local Authorities (as revised in 2011) which outlines requirements for the manner in which capital spending plans are to be considered and approved. Authorities are required to demonstrate value for money when borrowing in advance of need and ensure the security of such funds.
- 3.3 The Prudential Code further requires the Council to set a number of Prudential and Treasury Management indicators which are covered in this report.
- 3.4 The WG Guidance on Local Government Investments issued in April 2010 requires the production of an Investment Strategy in addition to a Treasury Management Strategy and allows both to be included in one document. Appendix 2 contains the Council's detailed proposed investment strategy.
- 3.5 The Code requires that "Council" approve annually a Treasury Management Policy Statement and a Treasury Management Strategy Statement and an Investment Strategy and that it receives as a minimum a semi-annual report and an annual report after its close. The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Audit Committee although Full Council will still ratify the approval of the Treasury Strategy at the start of the year and the receipt of the Treasury outturn report at the end of the year.
- 3.6 Full Council delegates the execution and administration of treasury management decisions to the Head of Finance (S151 officer) who will act in accordance with the Treasury Management policy statement (appendix 1) and treasury management practices and CIPFA's Standard of Professional Practice on Treasury Management.
- 3.7 The Council is also clear that overall responsibility for treasury management remains with the Council.
- 3.8 Revisions to the Prudential Code, Treasury Management Code and the WG Investment Guidance are anticipated early in 2018. If these impact on the 2018/19 Treasury Strategy or any of the Appendices the amendments will be brought to Audit Committee for approval in a timely fashion.

#### **Annual Minimum Revenue Provision Policy Statement**

- 3.9 The annual Minimum Revenue Provision is the mechanism used for spreading the capital expenditure financed by borrowing over the years to which benefit is provided. Regulations state that the authority must calculate for the current financial year an amount of minimum revenue provision which it considers to be



prudent. In addition there is the requirement for an Annual Minimum Revenue Provision Policy Statement to be drafted and submitted to full Council. This is attached at Annex C.

### **Considerations influencing the strategy**

- 3.10 The limits proposed in the 2018/19 Treasury Strategy have not changed significantly from the 2017/18 Strategy which means that most of our investments will be limited to £2 million per counterparty – see the Table ‘Approved Investment counterparties & Limits’ in Appendix 2. The counterparty rating limits and investment maturities in this table are ultimate limits which may be further restricted if advice from our Treasury advisers indicate that the risks associated with a specific counterparty or investment product warrant it.
- 3.11 The section on External context within the Strategy in Appendix 2 explains the backdrop which has been considered when setting the limits for borrowing & investing. These include:
- The effect the Brexit process has had on Sterling, GDP and UK growth
  - CPI (Consumer Price index) has risen to 3%
  - Bail-in legislation has now been fully implemented in the EU, Switzerland and the USA so Local Authorities could be called on to bail-in failing banks.
  - The largest UK banks will “ring-fence” or separate their retail banking functions from their Investment banking activities during 2018.
  - The Authority has requested that the financial institutions which it deals with on regulated products allow it to act up to Professional status under the MifID II regulations which come into force on the 3<sup>rd</sup> January 2018 & require the Authority to hold £10 million of Investments (See Investment Strategy section)

### **5. REASONS:**

- 5.1 The Authority is required to produce a Treasury Management Policy and a Treasury Management and Annual Investment Strategy in order to comply with the Chartered Institute of Public Finance and Accountancy’s Code of Practice for Treasury Management in Public Services (the “CIPFA TM Code”).
- 5.2 The Authority is required to produce an MRP Policy Statement in order to comply with the Local Authorities (Capital Finance and Accounting) (Wales) Regulations, last amended in 2009.

### **6. RESOURCE IMPLICATIONS:**

- 6.1 There are no resource implications directly arising from this report. The medium-term treasury budgets contained within the 2018-2019 revenue budget proposals to be presented to Council in March 2018, were constructed in accordance with the strategy documents appended to this report.
- 6.2 There are however some key future financial risks on medium-term treasury budgets concerning:

- The number of significant capital receipts in the existing medium-term forecasts, and on which the authority's internal borrowing strategy and budgets are based. There will be an adverse financial impact in the event that such receipts do not materialise or are significantly delayed.
- The strategy states the Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. It presents the option of taking advantage of currently low short-term interest rates possibly at the expense of increasing future borrowing costs. This balance will be monitored regularly in order to decide whether to borrow additional sums at long-term fixed rates in 2018/19 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.
- It should be noted that as a result of the expenditure plans of the Authority and the forecasts for interest rates in the future, that borrowing costs are expected to rise in the medium/long term.

## **7. EQUALITY IMPACT ASSESSMENT:**

There is no equality impact arising directly from this report.

## **8. SUSTAINABLE DEVELOPMENT IMPLICATIONS:**

None

## **9. BACKGROUND PAPERS:**

Appendix 1 – Treasury Management Policy Statement 2018/19  
 Appendix 2 – Treasury Management Strategy Statement 2018/19 including the Investment & Borrowing Strategies & the MRP policy statement  
 Appendix 3 – Prudential Indicators 2018/19 (Also distributed with Revenue and Capital budget proposals, Council March 2018)

## **10. AUTHORS:**

Lesley Russell – Senior Accountant – Treasury & Fixed Assets  
 Jonathan Davies – Central Accountancy Finance Manager

## **11. CONTACT DETAILS:**

Tel: (01633) 644399  
 Email: [lesleyrussell@monmouthshire.gov.uk](mailto:lesleyrussell@monmouthshire.gov.uk)

Tel: (01633) 644114  
 Email: [jonathandavies2@monmouthshire.gov.uk](mailto:jonathandavies2@monmouthshire.gov.uk)

### TREASURY MANAGEMENT POLICY STATEMENT 2018/19

#### 1 INTRODUCTION AND BACKGROUND

- 1.1 The Council adopts the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice (the Code), as described in Section 5 of the Code.
- 1.2 Accordingly, the Council will create and maintain, as the cornerstones for effective treasury management:-
  - A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
  - Suitable treasury management practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
- 1.3 The Council (i.e. full Council) will receive reports on its treasury management policies, practices and activities including, as a minimum, an annual strategy and plan in advance of the year, and a semi-annual report and an annual report after its close.
- 1.4 The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Audit Committee and for the execution and administration of treasury management decisions to the Head of Finance (S151 officer), who will act in accordance with the organisation's policy statement and TMPs and CIPFA's Standard of Professional Practice on Treasury Management.
- 1.5 The Council nominates Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies and they will receive the mid-year report on Treasury Management activities.

#### 2. POLICIES AND OBJECTIVES OF TREASURY MANAGEMENT ACTIVITIES

- 2.1 The Council defines its treasury management activities as:

“The management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”
- 2.2 This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

- 2.3 This Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.”

***As CIPFA states the policy statement should also include the Council’s high level policies for borrowing and investments:***

- 2.4 The Council’s borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken and the type of borrowing should allow the Council transparency and control over its debt.
- 2.5 The Council’s primary objective in relation to investments remains the security of capital. The liquidity or accessibility of the Authority’s investments followed by the yield earned on investments remain important but are secondary considerations.

**3. Approach to Risk Management**

- 3.1 This section identifies the risks that the Council faces as a result of it undertaking treasury management activities.

Liquidity risk  
Credit (or counterparty) risk  
Interest rate risk  
Inflation rate risk  
Exchange rate risk  
Market risk  
Refinancing risk  
Procedural risk  
Legal and regulatory risk

The Council manages these down to an acceptable level within the regulatory framework through the consideration and application of its Treasury Strategy and appropriate monitoring against agreed prudential indicators and limits.

# Treasury Management Strategy Statement 2018/19

(Based on a template provided by the Councils Treasury Advisors - Arlingclose)

### Introduction

In March 2005 the Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year.

In addition, the Welsh Government (WG) issued revised *Guidance on Local Authority Investments* in March 2010 that requires the Authority to approve an investment strategy before the start of each financial year.

This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to both the CIPFA Code and the WG Guidance.

The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy.

**Revised strategy:** In accordance with the WG Guidance, the Authority will be asked to approve a revised Treasury Management Strategy Statement should the assumptions on which this report is based change significantly. Such circumstances would include, for example, a large unexpected change in interest rates, in the Authority's capital programme or in the level of its investment balance.

This Strategy covers the requirements of the 2010 Welsh Government Investment Guidance and the 2011 CIPFA TM Code of Practice, including the Treasury Management Indicators. The Prudential Indicators in Appendix 3 meet the requirements of the CIPFA Prudential code. CIPFA consulted on changes to both these Codes in 2017 but has yet to publish revised versions. The DCLG (Department for Communities and Local Government) will be revising its Investment Guidance and its MRP guidance for local authorities in England for 2018/19 but there have been no discussions with the Wales yet. This Strategy therefore does not reflect any of these proposed changes. The Authority will review the final versions when they are issued and if necessary recommend revisions to this strategy at that time to avoid pre-empting the final changes and their timing.

### External Context

**Economic background:** The major external influence on the Authority's treasury management strategy for 2018/19 will be the UK's progress in negotiating its exit from the European Union and agreeing future trading arrangements. The domestic economy has remained relatively robust since the surprise outcome of the 2016 referendum, but there are indications that uncertainty over the future is now weighing on growth. Transitional arrangements may prevent a cliff-edge, but will also extend the period of uncertainty for several years. Economic growth is therefore forecast to remain sluggish throughout 2018/19.

Consumer price inflation reached 3.0% in September 2017 as the post-referendum devaluation of sterling continued to feed through to imports. Unemployment continued to fall and the Bank of England's Monetary Policy Committee judged that the extent of spare capacity in the economy seemed limited and the pace at which the economy can grow without generating inflationary pressure had fallen over recent years. With its inflation-control mandate in mind, the Bank of England's Monetary Policy Committee raised official interest rates to 0.5% in November 2017.

In contrast, the US economy is performing well and the Federal Reserve is raising interest rates in regular steps to remove some of the emergency monetary stimulus it has provided for the past decade. The European Central Bank is yet to raise rates, but has started to taper its quantitative easing programme, signalling some confidence in the Eurozone economy.

**Credit outlook:** High profile bank failures in Italy and Portugal have reinforced concerns over the health of the European banking sector. Sluggish economies and fines for pre-crisis behaviour continue to weigh on bank profits, and any future economic slowdown will exacerbate concerns in this regard.

Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the European Union, Switzerland and USA, while Australia and Canada are progressing with their own plans. In addition, the largest UK banks will ringfence their retail banking functions into separate legal entities during 2018. There remains some uncertainty over how these changes will impact upon the credit strength of the residual legal entities.

The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Authority; returns from cash deposits however remain very low.

**Interest rate forecast:** The Authority's treasury adviser Arlingclose's central case is for UK Bank Rate to remain at 0.50% during 2018/19, following the rise from the historic low of 0.25%. The Monetary Policy Committee re-emphasised that any prospective increases in Bank Rate would be expected to be at a gradual pace and to a limited extent.

Future expectations for higher short term interest rates are subdued and on-going decisions remain data dependant and negotiations on exiting the EU cast a shadow over monetary policy decisions. The risks to Arlingclose's forecast are broadly balanced on both sides. The Arlingclose central case is for gilt yields to remain broadly stable across the medium term. Upward movement will be limited, although the UK government's seemingly deteriorating fiscal stance is an upside risk.

A more detailed economic and interest rate forecast provided by Arlingclose is attached at **Annex A**.

For the purpose of setting the budget, it has been assumed that new investments will be made at an average rate of 0.15%, and that new long-term loans will be borrowed at an average rate of **2.37%**.

### **Local Context**

On 30th November 2017, the Authority held £113.2m of borrowing and £6.4m of investments. This is set out in further detail at **Annex B**. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

Table 1: Balance sheet summary and forecast

	31.3.17 Actual £m	31.3.18 Estimate £m	31.3.19 Forecast £m	31.3.20 Forecast £m	31.3.21 Forecast £m
General Fund CFR *	134.6	143.2	155.4	159.3	157.8
Less: Other debt liabilities **	(1.0)	(1.0)	(0.8)	(0.6)	(0.4)
<b>Borrowing CFR</b>	<b>133.6</b>	<b>142.2</b>	<b>154.6</b>	<b>158.7</b>	<b>157.4</b>
Less: External borrowing committed to ***	(89.3)	(98.2)	(75.2)	(73.5)	(54.3)
<b>Borrowing requirement</b>	<b>44.2</b>	<b>44.0</b>	<b>79.4</b>	<b>85.2</b>	<b>103.0</b>
Less: Usable reserves	(35.2)	(19.0)	(14.3)	(19.6)	(22.3)
Less: Working capital	(9.0)	(9.0)	(9.0)	(9.0)	(9.0)
<b>New external borrowing requirement</b>	<b>0.0</b>	<b>16.0</b>	<b>56.1</b>	<b>56.6</b>	<b>71.7</b>

\* the CFR at 31.3.18 and 31.3.19 has been set £5m and £10m higher than currently required, to allow for Capital expenditure which is being considered for approval. This does not constitute approval but allows for it in the Treasury Strategy should it gain Member approval.

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

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

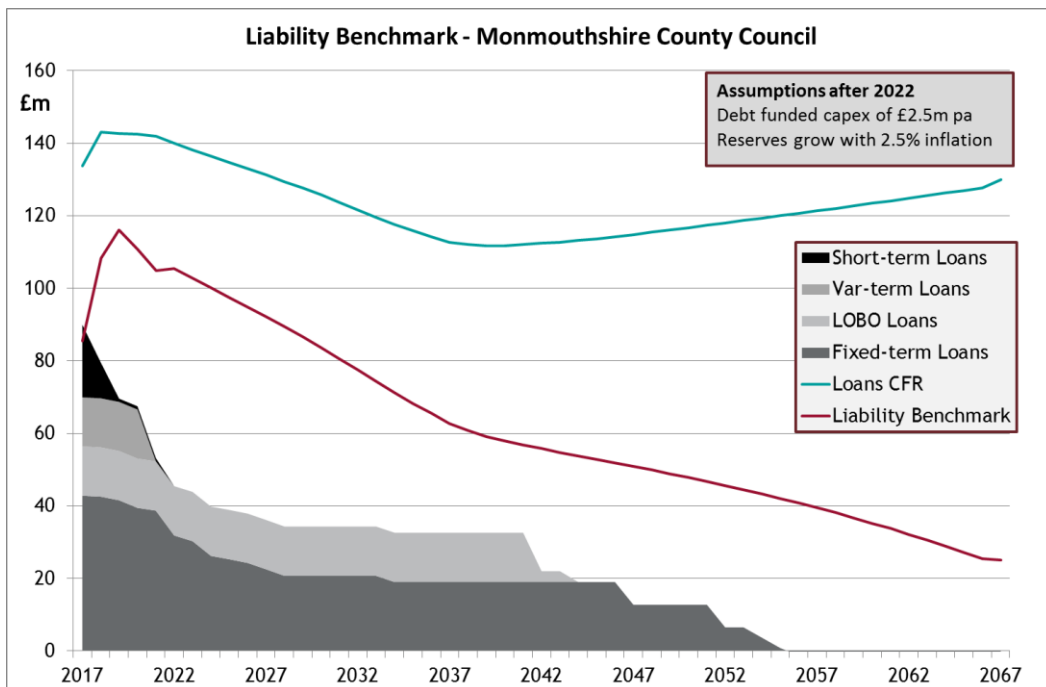
The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are underlying resources available for investment. The Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing. The Authority has an increasing CFR due to the capital programme, but low levels of investments and will therefore be required to borrow up to £72m over the forecast period, should all the projected capital expenditure be incurred. Short term and variable rate PWLB borrowing at 30<sup>th</sup> November 2017 was £42m & £13.5m which will both need to be replaced in the forecast window. These make up the majority of the £72m.

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. Table 1 shows that the Authority expects to comply with this recommendation during 2018/19 as existing debt of £75m will still be in place at 31<sup>st</sup> March 2019 and new debt of £56m is anticipated as required. The combination of £131m is less than the CFR of £155m. The difference is due to internal borrowing

To assist with its long-term treasury management strategy, the Authority and its advisers have created a liability benchmark, which forecasts the Authority's need to borrow over a 50 year period. Following on from the medium-term forecasts in table 1 above, the benchmark assumes:

- capital expenditure funded by borrowing of £2.4m in 2021/22 increasing by 2.5% per year
- minimum revenue provision on capital expenditure, funded by unsupported borrowing, based on asset life and using an annuity profile
- minimum revenue provision on new capital expenditure funded by supported borrowing based on a 50 year asset life and a straight line profile
- income, expenditure and reserves all increase by 2.5% inflation a year after 2021/22





The Liability Benchmark line (red) represents the minimum Debt that Monmouthshire needs to hold over time in order to have sufficient cash to operate. The shaded area is the total debt which we hold today, reducing as the various types of debt mature. The gap between the two is the amount of debt which the Authority is expected to need to take out over time which is aligned with Table 1 in the first few years.

### **Borrowing Strategy**

The Authority held £113 million of loans at 30<sup>th</sup> November 2017, an increase of £24 million from 31<sup>st</sup> March 2017, as part of its strategy for funding previous years’ capital programmes. The balance sheet forecast in table 1 shows that the Authority expects to borrow up to £131 million by the end of 2018/19. The Authority may borrow additional sums, providing this does not exceed the authorised limit for borrowing of £194 million.

**Objectives:** The Authority’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 Authority’s long-term plans change is a secondary objective.

**Strategy:** Given the significant cuts to public expenditure and in particular to local government funding, the Authority’s borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits in the short term of internal / short-term will be monitored regularly against the potential for incurring additional costs in the future by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Authority with this ‘cost of carry’ and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2018/19 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

In addition, the Authority may borrow further short-term loans to cover unplanned cash flow shortages.



It is anticipated during 2018/19, that the Authority will continue to rely heavily on short term loans to reduce interest costs, rather than filling the long term gap on the Liability Benchmark graph with more expensive long term loans which would be more costly. Approximately £6m of longer term debt is expected to be taken out to reduce interest rate risk in the medium term. Approval to lend for longer than one year is required from the S151 officer, Deputy or a more senior line manager of theirs in their absence.

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

- Public Works Loan Board (PWLB) and any successor body
- any institution approved for investments (see below)
- other public bodies
- any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds (except the Greater Gwent Pension Fund)
- capital market bond investors
- special purpose companies created to enable local authority bond issues

**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:

- operating and finance leases
- hire purchase
- Private Finance Initiative
- sale and leaseback

In previous years, the Authority raised the majority of its long-term borrowing from the PWLB but has this year taken £5.9m of 3-5 year loans from other local Authorities. It continues to investigate other sources of finance, such as bank loans, that may be available at more favourable rates.

**LOBOs:** The Authority holds £13.6m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. All of these LOBOS have options during 2018/19, and although the Authority understands that lenders are unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing risk. The Authority will take the option to repay LOBO loans at no cost if it has the opportunity to do so.

**Short-term and variable rate loans:** These loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the treasury management indicators below.

**Debt rescheduling:** The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority 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.

## Investment Strategy

The Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves held. Since 1<sup>st</sup> April 2017, the Authority's investment balance has ranged between £2 and £22 million.

As a result of the implementation of the Markets in Financial Instruments Directive (MiFID II), on the 3<sup>rd</sup> January 2018, the Authority has put in a request to the financial institutions, with which it deals, to elect up from Retail to Professional Status. This is in order to maintain access to regulated financial services firms including banks, brokers, advisers, fund managers and custodians with whom we have dealings regarding regulated investment products. This does mean that we have to be able to demonstrate that we have an investment balance of at least £10 million. To that end, the Authority will maintain an average of at least £10 million over each financial year and maintain a balance of £10 million on at least 85% of working days during the year, only allowing balances to fall below £10 million due to cyclical influences which are disproportionately onerous to work around. This also has the benefit of reducing the risk of having insufficient liquidity to continue normal operations. This will be reviewed quarterly to ensure that the Authority is staying within the spirit of the regulation which does not specify how this limit should be met.

**Objectives:** Both the CIPFA Code and the WG Guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Authority 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.

**Negative interest rates:** If the UK enters into a recession in 2018/19, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

**Strategy:** Given the increasing risk and very low returns from short-term unsecured bank investments, the Authority will continually reassess the need to diversify into more secure and/or higher yielding asset classes during 2018/19. This is especially the case for the estimated £5m that is available for longer-term investment. The remainder of the Authority's surplus cash remains invested in short-term unsecured bank & building society deposits, certificates of deposit, money market funds, T-bills and the DMO.

**Approved counterparties:** The Authority may invest its surplus funds with any of the counterparty types in table 2 below, subject to the cash limits (per counterparty) and the time limits shown. Any formal recommendations received from the Authority's treasury advisors which places additional restrictions on certain counterparties in terms of eligibility or duration of Investments will supercede the limits set below. Investments classified as Non Specified must obtain further approval from the S151 Officer or Deputy or more senior line manager and also the Authority's treasury advisors before being made.

Table 2: Approved investment counterparties and limits

<b>Counterparty / Instrument</b>	<b>Instrument Limit of Portfolio</b>	<b>Counterparty Limit of Portfolio</b>	<b>Country Limit</b>	<b>Other Limits</b>	<b>Time Limit (Over 1 Year = Non Specified)</b>
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<b>UK Central Government including Debt Mgt deposit facility, Gilts and T Bills.</b>	<b>100%</b>	<b>100%</b>	<b>N/A</b>	<b>N/A</b>	<b>50 Years</b>
<b>Any investment with UK Local Authorities (irrespective of credit rating)</b>	<b>75%</b>	<b>The higher of £2m or 10% of total investments (at the time of deposit)</b>	<b>N/A</b>	<b>NA</b>	<b>2 Years</b>
<p><b>‘Unsecured’ investments with Banks, Building Societies, Other Organisations and Securities whose lowest published rating from Fitch, Moody’s and S&amp;P’s is (A-)</b></p> <p><b>As above but (A)</b></p> <p><b>As above but (A+)</b></p>	<p><b>75% of total investments at the time of deposit</b></p> <p><b>For Non-UK 50% of total investment at the time of deposit</b></p>	<p><b>Upper limit of £2m.</b></p> <p><b>An additional £1m can be held in the Authority’s bank current account to cover the total of credit balances.</b></p>	<b>£4m per foreign country</b>	<p><b>Limit for negotiable instruments held in Brokers nominee accounts: the lower of 50% or £10m per Broker</b></p>	<p><b>6 months</b></p> <p><b>13 months</b></p> <p><b>2 years</b></p>

<p><b>Secured Investments with Banks, Building Societies, Other Organisations and Securities, (including Re-po's) whose lowest published rating from Fitch, Moody's and S&amp;P's is (A-)</b></p> <p><b>As above but (A) or (A+)</b></p>	<p><b>75% of total investments at the time of deposit (both secured and unsecured)</b></p> <p><b>For Non-UK 50% of total investments at the time of deposit (both secured and unsecured)</b></p>	<p><b>£4m per counterparty (both secured and unsecured)</b></p>	<p><b>£4m per foreign country for all investment types</b></p>	<p><b>N/A</b></p>	<p><b>13 months</b></p> <p><b>2 years</b></p>
<p><b>Deposits with unrated UK Building Societies which have been assessed by our Treasury advisers as comparable with the Building Societies that have an A- credit rating or higher</b></p>	<p><b>25% of total investments</b></p>	<p><b>£1m per Counterparty</b></p>	<p><b>UK only</b></p>	<p><b>N/A</b></p>	<p><b>6 months</b></p>
<p><b>Money Market Funds with a Constant Net Asset Value (CNAV) or Variable NAV or Low Volatility NAV if assessed by our Treasury advisers as being of high credit worthiness</b></p>	<p><b>50% of total investments at the time of deposit increased to 75% if total investments is £10m or less</b></p>	<p><b>The lower of £2m and 10% of total investments rounded up to the next £0.5m; not exceeding 0.50% of MMF size or 2% for Government MMFs</b></p>	<p><b>N/A</b></p>	<p><b>N/A</b></p>	<p><b>N/A</b></p>
<p><b>Pooled funds without credit ratings which are not classed as capital expenditure - if assessed by our Treasury advisers as</b></p>	<p><b>£4m total investment at the time of deposit</b></p>	<p><b>£2m per issuer</b></p>	<p><b>N/A</b></p>	<p><b>N/A</b></p>	<p><b>N/A</b></p>

<b>being of high credit worthiness</b>					
<b>Investments with UK Registered Providers (e.g. Housing Associations) where the lowest published credit rating is A- or higher</b>	<b>£4m of total investments at the time of deposit.</b>	<b>£2m per issuer</b>	<b>N/A</b>	<b>N/A</b>	<b>5 years</b>

This table must be read in conjunction with the notes below

**Credit rating:** Investment limits are set by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. 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.

**Banks 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.

**Banks secured:** Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they 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 to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

**Government:** Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. This includes police and fire authorities, district councils, transport authorities and combined authorities. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

**Corporates:** Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made following an external credit assessment or as part of a diversified pool in order to spread the risk widely.

**Registered providers:** Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing, formerly known as housing associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services, they retain the likelihood of receiving government support if needed.

**Pooled funds:** Shares in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an

alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Authority 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 are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

**Operational bank accounts:** The Authority 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 £50,000 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 Authority maintaining operational continuity.

**Risk assessment and credit ratings:** Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn 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.

**Other information on the security of investments:** The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority 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 Authority's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

**Specified investments:** The WG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement,

- not defined as capital expenditure by legislation, and
- invested with one of:
  - the UK Government,
  - a UK local authority, parish council or community council, or
  - a body or investment scheme of “high credit quality”.

The Authority defines “high credit quality” organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds “high credit quality” is defined as those having a credit rating of A- or higher.

**Non-specified investments:** Any investment not meeting the definition of a specified investment is classed as non-specified. The Authority does not intend to make any investments denominated in foreign currencies. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, pooled funds that are defined as capital expenditure and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown in table 3 below.

Table 3: Non-specified investment limits

	<b>Cash limit</b>
Total long-term investments	£6m
Total shares in pooled funds excluding Money Market Funds	£4m
Total investments without credit ratings or rated below [A-] (except the UK Government and UK local authorities)	£3m
Total investments (except pooled funds) with institutions domiciled in foreign countries rated below [A-]	£0m
Total non-specified investments	£11m

**Investment limits:** The Authority’s revenue reserves available to cover investment losses are forecast to be £14 million on 31st March 2018. In order that no more than 30% 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) is £4.0 million for secured investments or £2.0 million for unsecured investments to banks & building societies. These levels are considered prudent. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers’ nominee accounts and foreign countries as in Table 2 above. 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.

**Liquidity management:** The Authority uses an excel based cash flow forecasting tool to determine the maximum period for which funds may prudently be committed. Amounts are held on an ongoing basis in instant access accounts to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority’s medium term financial plan and cash flow forecast.

**Non-Treasury Investments**

Although not classed as treasury management activities and therefore not covered by the CIPFA Code or the WG Guidance, the Authority may also purchase property for investment purposes and may also make loans and investments for service purposes, for example to shared service entities, to landlords, or as equity investments or loans to the Authority’s subsidiaries.

Such loans and investments are not subject to the Authority's normal approval processes for revenue and capital expenditure and need not comply with this treasury management strategy. As mentioned in the Introduction section above, when the Revised Treasury Management and Prudential codes are issued (anticipated December 2017), they will be reviewed and if necessary a revision to this strategy will be proposed.

The Authority's existing non-treasury investments are listed in Annex B.

### Treasury Management Indicators

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

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

	Target
Portfolio average credit rating/score	A- / 5.0

**Interest rate exposures:** This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the amount of net principal borrowed will be:

	2018/19	2019/20	2020/21
Upper limit on net fixed interest rate exposure	£110m	£110m	£110m
Upper limit on net variable interest rate exposure	£78m	£78m	£78m

Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate. The Upper limit on net variable interest rate exposure is at level which maintains the % of net variable interest rate exposure at 50% of total net debt.

**Maturity structure of borrowing:** This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing (excluding variable rate and short term borrowing) will be:

	Levels anticipated as at 1 Apr 2018 £m / %	Lower Limit for 2018/19 %	Upper Limit for 2018/19 %
Under 12 months - LOBO's	£13.7m / 28%	0	50
Under 12 months - other		0	
12 months and within 24 months	£1.5m / 3%	0	25
24 months and within 5 years	£8.6m / 17%	0	45
5 years and within 10 years	£7.8m / 15%	0	30
10 years and above	£19.3m / 37%	0	100
TOTAL	£51.8m / 100%		



Maturity is measured as the outstanding duration of loans on the 1<sup>st</sup> day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment

**Principal sums invested for periods longer than 364 days:** The purpose of this indicator is to control the Authority’s exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

	2018/19	2019/20	2020/21
Limit on principal invested beyond year end *	£6m	£6m	£6m

*\* meaning for longer than 1 year*

### Other Items

There are a number of additional items that the Authority is obliged by CIPFA or WG to include in its Treasury Management Strategy.

**Policy on the use of financial derivatives:** In the absence of any explicit legal power to do so, the Authority will not use standalone financial derivatives (such as swaps, forwards, futures and options). Derivatives embedded into loans and investments, including pooled funds and forward starting transactions, may be used, and the risks that they present will be managed in line with the overall treasury risk management strategy.

**Investment training:** The needs of the Authority’s treasury management staff for training in investment management are assessed on an ongoing basis as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.

Staff attend training courses, seminars and conferences provided by Arlingclose and CIPFA.

**Investment advisers:** The Authority has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues. The quality of this service is assessed at the contract tender stage by comparing to other market leaders and their historical track record. It is then monitored by on-going interaction with treasury personnel. The Authority maintains the quality of the service from its advisors by holding quarterly meetings and tendering periodically.

**Investment of money borrowed in advance of need:** The Authority may, from time to time, borrow in advance of need, where this is expected to provide the best long-term value for money. Since amounts borrowed will be invested until spent, the Authority is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Authority’s overall management of its treasury risks.

The total amount borrowed will not exceed the authorised borrowing limit of £191 million. The maximum period between borrowing and expenditure is expected to be two years, although the Authority is not required to link particular loans with particular items of expenditure.

### Financial Implications

The budget for investment income in 2018/19 is £8,000, based on an average investment portfolio of £5 million at an interest rate of 0.15%. The budget for debt interest paid in 2018/19 is £3.3 million, based on an average debt portfolio of £119.8 million at an average interest rate of 2.8% resulting from a mixture of short and long term debt. If actual levels of investments and borrowing, and actual interest rates differ from those forecast, performance against budget will be correspondingly different.

### Other Options Considered

The WG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Head of Finance, having consulted the Audit Committee, 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.

<b>Alternative</b>	<b>Impact on income and expenditure</b>	<b>Impact on risk management</b>
Invest in a narrower range of counterparties of higher credit worthiness 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, some with lower credit worthiness 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 fully 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 higher percentage of 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

## Annex A - Arlingclose Economic & Interest Rate Forecast November 2017

### Underlying assumptions:

- In a 7-2 vote, the MPC increased Bank Rate in line with market expectations to 0.5%. Dovish accompanying rhetoric prompted investors to lower the expected future path for interest rates. The minutes re-emphasised that any prospective increases in Bank Rate would be expected to be at a gradual pace and to a limited extent.
- Further potential movement in Bank Rate is reliant on economic data and the likely outcome of the EU negotiations. Policymakers have downwardly assessed the supply capacity of the UK economy, suggesting inflationary growth is more likely. However, the MPC will be wary of raising rates much further amid low business and household confidence.
- The UK economy faces a challenging outlook as the minority government continues to negotiate the country's exit from the European Union. While recent economic data has improved, it has done so from a low base: UK Q3 2017 GDP growth was 0.4%, after a 0.3% expansion in Q2.
- Household consumption growth, the driver of recent UK GDP growth, has softened following a contraction in real wages, despite both saving rates and consumer credit volumes indicating that some households continue to spend in the absence of wage growth. Policymakers have expressed concern about the continued expansion of consumer credit; any action taken will further dampen household spending.
- Some data has held up better than expected, with unemployment continuing to decline and house prices remaining relatively resilient. However, both of these factors can also be seen in a negative light, displaying the structural lack of investment in the UK economy post financial crisis. Weaker long term growth may prompt deterioration in the UK's fiscal position.
- The depreciation in sterling may assist the economy to rebalance away from spending. Export volumes will increase, helped by a stronger Eurozone economic expansion.
- Near-term global growth prospects have continued to improve and broaden, and expectations of inflation are subdued. Central banks are moving to reduce the level of monetary stimulus.
- Geo-political risks remains elevated and helps to anchor safe-haven flows into the UK government bond (gilt) market.

### Forecast:

- The MPC has increased Bank Rate, largely to meet expectations they themselves created. Future expectations for higher short term interest rates are subdued. On-going decisions remain data dependant and negotiations on exiting the EU cast a shadow over monetary policy decisions.
- Our central case for Bank Rate is 0.5% over the medium term. The risks to the forecast are broadly balanced on both sides.
- The Arlingclose central case is for gilt yields to remain broadly stable across the medium term. Upward movement will be limited, although the UK government's seemingly deteriorating fiscal stance is an upside risk.

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Average
<b>Official Bank Rate</b>														
Upside risk	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.19
Arlingclose Central Case	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	0.00	0.00	0.00	0.00	0.00	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.15
<b>3-month LIBID rate</b>														
Upside risk	0.10	0.10	0.10	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.22
Arlingclose Central Case	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	-0.10	-0.10	-0.15	-0.15	-0.15	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.20
<b>1-yr LIBID rate</b>														
Upside risk	0.15	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.27
Arlingclose Central Case	0.70	0.70	0.70	0.70	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.77
Downside risk	-0.15	-0.20	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.15	-0.15	-0.26
<b>5-yr gilt yield</b>														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
Arlingclose Central Case	0.75	0.75	0.80	0.80	0.80	0.85	0.90	0.90	0.95	0.95	1.00	1.05	1.10	0.89
Downside risk	-0.20	-0.20	-0.25	-0.25	-0.25	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.33
<b>10-yr gilt yield</b>														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
Arlingclose Central Case	1.25	1.25	1.25	1.25	1.25	1.30	1.30	1.35	1.40	1.45	1.50	1.55	1.55	1.36
Downside risk	-0.20	-0.25	-0.25	-0.25	-0.25	-0.30	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.33
<b>20-yr gilt yield</b>														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
Arlingclose Central Case	1.85	1.85	1.85	1.85	1.85	1.90	1.90	1.95	1.95	2.00	2.05	2.05	2.05	1.93
Downside risk	-0.20	-0.30	-0.25	-0.25	-0.30	-0.35	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.38
<b>50-yr gilt yield</b>														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
Arlingclose Central Case	1.70	1.70	1.70	1.70	1.70	1.75	1.80	1.85	1.90	1.95	1.95	1.95	1.95	1.82
Downside risk	-0.30	-0.30	-0.25	-0.25	-0.30	-0.35	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.39

## Annex B - Existing Investment & Debt Portfolio Position

	30 Nov 17 Actual Portfolio £m	30 Nov 17 Average Rate %
<b>External borrowing:</b>		
Public Works Loan Board - Fixed	38.3	5.3
Public Works Loan Board - Variable	13.5	0.6
Local authorities	42.9	0.3
LOBO loans from banks	13.6	4.8
Other loans	4.9	0.0
<b>Total external borrowing</b>	<b>113.2</b>	
<b>Other long-term liabilities:</b>		
Private Finance Initiative	0.8	
Other	0.4	
<b>Total other long-term liabilities</b>	<b>1.2</b>	
<b>Total gross external debt</b>	<b>114.4</b>	
<b>Treasury investments:</b>		
Banks & building societies (unsecured)	0.0	
Government (incl. local authorities)	3.7	
Money Market Funds		
<b>Total treasury investments</b>	<b>6.4</b>	0.2
<b>Net debt</b>	<b>108.0</b>	

	31 Mar 17 £m	Annualised Return %
<b>Non-treasury investments:</b>		
Investment property	41.9	1%
Investment assets classed as L&B	4.4	6% *
Shares in subsidiaries	0.0	-
Loans to subsidiaries	0.0	-
Loans to local companies	0.0	-
<b>Total non-treasury investments</b>	<b>46.3</b>	

\* This % return excludes MRP or repayments of borrowed capital

## **Annex C – MRP Policy Statement 2017/18**

The Welsh Government's Guidance on Minimum Revenue Provision (issued in 2010) places a duty on local authorities to make a prudent provision for debt redemption. Guidance on Minimum Revenue Provision has been issued by the Welsh Ministers and local authorities are required to "have regard" to such Guidance under section 21(1A) of the Local Government Act 2003.

Authorities are permitted discretion in terms of the charge levied, albeit within certain parameters. A "prudent" period of time for debt repayment is defined as being one which reflects the period over which the associated capital expenditure provides benefits.

The four MRP options available are:

- Option 1: Regulatory Method
- Option 2: CFR Method
- Option 3: Asset Life Method
- Option 4: Depreciation Method

*Note: This does not preclude other prudent methods.*

### **MRP in 2018/19:**

Options 1 and 2 can only be used for supported Non-HRA capital expenditure funded from borrowing (i.e. financing costs deemed to be supported through Revenue Support Grant from Central Government). Methods of making prudent provision for unsupported Non-HRA capital expenditure include Options 3 and 4 (which may also be used for supported Non-HRA capital expenditure if the Authority chooses).

The MRP Statement will be submitted to Council before the start of the 2018/19 financial year. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement should be put to Authority at that time.

### **MRP on Supported Borrowing funded Expenditure**

The Authority's policy is to apply Option 3 in respect of supported capital expenditure funded from borrowing. A report received by Council on 17<sup>th</sup> November 2016 approved this change to 2% straight line, asset life basis.

### **MRP on Unsupported Borrowing funded Expenditure**

The Authority's policy is to apply Option 3 in respect of unsupported capital expenditure funded from borrowing. The MRP is calculated on an annuity basis within the asset life method, whereby the MRP element increases over time to reflect a consistent charge over the assets life taking into account the real value of money.

### **MRP in respect of leases and PFI**

MRP in respect of leases and Private Finance Initiative schemes brought on Balance Sheet under the CIPFA Accounting Code of Practice will match the annual principal repayment for the associated deferred liability.

The 2018/19 budget proposals reflect these 3 positions.

## DRAFT PRUDENTIAL INDICATORS for Programme Proposals 2018/22

Local Authorities determine their own programmes for capital investment in fixed assets. The Prudential Code is the code of practice supporting local authorities in taking decisions and underpins the system of capital finance. The key objectives of the Prudential Code are to ensure, within the Prudential Framework, that capital investment plans of the Authority are affordable, prudent and sustainable.

To demonstrate that local authorities have fulfilled these objectives, the Prudential Code sets out the indicators that must be used, and the factors that must be taken into account. These indicators are reported below based on actual, current and planned capital budget proposals as in the proposed 2018/2019 capital medium term financial plan.

Importantly, it should be noted that the proposed supported and unsupported borrowing results from the current and future capital budget proposals:

Borrowing budgeted in the capital budget proposals 2018/19 to 2021/22 is as follows: The 2018/19 figures are inclusive of £6,000,000 of slippage from 2017/18 as estimated in the draft 2018/19 MTFP on which these indicators are based.

- General Unsupported borrowing of £1,000,000 2018/19 to 2021/22.
- 21<sup>st</sup> Century Schools – budgeted unsupported borrowing of £7,547,000 and £4,070,000 (adjusted for slippage) in 2017/18 and 2018/19.
- Other budgeted unsupported borrowing of £1,658,000 in 2017/18 including £506,000 for the Solar Farm and £550,000 for carparks. And in 2018/19, £2,283,000 for the Abergavenny Community Hub and £1,400,000 for the refurbishment of J block at County Hall, Usk
- £2,402,000 of supported borrowing in 2017/18 and £2,410,000 in 2018/19 to 2021/22 which assists in financing the core capital programme and is funded through Revenue Support grant from the Welsh Government.

## Capital Expenditure

The actual capital expenditure and financing (excluding vehicle leasing) that was incurred in 2016/17 and the estimates of capital expenditure and financing for the current year and future years that are recommended for approval are:

	2016/17 Actual £000	2017/18 Estimate £000	2018/19 Estimate £000	2019/20 Estimate £000	2020/21 Estimate £000	2021/22 Estimate £000
Capital Expenditure	41,684	48,645	28,805	6,623	5,863	6,120

The estimate of capital expenditure for the 2017/18 and 2018/19 financial years includes allowance for estimated slippage of expenditure from the 2017/18 capital programme.



As stated in the Capital programme budget proposals the medium term programme has been drafted, and a programme constructed for the next four years. There will be opportunity for the programme to be reviewed annually.

### Ratio of financing costs to net revenue stream

Estimates of the ratio of financing costs to net revenue stream for the current and future years, and the actual figures for 2014/15 are:

	<b>2016/17 Actual %</b>	<b>2017/18 Estimate %</b>	<b>2018/19 Estimate %</b>	<b>2019/20 Estimate %</b>	<b>2020/21 Estimate %</b>	<b>2021/22 Estimate %</b>
Ratio of financing costs to net revenue stream	4.33	4.79	5.18	5.13	5.19	5.10

The estimates of financing costs include current commitments and the proposals in this budget report and are based on the actual and anticipated borrowing, net of investments.

### Capital Financing Requirement

Estimates of the end of year Capital Financing Requirement for the Authority for the current and future years and the actual Capital Financing Requirement at 31 March 2017 are:

	<b>2016/17 Actual £000</b>	<b>2017/18 Estimate £000</b>	<b>2018/19 Estimate £000</b>	<b>2019/20 Estimate £000</b>	<b>2020/21 Estimate £000</b>	<b>2021/22 Estimate £000</b>
Capital Financing Requirement	134,588	143,219	155,484	159,345	157,820	156,553

The Capital Financing Requirement measures the authority's underlying need to borrow for capital purposes. In accordance with best professional practice, Monmouthshire County Council does not associate borrowing with particular items or types of expenditure, other than under its current policy for determining its Minimum Revenue Provision. The authority has an integrated treasury management strategy (last approved on 9<sup>th</sup> March 2017 by Council) and has adopted the CIPFA Code of Practice for Treasury Management in the Public Services.

The Council manages its treasury position in terms of its borrowings and investments in accordance with its approved treasury management strategy and practices. In day-to-day cash management, no distinction can be drawn between revenue and capital cash. External borrowing arises as a consequence of all the financial transactions of the authority and not simply those arising from capital spending. In contrast, the Capital Financing Requirement reflects the authority's underlying need to borrow for a capital purpose.

CIPFA's Prudential Code for Capital Finance in Local Authorities includes a key indicator of prudence where Gross External Borrowing does not, except in the short term exceed the total of Capital Financing Requirement. This is the case for the preceding year plus the estimates of any Capital Financing Requirement for the current and next two financial years.

Net external borrowing is the borrowing budgeted to finance the capital programme (Gross External borrowing) offset by the levels of cash and investments.

	<b>2016/17 Actual £000</b>	<b>2017/18 Estimate £000</b>	<b>2018/19 Estimate £000</b>	<b>2019/20 Estimate £000</b>	<b>2020/21 Estimate £000</b>	<b>2021/22 Estimate £000</b>
Net External borrowing	84,904	119,597	135,110	133,207	127,449	127,081
Gross External borrowing	89,329	125,305	140,289	139,046	132,897	133,090
Capital Financing Requirement	134,588	143,219	155,484	159,345	157,820	156,553

The Head of Finance, as the Authority's S151 officer, reports that the Authority had no difficulty meeting this requirement in 2016/17, nor are any difficulties envisaged for the current or future years. This view takes into account current commitments, existing plans, and the proposals in this budget report.

### **Authorised Limit for External Borrowing**

In respect of external debt, it is recommended that the Council approves the following Authorised Limit for its total external debt gross of investments for the next four financial years.

	<b>2016/17 Actual £000</b>	<b>2017/18 Estimate £000</b>	<b>2018/19 Estimate £000</b>	<b>2019/20 Estimate £000</b>	<b>2020/21 Estimate £000</b>	<b>2020/21 Estimate £000</b>
Borrowing	123,529	170,917	191,489	190,246	184,097	184,290
Other long term liabilities	2,707	2,543	2,843	2,643	2,443	2,368
<b>Total</b>	<b>126,236</b>	<b>173,460</b>	<b>194,332</b>	<b>192,889</b>	<b>186,540</b>	<b>186,658</b>

These limits separately identify borrowing from other long-term liabilities. The Council is asked to approve these limits and to delegate authority to the Head of Finance, within the total limit for any year, to effect movement between the separately agreed limits of borrowing and other long-term liabilities, in accordance with option appraisal and best value for money for the authority. Any such changes made will be reported to the Audit Committee or Council at the next opportunity following the change.

These limits are consistent with the authority's current commitments, existing plans and draft budget proposals for capital expenditure and financing, and with its approved treasury management policy statement and practices. They are based on the estimate of the most likely, prudent but not worse case scenario, with sufficient headroom over and above this to allow for operational management, for example unusual cash movements.

### **Operational Boundary for External Debt**

The Council is also asked to approve the following Operational Boundary for external debt for the same period.

	<b>2016/17 Actual £000</b>	<b>2017/18 Estimate £000</b>	<b>2018/19 Estimate £000</b>	<b>2019/20 Estimate £000</b>	<b>2020/21 Estimate £000</b>	<b>2021/22 Estimate £000</b>
Borrowing	103,329	140,717	161,289	160,046	153,897	154,090
Other long term	1,207	1,043	1,343	1,143	943	868

liabilities						
	<b>104,536</b>	<b>141,760</b>	<b>162,632</b>	<b>161,189</b>	<b>154,840</b>	<b>154,958</b>

The proposed Operational Boundary for external debt is based on the same estimates as the Authorised Limit but reflects the estimate of the most likely, prudent but not worst case scenario, without the additional headroom included within the Authorised Limit to allow, for example, for unusual cash movements and equates to the maximum of external debt projected by this estimate.

The Operational Boundary represents a key management tool for in-year monitoring by the Head of Finance. Within the Operational Boundary, figures for borrowing and other long-term liabilities are separately identified. The Council is asked to delegate authority to the Head of Finance, within the total Operational Boundary for any individual year, to effect movement between the separately agreed figures for borrowing and other long term liabilities, in a similar fashion to the Authorised Limit. Any such changes will be reported to the Audit Committee or Council at the next opportunity following the change.

The Council's actual external debt at 31 March 2017 was £90.5 million, comprising £89.3 million borrowing and £1.2 million other long-term liabilities. It should be noted that the actual external debt is not directly comparable to the Authorised Limit and Operational Boundary, since the actual external debt reflects the position at one point in time.

In taking its decisions on the 2018/19 budget report, the Council is asked to note that the Authorised Limit determined for 2018/19 would be the statutory limit determined under section 3(1) of the local Government Act 2003.

### **Incremental impact of new capital investment decisions on Council Tax**

A key measure of affordability is the incremental impact on the Council Tax, and the Council should consider different options for its capital investment programme in relation to their differential impact on the Council Tax.

The incremental impact works on the basis that supported borrowing is funded through Revenue Support Grant. The calculation is therefore determined by establishing the revenue impact of:

- Unsupported borrowing – in terms of interest payments and the statutory Minimum Revenue Provision (MRP)
- Any revenue savings or costs that have been identified and that will result from capital schemes being delivered

The current capital budget proposals, using current information available, would have the following impact:

	<b>2016/17 Actual £ p</b>	<b>2017/18 Estimate £ p</b>	<b>2018/19 Estimate £ p</b>	<b>2019/20 Estimate £ p</b>	<b>2020/21 Estimate £ p</b>	<b>2021/22 Estimate £ p</b>
Effect on Band D Council Tax	40.50	17.19	15.27	3.10	2.46	2.89

The incremental impact is reducing with time as the amount of Capital expenditure on the 21 Century schools is coming to an end.

**Joy Robson**  
**Responsible Financial Officer**

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# Agenda Item 8

<b>8TH MARCH 2018</b>	
<i>Deadline for finalised reports to Cheryl –</i>	
<i>Finalised reports to Committee Section –</i>	
Wales Audit Office Proposals for Improvement Progress report	Richard Jones
Review of Reserves Qtr 3	Mark Howcroft
Internal Audit Progress report 2017/18 quarter 3	Andrew Wathan
Internal Audit Draft Plan 2018/19	Andrew Wathan
Information Management Review	WAO
<b>12TH APRIL 2018</b>	
<i>Deadline for finalised reports to Cheryl –</i>	
<i>Finalised reports to Committee Section -</i>	
Annual Governance Statement 2017/18 Draft	Andrew Wathan
<b>3RD MAY 2018</b>	
<i>Deadline for finalised reports to Cheryl –</i>	
<i>Finalised reports to Committee Section</i>	
Review of Reserves Outturn	Mark Howcroft
Implementation of Audit Recommendations	Andrew Wathan
CPR Exemptions 6 monthly	Andrew Wathan

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<b>SUBJECT</b>	<b>2017-18 RESERVE USAGE FORECAST</b>
<b>DIRECTORATE</b>	<b>Chief Executive's Unit</b>
<b>MEETING</b>	<b>Audit Committee</b>
<b>DATE</b>	<b>11th January 2018</b>
<b>DIVISIONS/WARD AFFECTED</b>	<b>All Authority</b>

## **1 PURPOSE**

- 1.1 To appraise audit members of the prospective reserve usage in conjunction with a continued need to highlight the revised reserves protocol endorsed by Cabinet.
- 1.2 A periodic focus by Audit Committee on reserve usage is important due to:
- Future funding gap and continuing low settlements
  - Pressures arising from such issues as increasing demand, new and changing legislation, changes in the wider economy and hard to predict events.
  - Grant funding streams being reduced or stopped at short notice
  - Capital receipts and other income streams not being achieved
  - Saving proposals not being delivered and increased demand on services leading to overspends

## **2 REVISED RESERVES PROTOCOL**

- 2.1 The detailed report received by Cabinet in July 2015 was prompted by;
- Faster than expected use of earmarked reserves over the last 4 year period
  - Limited opportunities to replenish reserves from in year underspends as budgets get tighter
  - Limited opportunities to redistribute reserves as various reserves are used up
  - Risks around the on-going austerity measures, the projected gap in the MTFP and the lack of clarity on the Authority's future business model or longer term financial plan to respond to this, notwithstanding the work that had commenced around 'Future Monmouthshire'.
  - Huge commitment of capital resources to Future Schools
  - The need for reserves to work harder
  - The need to consider some issues as requiring base budgets rather than continued funding from reserves e.g. redundancy costs are unfortunately going to be an ongoing feature of expense for the Authority every year.

### 3 RESERVE ACTIVITY

#### GENERAL RESERVES

- 3.1 The Council has unallocated reserves in the form of Council fund balance and school reserves. At the end of 2017-18 (based on period 2 activity) the unallocated reserve is anticipated to amount to,

	2016/17 c/fwd	Activity: Period 2 monitoring	Forecast 2017/18 outturn
	£'000	£'000	£'000
Council Fund	(7,111)	62	(7,049)
School reserves	(269)	823	554
<b>Total</b>	<b>(7,380)</b>	<b>861</b>	<b>(6,515)</b>

However realistically the level of surplus/deficit affecting Council Fund will commonly fluctuate before the end of the year

#### EARMARKED RESERVES

- 3.2 Revenue and Capital monitoring reflects an approved use of Earmarked reserves. At month 7, service managers' presumptions are mainly to fully utilise the reserve funding conveyed to them in 2017-18 budget.

<b>Summary Earmarked Reserves Month 7 2017-18</b>					
<b>Earmarked Reserves</b>	<b>Apr-17</b>	<b>Revenue Approved Usage</b>		<b>Capital Usage</b>	<b>Mar-18</b>
<b>Name of Reserve</b>		<b>Replenishment of Reserves</b>	<b>Draw on Reserves</b>		
Invest to Redesign	-960,943	-136,569	204,163	0	-893,349
IT Transformation	-727,784		153,500	11,823	-562,461
Insurance & Risk Management	-1,083,295				1,083,295
Capital Receipt Generation	-347,511		142,444		-205,067
Treasury Equalisation	-990,024				-990,024
Redundancy & Pensions	-795,297		298,484		-496,813
Capital Investments	-775,522			145,185	-630,337
Priority Investments	-1,000,171		556,420		-443,751
Museum Acquisitions	-56,760				-56,760
Elections	-133,183	-25,000	100,000		-58,183
Grass Routes Buses	-184,391	-5,000		38,307	-151,084
<b>Sub Total</b>	<b>-7,054,881</b>	<b>-166,569</b>	<b>1,455,011</b>	<b>195,315</b>	<b>5,571,124</b>
<b>Restricted Use Reserves</b>					
Youth Offending Team	-273,567				-273,567
Building Control Trading	-25,987				-25,987



Outdoor Education Centres	-190,280		41,000		-149,280
Plant & Equipment (Highways)	-75,000				-75,000
Homeless Prevention Fund	-4,619				-4,619
Rural Development Plan	-86,471				-86,471
CYP Maternity	-93,590				-93,590
<b>Total Earmarked Reserves</b>	<b>-7,804,395</b>	<b>-166,569</b>	<b>1,496,011</b>	<b>195,315</b>	<b>6,279,638</b>

- 3.3 Earmarked reserve usage over the MTFP is projected to decrease the balance on earmarked reserves from £6.3 million at end of 2017/18 to £5.2 million at the end of 2021/22. Taking into account that some of these reserves are specific, for example relating to joint arrangements or to fund capital projects, this brings the usable balance down to £1.4 million by the end of this MTFP window.
- 3.4 The month 7 forecast reports an anticipated £62k deficit on the Council Fund and therefore no opportunity is currently afforded to replenish earmarked reserves at year-end. However, Chief Officers are tasked with reducing the £1.333m forecast over spend on services before the year-end such that this can afford a limited opportunity to replenish earmarked reserves.
- 3.5 Earmarked reserves remain at limited levels unlikely to provide any material capacity/headroom to meet unanticipated volatility or significantly facilitate future service re-engineering and design. Replenishment of earmarked reserves is considered at year end, subject to a favourable outturn position and if necessary redistribution of reserves will ensure positive balances are available to meet the following year's requirement.
- 3.6 Given the forecast use of earmarked reserves, Cabinet has previously approved a policy on earmarked reserves to ensure that earmarked reserves are focused on investment in areas where they can achieve most impact.

#### **4 OPTIONS APPRAISAL**

- 4.1 Not applicable.

#### **5 EVALUATION CRITERIA**

- 5.1 The Reserves Usage report is brought in front of Audit Committee on an annual basis and to afford members of the committee to focus its scrutiny role on reserve usage and availability. By its very nature the report offers Audit Committee the opportunity to evaluate reserve usage and levels.

#### **6 REASONS**

- 6.1 To comply with best practice regarding the management and review of earmarked reserves and the Financial Procedure Rules within the Authority's constitution.

#### **7 RESOURCE IMPLICATIONS**

- 5.1 As a prudent financial planning assumption, the level of Council Fund reserves should be between 4% - 6% of net expenditure. Based on a budgeted net expenditure (excluding Police and Community Council precepts) and before financing totalling £139.5 million, the anticipated outturn forecast reserve level equates to 5.05%, which is towards the middle of agreed acceptable levels.

- 5.2 There is an immaterial level of earmarked reserve replenishment built into the annual budget, and by necessity Head of Finance considers the replenishment of specific reserves where year-end surpluses allow. At the end of 2016-17, the following adhoc contributions were made,

Priority Investment Fund	£570k
Redundancy & Pension Reserve	£114k
IT Transformation Reserve	£100k
Capital Receipts Generation Reserve	£100k
Total	£884k

- 5.3 Earmarked reserves remain at limited levels unlikely to provide any material capacity/headroom to meet unanticipated volatility or significantly facilitate future service re-engineering and design consequential with setting an annual budget that involves generating circa £5million savings annually.

## **8 EQUALITY AND SUSTAINABLE DEVELOPMENT IMPLICATIONS**

- 8.1 The decisions highlighted in this report have no direct equality implications. A sensible and robust reserve usage strategy does however underpin sustainability of the organisation.

## **9 CONSULTEES**

Strategic Leadership Team  
All Cabinet Members  
All Select Committee Chairman  
Head of Legal Services  
Head of Finance

## **10 BACKGROUND PAPERS**

None

## **9 AUTHOR**

Mark Howcroft – Assistant Head of Finance

## **10 CONTACT DETAILS**

Tel. 01633 644740  
e-mail. [markhowcroft@monmouthshire.gov.uk](mailto:markhowcroft@monmouthshire.gov.uk)



**SUBJECT: INTERNAL AUDIT SECTION  
PROGRESS REPORT ON UNFAVOURABLE  
AUDIT OPINONS**

**DIRECTORATE: Resources**  
**MEETING: Audit Committee**  
**DATE: 11<sup>th</sup> January 2018**  
**DIVISION/WARDS AFFECTED: All**

## 1. PURPOSE

To update Members on the progress of unfavourable (Unsatisfactory / Unsound/Limited Assurance) audit opinions issued since 2012/13 by the Internal Audit team. The previous update was presented to Audit Committee in May 2017.

## 2. RECOMMENDATION(S)

2.1 That the Audit Committee note the improvements made by service areas following the original unfavourable audit opinions issued.

Or

2.2 That if the Members of the Audit Committee are concerned about any of the audit opinions issued or lack of improvement made after the follow up audit review, consideration be given to calling in the operational manager and the Head of Service to provide justification for lack of progress and hold them to account for future improvements.

## 3. KEY ISSUES

3.1 The number of unfavourable audit opinions issues by Internal Audit is not that significant compared to the total number of audit opinions issued in any one year, but nonetheless, they are issued where serious weaknesses in internal control have been identified.

3.2 All of the systems / establishments issued with an unfavourable audit opinion originally which have been followed up, have improved to some extent prior to the audit team undertaking a follow up review. The majority of reviews were given a more favourable opinion which recognises that issues identified originally were subsequently addressed by management.

3.3 During 2015/16 the audit opinions were reviewed to better reflect the level of assurance that could be gained from the review of internal controls in operation. The new audit opinions in use from April 2016 are Substantial, Considerable, Reasonable, Limited; the definitions of which are shown at Appendix 1.

#### 4. REASONS

4.1 The audit opinions previously used within the team were introduced into the audit reports at the beginning of 2008/09 and are as set out in Appendix 2. The opinion gives an indication of the adequacy of the internal control environment of the system or establishment under review. During the audit planning process the reviews are risk assessed as High, Medium or Low.

4.2 The previous report was presented to Audit Committee May 2017; this information is updated and presented to Audit Committee on a six monthly basis.

4.3 The following unfavourable audit opinions have been issued since 2011/12:

	Unsatisfactory	Unsound
2011/12	4	1
2012/13	2	0
2013/14	0	0
2014/15	6	0
2015/16	7	0

	Limited (Assurance)
2016/17	8
2017/18 (up to 31/12/17)	2

4.4 In 2013/14, no audit reports were issued with an Unsatisfactory or Unsound audit opinion. The team did audit some grant claims during the year; one of which resulted in a qualified audit opinion being issued.

4.5 In 2014/15, 6 audit reports were issued with an Unsatisfactory audit opinion:

- a) Passenger Transport Unit
- b) Procurement - Off Contract Purchasing
- c) Llandogo Primary (13/14) – Revised opinion issued in August 2015 was Reasonable
- d) Chepstow School (13/14)
- e) Llanfair Kilgeddin Primary School – school subsequently closed
- f) Monmouthshire Enterprises

4.6 In 2015/16, 7 audit reports were issued with an Unsatisfactory audit opinion, 4 of which were carried forward from 2013/14 and 2014/15;

	Assignment	Risk H/M/L	Rating	Revised Opinion	Date Issued
2015/16	Procurement Cards	Medium	Unsatisfactory	In progress	
	Magor Primary	Low	Unsatisfactory	Reasonable	31-3-17
	Markets	Medium	Unsatisfactory	In progress	
	Passenger Transport Unit (14/15)	Medium	Unsatisfactory	In progress	
	Procurement - Off Contract Purchasing (14/15)	Medium	Unsatisfactory	In progress	
	Chepstow School (13/14)	Medium	Unsatisfactory	Considerable (Draft)	Sept 17
	Monmouthshire Enterprises (Social Care) (14/15)	Medium	Unsatisfactory	To be followed up in 2017-18	

- 4.7 Chepstow School concerns have been reported to Audit Committee previously (March 2015) and members of the School management team have attended to respond to concerns raised in the audit report. A follow-up draft audit report on the School has now been issued, which identified an improved internal control framework at the School. A draft opinion of 'Considerable Assurance' has been included in the report and a meeting is scheduled for later this month to seek to finalise the report and Action Plan.
- 4.8 Officers from Passenger Transport Unit and Monmouthshire Enterprises have previously been invited to and subsequently attended Audit Committee in order to respond to Members' questions and to provide assurances that appropriate actions would be taken to improve the financial control environment.
- 4.9 Ideally these audit reviews will be followed up by the audit team within 9 to 12 months of the final report being issued to ensure that action has been taken to address the weakness identified. Some delays may have arisen as a result of the operational manager deferring the follow up audit. These reviews will be followed up in 2017/18.
- 4.10 During 2016/17, 8 reports were issued with a **Limited** opinion. This is the equivalent of the previous Unsatisfactory opinion. These were as follows:

	Assignment	Risk H/M/L	Rating	Revised Opinion	Date Issued
2016/17	School Meals (Final)	Medium	Limited	In progress	
	Ysgol Y Ffin Primary School	Low	Limited	2017/18	
	Events (Final)	Medium	Limited	Limited	
	HR Policy Review	Medium	Limited	2017/18	

	External Placements	Medium	Limited	2017/18	
	Compliance with Bribery Act	Medium	Limited	In progress	
	Mobile Phones	Medium	Limited	2017/18	
	Volunteering	Medium	Limited	2017/18	

4.11 The audit review of the Events provision resulted in a second consecutive **Limited** audit opinion. The Audit Committee Members agreed to call the senior managers responsible for this service into Audit Committee which they did at a recent Audit Committee meeting in December. Senior Managers provided assurances that, should the Events programme be run on such a large scale again, significant improvements in the control environment would be made.

4.12 For the majority of Limited audit opinions issued during 2016/17, the main issues have previously been reported to Audit Committee.

4.13 The main issues of the audit work not previously reported were:

**a. Volunteering**

- Guidance is in place for co-ordinators, however this was not interpreted and applied in a consistent manner;
- Volunteer information is held inconsistently and in some cases, inappropriately;
- Inconsistent information is shared with volunteers;
- Safe recruitment could not be demonstrated in all instances;
- Potential breaches of the Data Protection Act 1998 and Equalities Act 2010 were noted, particularly regarding Equal Opportunities and Occupational Health forms; and
- Induction and training could not be evidenced consistently.

4.14 During 2017/18 (up to 31-12-17), 2 reports were issued with a **Limited** opinion. These were as follows:

	Assignment	Risk H/M/L	Rating	Revised Opinion	Date Issued
<b>2017/18</b>	Borough Theatre Trust	High	Limited		
	Raglan Primary School	Medium	Limited		

4.15 The Main issues were:

**a. Borough Theatre Trust**

This audit was initially undertaken as an unplanned piece of audit work specifically at the request of the Chief Officer Enterprise and the Cabinet Member for Innovation, Enterprise and Leisure. Independent advice was requested over the financial and administrative operations at the Theatre. The Internal Audit team provided a report back to Management in June 2017, but given current legal undertakings are not in a position to report back to Audit Committee at this stage.

**b. Raglan Primary School**

- Bankings were not subject to a secondary check
- Unforeseen expenditure has led to a substantial over spend against budget for 2016/17
- At the time of the audit, investigations were being carried out by People Services, CYP and the School into claims by a group of staff that they had been consistently under paid for additional hours worked at the School
- Pre-signed blank cheques were found for the School's Private Fund account
- Private Fund payments were not suitably controlled
- No reconciliations had been performed on the Private Fund bank account for approximately 18 months
- The Private Fund account had not been audited for the last two academic years.

4.16 As part of all audit reviews, the issues identified at the previous audit are followed up to ensure that they have been adequately addressed, which should provide assurance on the effectiveness of the internal control environment for that particular service, system or establishment.

**5. SERVICE MANAGEMENT RESPONSIBILITIES**

5.1 Heads of Service and service managers are responsible for addressing any weaknesses identified in internal systems and demonstrate this by including their management responses within the audit reports. When management agree the audit action plans they are accepting responsibility for addressing the issues identified within the agreed timescales.

5.2 Ultimately, managers within MCC are responsible for maintaining adequate internal controls within the systems they operate and for ensuring compliance with Council policies and procedures. All reports, once finalised, are sent to the respective Heads of Service for information and appropriate action where necessary.

**6. RESOURCE IMPLICATIONS**

None.

**7. CONSULTEES**

**8. BACKGROUND PAPERS**

Audit management Information 2013/14, 2014/15, 2015/16, 2016/17, 2017/18

**9. AUTHOR AND CONTACT DETAILS**

Andrew Wathan, Chief Internal Auditor

Telephone: x.4243

Email: [andrewwathan@monmouthshire.gov.uk](mailto:andrewwathan@monmouthshire.gov.uk)



**Internal Audit Opinions (wef 2016/17)**

<b>SUBSTANTIAL</b>	Substantial level of assurance. Well controlled although some minor risks may have been identified which require addressing.
<b>CONSIDERABLE</b>	Considerable level of assurance. Generally well controlled, although some risks identified which should be addressed.
<b>REASONABLE</b>	Reasonable level of assurance. Adequately controlled, although risks identified which could compromise the overall control environment. Improvements required.
<b>LIMITED</b>	Limited level of assurance. Poorly controlled, with unacceptable levels of risk. Fundamental improvements required immediately.

The table below summarises the ratings used during the reviews:

RATING	RISK DESCRIPTION	IMPACT	TOTAL IDENTIFIED DURING REVIEW
1	Significant	<p>(Significant) – Major / unacceptable risk identified.</p> <p>Risk exist which could impact on the key business objectives. Immediate action required to address risks.</p>	
2	Moderate	<p>(Important) – Risk identified that requires attention.</p> <p>Risk identified which are not business critical but which require management as soon as possible.</p>	
3.	Minor	<p>(Minimal) - Low risk partially mitigated but should still be addressed</p> <p>Audit comments highlight a suggestion or idea that management may want to consider.</p>	
4.	Strength	<p>(No risk) – Good operational practices confirmed.</p> <p>Well controlled processes delivering a sound internal control framework.</p>	

**Previous Audit Opinions**

Each report contains an opinion which is an overall assessment of the control environment reviewed. The full list of audit opinions used is shown below:

<b>Opinion</b>	<b>Description</b>
<b>VERY GOOD</b>	Very well controlled with minimal risk identified; a few minor recommendations.
<b>GOOD</b>	Well controlled although some risk identified which needs addressing.
<b>REASONABLE</b>	Adequately controlled although some risks identified which may compromise the overall control environment.
<b>UNSATISFACTORY</b>	Not very well controlled; unacceptable levels of risk identified; changes required urgently.
<b>UNSOUND</b>	Poorly controlled; major risk exists; fundamental improvements are required with immediate effect.

**Recommendation Ratings**

Each recommendation contained within the Internal Audit report has a 2 part priority rating. The number refers to Internal Audit assessment attached to the relevant weakness identified, whilst the letter relates to the urgency with which we believe the recommendation should be implemented (see tables below).

<b>Rating</b>	<b>Assessment of the Weakness Identified</b>
1	Fundamental weakness.
2	Highly significant weakness.
3	Significant weakness.
4	Minor weakness.

<b>Rating</b>	<b>Proposed Timescale for Implementation</b>
A	Should be actioned immediately
B	Should be implemented as soon as possible but within 3 months.
C	Ongoing requirements or within 12 months.

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<b>SUBJECT:</b>	<b>Strategic Risk Assessment</b>
<b>MEETING:</b>	<b>Audit Committee</b>
<b>DATE:</b>	<b>11<sup>th</sup> January 2018</b>
<b>DIVISIONS/WARDS AFFECTED:</b>	<b>All</b>

## 1. PURPOSE:

- 1.1 To provide members with an overview of the current strategic risks facing the authority as provided in appendix 1.
- 1.2 To fulfil Audit Committee's role in providing assurance of the adequacy of the Council's risk management framework.

## 2. RECOMMENDATIONS:

- 2.1 That members use the risk assessment to consider the effectiveness of the authority's risk management arrangements and on an on-going basis to hold the responsibility holders to account to ensure that risk is being appropriately managed.
- 2.2 That members consider the strategic risk assessment presented for the next three years, in particular those of relevance to the committee and scrutinise the extent to which the strategic risks facing the authority are appropriately captured.

## 3. KEY ISSUES:

- 3.1 Audit Committee has a specific role in providing independent assurance of the adequacy of the Council's risk management framework. The Strategic risk assessment ensures that:
  - Strategic risks are identified and monitored by the authority.
  - Risk controls are appropriate and proportionate
  - Senior managers and elected members systematically review the strategic risks facing the authority.
- 3.2 The Strategic Risk Assessment is updated based on the latest evidence available in line with the Council's strategic risk management policy, a summary is provided in Appendix 2. Some of these evidence sources will already be scrutinised by Audit Committee through the year, for example, internal and external Audit and Inspection reports and the Council's Annual Governance Statement. The risk assessment only covers high and medium level risks. Lower level operational risks are not registered unless they are projected to escalate within the three years covered. These are managed and monitored through teams' service plans. The pre and post mitigation risk levels are presented separately. In most cases mitigating actions result in a change to the likelihood of the risk rather than the potential consequences as our actions are generally aimed at reducing the chance of a negative event occurring rather than lessening it's impact. Clearly there will be exceptions.

- 3.3 The risk assessment is a living document and will evolve over the course of the year as new information comes to light. The risk assessment should continue to focus on medium term risks to service delivery. There have therefore been a number of amendments to the strategic risk register to ensure it accurately manages the current strategic risks facing the Council as set out in Appendix 1. This has included updating the focus of some existing risks, which have been marked as revised. Any new risks identified since the last annual report to Audit Committee have also been highlighted. Any risk that has been removed from the strategic risk register has been identified in a separate table. Where there remains a level of risk these risks will continue to be monitored and action undertaken through the relevant service business plan.
- 3.4 In line with the Well-being of Future Generations Act, identification and mitigation of longer term risks that will impact on future generations at community level, but will have a lesser impact on the medium term delivery of council services is an area for continued development. The Well-being Assessment for Monmouthshire identifies a number of these. The Public Service Board draft Well-being Plan sets out the objectives that public services in Monmouthshire are developing collaboratively.
- 3.5 Following presentation to Audit Committee, the risk assessment will be presented to Cabinet for sign-off. The risk assessment is a living document and will evolve over the course of the year as new information comes to light, including alignment with the developing Corporate Plan. Also, any amendments required in line with initial feedback of a recent internal audit review of the council's risk management arrangements carried out in 2017 will continue to be considered. An up-to-date risk log is accessible to members on the Council's intranet - The Hub. This will ensure, as well as specific scrutiny of the risk assessment annually, that committees are able to use the risk register to re-visit the information at any point in the year to re-prioritise their work plan as appropriate.

**4. REASONS:**

- 4.1 To provide timely and contributory information on strategic risk management as part of the authority's performance management framework in ensuring that the authority is well-run and is able to contribute to achieving sustainable and resilient communities.

**5. AUTHOR:**

Richard Jones, Policy and Performance Officer  
E-mail: [richardjones@monmouthshire.gov.uk](mailto:richardjones@monmouthshire.gov.uk)  
Telephone: 01633 740733

Appendix 1 – Strategic Risk Assessment

Ref	Risk	Reason why identified	Risk Level (Pre – mitigation)				Mitigating actions	Timescale and responsibility holder	Mitigation action progress	Risk Level (Post – mitigation)				Risk owner & Cabinet member responsible	Select Committee and strategic objective
			Year	Likelihood	Impact	Risk Level				Year	Likelihood	Impact	Risk Level		
1. Revised	Potential Risk that:  The authority does not remain relevant and viable for future generations due to not having a sustainable delivery model.	<p>The introduction of the Well-being of Future Generations Act requires us to plan on a decadal and generational basis and our current models do not extend to this timeframe.</p> <p>In light of the financial, demographic and demand pressures we face it is not enough to keep our county and council going for now, we have to ensure it is continually growing for the future.</p> <p>A corporate plan is being developed that sets out a clear direction for the Council and the resources required to deliver it. The council's key delivery strategies to enable the delivery of this are being revised.</p> <p>Whilst the Future Monmouthshire work is making progress and establishing key themes to work on there is still some way to go to establish the future operating model for the authority and a one-year (2018/19) budget process has been developed.</p>	2017/18	Possible	Major	Medium	Develop and specify the business model for the authority in the long term through the Future Monmouthshire programme and continue to implement the programme to meet short and long term needs	Chief Executive, February 2018	A corporate plan is being developed by Cabinet that sets out a clear direction for the Council and the resources required to deliver it.	2017/18	Unlikely	Major	Low	Paul Matthews & Cllr Peter Fox	Select Committee: All  Objectives: All
			2018/19	Possible	Major	Medium				2018/19	Unlikely	Major	Low		
			2019/20	Possible	Major	Medium				2019/20	Unlikely	Major	Low		
						Following the development of the corporate plan ensure the Council's key delivery strategies e.g. assets, people and digital are reviewed and aligned to deliver the corporate plan	Deputy Chief Executive May 2018	Following the approval of the corporate plan the Council's key delivery strategies to enable the delivery of this will be revised. Future Monmouthshire has set a number of guiding principles that will help ensure that any work and decisions that need to be made in the short term can be consistent with ongoing work to establish the medium and long term picture.							
						In partnership with Gwent public sector partners, commission work on future trends, including understanding how particular trends impact at a local level	Head of Policy and Governance March 2018	The project has been commissioned and research has commenced to develop understanding of trends that could impact on well-being and delivery of public services.							
2 revised	Potential Risk that:  Without appropriate and effective governance infrastructure the Council may not deliver its objectives.	<p>Good governance is a fundamental part of local authority working, arrangements are multifaceted and need to be subject to continuing review to ensure they are effective.</p> <p>The Well-being of Future Generations Act sets longer term goals we need to work towards, and the ways of working we need to adopt. To effectively implement this will require changes to the way we work.</p> <p>The Council is increasingly considering alternative delivery models to sustain services for example for Leisure, Tourism, Culture and Youth Services. These</p>	2017/18	Possible	Substantial	Medium	Update the Councils' constitution to ensure it reflects recent changes in legislation and governance.	Monitoring Officer December 2017	In December 2017 Council adopted changes to the council's constitution.	2017/18	Possible	Substantial	Medium	Kellie Beirne & Cllr Paul Jordan	Select Committees: Audit Committee  Objectives: All
			2018/19	Possible	Substantial	Medium				2018/19	Unlikely	Substantial	Low		
			2019/20	Possible	Substantial	Medium				2019/20	Unlikely	Substantial	Low		

Ref	Risk	Reason why identified	Risk Level (Pre – mitigation)				Mitigating actions	Timescale and responsibility holder	Mitigation action progress	Risk Level (Post – mitigation)				Risk owner & Cabinet member responsible	Select Committee and strategic objective	
			Year	Likelihood	Impact	Risk Level				Year	Likelihood	Impact	Risk Level			
		<p>models are often complex and have many risks and challenges.</p> <p>New joint arrangements require robust governance arrangements to be established.</p> <p>The White Paper <i>Reforming Local Government: Resilient and Renewed</i> sets out proposals to strengthen the role of councils and councillors and review the role of community councils.</p> <p>Concerns on overlapping and complicated community governance structures have led to some dissatisfaction amongst community stakeholders.</p> <p>Monmouthshire County Council recognises the important and valuable contribution made by volunteers in enhancing service delivery. There is a need to formalise arrangements for the role of volunteers in service delivery and set out the terms governing their engagement and ongoing relationship with the Council</p> <p>The latest Wales Audit Office Annual Improvement Report (AIR) concludes “Based on, and limited to, the work carried out by the Wales Audit Office and relevant regulators, the Auditor General believes that the Council is likely to comply with the requirements of the Local Government Measure (2009) during 2017-18 providing it responds constructively and in a timely way to our statutory recommendations.”</p>					<p>Pilot the Community Governance structure in the Bryn Y Cwm area and finalise the Community Governance review and agree through Council</p>	Head of Policy and Governance	<p>Council agreed in March 2017 that the review of community governance should be finalised as early as possible to allow the new Council to reach agreement as to the shape and structure of community engagement; and that the community governance structure designed as a part of member working group is piloted in the Bryn Y Cwm area.</p> <p>Five new cluster town and community councils have been set up and allocated an SLT lead. The governance review will need to consider this.</p>							
							Finalise and present the full business case on Leisure, Tourism, Culture and Youth Services for further consideration by Members	Head of Tourism, Leisure & Culture February 2018	A Full Business Case has been scrutinised by a joint select committee in July 2017 and explains the background to the proposal and sets out the Strategic, Financial, Economic, Commercial and Management case in support of the proposal, with the key focus on the financial viability of the proposal.							
							Manage our actions in response to Estyn, CSSIW and WAO via existing mechanisms	Senior Leadership Team, timetable as per action plans	The Council has arrangements in place to respond to regulatory reports.							



Ref	Risk	Reason why identified	Risk Level (Pre – mitigation)				Mitigating actions	Timescale and responsibility holder	Mitigation action progress	Risk Level (Post – mitigation)				Risk owner & Cabinet member responsible	Select Committee and strategic objective	
			Year	Likelihood	Impact	Risk Level				Year	Likelihood	Impact	Risk Level			
							Deliver the implementation plan for volunteering policy (adopted in December 2017) in all service/business areas and continued implementation of the Volunteer toolkit,	HR Manager & Communities and Partnership Development Team Timescale as per implementation plan	Safe recruitment, and effective management of, the volunteer workforce has been a major focus. A quarterly MCC volunteer network supports services on volunteer management. A Volunteering Policy was adopted by full Council in December 2017. This is supported by the Volunteering Toolkit, which all services and schools using the services of volunteers need to comply with. A six month volunteer coordination post was created to support implementation of the volunteer policy.							
3	Potential Risk that: The Council and partners do not make sufficient progress to improve well-being through regional and partnership working.	<p>The Future Generations Act puts a well-being duty on specified public bodies to act jointly via Public Service Boards (PSB) to improve the economic, social, environmental and cultural well-being of their area. The PSB well-being plan and delivery mechanisms to achieve their objectives are currently being formalised. The Council as a statutory partner will have an important role in taking these forward.</p> <p>The White Paper <i>Reforming Local Government: Resilient and Renewed</i> sets out arrangements for regional working. As part of this it highlights regional working requires clarity of purpose about what the collaboration is trying to achieve, and also clarity regarding roles and responsibilities, governance, accountability and financing mechanisms; not just for the organisations delivering services, but for the people receiving services</p>	2017/18	Possible	Substantial	Medium	To develop the Public Service Board Well-being plan, implement a delivery framework and develop the role of the Public Service Board Select Committee to scrutinise the PSB arrangements	Head of Policy and Governance May 2018	Monmouthshire PSB draft well-being plan is currently being consulted on until 7th February 2018	2017/18	Possible	Substantial	Medium	Kellie Beirne, Cllr Peter Fox & Cllr Paul Jordan	Select Committees: Audit Committee  Public Service Board Select Committee  Objectives: All	
			2018/19	Possible	Substantial	Medium				2018/19	Possible	Substantial	Medium			
			2019/20	Possible	Substantial	Medium				2019/20	Unlikely	Substantial	Low			

Ref	Risk	Reason why identified	Risk Level (Pre – mitigation)				Mitigating actions	Timescale and responsibility holder	Mitigation action progress	Risk Level (Post – mitigation)				Risk owner & Cabinet member responsible	Select Committee and strategic objective
			Year	Likelihood	Impact	Risk Level				Year	Likelihood	Impact	Risk Level		
		The Council is already part of regional and partnership working arrangements in a variety of services, some of these require further development													
4	Potential Risk that:  Some services may become financially unsustainable in the short to medium term.	<p>The latest assumptions (November 2017) indicate a cumulative budget gap of £14 million over the period 2018/19 -2021/22.</p> <p>Over the last four years, the Council has had to manage £19.1 million of savings from its service budgets, whilst additionally also taking advantage of the cashflow savings effect of revising its capital finance arrangements of circa £3.3million.,</p> <p>The council holds appropriate reserves but there is little opportunity to replenish reserve balances as budgets get tighter. Ear marked reserves need to work harder to help the Authority through the financial challenges and risks it faces. The medium term projection is for usable and available ear marked reserves to fall to £1.4million.</p> <p>Funding from Welsh Government has reduced over the period and this looks set to continue for the foreseeable future.</p> <p>At the same time pressures on the budget have been increasing in terms of demographic growth, demand on services and expectations, contract price inflation and redundancy costs.</p>	2017/18	Possible	Major	Medium	Ensure that services deliver within budget, deliver savings targets and continue to identify, review and challenge pressures.	Head Of Finance March 2018	Overall Net Council Fund at Month 2 2017/18 is reporting a £164,000 overspend. This is an improvement on recent years monitoring in the same period however it is identified this is potentially overoptimistic in a number of areas. 95% of savings are forecast to be achieved.	2017/18	Unlikely	Major	Low	Joy Robson and Cllr Phil Murphy	Select Committee: All  Objectives: All
			2018/19	Possible	Major	Medium				2018/19	Unlikely	Major	Low		
			2019/20	Possible	Major	Medium	All services to model savings for 2018-19 based on the principles of Future Monmouthshire and begin planning a longer-term programme which aligns with the medium Term Financial Plan.	Head Of Finance March 2018	All services have been asked to plan how their services would look within a 5% budget reduction for 2018/19 and begin to position short-term decisions in the context of a longer-term programme which aligns with the medium Term Financial Plan.	2019/20	Unlikely	Major	Low		
							Develop and implement a commercial strategy aligned to the Corporate Plan	Chief Officer Resources May 2018	The strategy is being drafted.						
							Develop and implement a Strategic procurement review for long term and short term benefits and savings to the Council and the County	Head of Commercial and Integrated Landlord Services March 2019	The Strategic Procurement Review has commenced following initial desktop research. Economy and Development Select Committee are actively engaged in the development of proposals.						
							Continue to Implement the income generation strategy	Assistant Head of Finance Ongoing	A review of fees and charges for services across the Council has been completed and proposals identified for amending charges with effect from April 2018 presented to Cabinet. A strategic review of fees and charges over the medium term is to be completed.						

Ref	Risk	Reason why identified	Risk Level (Pre – mitigation)				Mitigating actions	Timescale and responsibility holder	Mitigation action progress	Risk Level (Post – mitigation)				Risk owner & Cabinet member responsible	Select Committee and strategic objective
			Year	Likelihood	Impact	Risk Level				Year	Likelihood	Impact	Risk Level		
5 revised	Potential Risk that:  The authority is unable to deliver its political priorities due to insufficient capital funding availability which may also lead to risks of maintaining key infrastructure and other identified pressures.	Reduction in capital budget. The core capital programme has been constrained in order to enable the Band A new schools programme to be funded. The business case is to be developed for Band B and funding identified.  A number of significant pressures are documented that are not currently funded – property and highways infrastructure, DDA work, Public rights of way etc.. which carries a considerable risk.  The capital receipts balance is set to reduce over the MTFP (2018/19 – 2021/22).  Projects, such as the CCR City Deal, require significant capital investment to realise the outcomes.  In the event of emergency pressures resources will have to be diverted.  There can be significant slippage in gaining capital receipts.  There is a risk associated with relying on the need to utilise capital receipts in the same year that they come into the Council and the potential for this to have significant revenue pressures should receipts be delayed and temporary borrowing be required.	2017/18	Possible	Major	Medium	Regularly review assumptions as part of the capital MTFP taking account of any new information that is relevant and the consequential impact on the revenue MTFP.	Deputy Head of Finance Ongoing	The draft capital budget proposals for 2018/19 to 2021/22 identifies a capital strategy that enables the core capital programme, Future schools and other identified schemes to be accommodated is being developed. Notwithstanding this there will still remain a considerable number of pressures that sit outside of any potential to fund them within the Capital MTFP and this has significant risk associated with it.	2017/18	Possible	Major	Medium	Deb Hill- Howells, Joy Robson & Cllr Phil Murphy	Select Committees: Economy and Development & Strong Communities  Objectives: All
			2018/19	Possible	Major	Medium				2018/19	Possible	Major	Medium		
			2019/20	Likely	Major	High				2019/20	Possible	Major	Medium		
						Further refinement of priority assessments in the property and infrastructure budgets to ensure all pressures have been considered and ranked.	Head of Commercial and Integrated Landlord Services & Head of Operations Ongoing	A revised programme of property surveys and health and safety surveys will be used to prioritise the maintenance programme and associated backlog.  Independent condition assessments of key highways infrastructure are completed as required depending on condition. These inform prioritisation of available capital budget.							
						Review and update the Asset Management Plan to provide a clear strategy and plan for the management of the council's property and land assets and ensure it aligns to the delivery of the corporate plan.	Head of Commercial and Integrated Landlord Services April 2018	The Asset Management Plan is being updated to align to the delivery of the corporate plan.							
						Complete and gain approval for the policy of acquisition of investment property.	Head of Commercial and Integrated Landlord Services April 2018	A proposed policy for the acquisition of investment properties has been created and scrutinised by Economy and Development Select Committee the plan is being reviewed based on the feedback and principles of Future Monmouthshire.							

Ref	Risk	Reason why identified	Risk Level (Pre – mitigation)				Mitigating actions	Timescale and responsibility holder	Mitigation action progress	Risk Level (Post – mitigation)				Risk owner & Cabinet member responsible	Select Committee and strategic objective			
			Year	Likelihood	Impact	Risk Level				Year	Likelihood	Impact	Risk Level					
6 Revised	Potential Risk that:  Our workforce is not sufficiently resourced and does not have the right mix of skills which impacts our ability to deliver change, improve performance and deliver our objectives.	Our people are central to the success of our council and county. To maximise the opportunities to deliver our objectives we need to develop knowledge and skills that are not always widespread within our sector  The number of employees has reduced in recent years. Sickness levels were an average of 11.5 days per FTE employee in the year to March 2017.  A range of services have identified risks to their capacity for service delivery.	2017/18	Possible	Substantial	Medium	To implement a revised people and organisational development strategy following development of the corporate plan and the workforce planning arrangements required to deliver it.	Head of People Services June 2018	A People services business plan for 2017/18 is in place. The people and organisation development strategy and workforce planning arrangements will be developed aligned to the corporate plan.	2017/18	Possible	Substantial	Medium	Tracey Harry & Cllr Phil Murphy	Select Committee: Strong Communities  Objectives: All			
			2018/19	Possible	Substantial	Medium				Continue to implement Directorate workforce planning	HR lead & Training Lead Ongoing	To support workforce planning a workflow has been developed to enable service leaders to effectively focus on succession and workforce planning and directorates to develop plans for their workforce. The combination of the workflow and the training and development pathways will help support workforce development.	2018/19			Possible	Substantial	Medium
			2019/20	Possible	Substantial	Medium							Continue to engage with staff on well-being to ensure a focus on addressing identified needs and make better use of data for focussed interventions.			Head of People Services Ongoing	A staff survey, including further questions on wellbeing, has been completed and the results are being used to inform future planning. Workshops have been held to promote staff well-being and support available.  A managers checklist has been implemented to ensure all managers undertake appropriate training.  Workforce data displays in the HR system are being developed (by February 2018) to provide managers with more timely and a greater range of information to inform the management of their workforce	2019/20
			Embed the attendance and wellbeing policy		HR lead March 2018	The revised attendance and wellbeing policy was approved by Cabinet in June 2017												
			Continue to increase understanding and maximise completion of the check-in, check-out staff appraisal process and use feedback to plan and identify training needs		HR lead Ongoing	Based on feedback received, the Check-in, Check-out (CICO) process has been reviewed and rolled out with more robust guidance, video tutorials and supportive training. Work will continue to increase understanding and maximise completion of the process.												

Ref	Risk	Reason why identified	Risk Level (Pre – mitigation)				Mitigating actions	Timescale and responsibility holder	Mitigation action progress	Risk Level (Post – mitigation)				Risk owner & Cabinet member responsible	Select Committee and strategic objective
			Year	Likelihood	Impact	Risk Level				Year	Likelihood	Impact	Risk Level		
7 revised	Potential risk of:  Significant harm to vulnerable children or adults due to failure of safeguarding arrangements	<p>Improved outcomes for vulnerable people can only be achieved and sustained when people and organisations work together to design and deliver more integrated services around people's needs</p> <p>In February 2017 Wales Audit Office issued Statutory recommendations for improvement in Safeguarding arrangements in the Kerbcraft scheme report. Internal audit have issued limited assurance reports on volunteering and children's services placements</p> <p>Potential that staff and volunteers begin their appointment without DBS checks having been completed. Within a large organisation with devolved responsibility for recruitment and selection there is opportunity for deviation from agreed processes</p> <p>It is acknowledged that more work is required to strengthen the links between national, regional and local safeguarding activity and ensure the learning through the regional safeguarding boards and sub-groups is embedded in practice and operations in Monmouthshire</p> <p>While there are many steps the council and partners can take to mitigate the risk, significant harm can also occur due to factors that are outside our control meaning that there will always be a level of risk.</p>	2017/18	Possible	Major	Medium	Continually monitor and evaluate process and practice and review accountability for safeguarding and implement actions identified, particularly better use of information.	Corporate Safeguarding Programme Lead Ongoing	The latest evaluation of progress of Monmouthshire County Council's key safeguarding priorities, in the period April – October 2017 was presented to Cabinet in December 2017. This identified measures to highlight progress, identifies risks and sets out clear improvement actions and priorities for further development.	2017/18	Possible	Major	Medium	Will Mclean & Claire Marchant. Cllr Penny Jones & Cllr Richard John	<p>Select Committees: CYP &amp; Adults</p> <p>Objective: Provide children and young people with the best possible start in life</p> <p>Maximise the potential in our communities to develop the well-being of people throughout their lives</p>
			2018/19	Possible	Major	Medium				2018/19	Possible	Major	Medium		
			2019/20	Possible	Major	Medium				2019/20	Possible	Major	Medium		
						Ensure that robust systems are in place within the authority to respond to any concerns arising from allegations or organised abuse	Chief Officer, SCH Ongoing	The SAFE process has been rolled out across the Council and a new system of SBARs (Situation Background Analysis Review) has been introduced.							
						Drive the strategic agenda and the associated programme of activities for safeguarding through the Whole Authority Safeguarding Group (WASG).	Chief Officer, SCH Ongoing	The Corporate safeguarding policy sets out clearly roles, responsibilities and governance arrangements. WASG has an important role, bringing together Chief Officers/ Heads of Service from each directorate to lead safeguarding activity in the Council. To reflect the need to improve systems for identification, management and mitigation of risk, a new system of SBARs (Situation Background Analysis Review) has been introduced to support WASG in identifying risks, overseeing action plans arising from significant event analyses in respect of compliance with the Council's safeguarding policy.							
						As a statutory partner of the regional safeguarding boards continue to work with other statutory partners to implement effective scrutiny arrangements	Chief Officer, SCH Ongoing	At a regional level, the South East Wales Safeguarding Children Board and Safeguarding Adults Boards fulfil the statutory responsibilities set out in the Social Services and Wellbeing (Wales) Act. Monmouthshire County Council is fully represented on both the Children and Adult Safeguarding Boards, and their subgroups. It is acknowledged that more work is required to strengthen the links between national, regional and local safeguarding activity and ensure the learning from the regional boards and sub-groups is embedded in practice and operations in Monmouthshire.							

Ref	Risk	Reason why identified	Risk Level (Pre – mitigation)				Mitigating actions	Timescale and responsibility holder	Mitigation action progress	Risk Level (Post – mitigation)				Risk owner & Cabinet member responsible	Select Committee and strategic objective
			Year	Likelihood	Impact	Risk Level				Year	Likelihood	Impact	Risk Level		
							Continue to implement the Children’s services improvement programme and related Workforce and Practice Development Action Plan and Commissioning strategy for Children, Young People and their Families.	Head of Children’s services Timescales as in plan	The Children’s Services Improvement Programme has created a drive to improve the quality child protection practice, application processes and procedures, and ensure staff understand the requirements and expectations of their role and task. This is regularly reported to select committee and continues to be progressed.						
							Deliver the implementation plan for volunteering policy (adopted in December 2017) in all service/business areas and continued implementation of the Volunteer toolkit,	HR Manager & Communities and Partnership Development Team Timescale as implementation plan	Safe recruitment, and effective management of, the volunteer workforce has been a major focus. A quarterly MCC volunteer network supports services on volunteer management. A Volunteering Policy was adopted by full Council in December 2017. This is supported by the Volunteering Toolkit, which all services and schools using the services of volunteers need to comply with. A six month volunteer coordination post was created to support implementation of the volunteer policy.						
							To implement the Action Plan established in response to the Safeguarding arrangements – Kerbcraft scheme report approved by Council in March 2017	Head of Operations, Timescales as in action plan	Audit Committee received a report on the implementation of the Action Plan (Nov 2017). A further report on implementation of the Action Plan has been presented to CYP Select Committee along with the performance data which will thereafter form the basis of annual performance reports to the committee.						





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			Year	Likelihood	Impact	Risk Level				Year	Likelihood	Impact	Risk Level			
		<p>Unsustainable provision to meet the demand for Welsh Medium education provision</p> <p>Along with the rest of the organisation, schools are facing a challenging financial settlement and have, for the first time, budgeted to be in a collective deficit by the end of the year. By the end of the financial year 2018/19 it is anticipated 11 schools will be in a deficit reserve position.</p> <p>Schools enter a collective deficit reserve position contrary to current Fairer Funding guidance that Governing bodies have ascribed to.</p>					<p>Deliver the Welsh Education Strategic Plan in collaboration with neighbouring authorities</p> <p>Head of Achievement and Attainment Early 2018</p>	<p>A revised draft is out for consultation as agreed by Cabinet in October 2017 and due to be submitted to Welsh Government early in the new year</p>								
							<p>Continue to work closely with schools to ensure their financial plans are as robust as possible to minimise any impact whilst continuing to improve standards for our young people.</p> <p>Finance Manager – Children &amp; Young People Ongoing</p>	<p>This forecasted position has improved since budgets were set, at month 2 2017/18 School Budget Funding exhibited a breakeven position although the school use of their reserves remains a cause of concern.</p>								
10a	<p>Potential risk of:</p> <p>Information security breaches due to mismanagement of information or external parties gaining access to the network could result in critical and sensitive data being lost, compromising the delivery or availability of Council services and the interaction with external agencies and partners.</p>	<p>There have been a number of high profile cyber-attacks leading to data breaches and compromise of systems both in the public and private sector, such as the ransomware attack in the NHS.</p> <p>Attacks are increasing in volume and there is a need to provide constant and sustained vigilance when mitigating against the possibility of attacks gaining entry to our critical data resources. In order to mitigate sufficiently against cyber threat sufficient funding needs to be available to implement security systems.</p> <p>There remain areas where the secure storage and handling on information requires strengthening.</p> <p>With an increased drive for digital services to improve effectiveness more and more information is being stored digitally, and the need to ensure the confidentiality, integrity and availability of that data is critical for future service delivery.</p>	2017/18	Possible	Major	Medium	<p>Undertake a structured and comprehensive training programme for all staff on cyber security and Data protection</p>	Cyber security service	<p>A cyber security service shared between Gwent Police, TCBC and MCC has been commissioned which acts as an audit function of our technical arrangements, as well as providing training and advice on data security issues. This service also deals with MCC's PSN and the SRS ISO accreditation.</p>	2017/18	Possible	Major	Medium	<p>Sian Hayward &amp; Tracey Harry. Cllr Phil Murphy</p>	<p>Select Committee: Economy and Development</p> <p>Objective: All</p>	
			2018/19	Possible	Major	Medium			2018/19	Possible	Major	Medium				
			2019/20	Possible	Major	Medium			2019/20	Possible	Major	Medium				
							<p>Participate in an SRS business case for partners to procure a robust and comprehensive system that minimises the risk of unauthorised access to MCC's network.</p> <p>Digital Projects Team January 2018</p>		<p>The business case has been agreed by SRS partner organisations and MCC has agreed to procure a Microsoft email and internet filtering service. It will be implemented in January 2018</p>							
							<p>Continuous monitoring of cyber threat and mitigation by the security team, identifying technical solutions to potential risk areas.</p> <p>Deliver a programme of security work identified by the cyber security team, approved for implementation by MCC and undertaken by the SRS as part of their core service delivery</p>	<p>Digital Projects Team Ongoing</p>	<p>A central information security risk log is in place for all partners using the SRS. This is used to identify risk areas and the appropriate mitigations. This is monitored on an operational level by the Digital Projects Team level and overall by the council's SIRO.</p> <p>A significant and comprehensive security review has been undertaken in order to gain Public Sector Network (PSN) accreditation. Penetration or PEN testing has been undertaken across MCC systems and PSN has been resubmitted for accreditation</p>							



Ref	Risk	Reason why identified	Risk Level (Pre – mitigation)				Mitigating actions	Timescale and responsibility holder	Mitigation action progress	Risk Level (Post – mitigation)				Risk owner & Cabinet member responsible	Select Committee and strategic objective	
			Year	Likelihood	Impact	Risk Level				Year	Likelihood	Impact	Risk Level			
							Implement the Information Strategy to safeguard the integrity and security of our data while taking-steps towards becoming a data-led organisation.	Information Governance Group Ongoing,	The Information Strategy was reviewed and updated in October 2017 to cover the 3 inter-related strands of – Digital Information, Information Governance and Legislation & Data use, Open Data and Business Intelligence.							
							Continue to provide a programme of data protection training and advice and support on information management processes and practice, particularly in identified areas for improvement.	SIRO (Tracey Harry) May 2018	Mandatory data protection training continues to be provided to staff across the Council. A separate programme of events is in place for the introduction of General Data Protection Regulation (GDPR) (see 10b) which will also further enhance our data security and information management arrangements.							
10b new	Potential risk of Not adequately transitioning to the requirements of the General Data Protection Regulation resulting in reputational damage and risk of fines to the Council	The need to comply with General Data Protection Regulation (GDPR) by May 2018.	2017/18	Possible	Substantial	Medium	Deliver the GDPR Action Plan to ensure the Council complies with the regulation by May 2018	SIRO (Tracey Harry) May 2018	The action plan continues to be implemented with oversight from the Council's Information Governance Group	2017/18	Possible	Substantial	Medium	Tracey Harry & Cllr Phil Murphy	Select Committee: Economy and Development  Objective: All	
		The regulation impacts the way we process, store, protect and use personal data.	2018/19	Possible	Substantial	Medium				2018/19	Possible	Substantial	Medium			
		Failure to comply could lead to adverse impacts on those whose data is affected, large fines and damage to the Council's reputation.	2019/20	Possible	Substantial	Medium				2019/20	Unlikely	Substantial	low			
		The Council is implementing an action plan to ensure compliance building on existing Data Protection Act process already in place. The risk levels will be reviewed in the next six months in line with progress with the action plan.														
11a new	Potential Risk of a lack of appropriate infrastructure in the County to meet future needs due to key Local Development Plan housing policy targets not being met, in conjunction with the County's changing demography and other external changes such as Severn Bridge tolls and this impact on the housing market. These factors can also impact	Several key LDP policy indicator targets and monitoring outcomes relating to housing provision are not currently being achieved, including new dwelling completions and affordable dwelling completions.  The ability for the current LDP to address emerging challenges such as the County's changing demography and the impact of removing the Severn Bridge tolls on the housing market. The need to	2017/18	Possible	Major	Medium	Complete an early review of the Monmouthshire LDP as a result of the need to address the shortfall in the housing land supply and facilitate the identification and allocation of additional housing land.	Head of Planning	An LDP Draft Review Report is available for stakeholder consultation until 5th February 2018. The final Review Report will inform the process for formally commencing the LDP revision process	2017/18	Possible	Major	Medium	Mark Hand and Cllr Bob Greenland	Select Committee: Economy and Development  Objective: Develop opportunities for communities and businesses to be part of a thriving and	
				2018/19	Possible	Major				Medium	2018/19	Possible	Major			Medium
				2019/20	Possible	Major				Medium	2019/20	Unlikely	Major			Low

Ref	Risk	Reason why identified	Risk Level (Pre – mitigation)				Mitigating actions	Timescale and respons-ibility holder	Mitigation action progress	Risk Level (Post – mitigation)				Risk owner & Cabinet member responsible	Select Committee and strategic objective
			Year	Likeli-hood	Impact	Risk Level				Year	Likeli-hood	Impact	Risk Level		
	on planning for other infrastructure such as transport and energy.  <i>ICT infrastructure is also important to meet future needs and this has been identified as a specific related risk below (risk 11b)</i>	consider the Council’s future vision and the extent to which the current LDP aligns with that and its impact on wider infrastructure planning, such as transport, which could affect future economic, social, environmental and cultural well-being.  There is potential for ‘planning by appeal’ and ad hoc development coming forward outside the development plan system.  The Monmouthshire Joint Housing Land Availability Study (JHLAS) for 2016-17 demonstrates that the County had 4.0 years housing land. This is the second consecutive year that the land supply has fallen below the 5 year target.													well-connected county
11b	Potential Risk that:  Insufficient ICT infrastructure and skills in the county have the potential to lead to social and economic disadvantages	The majority of businesses now have access to superfast broadband which presents them with further opportunities, although 10% of premises remain without sufficient broadband provision.  Monmouthshire residents have high demand for broadband services however a significant skills issue exists in the County with approximately 20% adults in Monmouthshire not using the internet.  Other drivers include the council needs to prepare for increased digital public service delivery, the implementation of the Online Universal Credit system, children’s learning opportunities and the provision of digital health care.	2017/18	Likely	Substantial	Medium	Continue to collaborate with the Superfast Business Wales team to support their ICT Exploitation programme.	Head of Enterprise & Community Development Ongoing	We continue to work with Welsh Government to support access to Superfast Cymru Two. MCC is one of two local authorities represented on the Advisory Panel.	2017/18	Likely	Substantial	Medium	Cath Fallon & Cllr Sara Jones	Select Committee: Economy and Development  Objectives: Develop opportunities for communities and businesses to be part of a thriving and well-connected county
			2018/19	Likely	Substantial	Medium	Enable the rollout and exploitation of high speed broadband across the County for both businesses and communities.	Head of Enterprise & Community Development ongoing	Promotion of the Access Broadband Cymru scheme for areas outside the superfast Cymru roll out area continues.  Through funding secured via the Rural Community Development Fund, digital connectivity in community hubs is being trialled by focusing on four villages within the Llanover ward of Monmouthshire.	2018/19	Likely	Substantial	Medium		
			2019/20	Likely	Substantial	Medium				Trial the roll out of the TV white space broadband pilot which will enable isolated rural communities to enjoy the same digital connectivity as in urban areas and, if successful, will be replicable in other rural areas.	Rural Programmes Manager, Ongoing	We continue to undertake digital connectivity pilots through the Rural Development Programme and Rural Community Development Fund. For example the TV white space project has been approved to investigate and trial a newly available broadband technology known as Television “white space” in digitally deprived areas.	2019/20		

Ref	Risk	Reason why identified	Risk Level (Pre – mitigation)				Mitigating actions	Timescale and responsibility holder	Mitigation action progress	Risk Level (Post – mitigation)				Risk owner & Cabinet member responsible	Select Committee and strategic objective
			Year	Likelihood	Impact	Risk Level				Year	Likelihood	Impact	Risk Level		
12	Potential Risk that:  Political, legislative and financial uncertainty for council services and local businesses as a result of Britain leaving the European Union.	<p>The significant issues raised include:</p> <p>The impact on the economy and public finances which could impact on local government financial settlements and what that might mean for the economic and social well-being of local communities. While restrictions on labour mobility could impact on local firms.</p> <p>Many council services are governed by EU legislation or follow EU led policy, for example procurement rules. There will be uncertainty while the process for extricating the UK from this law is established.</p> <p>Some projects rely directly on EU funding, such as the Rural Development Plan (RDP).</p> <p>Market volatility, inflation and financial uncertainty could impact on council revenue budgets and borrowing costs for capital schemes. Any market volatility could impact on the local government pension schemes.</p> <p>The leave vote created divisions: regionally and between age groups that could raise concern over social inclusion and a rise in hate crime.</p>	2017/18	Almost Certain	substantial	High	Continued liaison and work with partners such as Welsh Government, WLGA and treasury advisers to understand and plan for any implications for the Council.	Senior Leadership Team Ongoing	<p>Many of the negotiations and decisions on Britain leaving the EU are outside of the council's control, given this and the current uncertainty the post mitigation risk levels have not been assessed to change</p> <p>The Council has established working relationships with key partners, such as the Welsh Government, the WLGA and treasury advisers to work with in understanding and planning for any potential risk to Council services.</p>	2017/18	Almost Certain	substantial	High	Senior Leadership Team & Cabinet	<p>Select Committee: Economy and Development &amp; Strong Communities</p> <p>Objectives: All</p>
			2018/19	Almost Certain	substantial	High				2018/19	Almost Certain	substantial	High		
			2019/20	Almost Certain	substantial	High	Continue to refine and update the Medium Term Financial Planning model and assumptions for future service budgets.	Chief Officer Resources, Ongoing	The Council already has an established Medium Term financial plan to model financial assumptions and scenarios for planning future service budgets which will continue to be updated.	2019/20	Almost Certain	substantial	High		

**Risks removed from the strategic risk register at December 2017**

Risk	Reason why identified	Mitigation undertaken and reason why removed from Strategic Risk assessment
<p>Potential Risk that: Schools do not have the necessary ICT infrastructure meaning they are unable to maximise their offer to learner’s needs.</p>	<p>Schools and the EAS depend on reliable equipment and support from the SRS to implement systems for pupil tracking and to meet curriculum needs.</p> <p>Some schools do not have the ICT infrastructure to support these systems fully.</p>	<p>A comprehensive Service Level Agreement with the SRS and schools commenced in April 2016. The council has approved a business case for £885,000 of investment in schools ICT infrastructure.</p> <p>The investment programme in ICT in schools, involved the upgrade and renewal of the ICT infrastructure in schools, providing a common platform and standard in line with WG and 21<sup>st</sup> century schools aspirations.</p> <p>The investment programme has been completed. Schools are already reporting an overall increase in performance of the infrastructure upgrade and the level of technician support within the SLA. A progress update was reported to Economy and Development Select Committee in July 2017.</p> <p>The project is due for formal closure.</p>
<p>Potential Risk that: The current configuration of the recycling service becomes unviable because of legislation requirements and financial constraints.</p>	<p>Monmouthshire does not currently collect recycling in line with the preferred Welsh Government method.</p> <p>Long term uncertainty over Welsh Government funding and future costs of the service.</p> <p>The Welsh Government grant was cut by 6.4% and is due to be cut by a further 7% in 2017/18.</p>	<p>A pressure mandate was accepted by Council to fund £1.2million pressures in the MTFP over 2016/17 and 2017/18 due to an Increase in recycling costs, the Welsh Government grant reduction and growth in waste tonnages.</p> <p>The recycling review has been completed and Council in March 2017 agreed the future configuration of the recycling service for the next 7 years. The separation of the three recycling streams means the service is more compliant with the WG blueprint and the statutory requirement for the separate collection of paper, glass, plastics and metals. In November 2017 Council approved the final business case for the Waste and Recycling Review and capital budget in 2017/18 for the acquisition of vehicles including the financial model for the service. The business case provides detailed</p>

Risk	Reason why identified	Mitigation undertaken and reason why removed from Strategic Risk assessment
		<p>costs profiling for the coming eight years, including additional Funding Required in 2018/19 above the agreed pressure which reduces in 2019/20.</p> <p>On-going liaison with Welsh Government on the Environmental Grant funding, its importance to the service and positive impact it makes continues.</p>
<p>Potential risk that</p> <p>Some businesses in the County are unable to continue trading as a result of increases in business rates due to draft business rate revaluations.</p>	<p>Over 3,000 businesses in the County have rateable premises.</p> <p>Revised rateable values for business premises came into effect on 1<sup>st</sup> April 2017 based on the rental value of properties at 1st April 2015.</p> <p>In Monmouthshire 65% of rateable values increased, with some increasing by as much as 300% with a few even higher.</p> <p>Businesses and Monmouth and District Chamber of Trade and Commerce raised concerns that some businesses will be unable to cope with the increase which may result in some of our leading retailers and hospitality businesses in particular being unable to continue trading.</p> <p>This would have a detrimental impact on business, enterprise and job opportunities and potentially impact on the ability to attract new businesses to start or locate in the County.</p>	<p>We worked closely with the VOA, businesses and business groups to raise awareness of rates revaluation and to ensure that businesses checked their new rateable values and approached the VOA if they were concerned about how they had been calculated.</p> <p>We have worked with our Assembly Member, Member of Parliament and the Welsh Government Cabinet Secretary to seek a fair and just settlement for our businesses.</p> <p>We have ensured that businesses are automatically granted rates reliefs where no application is required. We have also contacted relevant businesses to encourage them to apply for certain reliefs in situations where an application is necessary.</p> <p>The post mitigation risk level was not forecast to change as actions that will impact on mitigating the risk are not directly within our control</p> <p>In the first half of 2017/18 we have seen little change in the level of business rates arrears in the county.</p> <p>We continue to work with businesses, Monmouth and District Chamber of Trade and Commerce and other business groups on this issue.</p>

**Strategic Risk Management Policy – Summary**

This sets out the Council’s policy and approach to strategic risk management. A copy of the full policy and guidance is available to staff and members on The Hub.

Risk Management is the process of identifying risks, evaluating their potential consequences and determining the most effective methods of controlling them or responding to them. Strategic risks are those which affect the Council as a whole. Typically these will be key risks which could significantly jeopardise the Council’s ability to achieve it’s objectives, statutory plans and/or provide operational services as planned.

The Council is committed to the effective management of risk. As a large public sector organisation, it is exposed to a wide range of risks and threats in delivering key services to communities. Within the Council the purpose of risk management is to:

- preserve and protect the Council’s assets, reputation and staff
- promote corporate governance and aid good management in controlling and managing risks
- support successful delivery of strategic aims, objectives and outcomes
- improve business performance and better anticipate calculated risks where these are likely in delivering improvements
- avoid unnecessary liabilities, costs and failures

The Council seeks to ensure that risk management is effective from strategic to individual services and employees. Therefore all employees and Councillors are responsible for ensuring there are good levels of internal control and risk management throughout the Council in order that the Council’s specified outcomes are achieved.

The Council uses a ‘traffic light’ system of Red/Amber/Green associated with High/Medium/Low to categorise risk levels. This is determined using the risk matrix below

Impact/Severity	major	Low	Medium	High	High
	substantial	Low	Medium	Medium	High
	moderate	Low	Low	Medium	Medium
	minor	Low	Low	Low	Low
		Unlikely	possible	Likely	Almost certain
		Likelihood			

<b>High risk</b>	The risk is <b>highly likely</b> to occur and the impact will be major. Management action/control evaluation and improvement is required coupled with continued pro-active monitoring
<b>Medium risk</b>	The risk is <b>unlikely</b> to result in a major issue, however, if it did the impact would be <b>significant or serious</b> . This risk is relatively less significant than a High risk however it needs to be closely monitored within timely management action/controls to ensure it does not escalate.
<b>Low risk</b>	The risk is <b>very unlikely</b> to occur and the impact will be <b>minor or moderate</b> at worst. Risk will be managed by seeking control improvements where practical and / or monitoring and reviewing at regular intervals



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Auditor General for Wales

## Review of Asset Management – **Monmouthshire County Council**

Audit year: 2016-17

Date issued: November 2017

Document reference: 186A2017-18

This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000.

The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at

[info.officer@audit.wales](mailto:info.officer@audit.wales).

The team who delivered the work comprised Steve Frank, Allison Rees, Dave Wilson, programme managed by Non Jenkins under the direction of Huw Rees.

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# Summary report

## The Council has a good understanding of its assets, however, it lacks a strategic approach and effective information technology to support the management of assets

- 1 Asset management seeks to align the asset portfolio with the needs of the organisation. Corporate objectives express the needs and wishes of the organisation at a high level; the asset requirements to deliver these objectives should be expressed in a medium/long-term plan (five to ten years), variously known in different organisations as an asset strategy, an asset management strategy or a corporate property strategy<sup>1</sup>.
- 2 Good asset management is an essential component of a Council's governance and management arrangements, and is an integral part of its wider service and financial planning processes.
- 3 In March 2015, we undertook a corporate assessment at Monmouthshire County Council (the Council). As part of our corporate assessment, we reviewed the Council's asset management arrangements in supporting robust and effective decision-making and improvement. Our review of asset management at that time concluded that 'the Council had a clear strategic policy around the management of assets, but in practice, assets could be managed more effectively to support delivery of strategic priorities'.
- 4 In April 2017, we sought to assess the progress the Council had made on its arrangements to manage its assets since our corporate assessment in 2015.
- 5 We conclude that the Council has a good understanding of its assets, however, it lacks a strategic approach and effective information technology to support the management of assets. We came to this conclusion because:
  - the Council has an Asset Management Plan but this is not time bound and focuses on the short term;
  - the Council can show improved use of some assets but asset management arrangements are not well co-ordinated or supported by effective IT systems; and
  - the Council reviews its ongoing use of assets but the Asset Management Plan remains unchanged since 2014.

<sup>1</sup> Chartered Institute of Public Finance and Accountancy (CIPFA)

# Proposals for improvement

## Exhibit 1: proposals for improvement

### Proposals for improvement

#### **The Council's asset management arrangements could be strengthened by:**

- P1** Developing and delivering a long-term sustainable strategy for its assets based on a thorough assessment of needs, costs and benefits supported by:
- short, medium and long-term performance indicators;
  - embedded governance arrangements to support the strategic management of assets;
  - IT asset management systems which integrate more effectively with other systems to facilitate better information capture and use; and
  - utilising information arising from stakeholder consultation and engagement including what the Council has learnt about its experience of its community asset transfers to better inform its decision-making.

# Detailed report

## The Council has an Asset Management Plan but this is not time bound and focuses on the short term

- 6 At the time of our review in April 2017, the Council set out its policies for managing its land and buildings in a range of documents that formed a framework in which it operates. These included the Asset Management Plan (AMP), the Community Asset Transfer Policy, Property Acquisitions Strategy, the Council's Disposal of Land & Property Assets Policy, and Concessionary Rental Policy. Estates Services and Property Services also had annual service plans that supported asset management.
- 7 In November 2014, the Cabinet approved its current Asset Management Plan (AMP). The AMP was not time-bound, therefore it is not clear what period of time the AMP covers. The AMP included an asset management action plan for one year (2015-16).
- 8 The AMP stated the Council's aims and objectives for asset management as:
  - property transformation to support enterprise, local communities and generate income;
  - greening the estate through the ongoing implementation of renewable technologies and application of energy reducing technologies; and
  - compliance with legislative and statutory duties to ensure that its portfolio is safe, accessible and fit for purpose.
- 9 We found that the Council understood its property asset base. All property assets were located, valued and listed. The Council had maintenance schedules for each of its key assets. It maintained a list of assets it had disposed of and a list of assets it had acquired together with their values and further planned disposals in the coming year. The AMP contains an explanation of external and internal service pressures at the time the AMP was produced in 2014. The AMP, however, did not describe the longer-term service pressures that would affect the performance and suitability of its assets.
- 10 The Council made efforts to more strategically manage its assets by establishing an Asset Management Working Group in December 2014, which met four times. This Group has not met since February 2016. The Council's review of its AMP stated that the Asset Management Working Group failed to make meaningful progress and as a result it failed. The Place Board which was attended and chaired by Members similarly failed as this had no delegated authority requiring all decisions to be fed into Cabinet or Council. The County Farms working group established in 2014 was still operating during our review. The Senior Leadership Team established a Property Rationalisation Working Group to help manage property rationalisation in 2016.
- 11 The Council's financial targets for its assets were set out and cross-referenced in its property rationalisation programme, the Council's Investment Strategy dated February 2016, and the short-term investment assumptions in the medium term

financial plan (MTFP). The Council's property rationalisation programme considered the options of sale and disposal, re-use, development, or community asset transfer.

- 12 During our review, managers and Members articulated relevant linkages between the Council's Estates Service and Property Services annual service plans, and between capital and revenue assumptions in its MTFP. They were able to clearly articulate the balance needed between disposing of assets and retaining assets to generate rental income. This suggests the Council had a good understanding of immediate budgetary pressures in relation to asset management.
- 13 In December 2016, Cabinet approved the capital budget for 2017-18 and the indicative capital budgets for the three years to 2020-21. It agreed that the Council's 21st Century Schools programme was the top priority for its asset management investment. The Cabinet, at its meeting in December 2016, also considered capital MTFP pressures, the annual review of property maintenance backlog pressures, and the proposed review of the County Farms Strategy.
- 14 Council managers completed budget savings proposal mandates to provide Members with information to help them make decisions. Not all budget savings proposals have implications for the use of assets, but where they did in 2016-17, we found the savings proposals clearly linked to the MTFP. For example, the savings proposal for 2016-17 to reduce costs by using sustainable energy set out the implications for the Council's asset management by identifying locations in the county considered suitable for solar farms.
- 15 At the time of our review, while the Council was integrating the Well-being of Future Generations Act five ways of working<sup>2</sup> into its service planning, it did not clearly assess user needs for Council buildings, or assets in general, nor had it assessed future demand for its buildings.
- 16 A variety of property related engagement and consultation events had taken place with citizens, service users and stakeholders. Examples included discussions and consultation days about planning applications such as the solar farm at Oak Grove Farm in November 2014, and engagement with the community in Abergavenny, in July and November 2014 that assisted with improving the infrastructure to the Mardy Park resource centre. Other examples included wider consultation on the Local Development Plan and community hubs such as Usk, which involved representatives from Save Usk Library, the Town Council and service users.
- 17 Whilst the Council has engaged widely with its partners and with community groups, it has not always been clear how the Council uses the results of this engagement during the decision making process.

Neither the Council's AMP nor its 'Asset Management Plan Review of actions from 2015-17' referred to results of public, occupant, tenant, or stakeholder consultation. The AMP mentions the Community Hub Model, but not the intended benefits for the public and what they might need in the future. The Council's committee reports

<sup>2</sup> Well-being Future Generations (Wales) Act 2015: Five ways of working – Involvement, Integration, Prevention, Collaboration and Long-term

and policy guidance for its Community Asset Transfers did not show what it had learnt from the relevant engagement exercises and previous experiences. As a result, the Council could not be certain whether it is engaging its communities effectively in agreeing the best way forward.

## The Council can show improved use of some assets but asset management arrangements are not well co-ordinated or supported by effective IT systems

- 18 At the time of our review, the Council was utilising some of its assets more effectively than we had seen during our Corporate Assessment. For example, the highways depots had been rationalised and hosted other services such as waste collection and meals on wheels services. The Council was continuing with its property rationalisation to release unwanted assets for disposal to support its 21st Century Schools projects. Its property rationalisation and centralisation of services included the redesign of its County Hall in Usk to release space in its Magor offices and Abergavenny Town Hall. At the time of our review, work was ongoing to reconfigure two buildings on the County Hall site to accommodate staff relocating from its Magor office and Abergavenny Town Hall.
- 19 The AMP referred to the Council's People Strategy. The People Strategy identifies six key themes, the first of which is 'Our Work Environment'. This articulates the necessity for accessible, open shared space, which is technology enabled and supports agile working. The Council planned to develop office accommodation in blocks E and J at County Hall in Usk to accommodate staff relocating from its office in Magor. The Council advised that a programme plan and budget profile for this development were in place and that its digital projects team was part of the Property Rationalisation Working Group planning for this move and taking account of technology interdependencies.
- 20 We found that the Council's action plans to support the development of these two venues were underdeveloped; its Refurbishment Action List for Blocks E and J was only a task list with sequential dates and responsibilities. Furthermore, notes of the Council's Property Rationalisation Working Group meeting of 15 February 2017 showed that discussions focussed on where staff would be located, what staff needed, and how furniture and paperwork could be moved. Interdependencies such as technology and floor space requirements were not made clear in the information we examined.
- 21 The minutes of the Property Rationalisation Working Group did not demonstrate a project management approach or planned order of action identifying key steps, budget positions, milestones, and dependencies such as IT cabling, and longer-term staff accommodation needs. As a result, actions can be short term rather than integrated and strategic, and the Property Rationalisation Working Group may not be maximising its strategic potential.



- 22 An aim of the AMP is to support enterprise, local communities and generate income through its properties. At the time of our review, the Council held 40 industrial units ranging in size. It rented the majority of these units to start up or local small businesses and the nature of its tenancies is designed to provide flexibility of occupation in the first year and support business growth.
- 23 Supporting the AMP was the Council's Community Asset Transfer (CAT) policy. In 2016-17, CAT had taken place or was in progress at Caerwent, Undy Athletic, Raglan Village Hall, Mellville and the Drill Hall Chepstow. Officers stated that the Council was planning to produce better guidance to help communities maximise the opportunities and manage the risks associated with CATs. This could help support community groups in the early stages of considering managing a council building, help them develop new and better services, and ensure they avoid unnecessary costs or problems.
- 24 We found in our review that the Council's staff capacity was potentially inhibiting future improvement of asset management. The Estates Service Plan for 2017-18 identifies the lack of human resources as a risk to achieving income targets. The Council had engaged external consultants to support its officers and provide specialist legal and property advice from legal advisors and valuation surveyors. The Council had also commissioned consultants to review County Farms, and for detailed planning, housing and other LDP work.
- 25 At the time of our review, a further risk to improving the management of the Council's assets was the potential for silo working. Estates Services dealt with commercial and policy issues, and Property Services dealt with valuations, surveys, tendering and maintenance services. Additionally, the 21st Century Future Schools programme had its own Property Team. There were risks of broken lines of communication and accountability and duplication of effort such as with budget planning.
- 26 At the time of our review, managers and Members were considering a Corporate Landlord model as an opportunity to address potential duplication of efforts and capacity pressures caused by separate Property and Estates Services. The Council anticipate that the creation of a Corporate Landlord could facilitate the further integration of plans and activities and reduce any potential for silo working.
- 27 We found that Information Technology (IT) systems used to manage assets was poorly integrated and not fit for purpose. The current Tribals K2 system integrated poorly with other council systems and was not user friendly. Other neighbouring councils and partners did not use the same system, mobile application was weak and interoperability poor. Members of the Council's Senior Management Team (SMT) were investigating the suitability of new IT and operating models of neighbouring councils. SMT had identified good information management systems as being necessary if the Council is to improve its reporting of performance, collection of 'live' data, and benchmarking. The ability to use a wider range of more accurate information and timely financial data would further support the Council's Investment Strategy.

## The Council reviews its on-going use of assets but the Asset Management Plan remains unchanged since 2014

- 28 The AMP specified that it should be reviewed annually. There was no formal review at the end of 2015-16. At the time of our review, there had been just one review of the AMP, however, it was unclear when this review was undertaken and where the outcome of this review was reported. The AMP had not changed following this review.
- 29 The review of the AMP focussed on progress in delivering the 11 actions contained within the 2015-16 action plan within the AMP, and progress in meeting the AMP performance indicators set for 2015-16. Three actions were judged as complete. These were, creation of Usk community hub, implementing community hub models and options appraisals to identify the location of Abergavenny hub. Actions pertaining to property rationalisation, development of individual asset management plans, solar farm development, developing investment strategy, receiving the concessionary rental policy, reviewing the County Farms Strategy and developing Local Development Plan (LDP) sites were judged to be 'on-going'.
- 30 Due to the absence of an up-to-date Asset Management Plan containing current internal and external pressures, the Council's approach to managing its assets and reviewing the AMP was unclear and reactive.
- 31 The Estates Service annual service plan and Property Services annual service plan contained asset related actions, performance indicators and risks. Monitoring of these annual service plans is through the corporate service planning management and monitoring arrangements. Although the Council monitors and reports its asset management performance against actions and indicators, this is based on an annual planning cycle with quarterly reporting and is therefore short-term.
- 32 We found that Members received asset management information such as, asset valuations, maintenance backlogs, tenders, energy use, and data on asset usage and utility. However, performance monitoring continued to focus on short-term financial savings targets rather than benefits such as higher productivity, economic and social outcomes.
- 33 We also found that all Council properties were risk assessed for suitability of purpose, value, financial sustainability, access, condition, and development potential. Strategic issues and common themes were consolidated into annual Estates Service Plans and Property Services Plans. The Estates and Property Service Plans highlighted risks, however, mitigating action was weak. For example, the 2016-17 Estates Service Plan's action to manage the loss of income from disposing of an asset is: 'Continue to review market and amend disposals programme accordingly to minimise loss in value.' Activity to maximise income from other assets, and other options was not included.

- 34 In considering the effectiveness of the Council's management of asset, we compared actual performance against its targets as stated in the Estates Service Plan 2016-17 and found the performance of some aspects of the Council's estate was variable. In 2016-17, there was a shortfall in capital receipts of £2,609,480 and shortfall (deficit) in income of £252,145. Vacancy rates for industrial and retail units is 5%, partly due to the complexity of legal processes and the volatility of flexible tenancies. Void rates – relating to empty property let but not occupied – were high and were 11% on average across the Council's portfolio. County Farms rent arrears was 13% against the Council's target of 0%. This indicated that the Council was not managing the assets it rents out as efficiently as possible and not realising the full income planned.
- 35 The Council's ongoing review of the County Farms Strategy was resulting in clearer priorities for investment or disposal, based on farms' suitability and development potential. The Council aimed to complete this review in July 2017. Between November 2014 and our review, the Council had sold two farms and a barn realising capital receipts of £1,752,000. This income has helped fund the construction of new schools.

Wales Audit Office  
24 Cathedral Road  
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone.: 029 2032 0660

E-mail: [info@audit.wales](mailto:info@audit.wales)

Website: [www.audit.wales](http://www.audit.wales)

Swyddfa Archwilio Cymru  
24 Heol y Gadeirlan  
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn testun: 029 2032 0660

E-bost: [post@archwilio.cymru](mailto:post@archwilio.cymru)

Gwefan: [www.archwilio.cymru](http://www.archwilio.cymru)

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



## Management response

**Report title:** Review of Asset Management – Monmouthshire County Council

**Completion date:** November 2017

**Document reference:** 186A2017-18

## Proposals for improvement

Ref	Proposal for improvement	Intended outcome/benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
P1	<p><b>The Council's asset management arrangements could be strengthened by:</b></p> <p>Developing and delivering a long-term sustainable strategy for its assets based on a thorough assessment of needs, costs and benefits supported by:</p> <ul style="list-style-type: none"> <li>• short, medium and long-term performance indicators;</li> <li>• embedded governance arrangements to support the strategic management of assets;</li> <li>• IT asset management systems which integrate more effectively with other systems to facilitate better information capture and use; and</li> </ul>	Clarity over the Council's approach to the use of its assets to support robust decision making.	Yes	Yes	<p>A Corporate Plan is being developed that will set a strategic direction for the Council and the Asset Management Strategy will be reviewed following this to ensure it is aligned.</p> <p>Performance Indicators are already reported within the Estates Service Improvement Plan. These will be revised/refined to reflect the updated Asset Management strategy and corporate plan priorities.</p> <p>Governance arrangements are planned to be embedded and aligned alongside Finance's Capital monitoring. Therefore the intention is to constitute a new group with a broad remit and terms of reference. These will be set out within the reviewed Asset Management Strategy.</p>	<p>April 2018</p> <p>April 2018</p> <p>April 2018</p>	<p>Head of Commercial and Integrated Landlord Services</p> <p>Head of Commercial and Integrated Landlord Services</p> <p>Head of Commercial and Integrated Landlord Services</p>



Ref	Proposal for improvement	Intended outcome/benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
	<ul style="list-style-type: none"><li>Utilising information arising from stakeholder consultation and engagement including what the Council has learnt about its experience of its community asset transfers to better inform its decision-making.</li></ul>				<p>The current software will be replaced with a system that incorporates the Financial Asset Register as well as providing a comprehensive solution for the effective management of property data.</p> <p>Stakeholder consultation is already undertaken with prospective Community Asset Transfer applicants. This will be embedded within our formal process and ensure that it is referenced in Member decisions. Following a transfer we will undertake a review to establish whether it has met its objectives, their experience of the process and how it could be improved.</p>	December 2018	Estates Manager



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# Monmouthshire County Council / Wales Audit Office Joint Progress Document – **Monmouthshire County Council**

Audit year: 2016-17

Date issued: December 2017

Document reference: 314A2017-18

# Status of report

This document has been prepared for the internal use of Monmouthshire County Council as part of work performed in accordance with statutory functions, the Code of Audit Practice and the Statement of Responsibilities issued by the Auditor General for Wales.

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# Summary

## Introduction

- 1 Our *2016-17 - Audit of Financial Statements report* was presented to the Audit Committee on 19 September 2017 and summarised the more significant matters arising from our audit. It highlighted the 'corrected' and 'uncorrected' misstatements in the final financial statements. None of the issues in the report prevented the Auditor General from issuing an unqualified audit opinion. However, action is required by the Council to address some of these issues when preparing its 2017-18 financial statements. These are set out in [Exhibit 1](#).
- 2 We also identified other important matters during our audit that were not reported to the Audit Committee within our *2016-17 Audit of Financial Statements report*. These issues are set out in [Exhibit 2](#). As part of our audit we also carry out a high level review of the Council's key computer systems. The findings of this work have been discussed and agreed with key officers and are included in this exhibit.
- 3 We have also reviewed the progress in implementing the agreed issues that we reported in our *2015-16 Joint Progress report*. We are pleased to report that the Council has implemented the majority of the agreed actions, there is one that remains outstanding. This is included in the report in [Exhibit 3](#).
- 4 The Council needs to address the issues reported above during 2017-18 and we will review implementation as part of the forthcoming year's audit. We also recommend that management update the Audit Committee with progress made in implementing the agreed actions when presenting the draft 2017-18 Financial Statements. The issues raised in this report have already been discussed with the Head of Finance and her team.
- 5 The deadlines to produce and certify the accounts remain unchanged for 2017-18 but will be brought forward to 31 July by the year 2019-20. The Council is in a strong position as it was able to present its accounts for audit by 9 June 2017, which is not far off the anticipated deadline of the end of May by the year 2019-20. The intervening years will be important as we work towards the earlier deadlines. It will also be vitally important to have early working papers to a good quality standard to support the accounts, as this will enable our audit work to start much sooner with an earlier audit opinion issued. For the Council, this requirement will need to be balanced against the resources and the finite number of staff that it has available to work on the accounts, and the pressures of the routine work of the finance team.

Exhibit 1: summary of issues raised in the Audit of Financial Statements Report

Issue/Recommendation	Agreed Action/Date	Progress
<p><b>1. Vehicle additions not reflected in Property, Plant and Equipment</b>                      When vehicles are purchased they are not recognised in Fixed Assets until a funding decision is made, either via borrowing (retaining ownership) or leasing. Where the decision is made in a different financial year then a cut-off error arises.</p> <p><b>Recommendation</b>                      The Council review this process to ensure there are no cut-off errors for the 2017-18 accounts.</p>	<p>Agree to seek financing advice at an early juncture to avoid the need for matters to be transferred between financial years.</p>	<p>Will be added to the closedown plan for 2017/18</p>
<p><b>2. Reversal of impairments credited to CIES instead of the Revaluation Reserve</b>                      During revaluation testing of Property, Plant and Equipment (PPE), we identified eight assets where the reversal of impairment had been incorrectly credited to the Comprehensive Income and Expenditure Statement (CIES) instead of the Revaluation Reserve. These impairment losses had been reversed in a prior period (ie credited to the CIES), but this was not recognised on the 'Logotech' asset management system. Therefore, instead of posting the upwards revaluation to the revaluation reserve, it was again credited to the CIES.</p> <p><b>Recommendation</b>                      The Council should undertake year-end reconciliation/review regarding reversals of previously impaired assets to ensure this process is not repeated in the 2017-18 accounts.</p>	<p>Process to be added to the closedown plan for 2017/18 to ensure full review is carried out.</p>	<p>Will be added to the closedown plan for 2017/18</p>

Issue/Recommendation	Agreed Action/Date	Progress
<p><b>3. Vehicles included in Property, Plant and Equipment that have been disposed of</b></p> <p>During our review of the Fixed Asset Register (FAR) we noted numerous vehicles with a low or nil Net Book Value (NBV). Further work identified that 45 assets had been disposed of, but not removed from the FAR and they were therefore included in PPE.</p> <p><b>Recommendation</b></p> <p>The Council should ensure better capture and timely sharing of disposal information from services.</p>	<p>Work to be undertaken to ensure the number of vehicles included in the FAR reconciles with transport and/or insurance records.</p>	<p>Process started and reconciliation to be carried out as part of year-end processes</p>
<p><b>4. Capital additions for Voluntary Controlled Schools incorrectly included in Property, Plant and Equipment</b></p> <p>During review of the Fixed Asset Register there was £265,079 of capital additions regarding Voluntary Controlled Schools. As per CIPFA guidance and section E1 of the 'Code', these schools are to be held off-Balance Sheet. Therefore any capital expenditure should have been treated as Revenue Expenditure Funded from Capital under Statute (REFCUS).</p> <p><b>Recommendation</b></p> <p>The Council should ensure thorough review of in-year additions to ensure no expenditure regarding Voluntary Controlled Schools is capitalised.</p>	<p>Work ongoing to enable the conveyance process to be resolved prior to 2017-18 closure to avoid the continued potential for human error.</p>	<p>Work ongoing within Estates department</p>
<p><b>5. Cash received before year-end but not included in Cash and Cash equivalents</b></p> <p>A review of the bank reconciliations identified there was £451,999 of unreconciled bank receipts. This represented cash that was received prior to year-end, but had not been recognised in the financial statements.</p> <p><b>Recommendation</b></p> <p>The Council should review the year-end process to ensure all bank receipts received prior to year-end are correctly recognised in the financial statements.</p>	<p>Banking team to review larger items of unreconciled bank receipts at year-end to attempt to reduce the amount outstanding.</p>	<p>Process to be added to year-end closedown plan</p>

Issue/Recommendation	Agreed Action/Date	Progress
<p><b>6. Expenditure overstated as prepayment journals not posted at year-end</b> Testing identified that certain year-end prepayment journals were not being posted for certain types/classes of expenditure (eg licences and subscriptions). This resulted in expenditure being overstated.</p> <p><b>Recommendation</b> The Council should review the year-end process regarding prepayments and in particular these types of expenditure.</p>	<p>The reality is the Accounts reasonably reflect 12 months' worth of service and expenditure, and to correct would introduce artificial variance in any comparison between years. Audit colleagues calculate the effect as being £177,000, but ignore the adjustments made in bringing forward expenditure from previous financial year such that the net effect of the adjustment is anticipated to have a trivial effect on bottom line of Accounts.</p>	<p>No further action proposed</p>
<p><b>7. Re-charges incorrectly classified in the Expenditure and Funding Analysis and the CIES</b> Re-charges of central overhead costs are not shown on the report to management (report to Cabinet). They are shown in the original place they are debited. There is an adjustment in column II of the EFA to allocate recharges (overheads and support costs) to the various segments in the CIES. Under the Code 2016-17 (section 3.4.2.39) and per CIPFA guidance on the reporting of corporate expenditure in the CIES 'Expenditure will be reported where it was originally debited'. Therefore, as re-charges are not included on the report to management, these adjustments should not be reflected in the CIES.</p> <p><b>Recommendation</b> The Council should review in-year management the reporting process (regarding allocation of overheads) and then replicate this in the financial statements for 2017-18.</p>	<p>Revised guidance received March 2017 now indicates that in respect of recharges that Statement of Accounts information should be prepared on the same basis as management information reported during the year. MCC's management information does not traditionally involve the regular recharging of central support services, as the focus is on central support managers having the same responsibility as service managers in managing their budgets, but given the timing of revised guidance it wasn't possible to alter arrangements retrospectively. The recharges exercise is commonly undertaken at the year-end as the Statement of Accounts service expenditure has historically been required to be prepared on a 'Total Cost' basis. That total cost approach is still useful from a benchmarking and comparison point of view, and important in the consideration of service re-design or outsourcing. Management advocate a period of reflection to decide the pros and cons of advocating changing the in-year</p>	<p>Consideration to be given prior to year-end</p>

Issue/Recommendation	Agreed Action/Date	Progress
	<p>management reporting or dismiss the year-end recharging exercise for Statement of Accounts purposes.</p> <p>In conclusion, given multiple demands on management's time, increasingly it is necessary to consider whether the additional efforts advocated by the audit process has an effect on the bottom line of the Accounts, and it is important to note that audit colleagues conclude the Accounts represent a 'true and fair' view despite these adjustments not being made.</p>	
<p><b>8. Rounding errors identified in the draft financial statements</b> We identified numerous rounding errors in the draft financial statements.</p> <p><b>Recommendation</b> The Council should use rounding formulas in the preparation of next year's accounts to eliminate these errors.</p>	Agreed	To be introduced for 2017/18 year-end statements
<p><b>9. Disclosure requirements</b> Some disclosures did not comply with the Code of Practice for Local Authority Accounting. Additional disclosures were required for the Fair Value of Investment Properties, the 2016/17 Action Plan in the Annual Governance Statement and a Nature of Expenses note was omitted from the draft financial statements.</p> <p><b>Recommendation</b> The Council should use the CIPFA Disclosure checklist to ensure compliance with the Code.</p>	Consideration to be given to the use of the disclosure checklist for 2017/18 closure.	Ongoing

Exhibit 2: summary of issues arising not previously reported

Issue/Recommendation	Agreed Action/Date	Progress
<p><b>1. Accumulated absences</b></p> <p>From our review of the data used to calculate the Non-teaching Accumulated Compensated Absences provision, we identified that the annual entitlement for three of the 24 employees listed was overstated. This did not have material impact on the provision and resulted in a trivial error. However, it raises some concerns over the process for recording annual entitlement, as these members of staff had been taking annual leave in excess of their entitlement for a number of years, which is a cost borne by the Council.</p> <p><b>Recommendation</b></p> <p>The Council should review the holiday entitlement of all staff with entitlement greater than the standard 30 days.</p>	<p>Intention is to state clearly the position in HR policy and advise managers accordingly. As such, we intend to insert the following wording into the Hours &amp; Leave Policy &amp; circulate:</p> <p>‘Employees who had 15 years’ continuous LG service only with the former Gwent County Council or Monmouth Borough Council, as at 1 April 2000, will retain their entitlement on a personal protection basis to 32 days’ annual leave. This entitlement will continue to be phased out over time and does not apply to any other groups of employees.’</p>	<p>In progress</p>
<p><b>2. IT Control Environment – Monmouthshire County Council</b></p> <p>Some controls under the Council’s responsibility should be strengthened as follows:</p> <ul style="list-style-type: none"> <li>a. There are five people with system administrator access rights to the payroll system. It is not clear whether they require this level of access.</li> <li>b. Security checks are not undertaken when resetting passwords for payroll user access.</li> <li>c. There are 11 people who have access to create/amend user access in the Northgate SX3 system, which is quite a high number.</li> </ul> <p>There are no formal arrangements for removing leaver system access to the material financial systems. The Council is at risk of unauthorised system access.</p> <p><b>Recommendations</b></p> <p>The Council should:</p>	<ul style="list-style-type: none"> <li>a. This was highlighted by NGA as part of their system review. As part of the actions arising from that review is a full-scale analysis of all operator profiles and access as well as screen, menu and task access. This is one of the priorities to ensure that ‘Resourcelink’ is a secure system holding vital information (David Bartlett – People Services).</li> <li>b. This ties in with the review of ‘Resourcelink’ users above (David Bartlett).</li> <li>c. We have reviewed the list of users and removed where needed. The list currently</li> </ul>	<p>Implementation date:</p> <p>April 2018</p> <p>April 2018</p> <p>August 2017</p>

Issue/Recommendation	Agreed Action/Date	Progress
<p>a. Identify whether the number of people with system admin rights within the payroll system is appropriate and, where possible, limit the access to only those that require it.</p> <p>b. Implement adequate security checks when resetting user passwords for the payroll system.</p> <p>c. The Council to review if the number of people who can create/amend/ remove user access within the Northgate SX3 system and limit the access to only those that require it.</p> <p>d. HR should notify each relevant department of each leaver in a timely manner so that access to the material financial systems can be removed appropriately.</p>	<p>stands at five (Main system administrators). We have been doing quite a bit of work across our systems recently in terms of housekeeping and will be adding this check to the list. This will be reviewed on a regular basis by the systems admin team (Leanne Harper - Financial Systems Support Manager).</p> <p>d. We receive e-mails regarding leavers relating to our Agresso system. These are then shut down and records kept. With regards to Northgate, Civica and Comino we acknowledged a while ago that we needed to improve the process around these systems and have been continually working with colleagues to develop this (Leanne Harper).</p>	<p>September 2017</p>
<p><b>3. IT Control Environment – SRS</b></p> <p>Some controls under the SRS' responsibility should be strengthened as follows:</p> <p>a. There are a high number of users with access to add/amend/remove network user accounts. Those with domain admin rights (around 25 users) and 'IT Servicedesk' (around 40 users) access have the ability to create/amend/delete user access. There are also some service accounts, which SRS are planning to minimise.</p> <p>b. Monmouthshire County Council network users are allowed/able to have up to 20 failed attempts at logging into the network. This is a high number of attempts, increasing the risk of unauthorised access to the network (and more relevant to this audit, the key financial systems).</p> <p>c. Back-up tapes are stored on the same industrial estate in Blaenavon. These may be at risk (including material financial data) if a serious incident were to occur.</p>	<p>a. Domain Admin access is currently under review across MCC as part of the recent PSN penetration tests. This is to be resolved by 1 October (Jon Price – SRS Service Manager).</p> <p>b. Failed Login attempts numbers are currently under review across MCC as part of the recent PSN penetration tests. In order to match the other authorities, these have been reduced to ten attempts.</p> <p>c. Risk Assessments will be undertaken and discussion onto where tapes can be held away from Blaenavon can be considered.</p>	<p>October 2017</p> <p>Completed 01.09.17</p> <p>January 2018</p>

Issue/Recommendation	Agreed Action/Date	Progress
<p><b>Recommendations</b></p> <p>The Council should:</p> <ul style="list-style-type: none"><li>a. SRS should identify whether the number of people with domain admin rights and IT service desk rights is appropriate and, where possible, limit the access to only those that require it.</li><li>b. Monmouthshire County Council network users are allowed to have up to 20 failed attempts at logging into the network. This is a high number of attempts, increasing the risk of unauthorised access to the network (and more relevant to this audit, the key financial systems).</li><li>c. Risk assess and consider the locality of back-up tapes and, if required, relocate them to somewhere more suitable and further away.</li></ul>		



Exhibit 3: summary of progress against issues reported in the prior-year joint progress document

Issue/Recommendation	2015-16 Audit Finding	Agreed Action/Date
<p><b>1. Osbaston School – transfer of legal title</b>                      The Council needs to formally complete the transfer of legal title for Osbaston School.</p>	<p><b>Partially implemented (Priority – High)</b>                      We noted the Council had begun the process to transfer legal title in 2015-16, but had not been able to complete it by the time the accounts were produced.                      Recommendation to be addressed in 2017-18.</p>	<p>Work ongoing to transfer title by 2017/18 year-end</p>

Wales Audit Office  
24 Cathedral Road  
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone.: 029 2032 0660

E-mail: [info@audit.wales](mailto:info@audit.wales)

Website: [www.audit.wales](http://www.audit.wales)

Swyddfa Archwilio Cymru  
24 Heol y Gadeirlan  
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn testun: 029 2032 0660

E-bost: [post@archwilio.cymru](mailto:post@archwilio.cymru)

Gwefan: [www.archwilio.cymru](http://www.archwilio.cymru)

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

**Annual Report and Financial Statements for the  
year ended the 31 March 2017**

Registered Charity Number: 507094

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2017**

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**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2017**

**Trustee, Officers and Advisors**

**Trustee**

Monmouthshire County Council

**Secretary**

Robert Tranter  
Monitoring Officer  
Monmouthshire County Council

**Registered Office**

Innovation House  
Magor  
PO Box 106  
NP26 9AN

**Auditors**

Wales Audit Office  
24, Cathedral Road  
Cardiff  
CF11 9LJ

**Solicitor**

Robert Tranter  
Head of Legal Services  
Monmouthshire County Council

**Investment Custodian**

Monmouthshire County Council

**General Management**

Mrs Joy Robson  
Central Finance Monmouthshire County Council

**Bankers**

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

# **The Monmouthshire County Council Welsh Church Act Fund Annual Report for year ended 31 March 2017**

## **Report of the Trustee for the year ended 31 March 2017**

The Trustee presents its annual report and the audited financial statements for the year ended 31 March 2017 of The Monmouthshire County Council Welsh Church Act Fund ('the Charity').

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

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

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

### **Structure, Governance and Management**

The Charity is governed by the Welsh Church Act 1914 and the Welsh Church Act (Designation and Specification) Order 1996 and is registered with the Charity Commissioners under charity number 507094. A model scheme for the administration of the fund has been prepared and has been submitted to the Welsh Government for approval.

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

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

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

### **Objectives**

The primary object of the Charity for each year, as stated in its governing document, is to assist groups and individuals for educational, social, recreational and other charitable purposes. Grants are available from the Fund for capital or revenue purposes. Capital grants may be awarded to assist organisations in the furnishing and upkeep of buildings. Revenue grants are designed to further the aims of societies and to assist individuals in their various pursuits.

### **Grants allocation policy**

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

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

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

## **The Monmouthshire County Council Welsh Church Act Fund Annual Report for year ended 31 March 2017**

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

The statement of financial activities for the year is set out on page 7 of the financial statements. A summary of the financial results and the work of the Charity are set out below.

The Fund has increased in value by £254,089 (£38,991 decrease in 2015/16); this increase in value is mainly due to the re-valuation of the investments assets of £214,418 (£133,455 decrease in 2015/16) as a result of market conditions at the year-end.

Income is principally comprised of investment income of £202,919 (£210,673 in 2015/16), The Trust has utilised the Trustee's own investment managers to manage the fund, thus, controlling management fees and therefore maximising returns whilst at the same time maintaining a balanced capital risk strategy.

Charitable resources expended during the year amounted to £174,127 (£127,037 in 2015/16) and principally comprised grant payments of £169,842 (£122,604 in 2015/16). This increase in expenditure was primarily due to Torfaen Borough Council changing their grant allocation policy to support only applicants who are deemed to be in need of financial assistance due to poverty.

As indicated previously, net gains on investments held amounted to £232,417 (£133,395 net loss in 2015/16). These non-realised investment gains have been as a result of the Trusts' current investment strategy, diversifying the portfolio across several investment categories in the last couple of financial years. The long term projections on these charity based investments as indicated by the Trustees' Treasury consultants continue to outperform the trust's old pooled investment strategy as reflected by the continuing increased investment returns received during the financial year.

### **Income generation**

The Charity's income was £208,821, compared to £225,935 in 2015/16. The full implementation of the market investment strategy that has mainly replaced the pooled investment strategy with Monmouthshire County Council has continued to produce larger returns in the financial markets due to investment in more specific charitable investment funds. This income generation forms the main basis of the following years grant allocations to ensure continuity and non-degradation of the funds capital assets and to perpetuate the charity as a 'going concern'.

### **Bad debt provision**

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

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

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

The Trustee has reviewed its investment strategy and produced an investment and fund strategy for 2016/17, which was approved by Monmouthshire County Council in its capacity as sole and corporate trustee, on March 2<sup>nd</sup> 2016.

### **Changes in fixed assets**

The fixed asset investments were re-valued in the 2016-17 financial year in line with the Investment Asset policy of revaluation every year.

### **Reserves**

The Trustee's policy is to maintain the level of investments at a level that provides sufficient annual income to fund the Charity's charitable expenditure. The level of funds held at 31<sup>st</sup> March 2017 is £5,470,678. The Trustee has reviewed its Fund strategy and produced an investment and fund strategy for 2016/17 which states that the purpose of reserves is to maintain investments such that they realise sufficient income to provide grants to organisations at a consistent level. Whilst, the strategy is to ensure that there is no long-term detrimental effect on overall reserve balances, recommendations made by the Charity Commission has resulted in grants allocations being made in line with investment returns.

## **The Monmouthshire County Council Welsh Church Act Fund Annual Report for year ended 31 March 2017**

### **Governance of the Charity**

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

### **Risk management**

The Trustee has undertaken a review of the major risks to which the Charity is exposed and its risk management and internal control procedures should be updated to ensure that systems are in place to mitigate the risks identified. The risk assessment was considered by Monmouthshire County Council on 2nd March 2016 and no risks were identified.

### **Auditors**

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

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operational existence.

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

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

The Trustee certifies that:

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

**By order of the Trustee**

**Mr Mark Howcroft**

**Assistant Head of Finance (Deputy S151 Officer)– Monmouthshire County Council**

**Date:**



**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2017**

**Report of the Auditor General for Wales to the Trustee of the  
Monmouthshire County Council Welsh Church Act Fund**

I have audited the financial statements of Monmouthshire County Council Welsh Church Act Fund for the year ended 31 March 2017, which comprise the Statement of Financial Activities, the Balance Sheet, Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

**Respective responsibilities of trustee and independent auditor**

As explained more fully in the Trustee Responsibilities Statement set out on page 2, the trustee is responsible for the preparation of financial statements which give a true and fair view.

I have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act.

My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustee; and the overall presentation of the financial statements.

In addition, I read all the financial and non-financial information in the Trustee Annual Report, to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

**Opinion on financial statements**

In my opinion the financial statements:

- give a true and fair view of the state of affairs of the charity as at 31 March 2017 and of its incoming resources and application of resources for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Charities Act 2011.

**Opinion on other matters**

In my opinion the information in the Trustee Annual Report is consistent with the financial statements.

**Matters on which I am required to report by exception**

I have nothing to report in respect of the following matters where the Charities Act 2011 requires me to report to you if, in my opinion:

- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2017**

**Emphasis of Matter**

Your attention is drawn to the fact that the Charity has prepared its financial statements in accordance with the Charities SORP 2015 in preference to the Charities SORP 2005 which is referred to in the extant regulations but has been withdrawn. We understand this has been done in order for the accounts to provide a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice effective for reporting periods beginning on or after 1 January 2015.

Ann-Marie Harkin  
On behalf of the Auditor General for Wales  
Date:

Wales Audit Office  
24 Cathedral Road  
Cardiff CF11 9LJ

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2017**

**Statement of financial activities (Sofa) for the year ended 31  
March 2017**

	Notes	2017 Unrestricted Funds £	2017 Total Unrestricted Funds £	2016 Total Unrestricted Funds £
<b>Income &amp; Endowments from:</b>				
Investment income	2	205,979	<b>205,979</b>	213,441
Other incoming resources		2,842	<b>2,842</b>	12,494
<b>Total income &amp; Endowments</b>		<b>208,821</b>	<b>208,821</b>	<b>225,935</b>
<b>Resources Expended</b>				
Raising funds:				
Investment Property Professional fees		(1,247)	<b>(1,247)</b>	0
Management and administration		(2,500)	<b>(2,500)</b>	(2,951)
Movement in bad debt provision		0	<b>0</b>	942
		<b>(3,747)</b>	<b>(3,747)</b>	<b>(2,009)</b>
<b>Charitable expenditure</b>				
Costs of activities in furtherance of the Charity's objects				
Grants payable	3,4	(169,842)	<b>(169,842)</b>	(122,604)
Management and administration		(4,285)	<b>(4,285)</b>	(4,433)
<b>Other</b>				
Governance Costs	5	(9,275)	<b>(9,275)</b>	(2,485)
<b>Total Resources Expended</b>		<b>(187,149)</b>	<b>(187,149)</b>	<b>(131,531)</b>
Gains/(losses) on investment assets	10	232,417	<b>232,417</b>	(133,395)
<b>Net Income / Expenditure</b>		<b>254,089</b>	<b>254,089</b>	<b>(38,991)</b>
<b>Transfers between funds</b>	13	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net movement in funds</b>				
Fund balances brought forward April 2016		<b>5,216,589</b>	<b>5,216,589</b>	<b>5,255,580</b>
<b>Fund balances carried forward 31 March 2017</b>	13	<b>5,470,678</b>	<b>5,470,678</b>	<b>5,216,589</b>

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

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2017**

**Balance Sheet as at 31 March 2017**

	Notes	2017 Unrestricted Funds £	2016 Unrestricted Funds £
<b>Fixed assets</b>			
Investment Land	9	400,501	382,501
Investments	10	4,844,898	4,630,481
		<b>5,245,399</b>	5,012,982
<b>Current assets</b>			
Debtors: amounts falling due within one year	11	180,021	147,736
Cash at bank and in hand		212,271	168,192
		<b>392,292</b>	315,928
<b>Current Liabilities</b>			
Creditors: amounts falling due within one year	12	(167,013)	(112,321)
<b>Net current assets or liabilities</b>		<b>225,279</b>	203,607
<b>Net assets or liabilities</b>		<b>5,470,678</b>	5,216,589
<b>The Funds of the Charity:</b>			
Unrestricted Funds	13	5,470,678	5,216,589
<b>Total Charity funds</b>		<b>5,470,678</b>	5,216,589

The accounts on pages 7 to 16 were approved by the Trustee on 23 November 2017, and signed on their behalf by:

**By order of the Trustee**

**Mr Mark Howcroft**  
Assistant Head of Finance (Deputy S151 Officer) – Monmouthshire County Council

Date:

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2017**

**Statement of Cash flows as at 31 March 2017**

	note	Total Funds £	Prior Year Funds £
<b>Cash flows from operating activities</b>			
<i>Net cash provided by operating activities</i>	7	(161,900)	(166,794)
<hr/>			
<b>Cashflow from investing activities</b>			
Dividends and rents from investments		205,979	213,441
<hr/>			
<i>Change in cash and cash equivalents in the reporting period</i>		44,079	46,647
<b>Cash and cash equivalents at the beginning of the reporting period</b>		<b>168,191</b>	121,544
<hr/>			
<i>Cash and cash equivalents at the end of the reporting period</i>		<b>212,271</b>	168,191
<hr/>			

## **Notes to the financial statements for the year ended 31 March 2017**

### **1 Principal accounting policies**

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

The trust constitutes a public benefit entity as defined by FRS 102.

The trustees consider that there are no material uncertainties about the Trust's ability to continue as a going concern..

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

#### **Basis of accounting**

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

#### **Incoming Resources**

All income is accounted for on an accruals basis.

#### **Resources expended**

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

#### **Grants payable**

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

#### **Management and administration**

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

#### **Governance Costs**

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

#### **Irrecoverable VAT**

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

#### **Recognition of liabilities**

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

#### **Debtors/ Creditors**

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

# The Monmouthshire County Council Welsh Church Act Fund

## Annual Report for year ended 31 March 2017

### Fund accounting

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

### Investment Land and Property

#### *Capitalisation, Replacement and Valuation*

The Trust's policy is to revalue its Investment land on an annual basis in line with the Charities SORP. Valuations will also be undertaken where it is identified that there have been material movements between formal valuations, this has been changed from a five year valuation cycle due to the Land assets being deemed to be Investment Land not tangible fixed assets.

An Independent valuer of Williams Associates, a qualified Land Valuers and Chartered Surveyors, re-valued all Investment Land as at 1<sup>st</sup> November 2016 and all assets held at year-end are included in the accounts at valuation. Vacant properties are valued at open market value. Properties that are deemed to be Community Assets are valued at a £1.

### Depreciation

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

### Investments

Any realised and unrealised gains and losses on revaluation or disposals of investments are included in the statement of financial activities. The Authority is authorised to invest any surplus income or dispose of any investments when it deems appropriate. Investments are strategically placed in investment funds specifically designed for charitable organisations. Investment performance is reviewed periodically in light of prevailing economic changes.

### Fees and similar income

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

### Cash flow statement

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

## 2 Investment income

	2017	2016
	£	£
Investments with Monmouthshire County Council	1,672	2,008
Investment Property Rental Income	3,060	2,768
External Investments	201,247	208,665
	<b>205,979</b>	<b>213,441</b>

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2017**

### 3 Grants Payable

	2017	2016
	£	£
Grants have been paid to the following administering Local Authorities for them to make to groups and individuals on behalf of the Fund:		
Monmouthshire County Council	22,858	25,175
Torfaen County Borough Council	48,858	6,642
Newport City Council	56,180	44,535
Blaenau Gwent County Borough Council	24,396	16,201
Caerphilly County Borough Council	17,550	30,051
	<b>169,842</b>	<b>122,604</b>

The management and administration cost of the fund and grants distributed were £4,285 during the year.

### 4 Analysis of Grants

	Grants to Organisations	Grants to Individuals
	£	£
The Advancement of Education	540	850
The Advancement of Religion	73,599	0
The Relief of Poverty	0	49,476
Other Purposes Beneficial to the Community	45,377	0
<b>Total</b>	<b>119,516</b>	<b>50,326</b>

Caerphilly Borough Council, Torfaen County Borough Council, Blaenau Gwent and Monmouthshire County Council have under spent their allocations for 2016/17 by £218,568, £18,504, £3,297 and £18,504 respectively which will be carried forward for distribution in 2017/18. Grants to Churches and other Religious establishments totaled £73,599 and Community Organisations £45,377 respectively during the financial year. Grants of essential equipment and furnishings to the value of £49,476 were made to individuals for the relief of families in deemed to be in poverty. The St Julias Church in Newport, The Christ Church in Ebbw Vale, St George's Church and Ebenezer Chapel in Tredegar, Ebenezer Baptist Church in Abertillery and the Hospice of the Valleys have received 2 individual awards during the year totaling £3,780, £750, £634, £750, £884 and £500 respectively.

### 5 Governance Costs

	2017	2016
	£	£
Auditor's remuneration	9,275	2,485
	<b>9,275</b>	<b>2,485</b>

Governance costs are now reflective of market rates and the balance contained within 2016-17 reflects an un-accrued adjustment to the Wales Audit Office rates.



**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2017**

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

**6 Taxation**

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

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

**7 Reconciliation of net income/ (expenditure) to net cash flow  
from operating activities as at 31 March 2017**

	Current Year £	Prior Year £
<i>Net income/(expenditure) for the reporting period (as per the statement of financial activities)</i>	<b>254,089</b>	(38,991)
<b>Adjustments for non-cash transactions</b>		
(Gains) /losses on investments	<b>(232,417)</b>	133,395
Dividends, Interest & Rents from investments	<b>(205,979)</b>	(213,441)
Increase/(decrease) in Provisions	<b>0</b>	(12,494)
(Increase)/ decrease in debtors / bad debts	<b>(32,285)</b>	(34,550)
Increase/(decrease) in creditors	<b>54,692</b>	(712)
<b>Net cash provided and (used in) operating activities</b>	<b>(161,890)</b>	(166,794)

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2017**

**8 Analysis of cash and cash equivalents as at 31 March 2017**

	<b>Current Year</b>	<b>In Year Movement</b>	<b>Prior Year</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Cash in hand	<b>212,271</b>	44,079	168,192
Overdraft facility repayable on demand	<b>0</b>	0	0
<b>Total cash and cash equivalents</b>	<b>212,271</b>	44,079	168,192

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2017**

**9 Investment Land and Property**

	<b>Total</b>
	<b>£</b>
<b>Valuation</b>	
At 1 April 2016	382,501
Disposals	0
Revaluation	18,000
<b>At 31 March 2017</b>	<b>400,501</b>
<b>Depreciation</b>	
At 1 April 2016	0
Charge in year	0
Disposals	0
<b>At 31 March 2017</b>	<b>0</b>
<b>Net book Value</b>	
At 1 April 2016	382,501
<b>At 31 March 2017</b>	<b>400,501</b>

Tangible Investment Assets solely consist of freehold land. All land held by the Fund had been revalued as at 1<sup>st</sup> November 2016. Valuations were carried out in accordance with the valuation policy. A further valuation will be carried out within 2017/18 financial year and on thereafter on an annual rolling basis.

**10 Investments**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
CCLA - COIF Property Fund	<b>1,006,356</b>	1,048,603
UBS Multi Asset Income Fund	<b>712,332</b>	698,398
M&G Charibond Fund	<b>724,274</b>	703,312
Schroders Income Maximiser	<b>453,662</b>	406,342
M&G Charifund	<b>542,527</b>	492,404
CCLA - COIF Investment Fund	<b>943,368</b>	827,037
Treasury Stock 2024 2.5%	<b>112,379</b>	104,385
Invested with Monmouthshire County Council	<b>350,000</b>	350,000
	<b>4,844,898</b>	4,630,481

The Trust has investments held with UBS, M&G, Schroeder's, CCLA, HM Treasury and Monmouthshire County Council which are generally managed by the trusts treasury management advisors. Returns from Monmouthshire County Council are generated on a "pooled" basis. The average rate of interest generated on the pooled funds from Monmouthshire was 0.3338% for 2016/17 (0.4495% for 2015/16). The basis of valuation on the market based investments held with CCLA, M&G, UBS and Schroder's, is the

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2017**

open market value of the unit holdings on the 31<sup>st</sup> March 2017 multiplied by the units held. There were no additions or disposals of investments during the financial year. The Treasury Stock 2024 valuation is based upon the market value of the Treasury Gilts at the 31<sup>st</sup> March 2017 as listed on the dmo.gov website. The value of the ‘pooled’ investment with Monmouthshire County Council is the cash value as at the 31<sup>st</sup> March 2017. None of the Investments are held outside of the territorial limits of the United Kingdom and the cost of the revaluations is contained within the charity management fee charged annually from Monmouthshire County Council.

**11 Debtors**

	2017 £	2016 £
<b>Amounts falling due within one year</b>		
<i>Prepayment &amp; accrued income</i>		
Investment Income	178,430	140,600
Other Debtors		
MCC Bank Transfer	0	0
<i>Trade debtors</i>		
Rental income	0	2,768
Bad debt provision for loss of rental income	0	57
<i>Other Debtors</i>		
HM Revenue and Customs	1,591	622
Other Debtors	0	3,689
	<b>180,021</b>	<b>147,736</b>

All investment interest due from the trustee was paid in year in 2016-17.

**12 Creditors**

	2017 £	2016 £
<b>Amounts falling due within one year</b>		
Grant creditors	151,384	104,679
Other creditors	15,629	7,642
	<b>167,013</b>	<b>112,321</b>

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

**13 Funds**

	Balance 1 April 2016 £	Incoming resources £	Resources Expended £	Other Recognised Gain / (Loss) £	<b>Balance 31 March 2017 £</b>
Unrestricted funds	5,216,589	208,821	187,149	232,417	<b>5,470,678</b>

There were no transfers between funds during the 2016-17 financial year.

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2017**

## **14 Related party transactions**

During the year transactions with related parties arose as follows:

	<b>2017</b>		<b>2016</b>	
	<b>Receipts</b>	<b>Payments</b>	<b>Receipts</b>	<b>Payments</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Monmouthshire County Council</b>	<b>4,513</b>	<b>4,537</b>	<b>7,543</b>	<b>22,824</b>

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

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

## **13 Trustee's Expenses, Remuneration and Benefits**

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

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**Monmouthshire Farm School Endowment  
Trust Fund**

**Annual report  
for the year ended 31 March 2017**

-Registered Charity Number: 525649

**Monmouthshire Farm School Endowment Trust Fund  
Annual report for year ended 31st March 2017**

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Statement of financial activities	5
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**Monmouthshire Farm School Endowment Trust Fund  
Annual report for year ended 31st March 2017**

**Trustees, officers and advisors**

**Trustees**

D L Edwards  
Monmouthshire County Council

D Yeowell  
Torfaen County Borough Council

R Edwards  
Monmouthshire County Council

Professor J D Hayes  
University College Wales Aberystwth

R J W Greenland  
Monmouthshire County Council

K Backhouse  
Director Usk Campus – Coleg Gwent

S B Jones  
Monmouthshire County Council

D Havard  
Caerphilly County Borough Council

A Easson  
Monmouthshire County Council

D.W.H Jones  
Monmouthshire County Council

R Pagett  
Blaenau Gwent County Borough Council

Dr W O C Symondson  
University of Wales College Cardiff

**Secretary**

P Matthews – Acting Monitoring Officer, Monmouthshire County Council

**Registered Office**

County Hall, The Rhadyr, Usk, NP15 1GA

**Auditors**

Wales Audit Office, 24 Cathedral Road, Cardiff, CF11 9LJ

**Solicitors**

R Tranter, Head of Legal Services, Monmouthshire County Council

**Investment custodian**

Monmouthshire County Council

**Bankers**

Barclays Bank, Leicester, Leicestershire LE87 2BB

## **Monmouthshire Farm School Endowment Trust Fund Annual report for year ended 31st March 2017**

### **Report of the Trustee for the year ended 31st March 2017**

The Trustee presents its annual report and the audited financial statements for the year ended 31 March 2017 of The Monmouthshire Farm School Endowment Trust Fund. The information with respect to the Trustee, officers and advisors set out on page 1 forms part of this report. The accounts (financial statements) have been prepared in accordance with the Financial Reporting Standards applicable in the UK and Republic of Ireland (FRS102) issued on 16 July 2014 and the Financial Reporting Standard applicable in the United Kingdom and Republic (FRS 102) and Charity Act 2011. The financial statements comply with the Charity's trust deed.

#### **Status and administration**

The Charity is governed by the 1959 Principal Scheme as amended by the Altering Scheme of 1971, although the governing body may rightly claim a history stretching back to 1894. The Fund is registered with the Charity Commission under charity number 525649.

#### **Objects**

The primary object of the Charity, as stated in its governing document, is to make awards to students in need of assistance to attend Usk Agricultural College, or at the discretion of the governing body, any other college, institution or university to pursue courses of study in agricultural subjects. The governing body can use its discretion to apply any unawarded income to provide funding towards the cost of their facilities or amenities at Usk College which would benefit these students. The grant awarded have allowed the beneficiaries to pursue land based courses to enhance career opportunities. The area of benefit is clearly defined, household income is a consideration when making the award. Grants were awarded to 12 people and the total awards were £26,209.

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

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

The Fund has increased in value by £20,372 (£2,499 increase in 2015/16) over the financial year as a result of outgoing resources being outweighed by incoming resources.

Income is comprised of interest on investment stock and cash held of £24,816 (£23,314 in 2015/16), and £19,701 (£32,479 in 2015/16) in respect of the annual payment from the Roger Edwards Educational Trust Fund. Expenditure of £29,989 (£30,127 in 2015/16) primarily comprised of grants payable of £26,209 (£27,651 in 2015/16) in line with the Charity's objects. Unrealised investment gain of £5,844 (£23,167 loss in 2015/16) were made in relation to investments held.

The current strategy is to ensure that there are sufficient funds to meet the needs of beneficiaries.

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

Under the terms of the Trust Deed, the Trustee have general powers of investment, subject to the provisions of the Trustee Act 2000. The Trustee has reviewed its investment strategy and produced an investment and fund strategy for 2014/15 which was approved by Monmouthshire County Council in its capacity as Trust administrator on 2<sup>nd</sup> March 16. Investments are strategically placed in low-risk investments. Investment performance is reviewed periodically in light of prevailing economic changes.

#### **Grant making policy**

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

#### **Changes in fixed assets**

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

## **Monmouthshire Farm School Endowment Trust Fund Annual report for year ended 31st March 2017**

### **Reserves**

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

The Trust has reviewed its fund strategy and produced an investment and fund strategy for 2014-15 which states that it is the Trust's policy to maintain funds at approximately the current level and utilise the annual income received to fund its charitable expenditure. This was approved by Cabinet on the 4<sup>th</sup> March 2015.

### **Governance of the Charity**

Representative Trustees appointed by Monmouthshire County Council have a term of office equivalent to the term of a County Council (four years); the other representative Trustees have a term of office of three years and the co-operative Trustees have a term of office of five years. The Trustees are listed on page 1.

### **Risk management**

Monmouthshire County Council as appointed administrator of the Trust Fund periodically review the major risks to which the Charity is exposed as part of the Authority's overall risk management and financial control processes. The Roger Edwards Educational Trust provide significant income to this trust and forms the majority of income that can be used for grants. This income is received after the audited accounts have been agreed and therefore this is usually late in the financial year. A risk assessment policy was approved by Cabinet on 2<sup>nd</sup> March 2016.

### **Auditors**

The Wales Audit Office are the appointed auditors to the Charity.

### **Trustees responsibilities**

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

The Trustee confirms that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31st March 2017. The Trustee also confirms that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

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

### **By order of the Trustee**

Trustee:

Date:

**Monmouthshire Farm School Endowment Trust Fund  
Annual report for year ended 31st March 2017**

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

I report on the accounts of Monmouthshire Farm School Endowment Trust Fund for the year ended 31<sup>st</sup> March 2017, which are set out on pages 5 to 10.

**Responsibilities and basis of report**

As the charity's trustees, you are responsible for the preparation of the accounts in accordance with the requirements of the Charities Act 2011 (the Act). You are satisfied that the accounts are not required to be audited by charity law and have chosen instead to have an independent examination.

I report in respect of my examination of your charity's accounts as carried out under section 145 of the Act; In carrying out my examination I have followed the Directions given by the Charity Commission under section 145(5) (b) of the Act.

An independent examination does not involve gathering all the evidence that would be required in an audit and consequently does not cover all the matters that an auditor considers in giving their opinion on the accounts. The planning and conduct of an audit goes beyond the limited assurance that an independent examination can provide. Consequently I express no opinion as to whether the accounts present a 'true and fair' view and my report is limited to those specific matters set out in the independent examiner's statement.

**Independent examiner's statement**

I have completed my examination. I confirm that no matters have come to my attention in connection with the examination giving me cause to believe:

- accounting records were not kept as required by section 130 of the Act; or
- the accounts do not accord with those records; or
- the accounts do not comply with the applicable requirements concerning the form and content set out in the Charities (Accounts and Reports) Regulations 2008 other than any requirement that the accounts give a 'true and fair view which is not a matter considered as part of an independent examination; or
- the accounts have not been prepared in accordance with the methods and principles of the Statement of Recommended Practice for accounting and reporting by charities.

I have no concerns and have come across no other matters in connection with the examination to which attention should be drawn in this report in order to enable a proper understanding of the accounts to be reached.

Ann-Marie Harkin  
On behalf of the Auditor General for Wales  
Date:

24 Cathedral Road  
Cardiff CF11 9LJ

**Monmouthshire Farm School Endowment Trust Fund**  
**Annual report for year ended 31st March 2017**

**Statement of financial activities (Sofa) for the year ended 31st March 2017**

	Notes	2017 Unrestricted Funds £	2016 Unrestricted Funds £
<b>Income &amp; Endowments from:</b>			
Investment income	2	24,816	23,314
Other incoming resources (REET)		19,701	32,479
<b>Total income &amp; Endowments</b>		<b>44,517</b>	<b>55,793</b>
<b>Resources Expended</b>			
<b>Charitable expenditure</b>			
Costs of activities in furtherance of the Charity's objects			
Expenditure on charitable activities	3	26,209	27,651
Other expenditure	3 & 4	3,780	2,476
<b>Total Resources expended</b>		<b>29,989</b>	<b>30,127</b>
Gains/(losses) on investment assets	5	5,844	(23,167)
<b>Net Income / Expenditure</b>		<b>20,372</b>	<b>2,499</b>
<b>Net movement in funds</b>			
Fund balances brought forward 1 April 2016		<b>704,932</b>	702,433
<b>Fund balances carried forward 31 March 2017</b>		<b>725,304</b>	704,932

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

**Monmouthshire Farm School Endowment Trust Fund**  
**Annual report for year ended 31st March 2017**

**Balance Sheet as at 31 March 2017**

	Notes	2017 Unrestricted Funds £	2016 Unrestricted Funds £
<b>Fixed assets</b>			
Investments	7	617,796	611,952
		<b>617,796</b>	611,952
<b>Current assets</b>			
Debtors: amounts falling due within one year	8	25,305	35,393
Cash at bank and in hand		87,969	59,687
		<b>113,274</b>	95,080
<b>Current Liabilities</b>			
Creditors: amounts falling due within one year	9	5,766	2,100
<b>Net current assets</b>		<b>107,508</b>	92,980
<b>Net assets</b>		<b>725,304</b>	704,932
<b>The Funds of the Charity:</b>			
Unrestricted Funds	10	725,304	704,932
<b>Total Charity funds</b>		<b>725,304</b>	704,932

The accounts were approved by the Trustee on 17<sup>th</sup> July 2017 and signed on their behalf by:

Trustee:

Date:

**Monmouthshire Farm School Endowment Trust Fund  
Annual report for year ended 31st March 2017**

**Notes to the financial statements for the year ended 31<sup>st</sup> March  
2017**

**1 Principal accounting policies**

**Basis of accounting**

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

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

**Resources expended**

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

**Incoming Resources**

All income received is accounted for on a receivable basis and has been classified under the appropriate categories. The income received from the Roger Edwards Educational Trust is an estimation of income based on historical data, the actual income relating to 2016-17 has not been received at the time of this report, and therefore any adjustment will be made in the accounts for 2017-18.

**Grants payable**

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

**Management and administration**

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

**Debtors/ Creditors**

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

**Irrecoverable VAT**

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

**Recognition of liabilities**

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

**Fund accounting**

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

## Monmouthshire Farm School Endowment Trust Fund Annual report for year ended 31st March 2017

### Investments

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

### Transition to FRS 102

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

### Cash flow statement

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

## 2 Investment income

	2017	2016
	£	£
Interest on cash balances	0	615
Interest on Investments	24,816	22,699
	<b>24,816</b>	<b>23,314</b>

## 3 Expenditure on Charitable Activities

	2017	2016
	£	£
Grants payable	26,209	27,651
Management & administration	3,780	2,476
	<b>29,989</b>	<b>30,127</b>

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

## 4 Governance Costs

	2017	2016
	£	£
Net incoming resources is stated after charging:		
Auditor's remuneration	2,560	1,701
	<b>2,560</b>	<b>1,701</b>

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



**Monmouthshire Farm School Endowment Trust Fund**  
**Annual report for year ended 31st March 2017**

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

	Market Value 2016 £	Additions (Disposals) £	Market Value 2017 £	Gain/(Loss) £
Charibond	199,805	0	205,761	5,956
OEIC	184,541	0	192,858	8,317
COIF	227,606	0	219,177	(8,429)
<b>Total</b>	<b>611,952</b>	<b>0</b>	<b>617,796</b>	<b>5,844</b>

**6 Taxation**

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

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

**7 Fixed asset investments**

	Total £
Valuation at 1 April 2016	<b>611,952</b>
Net revaluation (loss) / gain	<b>5,844</b>
<b>Valuation at 31 March 2016</b>	<b>617,796</b>

Fixed asset investments solely consist of the quoted investments. All investments are stated at their market value at 31st March 2017. The historical cost of the investments at 31st March 2017 was £639,000. All of the Charity's investments are quoted in the UK. The details of these are disclosed in the table below, being Charibond, COIF and OEIC Fund.

Investments with a market value greater than 5% of the total portfolio market value at 31st March 2017 are as follows:

	£	%
COIF	219,177	35
Charibond	205,760	33
OEIC Fund	192,859	32

The percentage shown above is the percentage of the total portfolio market value as at 31<sup>st</sup> March 2017.

**Monmouthshire Farm School Endowment Trust Fund**  
**Annual report for year ended 31st March 2017**

**8 Debtors**

	2017	2016
	£	£
<b>Amounts falling due within one year</b>		
Receivable from The Roger Edwards Educational Trust Fund	<b>25,000</b>	32,000
Accrued Interest Receivable	<b>0</b>	2,330
HM Revenue and Customs	<b>305</b>	1,063
	<b>25,305</b>	35,393

The majority of the debt relates to the payment from the Roger Edwards Educational Trust. This is an estimate of the income based on historical payments.

**9 Creditors**

	2017	2016
	£	£
<b>Amounts falling due within one year</b>		
Accruals and deferred income	<b>5,766</b>	2,100
	<b>5,766</b>	2,100

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

**10 Unrestricted Funds**

	Balance 1 April 2016	Incoming resources	Resources Expended	Investment Gain/(Loss)	Balance 31 March 2017
	£	£	£	£	£
Permanent endowed funds	704,932	44,517	(29,989)	5,844	<b>725,304</b>

**11 Related party transactions**

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



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru  
Auditor General for Wales

# Audit of Financial Statements Report and Management Letter – The Monmouthshire County Council Welsh Church Act Fund

Audit year: 2016-17

Date issued: November 2017

Document reference: **506A2017**

This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000.

The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at

[infoofficer@audit.wales](mailto:infoofficer@audit.wales).

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

The team who delivered the work were Ann-Marie Harkin, Terry Lewis, Rhodri Davies and Jane Davies.

# Contents

This document summarises the conclusions on the 2016-17 audit including our recommendations for the year. The Auditor General intends to issue an unqualified audit report on your financial statements. There are some issues to report to you prior to their approval.

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# Summary report

## Introduction

- 1 The purpose of this report is twofold:
  - to set out for consideration the matters arising from the audit of the financial statements of The Monmouthshire County Council Welsh Church Act Fund for 2016-17, that require reporting to those charged with governance, in time to enable appropriate action; and
  - to formally communicate the completion of our audit and capture the recommendations arising from our audit work for the year.
- 2 The Auditor General is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of The Monmouthshire County Council Welsh Church Act Fund at 31 March 2017 and its income and expenditure for the year then ended.
- 3 We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.
- 4 The quantitative levels at which we judge such misstatements to be material for The Monmouthshire County Council Welsh Church Act Fund are £10,000 for income and expenditure items and £112,753 for balance sheet items. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity.

## Status of the audit

- 5 We received the draft financial statements for the year ended 31 March 2017 on 15 June 2017, 15 days prior to the agreed deadline of 30 June 2017, and have now substantially completed the audit work.
- 6 We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with management.

## Proposed audit report

- 7 It is the Auditor General's intention to issue an unqualified audit report on the financial statements once you have provided us with a Letter of Representation based on that set out in [Appendix 1](#).
- 8 The proposed audit report is set out in [Appendix 2](#).

## Significant issues arising from the audit

### Uncorrected misstatements

9 We set out below the misstatements we identified in the financial statements, which have been discussed with management but remain uncorrected. Explanations for not correcting these misstatements are provided (by management) in the Letter of Representation [Appendix 1](#).

#### **a. Investment Land incorrectly classified and valued**

In line with the Charities Statements of Recommended Practice (SORP) section 10.46, land is to be 'excluded from investment properties and treated as tangible fixed assets if the property is occupied by the charity for its own purposes'. The land (at Rogiet Glebe) is being used as allotments and meets the definition of Section 7 of Schedule 1 of the Fund's scheme, as it provides leisure facilities to the public. It should therefore be classified as a tangible fixed asset and not an investment asset.

The land is considered a 'community asset' and is being carried at £1 in the Balance Sheet. In line with the SORP the land should be included at its most recent valuation of £6,000. The impact on the financial statements is that Fixed Assets are understated by £5,999 and the gain on Investment Assets in the SOFA is understated by £5,999.

#### **b. Investments incorrectly valued at year-end**

Three Investments were valued at the 'mid-price' instead of the 'bid-price' (as per section 11.27 of FRS102) to value three investments at year-end. The impact on the financial statements is that Investments on the Balance Sheet are understated by £4,176 and the gain on Investment Assets on the SOFA is understated by £4,176.

#### **c. Investment income overstated**

Testing of Investment income identified one discrepancy, whereby the CCLA income was overstated by £6,596. This was due to the understatement of the prior year's brought forward balance. The impact on the financial statements is that Fund Balance brought forward is understated by £6,596 and the gain on Investment Assets in the SOFA is overstated by £6,596.

### Corrected misstatements

10 There are misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process. They are set out with explanations in [Appendix 3](#).

## Other significant issues arising from the audit

- 11 During the course of the audit, we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you. There were some issues arising in these areas this year:
- **We have some concerns about the qualitative aspects of your accounting practices and financial reporting.** There were numerous disclosure omissions and errors that have now been adjusted. These errors could have been prevented if the Council had used the CIPFA Disclosure checklist to ensure compliance with the reporting framework (Charities SORP FRS 102) when preparing the draft accounts.
  - **We did not encounter any significant difficulties during the audit.**
  - **There were no significant matters discussed and corresponded upon with management which we need to report to you.**
  - **There are no other matters significant to the oversight of the financial reporting process that we need to report to you.**
  - **We did not identify any material weaknesses in your internal controls.**
  - **There are not any other matters specifically required by auditing standards to be communicated to those charged with governance.**

## Independence and objectivity

- 12 As part of the finalisation process, we are required to provide you with representations concerning our independence.
- 13 We have complied with ethical standards and in our professional judgment, we are independent and our objectivity is not compromised. There are no relationships between the Wales Audit Office and The Monmouthshire County Council Welsh Church Act Fund that we consider to bear on our objectivity and independence.



# Appendix 1

## Final Letter of Representation

Auditor General for Wales

Wales Audit Office

24 Cathedral Road

Cardiff

CF11 9LJ

23 November 2017

### Representations regarding the 2015-16 financial statements

This letter is provided in connection with your audit of the financial statements of Monmouthshire County Council Welsh Church Act Fund for the year ended 31 March 2017 for the purpose of expressing an opinion on their truth and fairness.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

### Management representations

#### Responsibilities

We have fulfilled our responsibilities for the preparation of the financial statements in accordance with legislative requirements and Charities SORP 2015 in preference to the Charities SORP 2005 which is referred to in the extant regulations but has been withdrawn, in particular the financial statements give a true and fair view in accordance therewith.

We acknowledge our responsibility for the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

#### Information provided

We have provided you with:

- Full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
  - additional information that you have requested from us for the purpose of the audit; and
  - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.

- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects Monmouthshire County Council Welsh Church Act Fund and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.

#### Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

## Representations by those charged with governance

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Trustee on 23 November 2017.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

Signed by:

Date:

Date:

# Appendix 2

## Proposed audit report of the Auditor General to the Trustee of Monmouthshire County Council Welsh Church Act Fund

I have audited the financial statements of Monmouthshire County Council Welsh Church Act Fund for the year ended 31 March 2017, which comprise the Statement of Financial Activities, the Balance Sheet, Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### Respective responsibilities of trustee and independent auditor

As explained more fully in the Trustee Responsibilities Statement set out on page 2, the trustee is responsible for the preparation of financial statements which give a true and fair view.

I have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act.

My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustee; and the overall presentation of the financial statements.

In addition, I read all the financial and non-financial information in the Trustee Annual Report, to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

### Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the state of affairs of the Charity as at 31 March 2017 and of its incoming resources and application of resources for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Charities Act 2011.

### Opinion on other matters

In my opinion the information in the Trustee Annual Report is consistent with the financial statements.

### Matters on which I am required to report by exception

I have nothing to report in respect of the following matters where the Charities Act 2011 requires me to report to you if, in my opinion:

- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

### Emphasis of Matter

Your attention is drawn to the fact that the Charity has prepared its financial statements in accordance with the Charities SORP 2015 in preference to the Charities SORP 2005 which is referred to in the extant regulations but has been withdrawn. We understand this has been done in order for the accounts to provide a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice effective for reporting periods beginning on or after 1 January 2015.

Ann-Marie Harkin  
On behalf of the Auditor General for Wales  
Date:

Wales Audit Office  
24 Cathedral Road  
Cardiff CF11 9LJ

# Appendix 3

## Summary of corrections made to the draft financial statements which should be drawn to the attention of Trustee of Monmouthshire County Council Welsh Church Act Fund

During our audit we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

### Exhibit 1: summary of corrections made to the draft financial statements

Value of correction	Nature of correction	Reason for correction
£4,537	<b>Related Party Transactions (Note 12)</b> Monmouthshire County Council receipts increased by £4,513 and payments by £4,537.	Value not included in draft accounts.
Presentational	<b>SOFA</b> Gains on re-valuation of tangible fixed assets decreased by £18,000. Gains on investment assets increased by £18,000.	Per section 4.59 of the SORP, Gains/(losses) on investment assets should include those gains or losses arising from the revaluation of investment property.
Presentational	<b>SOFA</b> Other Trading Activities decreased by £3,060. Investment income increased by £3,060.	Per section 4.37 of the SORP, rental income from investment property should be disclosed within Investment Income. This was incorrectly disclosed in Other Trading Activities.

Value of correction	Nature of correction	Reason for correction
Narrative	<p><b>Trustee Report</b></p> <p>The value for charitable expenditure (and comparative) disclosed in the Trustee's Report (Financial Review) did not agree to the SOFA.</p> <p>The Trustee Report referred to 'non-realised investment losses'. However, there was a gain on investments in year.</p> <p>The Trustee report states that grants have been made in excess of investment income but investment income exceeded grants awarded.</p>	Trustee's report was inconsistent with Financial Statements.
Narrative	<p><b>Trustee Report</b></p> <p>No description of the risks and uncertainties the Charity face were included in the Trustee Report as per section 1.46 of the SORP.</p> <p>The name of the CEO or the individuals the trustee delegates day-to-day management to is not disclosed as per section 1.52 of the SORP.</p>	Trustee report was not in line with SORP requirements.
Presentational	<p><b>Cash Flow Statement</b></p> <p>Various amendments to the Cash Flow Statement and related notes.</p>	Cash Flow statement not consistent with SOFA or reporting requirement as per the SORP.
Narrative	<p><b>Analysis of Grants (Note 4)</b></p> <p>The following was not disclosed:</p> <ul style="list-style-type: none"> <li>Information on institutional grants as per section 16.17 of the SORP.</li> <li>Some institutions were awarded more than one grant, eg Christ Church Ebbw Vale. The total amount awarded to these institutions was not disclosed as per section 16.19 of the SORP.</li> </ul>	Analysis of grants note not in line with SORP requirements.

Value of correction	Nature of correction	Reason for correction
Narrative	<p><b>Accounting policies</b></p> <p>The following was not disclosed:</p> <ul style="list-style-type: none"> <li>• The estimation techniques used to apportion costs as per SORP 8.13.</li> <li>• The Charity meets the definition of a public benefit entity under FRS102 as per SORP 1.18.</li> <li>• The trustees have considered there are no material uncertainties about the charity's ability to continue as a going concern as per SORP 3.39.</li> </ul>	Accounting policies not in line with Charities SORP (FRS 102) requirements.





Wales Audit Office  
24 Cathedral Road  
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone.: 029 2032 0660

E-mail: [info@audit.wales](mailto:info@audit.wales)

Website: [www.audit.wales](http://www.audit.wales)

Swyddfa Archwilio Cymru  
24 Heol y Gadeirlan  
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn testun: 029 2032 0660

E-bost: [post@archwilio.cymru](mailto:post@archwilio.cymru)

Gwefan: [www.archwilio.cymru](http://www.archwilio.cymru)



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru  
Auditor General for Wales

# Independent Examination of Financial Statements Report – **Monmouthshire Farm School Endowment Trust Fund**

Audit year: 2016-17

Date issued: November 2017

Document reference: **507A2017**

# Contents

It is our intention to issue an unqualified examiner's report on the 2016-17 financial statements

## Summary report

Introduction 3

Proposed examination report 3

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# Summary report

## Introduction

- 1 The Charity's trustee is responsible for preparing the financial statements in accordance with the Charities Act 2011 (the Act) and have considered that, this year, under section 144(2) of the Act an independent examination is needed of them.
- 2 We are responsible for providing an independent examiner's report on the Monmouthshire Farm School Endowment Trust Fund (the Fund) financial statements as at 31 March 2017. An independent examination involves reviewing whether the Charity has, in all material respects:
  - maintained accounting records in accordance with Section 130 of the Act; and
  - prepared accounts which accord with the accounting records and comply with the accounting requirements of the Act.
- 3 We are also required to report to you any matter that, in our opinion, attention should be drawn to enable a proper understanding of the accounts to be reached prior to the accounts being approved by the trustees. Where this is the case our team has already discussed these issues with officers.

## Proposed examination report

- 4 It is our intention to issue an unqualified examination report on the financial statements. Our proposed report is set out in [Appendix 1](#).

## Significant issues arising from our examination

- 5 There were no misstatements identified during the course of the independent examination. However, there were a number of disclosure omissions and errors that have now been adjusted. These errors could have been prevented if the Council had used the CIPFA Disclosure checklist to ensure compliance with the reporting framework (Charities SORP FRS 102) when preparing the draft accounts.
- 6 Information was provided to us in a timely and helpful manner and we are appreciative of the assistance provided by officers to facilitate the completion of our examination.

# Appendix 1

## Proposed report of the independent examiner to the trustee of Monmouthshire Farm School Endowment Trust Fund

I report on the accounts of Monmouthshire Farm School Endowment Trust Fund for the year ended 31 March 2017, which are set out on pages 5 to 10.

### Responsibilities and basis of report

As the Charity's trustees, you are responsible for the preparation of the accounts in accordance with the requirements of the Charities Act 2011 (the Act). You are satisfied that the accounts are not required to be audited by charity law and have chosen instead to have an independent examination.

I report in respect of my examination of your Charity's accounts as carried out under section 145 of the Act; In carrying out my examination I have followed the Directions given by the Charity Commission under section 145(5) (b) of the Act.

An independent examination does not involve gathering all the evidence that would be required in an audit and consequently does not cover all the matters that an auditor considers in giving their opinion on the accounts. The planning and conduct of an audit goes beyond the limited assurance that an independent examination can provide. Consequently, I express no opinion as to whether the accounts present a 'true and fair' view and my report is limited to those specific matters set out in the independent examiner's statement.

### Independent examiner's statement

I have completed my examination. I confirm that no matters have come to my attention in connection with the examination giving me cause to believe:

- accounting records were not kept as required by section 130 of the Act; or
- the accounts do not accord with those records; or
- the accounts do not comply with the applicable requirements concerning the form and content set out in the Charities (Accounts and Reports) Regulations 2008 other than any requirement that the accounts give a 'true and fair view which is not a matter considered as part of an independent examination; or
- the accounts have not been prepared in accordance with the methods and principles of the Statement of Recommended Practice for accounting and reporting by charities.

I have no concerns and have come across no other matters in connection with the examination to which attention should be drawn in this report in order to enable a proper understanding of the accounts to be reached.

Ann-Marie Harkin  
On behalf of the Auditor General for Wales  
Date:

24 Cathedral Road  
Cardiff CF11 9LJ

Wales Audit Office  
24 Cathedral Road  
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone.: 029 2032 0660

E-mail: [info@audit.wales](mailto:info@audit.wales)

Website: [www.audit.wales](http://www.audit.wales)

Swyddfa Archwilio Cymru  
24 Heol y Gadeirlan  
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn testun: 029 2032 0660

E-bost: [post@archwilio.cymru](mailto:post@archwilio.cymru)

Gwefan: [www.archwilio.cymru](http://www.archwilio.cymru)



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