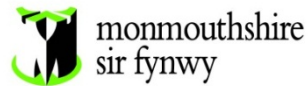


Public Document Pack



County Hall
Rhadyr
Usk
NP15 1GA

Wednesday, 31 October 2018

Notice of meeting

Audit Committee

Thursday, 8th November, 2018 at 2.00 pm,
The Council Chamber, County Hall, The Rhadyr, Usk, NP15 1GA

AGENDA

Item No	Item	Pages
1.	Apologies for Absence.	
2.	Declarations of Interest.	
3.	Public Open Forum.	
4.	CPR Exemptions 6 monthly update (report to follow).	
5.	Mid Year Treasury Report 2018/19.	1 - 44
6.	Internal Audit Progress Report 2018-19 - Quarter 2 (report to follow).	
7.	Overview of Performance Management Arrangements.	45 - 56
8.	Progress Report: Wales Audit Office Proposals for Improvement.	57 - 80
9.	To confirm minutes of the previous meeting.	81 - 90
10.	To note the action list from 13th September 2018.	91 - 92
11.	Forward Work Programme.	93 - 96
12.	To confirm the date and time of the next meeting as 20th December 2018 at 2.00pm.	

Paul Matthews
Chief Executive

MONMOUTHSHIRE COUNTY COUNCIL
CYNGOR SIR FYNWY

THE CONSTITUTION OF THE COMMITTEE IS AS FOLLOWS:

Mr. P. White (Chair)

County Councillors:

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

Public Information

Access to paper copies of agendas and reports

A copy of this agenda and relevant reports can be made available to members of the public attending a meeting by requesting a copy from Democratic Services on 01633 644219. Please note that we must receive 24 hours notice prior to the meeting in order to provide you with a hard copy of this agenda.

Watch this meeting online

This meeting can be viewed online either live or following the meeting by visiting www.monmouthshire.gov.uk or by visiting our Youtube page by searching MonmouthshireCC.

Welsh Language

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

Aims and Values of Monmouthshire County Council

Our purpose

Building Sustainable and Resilient Communities

Objectives we are working towards

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

Our Values

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

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

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

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



REPORT

SUBJECT: MID-YEAR TREASURY REPORT 2018/19

MEETING: Audit Committee

DATE: 8th November 2018

DIVISION/WARDS AFFECTED: Whole Authority

1. PURPOSE:

- 1.1 To provide an interim mid-year update on treasury management activity for 2018/19 in accordance with the Authority's Treasury Management Strategy Statement for 18/19.

2. RECOMMENDATIONS:

- 2.1 That Members review the treasury management activities in the first half of 2018/19 using this report and discuss with Officers any changes to the process that should be considered for incorporation into the 2019/20 Treasury Management Strategy Statement.
- 2.2 To agree and recommend that Council amends the wording in Table 2 of the 2018/19 Treasury Management Strategy – 'Approved investment counterparties and limits', so that Pooled Funds can be used to increase investment income as in Point 3.14 below

3. KEY ISSUES:

- 3.1 Treasury Management is the management of the local authority's investments, borrowings 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.
- 3.2 The Treasury Management Code requires public sector authorities to determine an annual Treasury Management Strategy and, as a minimum, formally report on their treasury activities and arrangements at the mid-year point and after the year-end. These reports enable those tasked with implementing policies and undertaking transactions to demonstrate they have properly fulfilled their responsibilities, and enable those with ultimate responsibility/governance of the treasury management function to scrutinise and assess its effectiveness and compliance with policies and objectives.
- 3.3 Following consultation in 2017, CIPFA published new versions of the Prudential Code for Capital Finance in Local Authorities (Prudential Code)

and the Treasury Management Code of Practice but has yet to publish the local authority specific Guidance Notes to the latter.

- 3.4 The updated Prudential Code includes a new requirement for local authorities to provide a Capital Strategy, which is to be a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Authority will be producing its Capital Strategy as part of the 2019/20 budget papers for approval by full Council.
- 3.5 Audit Committee is identified as being the committee responsible for reviewing reports on the treasury function, given its overarching role in assessing the risk management arrangements for the Authority.
- 3.6 The mid-year Treasury report for 2018/19 is attached as appendix 1.
- 3.7 The Authority's treasury portfolio as at 30th September 2018 is illustrated in the tables 3 & 4 in Appendix 1. This shows that the Authority held £161.2m of external debt and £20.9m of investments, with a net borrowing position of £140.3m.

Borrowing Activity

- 3.8 At 30th September 2018 the Authority held £161.2m of loans, an increase of £32.2m from 31st March 2018, as part of the strategy for funding previous and current years' capital programmes.
- 3.9 The Authority's chief objective when borrowing continues to be striking an appropriately low risk balance between securing low interest costs from short term loans and achieving cost certainty over the period for which funds are required at a higher cost. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective. The £32.2m of new loans since March 2018 have primarily been short term loans so the % of variable rate loans and hence interest rate exposure has increased during the period.
- 3.10 Affordability and the "cost of carry" remained important influences on the Authority's borrowing strategy alongside the consideration that, for any borrowing undertaken ahead of need, the proceeds would have to be invested in the money markets at rates of interest significantly lower than the cost of borrowing. As short-term interest rates have remained, and are likely to remain for a significant period, lower than long-term rates, the Authority determined it was more cost effective in the short-term to firstly use internal resources (internal borrowing) and secondly borrow short-term loans.

Investment Activity

- 3.11 At 30th September 2018 the Authority held £20.9m of invested funds, an increase of £3.7m from 31st March 2018, representing income received in advance of expenditure plus balances and reserves held. Since the introduction of Mifid II in January 2018, balances have risen so some longer term investments achieving higher returns are being used. These have been

maintained in investments meeting the criteria as set out in the treasury strategy.

- 3.12 The security of capital has remained the Authority's main investment objective. This has been maintained by following the Authority's counterparty policy as set out in its Treasury Management Strategy Statement for 2018/19.
- 3.13 Given the increasing risk and continued low returns from short-term unsecured bank investments, the Authority will continue to assess its level of diversification across investment counterparties and if necessary explore more secure asset classes. Currently, the majority of the Authority's surplus cash is invested in short-term, unsecured bank & building society deposits including certificates of deposit, in money market funds and also in WG backed deposits and in other local authorities. This level of exposure is considered satisfactory given the levels of investments we are holding.
- 3.14 Due to the Authority's decision to comply with the requirements of a Professional Client as set out in the Mifid II regulations, the Authority is holding over £10m of investments for the majority of the year, a position that we intend to maintain for 3-5 years at least. In order to benefit from this situation, it is the intention of the Deputy S151 Officer and the Treasury team to look at investing in Pooled Funds. These have been used successfully by the Welsh Church Fund and Monmouthshire Farm School Endowment Trust Fund. The choice of words used in Table 2 of the Treasury Strategy have prevented us getting the required approval by Arlingclose, the Authority's Treasury Advisors, for the Authority to use pooled funds, so to ensure the process of approval is clear, an amendment to Table 2 of the Treasury Strategy is preferred. The proposal is to amend the wording following 'Pooled funds without credit ratings which are not classed as capital expenditure - if assessed by our Treasury advisers'...from 'as being of high credit worthiness' to 'as a suitable investment which is being managed in a way which is consistent with the objectives of the fund'. This is not a change in intention of this paragraph, just a more accurate choice of wording. Pooled Funds can not be of 'high credit worthiness' as the value of the Investment can go up or down but the total return over a 3-5 year period is expected to be 4-6%, so on an investment of £2.0m of principal, an income of £80,000 - £120,000 is anticipated, along with modest average increases in capital value.

2018/19 Revenue performance

- 3.15 Interest payable & similar charges, Investment income and Minimum Revenue Provision (MRP) are all expected to be close to the budgeted amounts for 2018/19. Cost and timing certainty over the Authority's capital expenditure programme, in particular Band A of the future schools initiative meant that the treasury budget for 2018/19 was able to be calculated on a more certain outlook compared to previous years.

Prudential Indicators

3.16 The Authority can confirm that it has complied with its Prudential Indicators for the first half of the 2018/19 financial year.

4. REASONS:

4.1 The Treasury Management Strategy for the Authority has been underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management, which includes the requirement that members are informed of Treasury Management activities at least twice a year. This report therefore ensures this authority is embracing Best Practice in accordance with CIPFA's recommendations.

5. RESOURCE IMPLICATIONS:

5.1 There are no specific resource implications as a result of the recommendations in this report. The resource implications of the Treasury management strategy being implemented and the environment in which the strategy is implemented are as outlined in the attached appendices.

6. CONSULTEES:

Technical performance report on matters of fact. No consultation necessary.

7. BACKGROUND PAPERS:

Appendix 1 – 'Mid-Year Treasury Report 2018/19'
Appendix 2 – '2018 03 01 Council Report on Treasury Management Strategy - AMENDED 8.11.18'

8. AUTHOR:

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

9. CONTACT DETAILS:

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

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

Treasury Management Mid-year Report 2018/19

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* (the CIPFA Code) which requires the Authority to approve treasury management semi-annual and annual reports.

The Authority's treasury management strategy for 2018/19 was approved at a meeting on 6th March 2018. 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 is therefore central to the Authority's treasury management strategy.

Following consultation in 2017, CIPFA published new versions of the Prudential Code for Capital Finance in Local Authorities (Prudential Code) and the Treasury Management Code of Practice but has yet to publish the local authority specific Guidance Notes to the latter.

The updated Prudential Code includes a new requirement for local authorities to provide a Capital Strategy, which is to be a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Authority will be producing its Capital Strategy later in 2018/19 for approval by full Council.

External Context

Economic background: Oil prices rose by 23% over the six months to around \$82/barrel. UK Consumer Price Inflation (CPI) for August rose to 2.7% year/year, above the consensus forecast and that of the Bank of England's in its August *Inflation Report*, as the effects of sterling's large depreciation in 2016 began to fade. The most recent labour market data for July 2018 showed the unemployment rate at 4%, its lowest since 1975. The 3-month average annual growth rate for regular pay, i.e. excluding bonuses, was 2.9% providing some evidence that a shortage of workers is providing support to wages. However real wages (i.e. adjusted for inflation) grew only by 0.2%, a marginal increase unlikely to have had much effect on households.

The rebound in quarterly GDP growth in Q2 to 0.4% appeared to overturn the weakness in Q1 which was largely due to weather-related factors. However, the detail showed much of Q2 GDP growth was attributed to an increase in inventories. Year/year GDP growth at 1.2% also remains below trend. The Bank of England made no change to monetary policy at its meetings in May and June, however hawkish minutes and a 6-3 vote to maintain rates was followed by a unanimous decision for a rate rise of 0.25% in August, taking Bank Rate to 0.75%.

Having raised rates in March, the US Federal Reserve again increased its target range of official interest rates in each of June and September by 0.25% to the current 2%-2.25%. Markets now expect one further rise in 2018.

The escalating trade war between the US and China as tariffs announced by the Trump administration appeared to become an entrenched dispute, damaging not just to China but also other Asian economies in the supply chain. The fallout, combined with tighter monetary policy, risks contributing to a slowdown in global economic activity and growth in 2019.

The EU Withdrawal Bill, which repeals the European Communities Act 1972 that took the UK into the EU and enables EU law to be transferred into UK law, narrowly made it through Parliament. With just six months to go when Article 50 expires on 29th March 2019, neither the Withdrawal Agreement between the UK and the EU which will be legally binding on separation issues and the financial settlement, nor its annex which will outline the shape of their future relationship, have been finalised, extending the period of economic uncertainty.

Financial markets: Gilt yields displayed marked volatility during the period, particularly following Italy's political crisis in late May when government bond yields saw sharp moves akin to those at the height of the European financial crisis with falls in yield in safe-haven UK, German and US government bonds. Over the period, despite the volatility, the net change in gilt yields was small. The 5-year benchmark gilt only rose marginally from 1.13% to 1.16%. There was a larger increase in 10-year gilt yields from 1.37% to 1.57% and in the 20-year gilt yield from 1.74% to 1.89%. The increase in Bank Rate resulted in higher money markets rates. 1-month, 3-month and 12-month LIBID rates averaged 0.56%, 0.70% and 0.95% respectively over the period.

Credit background: Reflecting its perceived higher risk, the Credit Default Swap (CDS) spread for non-ringfenced bank NatWest Markets plc rose relatively sharply over the period to around 96bps. The CDS for the ringfenced entity, National Westminster Bank plc, has held steady below 40bps. Although the CDS of other UK banks rose marginally over the period, they continue to remain low compared to historic averages.

The ringfencing of the big four UK banks - Barclays, Bank of Scotland/Lloyds, HSBC and RBS/Natwest Bank plc - is complete, the transfer of their business lines into retail (ringfenced) and investment banking (non-ringfenced) is progressing and will need to be completed by the end of 2018.

There were a few credit rating changes during the period. Moody's downgraded Barclays Bank plc's long-term rating to A2 from A1 and NatWest Markets plc to Baa2 from A3 on its view of the credit metrics of the entities post ringfencing. Upgrades to long-term ratings included those for Royal Bank of Scotland plc, NatWest Bank and Ulster Bank to A2 from A3 by Moody's and to A- from BBB+ by both Fitch and Standard & Poor's (S&P). Lloyds Bank plc and Bank of Scotland plc were upgraded to A+ from A by S&P and to Aa3 from A1 by Moody's.

Our treasury advisor Arlingclose will henceforth provide ratings which are specific to wholesale deposits including certificates of deposit, rather than provide general issuer credit ratings. Non-preferred senior unsecured debt and senior bonds are at higher risk of bail-in than deposit products, either through contractual terms, national law, or resolution authorities' flexibility during bail-in. Arlingclose's creditworthiness advice will continue to include unsecured bank deposits and CDs but not senior unsecured bonds issued by commercial banks.

Local Context

On 31st March 2018, the Authority had net borrowing of £111.9m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by

the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	31.3.18 Actual £m
General Fund CFR	146.1
Less: *Other debt liabilities	-1.9
Borrowing CFR	144.2
Less: Usable reserves	-18.2
Less: Working capital	-14.1
Net Borrowing	111.9

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

The treasury management position at 30th September 2018 and the change during the period is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.3.18 Balance £m	Movement £m	30.9.18 Balance £m	30.9.18 Rate %
Long-term borrowing	76.4	3.1	79.5	3.49
Short-term borrowing	52.6	29.1	81.7	0.91
Total borrowing	129.0	32.2	161.2	2.18
Long-term investments	0.1	0.0	0.1	0.18
Short-term investments	10.0	-2.0	8.0	0.84
Cash and cash equivalents	7.0	5.8	12.8	0.49
Total investments	17.1	3.8	20.9	0.62
Net Borrowing	111.9	28.4	140.3	

Short term borrowing was increased more in year than long term borrowing. This was a policy decision to reduce the overall cost of borrowing required to fund the Authority's 21st Century schools programme. It is expected that further capital receipts coming in over the next few years will replenish cash levels. An independent decision was taken early in this calendar year to hold investment balances above £10m so that the Authority meets the definition of a professional investor under the Mifid II regulations.

Borrowing Strategy during the period

At 30th September 2018 the Authority held £161.2m of loans, (an increase of £32.2m from 31.03.18), as part of its strategy for funding previous and current years' capital programmes. Outstanding loans on 30th September are summarised in Table 3 below.

Table 3: Borrowing Position

	31.3.18 Balance £m	Q1 Net Movement £m	30.9.18 Balance £m	30.9.18 Weighted Average Rate %

Public Works Loan Board	51.7	6.3	58.0	3.92
Banks (LOBO)	13.6	0.0	13.6	4.79
Banks (fixed-term)	0.0	0.0	0.0	-
Local authorities (long-term)	5.9	0.0	5.9	1.12
Local authorities (short-term)	52.6	24.9	77.5	0.67
Interest free loans / Other	5.2	1.1	6.3	-
Total borrowing	129.0	32.2	161.2	2.18

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

With short-term interest rates remaining much lower than long-term rates, the Authority considered it to be more cost effective in the near term to use internal resources or rolling short-term loans instead. The net movement in temporary loans is shown in table 3 above.

As the Authority has an increasing CFR due to the capital programme and an estimated borrowing requirement as determined by the Liability Benchmark which also takes into account usable reserves and working capital, the Authority borrowed £11.44m medium/longer-term fixed rate loans, details of which are below, to provide some longer-term certainty and stability to the debt portfolio.

Long-dated Loans	Amount £m	Rate %	Period Years
PWLB Maturity Loan	3.0	2.34	14
PWLB Annuity Loan	2.5	2.55	25
PWLB Annuity Loan	0.4	1.89	8
PWLB Annuity Loan	0.45	1.86	8
PWLB Annuity Loan*	5.09	2.53	25
Total borrowing	11.44		

* Loan to be received 01.10.2018 and therefore not included in Table 3 above

The Authority continues to hold £13.6m of LOBO (Lender's Option Borrower's Option) loans, details of which are outlined in Table 3 above. The lender has the option to vary 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. Should a lender raise interest rates above that offered by the PWLB, then Monmouthshire would redeem the LOBO loan and take out PWLB loans of a suitable maturity and type instead. No banks exercised their option during the period.

Other Debt Activity

Total debt other than borrowing stood at £1.9m on 30th September 2018, taking total gross debt to £163.1m. The most significant elements are the outstanding liability brought on balance sheet relating to the Monnow Vale PFI scheme (£0.8m) and Welsh Government Funds held by Monmouthshire CC pending lending onto external parties (£0.7m).

Treasury Investment Activity

The Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During the six-month period, the Authority's investment balance increased by £3.7m from £17.1m to £20.8m due to timing differences between income and expenditure. The investment position is shown in table 4 below.

Table 4: Treasury Investment Position

	31.3.18 Balance £m	Movement £m	30.9.18 Balance £m	30.9.18 Rate of Return %
Banks & building societies (unsecured)	0.0	6.0	6.0	0.55%
Government (incl. local authorities)	16.1	-6.0	10.1	0.70%
Money Market Funds	1.0	3.7	4.7	0.55%
Total investments	17.1	3.7	20.8	0.62%

Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

Since the introduction of Mifid II in January 2018, balances have risen so some longer term investments achieving higher returns are being used. These have been maintained in investments meeting the criteria as set out in the treasury strategy. It is planned to increase the amount of longer term investments to £8-10m by April 2019 to minimise the net cost of borrowing and investments.

Table 5: Investment Benchmarking - Treasury investments managed in-house

	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return %
31.03.2018	3.1	AA	6%	5	0.26
30.06.2018	4.82	A+	81%	120	0.52
30.09.2018	4.16	AA-	51%	91	0.62
Similar LAs	4.63	A+	62%	121	0.70
All LAs	4.38	AA-	60%	37	1.17

Non-Treasury Investments

The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Authority as well as other non-financial assets which the Authority holds primarily for financial return.

The Authority holds £45m of investment properties, being mainly agricultural properties and a solar farm. The agricultural properties have been held for a considerable time.

During the reporting period full Council agreed to a £50m 3-year commercial investments strategy creating an investment sub committee to oversee business cases and evaluate and agree such investment opportunities, with the proviso that any funding costs be met in full by the returns on such investments. That Committee has recently completed on its first such investment in the form of procuring Castlegate business park for circa £7.5m afforded by rents, to derive a net income, after borrowing costs, to the Council, with a further £850k capital costs earmarked for landlord improvement works to be recovered through a separate service charge to tenants.

The Investment Committee will also actively monitor the performance/returns of investments made, also making decisions to divest of any poorly performing assets or to allow cashflow to be utilised on potentially higher performing opportunities, such reports being available to the scrutiny function periodically through monitoring reports.

Compliance

The Chief Finance Officer reports that all treasury management activities undertaken during the reporting period complied fully with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy.

Compliance with the authorised limit and operational boundary for external debt is demonstrated in table 7 below:

Table 7: Debt Limits

	Max in period	30.9.18 Actual	2018/19 Operational Boundary	2018/19 Authorised Limit	Complied?
Borrowing	161.2	161.2	161.3	191.5	✓ **
PFI, Finance Lease & other LT liabilities	1.9	1.9	1.3	2.8	✓ **
Total debt	163.1	163.1	162.6	194.3	✓

** The prudential code states that the operational boundary is a management tool for in-year monitoring and it will probably not be significant if the operational boundary is breached on occasions and this is not counted as a compliance failure.

The increase in other long term liabilities relates to the inclusion of loans from Welsh Government not yet loaned onwards for community benefit before the end of 2017/18.

The high level of Borrowing, which has almost reached the Operational Boundary is mainly due to the Property Investment program and the City deal Funding program progressing more quickly than anticipated in the 2018/19 Capital MTFP and Treasury Strategy together with the higher level of borrowing required in practice to maintain £10m of Investments for Mifid II already mentioned above.

Compliance with specific investment limits is demonstrated in table 8 below.

Table 8: Investment Limits per Counterparty

	Max in period £m	30.9.18 Actual £m	2018/19 Limit £m	Complied
Unsecured Investments in institutions with lowest credit rating of A- OR groups of institutions under the same management, except UK Government	2.0	2.0	2.0	✓
Secured Investments as above	0.0	0.0	4.0	✓
Money Market Funds	2.0	1.0	2 and 10%	✓
Local Authorities	2.0	2.0	2 or 10%	✓
Investments held in a broker's nominee account	5.0	2.0	10 or 50%	✓
Foreign countries	2.0	2.0	4.0	✓
Registered Providers	0.0	0.0	2.0	✓
Non-specified investments	0.0	0.0	11.0	✓

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 A- or 5.0 of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	30.9.18 Actual	2018/19 Target	Complied?
Portfolio average credit	AA- / 4.16	A- / 5.0	✓

Liquidity: The Authority has adopted a voluntary measure of its exposure to liquidity risk.

Where cash is forecast to drop below £10m in the following 5 working days, additional short term borrowing should be taken out.

Interest Rate Exposures: This indicator is set to control the Authority's exposure to interest rate risk. These are the upper limits on fixed and variable interest rate exposures, expressed as the amount of principal borrowed less the principal Invested:

	30.9.18 Actual	2018/19 Limit	Complied?
Upper limit on net fixed interest rate exposure	67.6m	110m	✓
Upper limit on net variable interest rate exposure	71.3m	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.

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 were:

	30.9.18 Actual	Lower Limit	Upper Limit	Complied?
Under 12 months	13.6m	0	50m	✓
12 months and within 24 months	0.0m	0	25m	✓
24 months and within 5 years	14.7m	0	45m	✓
5 years and within 10 years	8.7m	0	30m	✓
10 years and above	24.7m	0	100m	✓

Time periods start on the first 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 365 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 were:

	2018/19	2019/20	2020/21
Actual principal invested beyond year end	0	0	0
Limit on principal invested beyond year end	6m	6m	6m
Complied?	Yes	Yes	Yes

* meaning for longer than 1 year

Outlook for the remainder of 2018/19

Having raised policy rates in August 2018 to 0.75%, the Bank of England's Monetary Policy Committee (MPC) has maintained expectations of a slow rise in interest rates over the forecast horizon.

The MPC has a definite bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. While policymakers are wary of domestic inflationary pressures over the next two years, it is believed that the MPC members consider both that (a) ultra-low interest rates result in other economic problems, and that (b) higher Bank Rate will be a more effective weapon should downside Brexit risks crystallise and cuts are required.

Arlingclose's central case is for Bank Rate to rise twice in 2019. The risks are weighted to the downside. The UK economic environment is relatively soft, despite seemingly strong labour market data. GDP growth recovered somewhat in Q2 2018, but the annual growth rate of 1.2% remains well below the long term average

	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21
Official Bank Rate													
Upside risk	0.00	0.00	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Arlingclose Central Ca	0.75	0.75	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Downside risk	0.00	0.00	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75

The view is that the UK economy still faces a challenging outlook as the minority government continues to negotiate the country's exit from the European Union. Central bank actions and geopolitical risks, such as prospective trade wars, have and will continue to produce significant volatility in financial markets, including bond markets.

This page is intentionally left blank

REPORT

SUBJECT:	Treasury Management Policy Statement; Strategy Statement including MRP Statement and Investment Strategy and also Prudential Indicators 2018/19
DIRECTORATE:	Resources
MEETING:	Council
DATE:	1st March 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 Approve the use of the Prudential Indicators supplied (full draft list in Appendix 3) in the performance monitoring of the function during 2018-19.
- 2.3 That 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.

3. BACKGROUND:

- 3.1 The Treasury Strategy proposals and recommendations went to Audit Committee on 11th January 2018. Audit Committee debated its content and provided the following feedback, to assist with Strategy development ultimately volunteered to Council.
- 3.1 A Member asked if we should be looking to reduce debt levels which are currently high. Whilst the Authority continues with a high level of capital spend on the 21C schools program, this increase in debt will continue. Debt will then reduce as annual MRP budgets exceed new Capital spend funded by borrowing.

- 3.2 When asked if Capital expenditure funded by borrowing was sustainable it was noted that debt costs are built into the Revenue MTFP, so it is sustainable as long as it can be allowed for in the Revenue MTFP. Capital expenditure can alternatively be funded by capital receipts from the disposal of assets. It was asked if this was sustainable. It was stated that the sale of assets, which are not needed for a sustainable future, is a necessity in order to be able to fund assets such as valuable new schools.
- 3.3 The value in purchasing property for investment purposes was questioned. It was stated that if the right investment was identified it would be presented to members to judge if value for money. In addition to the explanation provided colleagues are in the process of working up a property Investment Strategy for consideration by members which will still need to have regard for security, liquidity and yield principles in that order, as such investments will still need to be integrated with Treasury Strategy principles.
- 3.4 A number of new Codes of Practice, Regulations and Guidance notes have been issued recently or are in the process of being drafted. There will be a number of actions resulting from these which will be worked on and finalised by the end of 2018 including:
- Preparing a Capital Strategy for the Council once the DCLG and WG Guidance has been finalised. This can be used to guide the preparation of the 2019/20 capital budget.
 - Revising the Treasury Strategy for the Council to include changes in the revised Treasury and Prudential Codes
 - Including Non-treasury Investments in the control processes in the Authority's Treasury Strategy.
 - Reviewing the bodies which approve reports relating to Treasury matters.
 - Changing some of the Prudential Indicators.

Where practical, these changes will be introduced alongside the mid-year Treasury Report.

4 Treasury Management Policy Statement and Treasury Management Strategy

- 4.1 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.
- 4.2 Overall responsibility for treasury management remains with the Full Council. In application that body 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.

- 4.3 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.
- 4.4 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. The Prudential Code further requires the Council to set a number of Prudential and Treasury Management indicators which are covered in this report.
- 4.5 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.
- 4.6 Revisions to the Prudential Code, Treasury Management Code and the WG Investment Guidance are anticipated early in 2018. As yet changes are uncertain but once known 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 (refer to para 3.5 above).

Considerations influencing the strategy

- 4.7 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.
- 4.8 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 3rd January 2018 & require the

Authority to hold £10 million of Investments (See Investment Strategy section)

- 4.9 The MiFid II change has been brought in seamlessly, given the proactive efforts of colleagues in Treasury team to notify institutions of our intentions.
- 4.10 The budget setting process has introduced 2 changes in Treasury practice.
- The financing of capital programme will now include a prediction of capital slippage which won't require financing within the financial year (circa £6m for 2018-19.)
 - The increased proportionate use of short term variable rate borrowing rather than longer term fixed rates, that necessitates a revision in ratios from maximum 50:50 short vs long, to 55:45.

The net effect of treasury revisions has introduced a circa net £390k saving, that has been utilised during the 2018-19 revenue budget setting process to reduce the extent of savings needing to affect services.

Annual Minimum Revenue Provision Policy Statement

- 4.11 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.

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

Tel: (01633) 644114
Email: 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)
Borrowing CFR	133.6	142.2	154.6	158.7	157.4
Less: External borrowing committed to ***	(89.3)	(98.2)	(75.2)	(73.5)	(54.3)
Borrowing requirement	44.2	44.0	79.4	85.2	103.0
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)
New external borrowing requirement	0.0	16.0	56.1	56.6	71.7

* 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

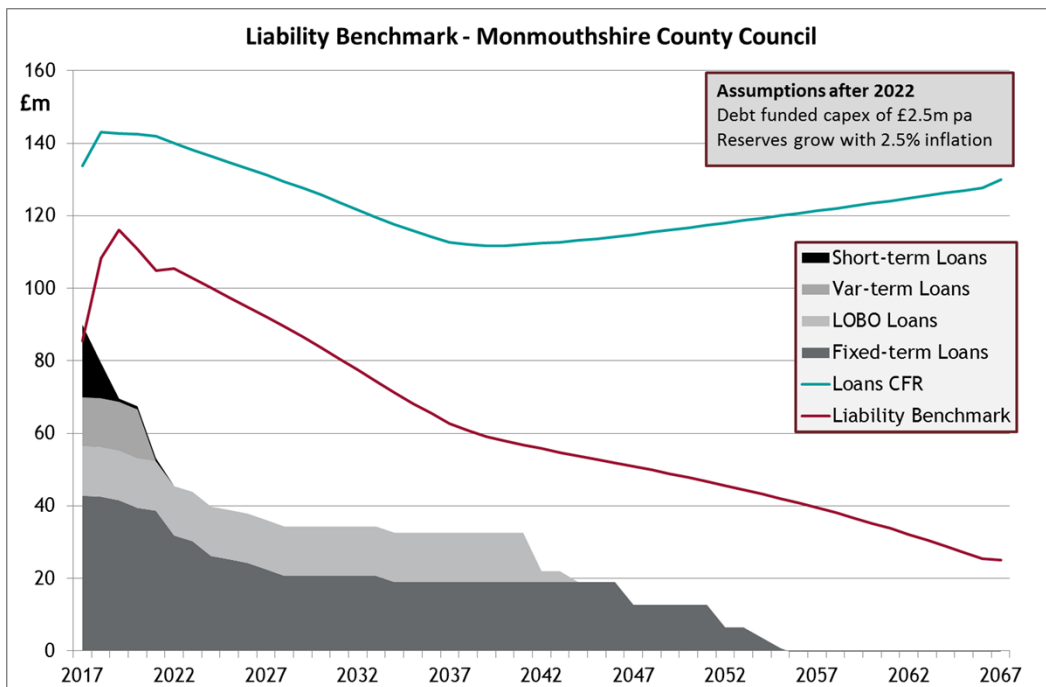
*** shows only loans to which the Authority is committed and excludes optional refinancing

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 30th 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 31st 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 30th November 2017, an increase of £24 million from 31st 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 1st 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 3rd 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

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

<p>Secured Investments with Banks, Building Societies, Other Organisations and Securities, (including Re-po's) whose lowest published rating from Fitch, Moody's and S&P's is (A-)</p> <p>As above but (A) or (A+)</p>	<p>75% of total investments at the time of deposit (both secured and unsecured)</p> <p>For Non-UK 50% of total investments at the time of deposit (both secured and unsecured)</p>	<p>£4m per counterparty (both secured and unsecured)</p>	<p>£4m per foreign country for all investment types</p>	<p>N/A</p>	<p>13 months</p> <p>2 years</p>
<p>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</p>	<p>25% of total investments</p>	<p>£1m per Counterparty</p>	<p>UK only</p>	<p>N/A</p>	<p>6 months</p>
<p>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</p>	<p>50% of total investments at the time of deposit increased to 75% if total investments is £10m or less</p>	<p>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</p>	<p>N/A</p>	<p>N/A</p>	<p>N/A</p>
<p>Pooled funds without credit ratings which are not classed as capital expenditure - if assessed by our Treasury advisers as a</p>	<p>£4m total investment at the time of deposit</p>	<p>£2m per issuer</p>	<p>N/A</p>	<p>N/A</p>	<p>N/A</p>

suitable investment which is being managed in a way which is consistent with the objectives of the fund'					
Investments with UK Registered Providers (e.g. Housing Associations) where the lowest published credit rating is A- or higher	£4m of total investments at the time of deposit.	£2m per issuer	N/A	N/A	5 years

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

	Cash limit
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 a maximum of 55% 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 1st 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 advisers 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.

Alternative	Impact on income and expenditure	Impact on risk management
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
Official Bank Rate														
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
3-month LIBID rate														
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
1-yr LIBID rate														
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	-0.30	-0.15	-0.26
5-yr gilt yield														
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
10-yr gilt yield														
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
20-yr gilt yield														
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
50-yr gilt yield														
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 %
External borrowing:		
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
Total external borrowing	113.2	
Other long-term liabilities:		
Private Finance Initiative	0.8	
Other	0.4	
Total other long-term liabilities	1.2	
Total gross external debt	114.4	
Treasury investments:		
Banks & building societies (unsecured)	0.0	
Government (incl. local authorities)	3.7	
Money Market Funds		
Total treasury investments	6.4	0.2
Net debt	108.0	

	31 Mar 17 £m	Annualised Return %
Non-treasury investments:		
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	-
Total non-treasury investments	46.3	

* 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 17th 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.
- 21st 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:

	2016/17 Actual %	2017/18 Estimate %	2018/19 Estimate %	2019/20 Estimate %	2020/21 Estimate %	2021/22 Estimate %
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:

	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 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 9th 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.

	2016/17 Actual £000	2017/18 Estimate £000	2018/19 Estimate £000	2019/20 Estimate £000	2020/21 Estimate £000	2021/22 Estimate £000
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.

	2016/17 Actual £000	2017/18 Estimate £000	2018/19 Estimate £000	2019/20 Estimate £000	2020/21 Estimate £000	2020/21 Estimate £000
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
Total	126,236	173,460	194,332	192,889	186,540	186,658

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.

	2016/17 Actual £000	2017/18 Estimate £000	2018/19 Estimate £000	2019/20 Estimate £000	2020/21 Estimate £000	2021/22 Estimate £000
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						
	104,536	141,760	162,632	161,189	154,840	154,958

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:

	2016/17 Actual £ p	2017/18 Estimate £ p	2018/19 Estimate £ p	2019/20 Estimate £ p	2020/21 Estimate £ p	2021/22 Estimate £ p
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

SUBJECT: Overview of Performance Management Arrangements
MEETING: Audit Committee
DATE: 8th November 2018
DIVISIONS/WARDS AFFECTED: All

1 PURPOSE

- 1.1 To ensure that members understand the Council's performance framework.
- 1.2 To present an update on the current effectiveness of the authority's performance management arrangements.

2 RECOMMENDATIONS:

- 2.1 That members use the update provided to inform their understanding of the effectiveness of the operation of the authority's performance management arrangements and identify any areas where they feel action needs to be taken or further information provided.

3. KEY ISSUES:

- 3.1 Performance Management is about establishing a shared understanding of what needs to be achieved and making sure that it happens. The council currently has an established performance framework, this is the way in which we translate our purpose - building sustainable and resilient communities - into action and ensure that everyone is pulling in the same direction to deliver real and tangible outcomes. This is shown at appendix 3.
- 3.2 Our performance framework:
 - Translates our purpose, which we share with our partners on the PSB, into the council's own well-being objectives, which is based on the same well-being assessment as the Public Service Board objectives, and form the backbone of our five organisational goals in the corporate plan.
 - Places an expectation on teams to translate these into specific, measurable actions in their service business plans.
 - Contains a broad range of data to monitor impact and measure the performance of services.
 - Requires employees to receive regular appraisal to demonstrate how they are contributing to the objectives
 - There are some other key processes that are part of and/or facilitate aspects of the framework, including the Whole Authority Strategic Risk Assessment and self-evaluation arrangements.
- 3.3 The council's performance framework needs to continue to evolve to reflect adapt and plan for the challenges and opportunities facing Council services. The Well-being of Future Generations Act is one example where our framework has been adapted to support services to apply the act and continue to think more about the long-term.
- 3.4 Appendix 1 provides an appraisal of the arrangements that make up the framework to ensure that Audit Committee are able to take an overview of their effectiveness. Each arrangement has been scored based on the council's self-

evaluation framework: Level 6 Excellent; Level 5 Very Good; Level 4 Good; Level 3 Adequate, Level 2 Weak; and Level 1 Unsatisfactory. The committee last received an update on performance management arrangements in November 2017.

- 3.5 Cabinet also agreed as part of the corporate plan commitment for an annual report, to be received by Audit Committee, on the continued effectiveness of the council's strategic planning framework, ensuring the necessary checks and balances are in place around monitoring, evaluation, decision-making and policy-making. The report in appendix 1 forms the basis of this evaluation for performance monitoring and evaluation, further information assessing the effectiveness of decision-making and policy-making is in appendix 2.
- 3.6 The council also places reliance on regulatory assessments as a vital part of our framework. In particular these are: the Wales Audit Office (WAO) who examine the authority's corporate arrangements; Estyn in relation to education provision and the Care Inspectorate Wales in relation to social services. Where applicable the most recent findings of regulatory work have been factored into the appraisal of arrangements.
- 3.7 Audit Committee receive relevant Wales Audit Office performance audit reports throughout the year as they are published, which include any further areas of the council's arrangements where it is considered the authority needs to take action in response. The conclusion of these reports is consolidated within the six monthly proposal for improvement update report provided to the committee.

4. RESOURCE IMPLICATIONS

- 4.1 There are no additional resource implications as a result of this report. However, there may be resource implications in undertaking further actions as directed by Senior Leadership Team or as recommended by the Audit Committee.

5. AUTHOR:

Richard Jones, Performance Manager

6. CONTACT DETAILS:

e-mail: richardjones@monmouthshire.gov.uk

Telephone: 01633 740733

Appendix 1 - appraisal of performance management arrangements

Well-being Objectives & Improvement Objectives	
Purpose:	<p>The Council has a responsibility under the Well-being of Future Generations (Wales) Act 2015 to set well-being objectives. To achieve this we must:</p> <ul style="list-style-type: none"> • Set and publish well-being objectives (initially by 31st March 2017) • Take all reasonable steps to meet those objectives • Publish a statement about well-being objectives • Detail arrangements to publish an annual report of progress <p>The Council is also still required under the Local Government (Wales) Measure 2009 to set annual Improvement Objectives, produce an Improvement Plan and report annually on progress. The Welsh Government is consulting on a proposal to repeal Part 1 of the Measure which would remove this requirement in future years.</p>
Evaluation Score:	Level 4 - Good
Position October 2018	<p>The council's Corporate Plan 2017-2022, approved in February 2018, sets out the Council's five organisational goals, which also incorporates our well-being objectives, supported by 22 commitments to action we will take and the ways in which they will be measured in the run-up to 2022. The purpose and priorities set for Monmouthshire in the Corporate Plan also reflect our contribution to well-being objectives set for the county by the PSB well-being plan.</p> <p>This plan met the Council's statutory requirements under the Well-being of Future Generations Act and local government measure. Wales Audit Office have issued a certificate of compliance stating the Council has discharged its duties to prepare and publish an Improvement Plan in accordance with statutory requirements of the Local Government Measure 2009.</p> <p>The progress and performance made on the corporate plan will be evaluated when the annual report of progress is produced in 2019.</p> <p>In March 2017, full Council set Monmouthshire County Council's well-being objectives for 2017/18. The Well-being Objectives and Statement – Annual Report 2017/18, published in October 2018, reports back on the progress we made in 2017/18 against the objectives set in March 2017. Based on the performance achieved and impact made, all four Objectives set for 2017/18 were scored against the Council's self-evaluation framework as "level 4 – good".</p>
Key future actions	Produce an annual report evaluating the council's performance in 2018/19 against the corporate plan and wider arrangements

Service Plans

Purpose:	<p>Each service sets a Service Business Plan for a three year period (currently 2018-2021). Service Business planning and regularly evaluating our performance is fundamental to how we operate and allows services to plan for the future, assess what went well, learn from what didn't and assess the impact the service has made on people and places of Monmouthshire. Service Plans ensure clear alignment between the council's priorities and objectives and detail actions the service will be undertaking, performance measures of the service and the management of risks facing the service.</p>
Evaluation Score:	<p>Level 3 - Adequate</p>
Position October 2018	<p>The Corporate Plan sets a clear direction for the Council up to 2022. To ensure its effective delivery the role and purpose of service planning has been reviewed and a revised process established. The Service Business Planning (SBP) process ensures services plan for the present and the future. There are a number of dependent factors that allow a service to run efficiently and effectively, all of which need to be taken into account, including the Council's refreshed enabling strategies - Digital, People, Asset Management, Procurement and Commercial.</p> <p>Service planning is based on principles that services must comply with in their plans, The principles are based on six key areas: Purpose, Evaluate, Action, Impact and Alignment, Data and Risks. The principles were revised as part of the 2018/21 planning process including reemphasising the importance of incorporating responsibilities under the Well-being of Future Generations Act, aligning to the delivery of the Corporate Plan and giving consideration to the design principles of Future Monmouthshire.</p> <p>The plans are available on The Hub and are accessible to all officers and members providing increased transparency and challenge, by managers, leaders and cabinet members, of progress and clear alignment to the vision and strategic direction of the organisation. Performance against the plans is assessed quarterly by services. Plans are corporately appraised by the Policy and Performance team against the principles and feedback and assistance is provided to services, where required or requested, to improve the quality of plan.</p> <p>Previous proposals for improvement from Wales Audit Office have continued to be addressed including aligning the Council's service business planning process to deliver the corporate plan.</p> <p>The WAO Whole Authority review of children's safeguarding, which was reported in August 2018, reviewed Service Improvement Plans in place for 2017/18 and identified a number of issues including not being sufficiently SMART and being variable in quality and content. The principles of service business planning have been revised since the review and new plans for 2018/2021 have been established, our own appraisal of these plans demonstrates that there remains variability in the overall quality and completeness of some plans and the timeliness of updating plans is not always adequate. Feedback and assistance is being provided to services, where required, to strengthen their planning.</p>
Key future actions	<p>Support services to implement feedback from the appraisal of 2018/21 business plans to strengthen the quality of planning.</p>

Performance data and information

Purpose:	<p>Performance data and information is essential to our performance framework. This comprises of nationally set performance indicators and locally set indicators that services have developed to measure the impact of their service.</p> <p>All staff and members need to regularly access and use performance and analysis of performance effectively and efficiently to evaluate the performance of a service.</p>
Evaluation Score:	Level 4 – Good
Position October 2018	<p>The data quality process continues to be strengthened and is continually amended to take account of previous audit feedback. Internal guidance notes on completing national and local performance indicators are produced setting clear requirements for data compilers. There is continued support from the Policy and Performance team with a specific and clearly defined role for Internal Audit to quality assure data and the systems producing the data.</p> <p>In 2017 the internal audit of nationally and locally set indicators was given a control rating of “Considerable Assurance”. There remain recommendations from the internal audit reports that require further attention to ensure processes are improved to meet internal and external audit requirements.</p> <p>The shift in focus through the Future Generations Act means activity is increasingly focused on longer term challenges at a community level to improve well-being. It isn’t always easy to measure progress quarterly or annually in a single number to evaluate progress against some of these issues. This means the way we measure and evaluate our performance will need to continue to evolve to still allow us to evaluate the efficiency and effectiveness of current service delivery while also track progress against longer term community well-being objectives.</p> <p>The Council’s Corporate Plan contains five specific objectives, which are also the Council well-being objectives, and sets out a range of measures that will be used to inform evaluations of progress. Developing the right metrics of community well-being is a continuing process, to do this we also continue to work with our Public Service Board partners at a local level as well as across the Gwent area.</p> <p>It is recognised that there is a particular difficulty in developing performance data, measures, targets and risks to data quality when setting up new policies, initiatives or arrangements. These areas will be continue to be targeted for performance team support.</p> <p>The performance measurement system for the council the “data hub” is being reviewed and streamlined to ensure the information is up to date and focussed on the most pertinent performance data, particularly measures set in the Corporate Plan. Opportunities to further develop this to maximise the potential from things such as automated updates, for example from open data feeds, and better data visualisation continue to be explored.</p> <p>Ensuring the organisation makes the best possible use of the information it holds remains a focus and is linked to commitments made in the Corporate Plan to increase the publication</p>

Strategic Risk Assessment	
Purpose:	The risk assessment captures the High and Medium level risks that face the council in line with the council's risk management policy. This ensures that: <ul style="list-style-type: none"> Strategic risks are identified and monitored by the authority.
	and use of open data to increase accountability and revise performance and improvement plans and replace with 'real-time' data dashboards. We are continuing to develop a more comprehensive understanding of the authority's data assets, share experiences about good practice and identify future opportunities that will help turn data into actionable knowledge.
Key future actions	Continue to strengthen the data quality process using internal audit feedback Support services to make better use of data to inform service planning and transformation including: Development and updates of the Data Hub and developing the Council's use of open data.

Staff Appraisal (Check-In, Check-Out)	
Purpose:	Appraisals enable all staff to know what is expected of them, to agree how values and behaviours are linked to how we perform at work and to ensure that all of our work links to the wider purpose of the organisation. Managers at every level are expected to set the right standards, coach, motivate, recognise and feedback on poor performance and recognise those people who deliver good performance.
Evaluation Score:	Level 3 – Adequate
Position October 2018	<p>The employee performance framework, "Check-In, Check-Out" provides a value-based performance assessment approach between staff and line managers.</p> <p>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.</p> <p>In December 2016 Wales Audit Office completed a follow up review on the council's Human Resources arrangements, following their corporate assessment in 2015. The review found the council has "improved its approach to staff appraisals but not all staff are having their annual appraisals"</p> <p>It was recognised that CICO completion rates are likely to be higher than previously reported as the system was not capturing all data in the most effective way. Recognising this, a longer term more effective recording module has been developed that allows managers to record the completed CICO directly into the MY VIEW system.</p> <p>There still remains further work required to ensure the effective use of the recording system to understand accurately the completion rate of appraisals before the proposal can be considered as being addressed. A further emphasis has been placed on this as part of quarter 2 reporting in 2018/19. A new approach to capturing completion rates using email functionality has been trialled and this will be followed up in quarter 3.</p>
Key future actions	Increase understanding and use of the check-in, check-out recording process

	<ul style="list-style-type: none"> • Risk controls are appropriate and proportionate • Senior managers and elected members systematically review the strategic risks facing the authority. <p>The risk assessment will evolve as new information comes to light. It is on the hub for select committees to use throughout the year, it is also specifically reported to audit committee annually and signed off by Cabinet once a year as an accurate record of the risks facing the organisation.</p>
Evaluation Score:	Level 3 – Adequate
Position October 2018	<p>The risk assessment is prepared, in line with the Council’s risk management policy, by drawing on a wide range of evidence including service plans, performance measures, regulatory reports and progress on the previous risk assessment.</p> <p>The risk assessment is updated as new information comes to light as part of the council’s performance management arrangements. The up-to-date risk log is accessible to members on The Hub. This ensures that select committees are able to re-visit the information at any point in the year to re-prioritise their work plan as appropriate.</p> <p>The latest risk register has been reviewed to ensure it includes risks to the delivery of the recently approved Corporate Plan. The Corporate Plan 2017/2022 includes a specific section on strategic risk management including risk appetite - innovation & risk tolerance.</p> <p>The format of the strategic risk register has been updated to include timescales and responsibility holders for each mitigating action and includes an update on the progress and impact of implementing each action identified. The WAO Whole Authority review of children’s safeguarding reported in August 2018 states the Strategic risk register reflects ownership of, and responsibility for, risk at an appropriately senior management and cabinet level. The report made a proposal for improvement to re-frame the strategic risk register, to enable a SMART-er approach to measuring impact of actions taken in mitigation of identified risk.</p> <p>An internal audit report on the Council’s strategic risk management arrangements identified a number of areas for improvement. An action plan has been agreed with internal audit to deliver the improvements required, some of these have been considered in the latest iteration of the strategic risk register.</p> <p>Lower level strategic risks are managed and monitored through teams’ service business plans, risk management is one of the principles of services business planning. The format of the strategic risk register in business plans has also been revised to align with changes to the strategic risk register. The appraisal of 2018/21 plans demonstrates that the risk assessment remains an area in service plans that is often particularly identified for improvement to strengthen the capture and management of risks facing services.</p> <p>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</p>

	development
Key Future Actions	Implement the action plan to improve risk management arrangements in response to the findings from Internal Audit.
	Support services to implement feedback from the appraisal of 2018/21 business plans to strengthen the quality of planning.
	Ensure risk management arrangements, identify and mitigate, as appropriate, longer-term risks that will impact on future generations at community level, in line with the Well-being of Future Generations Act.

Self-Evaluation	
Purpose:	Self-evaluation allows us to appraise what we have done and; assess what went well, learn from what didn't and plan future activity informed by what we did and the impact made.
Evaluation Score:	Level 3 – Adequate
Position October 2018	<p>Over the last few years there has been a considered focus on strengthening self-evaluation arrangements. Following the completion of a programme of Heads of Service challenge sessions there has been a dual focus on improving self-evaluation arrangements by working to continue to embed the self-evaluation within the council's existing arrangements and implementing programmes as part of the Future Monmouthshire programme of work and aligning these more closely with the budget setting process.</p> <p>Work has included: Publication of the Well-being Objectives and Statement – Annual Report 2017/18. This report is intended to meet the requirements of the local government measure of publishing an assessment of performance by 31 October 2018, whilst meeting the Well-being of Future Generations Act requirement of reporting performance before 31 March. The plan describes progress with our four well-being objectives, all four of the objectives have been evaluated as making good progress. The report also evaluates the progress made in line with the nine expectations set out by the Future Generations Commissioner, in the 'Well-being in Wales: The journey so far' report published in May 2018.</p> <p>Each service's Service Business Plan requires an evaluation of service performance to be completed annually to assess impact made and inform future actions. The service plan appraisals identified some areas could strengthen the use of data to inform the evaluation in their plans.</p> <p>Further improvements to the report writing process and guidance for reports to members is being made. This includes an evaluation section to state how the decision will be evaluated. An arrangement that provides assurance that evaluations are being completed and which gives decision-makers and select committees the opportunity to look at evaluation in more detail on a risk-based approach was presented to Democratic services committee in September 2018</p> <p>The Corporate Plan sets out clearly the council's purpose. It contains five specific objectives, which are also the Council well-being objectives, which can be measured over time using measures included in the plan. Specific medium-term targets will be reported to cabinet as part of six monthly reporting of progress against the corporate plan.</p> <p>Following approval of the corporate plan the Council's enabling strategies have been revised to align to the delivery of the corporate plan, these include the Digital Strategy, People Strategy and Asset Management Strategy. Clear principles were established for the plans to follow to ensure a more robust approach to</p>

	<p>development. These include a specific section on evaluation, performance measures and targets to evaluate performance.</p> <p>As a fundamental part of Future Monmouthshire the financial planning process continues to evolve the requirements for the use of data and evidence to inform and evaluate proposals being developed.</p> <p>The shift in focus through the Future Generations Act means activity is increasingly focused on longer term challenges at a community level to improve well-being. It isn't always easy to measure progress quarterly or annually in a single number to evaluate progress against some of these issues. This means the way we measure and evaluate our performance will need to continue to evolve to still allow us to evaluate the efficiency and effectiveness of current service delivery while also track progress against longer term community well-being objectives.</p>
<p>Key Future Actions</p>	<p>Produce an annual report evaluating the council's performance in 2018/19 against the corporate plan and wider arrangements</p> <p>Continue to produce an annual report on the continued effectiveness of the council's strategic planning framework</p>

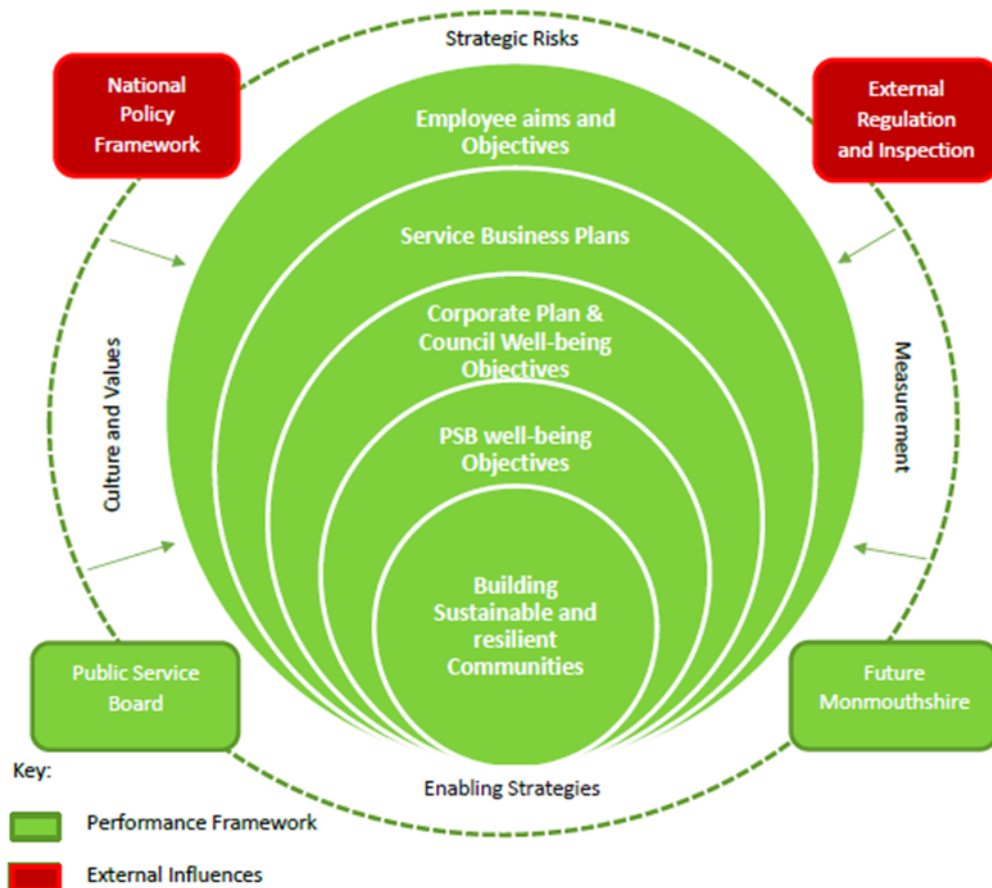
Appendix 2 - Assessing the effectiveness of decision – making and policy making

Decision Making & Policy Making	
Purpose:	Decision making and policy making is an important part of our Governance arrangements and is about how we ensure we are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. Good governance is essential for the effective use of public money and the continued delivery of efficient and effective public services. The scrutiny process is an integral part of this and ensures openness, transparency and accountability in the council’s decision-making.
Evaluation Score:	Level 3 – Adequate
Position October 2018	<p>The council’s Annual Governance Statement demonstrates that arrangements are in place to meet the challenges of the governance principles and that a review has been undertaken to assess the effectiveness of the arrangements. It is recognised that there is further work to do with areas for improvement identified.</p> <p>In March 2017 Wales Audit Office issued a report called ‘Good governance when determining significant service changes.’ One of the proposals it contained was ‘Setting out at the point of decision on service change proposals how the impact of proposed changes is going to be measured and monitored’ In September 2017 an evaluation section was added to the report template and the Democratic Services Committee has agreed an approach to processing these evaluations.</p> <p>Further refinements to the report template and guidance have been made but not yet implemented and will be supported with training for managers as part of the training pathway delivered through Talent Lab.</p> <p>The Democratic Services Committee have been engaged in work to improve the democratic character of the organisation and have made a number of recommendations which are being enacted including increasing public involvement and participation in decision-making and ensuring the earlier population of forward planners to enable better planning and prioritisation of pre-decision scrutiny.</p> <p>The council’s five select committees undertake a wide range of scrutiny of council business from ongoing work programmed items such as Revenue and Capital Financial monitoring to specific policy and programmes.</p> <p>A Wales Audit Office ‘Overview and Scrutiny: Fit for the Future?’ report completed in August 2018, concluded Monmouthshire County Council is continually developing its scrutiny function and is aware of future challenges, but support arrangements for the Public Service Board scrutiny committee need to be strengthened.</p>
Key Future Actions	<p>Implement the revised report writing process and guidance for reports to members.</p> <p>Implement the process for the evaluation of decisions made by Council and Cabinet</p> <p>Continue to produce an annual report on the continued effectiveness of the council’s strategic planning framework</p>

Performance Management Framework

Our performance management framework makes sure that everyone is pulling in the same direction to deliver real and tangible outcomes.

Building sustainable and resilient communities is the unifying purpose of the diverse range of services for which we are responsible. We are a partner in the Public Service Board, which is responsible for setting well-being objectives for the county. The council’s own well-being objectives are set by the Council based on the same well-being assessment as the PSB objectives and, form the backbone of our Five Organisational Goals in the corporate plan. Each of our teams has a business plan that aligns to these objectives. We have a range of performance measures that we use to keep track of our progress. Our risk management policy enables us to manage strategic risks to our delivery. Our employee aims and objectives show the contributions that individual colleagues make to these objectives and delivering our vision in accordance with our values.



SUBJECT	Progress Report: Wales Audit Office Proposals for Improvement
MEETING:	Audit Committee
DATE:	8th November 2018
DIVISION/WARDS AFFECTED:	All

1. PURPOSE

- 1.1 To provide Audit Committee with an update on the authority's progress against the Wales Audit Office (WAO) proposals for improvement up to October 2018 so that the committee can assure itself of the effectiveness of the authority's response to any identified weaknesses in its processes.

2. RECOMMENDATIONS

- 2.1 That members consider the current position of proposals and future actions being taken to address them seeking assurance that adequate progress is being made.
- 2.2 That members refer on any issues contained within national studies to other committees for consideration where they identify there are findings of particular relevance to the council.

3. KEY ISSUES

- 3.1 Each year Wales Audit Office undertake a Performance Audit work programme with the council. The reports issued by WAO as a result of this work programme are able to make the following interventions for areas that are deemed as requiring improvement:
- proposals for improvement – if proposals are made to the Council WAO would expect Council to do something about them and will follow up what happens;
 - formal recommendations for improvement – if a formal recommendation is made, the Council must prepare a response to that recommendation within 30 working days;
 - conduct a special inspection, and publish a report and make recommendations; and
 - recommend to Ministers of the Welsh Government that they intervene in some way.
- 3.2 The proposals included in appendix 1 are those issued to the council as a result of the performance audit work conducted by the WAO in the authority since the Corporate Assessment in March 2015 as this is the most recent comprehensive assessment of the council. There are no statutory recommendations contained within this update, the update contains lower-priority issues, known as proposals for improvement. Recommendations from the 'Safeguarding arrangements – Kerbcraft scheme' report - have been reported separately to Council.
- 3.3 This update builds on the most recent update provided in March 2018 as part of the six monthly reporting in place. Where progress and evidence for a proposal suggests it has been adequately addressed the proposal has been "closed" and removed from the report. An overview of these is provided in appendix 2. Proposals which require further attention are marked as "open", while some proposals have been combined where the issues covered and/or the action the council is taking to respond to them are strongly linked. Some of the forward looking actions committed by the authority are likely to be reflected within other council strategic documents such as the Council's corporate plan, enabling strategies, the Whole Authority Strategic Risk Assessment and the Medium Term Financial Plan.
- 3.4 The proposals made by WAO are grouped into the following areas; Human Resources, Performance Management, Partnership & collaboration, Governance, Finance, Information Technology, Information Management, Asset Management and Children's safeguarding. Each proposal update highlights:

- The report within which the proposal was made
- The specific proposal, or more than one proposal if they are closely linked.
- The progress made up to October 2018 to address the issues identified by the proposal.
- Whether the status of the proposal is to remain “open” or be “closed” if the evidence of progress suggests it has been sufficiently addressed.
- Any further actions that will be taken to address the proposal if it remains open.

- 3.5 The specific WAO reports, and accompanying management responses, are also presented to Audit Committee as they are produced. Recent reports produced include the WAO ‘Scrutiny: Fit for the Future?’ review which was reported to audit committee in September 2018. The WAO whole authority review of children’s safeguarding report was presented to Children and Young People Select Committee in October 2018, the full report is available [here](#) . As these reports were recently published there is limited further progress to report at this stage. All of the recent reports issued by Wales Audit Office as part of their performance audit work programme, including the council’s initial management response, are available on the hub (the council’s Intranet site) for members to view.
- 3.6 Wales Audit Office also produce an annual report called The Annual Improvement Report (or AIR) summarising the work undertaken in the council during that year and concluding on the council’s prospects for improvement. The last AIR published in August 2018 concludes: “The Council is meeting its statutory requirements in relation to continuous improvement. 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 2018-19.”
- 3.7 WAO also make recommendations that may be relevant to the council in local government national reports. Although these have not been issued directly to the council, like the other proposals, the recommendations from the national reports could be relevant to the council’s services. The reports are published on www.audit.wales/publications a list of the recently published reports and a brief overview is provided in appendix 3. These were circulated to the relevant responsible officer(s) when they were published. Audit Committee has a role in ensuring the council considers the findings of the report. If the committee feels the report requires further consideration by another scrutiny committee they can refer it for consideration. The committee may also refer issues to Democratic Services Committee who are able to perform a coordinating function.
- 3.8 WAO as part of their ongoing annual audit work programme may follow up progress in any of the open or recently closed proposal areas.

4. REASONS

To ensure the authority responds appropriately to the WAO proposals to secure the improvements required.

5. RESOURCE IMPLICATIONS

Finances and any other resource implications of activity related to the proposals will need to be taken into account by the relevant responsibility holders.

6. AUTHORS

Emma Davies, Performance Officer
 Richard Jones, Performance Manager
 e-mail: richardjones@monmouthshire.gov.uk
 Telephone: 01633 740733

Human Resources proposals

WAO Proposal	Ensure that the planned revisions and changes made to 'Check In Check Out' deliver a clear process of assessing and improving the performance of all staff and that department, team and individual objective setting is in line with the Council's corporate objectives.				Status	Open
	Improve oversight and ongoing implementation of the staff appraisal process. In particular: <ul style="list-style-type: none"> • ensure staff appraisal completion is uploaded onto the Council's Hub to accurately reflect the numbers of staff in receipt of an annual appraisal; • increase the appraisal completion rate. 					
Report	Corporate Assessment – November 2015 and Human Resources – Corporate Assessment Follow-on Review – December 2016					
What progress have we made	Based on feedback received, the <i>Check-in, Check-out</i> (CICO) process has been reviewed and rolled out with more robust guidance, video tutorials and supportive training.					
	<p>It was recognised that CICO completion rates are likely to be higher than previously reported as the system was not capturing all data in the most effective way. Recognising this, a longer term more effective recording module has been developed that allows managers to record the completed CICO directly into the MY VIEW system.</p> <p>There still remains further work required to ensure the effective use of the recording system to understand accurately the completion rate of appraisals before the proposal can be considered as being addressed. A further emphasis has been placed on this as part of quarter 2 reporting in 2018/19. A new approach to capturing completion rates using email functionality has been trialled and this will be followed up in quarter 3.</p>					
Further action planned	Desired Result	Action	Responsible Officer	Timescale		
	Check-in, Check-out is well understood, consistently employed and informs staff development	Increase understanding and use of the check-in, check-out recording process	Head of People Services	March 2020		

WAO Proposal	Develop the Council's workforce planning arrangements by including accurate data and key management information around workforce issues and statistics, reporting regularly to Senior Leadership and Management Teams to enable effective monitoring of progress and management of these issues on an ongoing basis.				Status	Open
	Develop further workforce data to include staff establishment, contract status, vacancies, agency use, age, gender, and grade/pay distribution, to better inform future workforce planning activity.					
Report	Corporate Assessment – November 2015 and Human Resources – Corporate Assessment Follow-on Review – December 2016					
What progress have we made	Accurate and timely data and information is fundamental to support managers to workforce plan, manage performance and identify skills and knowledge gaps. We have made progress in this area but data is not as accessible as we would like so we need to continue to develop out data systems accordingly.					
	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 help support workforce development.					

HR business partnering meetings will be used to engage and support teams in workforce planning supported by people services framework which will identify areas of key risk.

Following and informed by the development of the Council's Corporate Plan, a revised People Strategy has been agreed. The latest iteration of the People Strategy aims to build on the outcomes already achieved, complete activities that are a work in progress and reflects what colleagues, data and intelligence is telling us needs to improve to enable and support our colleagues to be the best they can be.

HR data dashboards have been established and are updated quarterly. The dashboards have previously been reported to Audit Committee. These are now being used as part of HR business partner meetings to inform department management teams and senior leadership team on workforce issues.

Workforce data displays in the HR system have been developed to provide managers with more timely and a greater range of information to inform the management of their workforce, data includes staff, establishment, age, gender etc. there have been ongoing technical difficulties which mean these have not been implemented as quickly as intended. These are now being rolled out and expected to be fully functioning by March 2019. These will enable managers to interrogate data and identify specific workforce issues.

	Desired Result	Action	Responsible Officer	Timescale
Further action planned	Workforce statistics are available at team level in a timely manner	Continue to develop and Implement new workforce data dashboards on My view	Head of People Services	March 2019
	Services produce workforce plans based on short and medium term needs	Use HR business partnering meetings to engage and support teams in workforce planning	Human Resources Lead	March 2019

Performance Management proposals

WAO Proposal	<p>Improve performance management arrangements by:</p> <ul style="list-style-type: none"> • ensuring planned improvements are tangible; • improving target setting to better reflect desired improvement and ensuring resources are allocated to deliver Council priorities through the Medium Term Financial Plan; • developing arrangements to identify intended outcomes, targets and data collection arrangements when services are being delivered through alternative models; 			Status	Open
Report	Corporate Assessment – November 2015				
What progress have we made	<p>A corporate plan has been developed that sets out a clear direction for the Council up to 2022. Detailed activity to deliver the corporate plan has continued to be developed in service business plans and resources to deliver this are being allocated through the Medium Term Financial Plan.</p> <p>The corporate plan sets out clearly the council’s purpose. It contains five specific objectives, which are also the Council’s well-being objectives and can be measured over time using measures included in the plan. Specific medium-term targets will be reported to cabinet as part of six monthly reporting of progress against the plan.</p> <p>Following approval of the corporate plan the Council’s enabling strategies have been revised to align to the delivery of the corporate plan, these include the Digital Strategy, People Strategy and Asset Management Strategy. Clear principles were established which the plans followed to ensure a more robust approach to development. These include a specific section of performance measures and targets to evaluate performance.</p> <p>The role and purpose of service planning has been reviewed and a revised process established aligned to the corporate plan. Target setting guidance has been developed and incorporated as part of the Council’s service business planning process for services to use when developing targets. A training session on performance measurement, incorporating target setting, is still planned through Talent Lab. Performance management forms part of the recently established management induction training.</p> <p>The shift in focus through the Future Generations Act means activity is increasingly focused on longer term challenges at a community level to improve well-being. It isn’t always easy to measure progress quarterly or annually in a single number to evaluate progress against some of these issues. This means the way we measure and evaluate our performance will need to continue to evolve to still allow us to evaluate the efficiency and effectiveness of current service delivery while also track progress against longer term community well-being objectives.</p> <p>It is recognised that there is a particular difficulty in developing performance data, measures and targets and risks to data quality when setting up new policies, initiatives or arrangements. These areas will be continue to be targeted for performance team support.</p>				
Further action planned	Desired Result	Action	Responsible Officer	Timescale	
	Clarity of outcomes targeted in the Corporate Plan	Develop specific medium-term targets for indicators in the Corporate plan as detailed activities are developed	Head of Policy and Governance	December 2018	

WAO Proposal	Review the Council’s risk management arrangements to assure itself it manages risks consistently across directorates and identifies, escalates, and addresses risks in a timely and appropriate way.			Status	Open
	Integrate safeguarding across the Council’s policy framework. In particular: Re-frame the strategic risk register, to enable a SMART-er approach to measuring impact of actions taken in mitigation of identified risk.				
Report	Information Technology – Corporate Assessment Follow-on Review – October 2016 Whole Authority review of children’s safeguarding – August 2018				
What progress have we made	<p>The Strategic Risk Assessment is updated based on the latest evidence available in line with the Council’s strategic risk management policy. The latest risk register has been reviewed to ensure it includes risks to the delivery of the recently approved Corporate Plan.</p> <p>The format of the strategic risk register has been updated to include timescales and responsibility holders for each mitigating action and includes an update on the progress and impact of implementing each action identified. An internal audit report on the Council’s strategic risk management arrangements has identified a number of areas for improvement. An action plan has been agreed with internal audit to deliver the improvements required, some of these have been considered in the latest iteration of the strategic risk register.</p> <p>Any further changes as a result of these actions or as a result of further feedback received that impact on the strategic risk register or risk management policy and guidance in place will be updated on the intranet - the hub, in line with the established continuous review arrangements in place.</p>				
Further action planned	Desired Result	Action	Responsible Officer	Timescale	
	Strategic Risk Management arrangements are designed effectively and are operating in a robust manner	Implement the action plan to improve risk management arrangements in response to the findings from Internal Audit.	Performance Manager	March 2019	

Partnership and collaborative working proposals

WAO Proposal	Adopt a more planned, risk-assessed approach to partnership and collaborative working to make better use of resources.			Status	Open
Report	Corporate Assessment – November 2015				
What progress have we made	<p>A community governance review has been completed. The review identified the need to consider new arrangements for area committees and Bryn y Cwm Area Committee (subsequently re-named North Monmouthshire Area Committee) was subsequently identified as a pilot and would act as the primary mechanism for influencing decisions in the locality. A temporary arrangement to the Council's constitution has given voting rights to non-county council members of this committee. An evaluation of the pilot is currently underway and is due to conclude in November. Other areas are served by a cluster arrangement with a member of Senior Leadership team aligned to each cluster.</p> <p>The review also led to a decision to merge the previous Whole Place and Strategic Partnership Teams into a single Partnership and Community Development Team. This ensures alignment between strategic intent and the work that the council does with local groups to enable a focus on building sustainable and resilient communities</p> <p>The Community & Partnership Development Team are working with Town Councils who fall under the Future Generations Act on their responsibilities regarding well-being planning. They are also working on clustering arrangements with Town and Community Councils as a direct interface with the Council. This is also a mechanism to look at well-being collectively for those Town and Community Councils who are and are not governed by the act.</p>				
Further action planned	Desired Result	Action	Responsible Officer	Timescale	
	Structures clarified and processes aligned to delivery frameworks to support community governance.	Pilot the Community Governance structure in the Bryn Y Cwm area and finalise the Community Governance review and agree through Council	Head of Enterprise and Community Development	December 2018	

WAO Proposal	Further develop and embed performance management arrangements to allow the Council to hold partners to account and to support the Local Service Board to deliver its plans.			Status	Open
Report	Ensure new Public Service Board (PSB) delivery plans clearly set out relevant actions and resources needed to deliver shared priorities so that each partner, including the Council, is clear what is expected of them.				
Report	Corporate Assessment – November 2015 and Performance Management – Corporate Assessment Follow-on Review – July 2016				
What progress have we made	<p>The PSB has approved its well-being plan which includes four well-being objectives that underpin a clear purpose of building sustainable and resilient communities. The board is now developing a more detailed action plan, in line with an agreed format, that will contribute to delivery of these objectives and will inform how to allocate and prioritise resources to meet their wellbeing objectives. Each partner has assumed responsibility for delivering the activity which includes holding workshops and involving other partners, organisations and community groups.</p> <p>In line with this, the performance framework and accountability arrangements for the PSB will be reviewed to ensure accountability, delivery of the well-being plan and continued delivery of statutory responsibilities</p> <p>A PSB Select Committee has been established and has scrutinised the formation of the PSB and membership, resourcing of PSB support and development of the Well-being Assessment and Well-being Plan. The Committee is now playing an active role in scrutinising the formation and commencement of delivery of actions.</p>				

	Desired Result	Action	Responsible Officer	Timescale
Further action planned	Clear PSB well-being objectives allowing the PSB to allocate and prioritise resources to meet the objectives and establish delivery plans to achieve this.	Establish an action plan, performance framework and accountability arrangements to deliver the PSB's well-being plan.	Head of Policy & Governance and Community & Partnership Development Manager	April 2019

Governance proposals

WAO Proposal	Strengthen scrutiny's impact, status and effectiveness including: <ul style="list-style-type: none"> • formally recording Cabinet responses to scrutiny recommendations and observations; and • better co-ordination of Cabinet and select committee forward work programmes. 	Status	Open
--------------	--	--------	------

Report	Governance – Corporate Assessment Follow-on Review – June 2016		
--------	--	--	--

What progress have we made	<p>Formalised reporting of scrutiny recommendations to Cabinet Members was initially established through the drafting of chairs' letters to the Cabinet Member. However, in order to ensure the Executive and the public are fully apprised of Select Committee conclusions/recommendations in advance of decisions being taken, the political report template has been revised to include a 'consultees' section, in which the conclusions/recommendations are listed. Scrutiny chairs may still correspond formally with the Executive to request attendance at a select committee or to convey scrutiny's views on an issue, however, inclusion of scrutiny's contribution to the decision making report is considered a more timely and effective way of inputting to decision-making and evidencing the scrutiny that has been undertaken. If the Executive is asked to provide a formal response to a select committee, this is formally reported at Select Committee meetings under 'consideration of the forward work programme', ensuring accountability and transparency.</p> <p>Democratic Services and the Scrutiny Manager continue to attend meetings of Senior Leadership Team and departmental management teams as necessary to discuss the cabinet and select committee forward work planner.</p> <p>A revised whole authority work planner is being implemented to improve the interface between officer meetings, select committees, Cabinet and Council. This will ensure that committees can plan their work programme more effectively and enable clearer tracking of decisions.</p>		
----------------------------	--	--	--

	Desired Result	Action	Responsible Officer	Timescale
Further action planned	More efficient processes and timely and clear reports for members	Implement a revised whole authority planner	Head of Policy and Governance	December 2018
	More efficient processes and timely and clear reports for members	Review and refresh the report template and guidance and support this with training. Adopt the next phase of Modern Gov system to enable officers to self-serve when uploading reports. Enhance the advice and guidance areas on the intranet.	Local Democracy Manager	December 2018

WAO Proposal	Further improve the clarity of reports that members receive to ensure they have access to appropriate and timely information in a format that is easy to read and understand.	Status	Open
	Improving the quality of its options appraisals by providing information showing how options have been consistently evaluated.		
	Ensuring that budget savings mandates and service change reports systematically reflect stakeholder views and that these are taken into account during the decision making process.		
	Setting out at the point of decision on service change proposals how the impact of proposed changes is going to be measured and monitored		

Report	Governance – Corporate Assessment Follow-on Review – June 2016. Good Governance when Determining Significant Service Changes – March 2017		
--------	--	--	--

What progress have we made	<p>Further improvements to the report writing process and guidance for reports to members are being made. This includes sections on options appraisal, which includes further guidance on completing options appraisal, an evaluation section to state how the decision will be evaluated and a consultation section to set out all the stakeholders that have been consulted as part of the report and provide a short summary of their feedback. The Democratic Services Committee have also been developing a process for improving engagement in the democratic process.</p> <p>An arrangement that provides assurance that evaluations are being completed and which gives decision-makers and select committees the opportunity to look at evaluation in more detail on a risk-based approach was presented to Democratic Services Committee in September 2018.</p> <p>These amendments will be supported with training for managers on report writing as part of the training pathway delivered through Talent Lab.</p> <p>There is an ongoing need to ensure accountability on report authors that their reports relating to their service area meet the required standard before reports are published and decisions made.</p>
----------------------------	---

	Desired Result	Action	Responsible Officer	Timescale
Further action planned	Better informed members leading to more robust challenge and decision making.	Amend the report writing template and guidance and ensure the content of reports and presentations is clear and pitched correctly.	Scrutiny Manager & Policy and Performance Team	December 2018
	Better informed members leading to more robust challenge and decision making	<p>Ensure that senior officers are held accountable for ensuring the reports relating to their service area meet the required standard;</p> <p>Implement a revised whole authority planner and ensure that Democratic Services Officers complete basic checks before reports are uploaded</p>	Head of Policy and Governance	December 2018

WAO Proposal	Providing further training on the Wellbeing of Future Generations Act for scrutiny members to improve their understanding and consideration of the Act when undertaking scrutiny activity.	Status	Open
--------------	---	--------	------

Report	‘Scrutiny: Fit for the Future?’ Review – August 2018
--------	--

What progress have we made	<p>A range of training has been provided to members since the introduction of the Well-being of Future Generations Act. This includes training for members on the new Public Service Board Select Committee, which has been in place since summer 2017.</p> <p>A new training module on the Future Generations Act has been developed through the corporate training service and this is being made available to members to inform their role. One officer training session has already been held.</p>
----------------------------	--

	Desired Result	Action	Responsible Officer	Timescale
Further action planned	Better challenge in meetings around whether the Council is complying with the Well-being of Future Generations Act.	Undertake further training on the Well-being of Future Generations Act as part of the implementation of the revised report writing process.	Head of Policy and Governance	December 2018

WAO Proposal	Reviewing the level, type and resilience of the scrutiny support function to meet future challenges.			Status	Open
Report	'Scrutiny: Fit for the Future?' Review – August 2018				
What progress have we made	An Interim Scrutiny Officer has been appointed from August 2018. Proposals are being developed to provide a sustainable and permanent solution, which will increase the resilience of the scrutiny function.				
Further action planned	Desired Result	Action	Responsible Officer	Timescale	
	Assurance that scrutiny is able to meet future challenges.	Develop proposals to provide a sustainable and permanent solution which will increase the resilience of the scrutiny function.	Head of Policy and Governance	December 2018	

WAO Proposal	Clarifying the role of Cabinet Members when attending select committees to observe.			Status	Open
Report	'Scrutiny: Fit for the Future?' Review – August 2018				
What progress have we made	<p>Cabinet members' role in the scrutiny process for accountability is clear and they are welcome to observe any scrutiny meetings in line with the Council's code of conduct which states that: "Members of the Council are entitled to attend any formal meeting of the Council, its committees or sub-committees or the Cabinet, Where they are not a Member of that body, their attendance and right to speak is at the discretion of the Chair of the body."</p> <p>To clarify our process, an update will be made to the scrutiny protocol on the role of Cabinet Members when attending select committees to observe with the option to contribute being at the discretion of the chair.</p>				
Further action planned	Desired Result	Action	Responsible Officer	Timescale	
	Clarity over the role of Cabinet Members when attending Select Committee meetings uninvited.	The Scrutiny and Executive Protocol has been revised to clarify the role of cabinet members when attending select committees, either to answer questions or to observe the meeting. This will be revised within the Council's Constitution when it is next updated.	Head of Policy and Governance	October 2018	

WAO Proposal	Assessing the impact of the workshop approach.			Status	Open
Report	'Scrutiny: Fit for the Future?' Review – August 2018				
What progress have we made	The workshop approach will be evaluated as part of the scrutiny service business plan 2018/21. The workshop approach is an identified area of activity in the plan.				
Further action planned	Desired Result	Action	Responsible Officer	Timescale	
	Evaluation of the workshop approach as a future form of scrutiny.	Evaluate the workshop approach as part of the scrutiny service business plan 2018/21	Scrutiny Manager	March 2019	

Information Management proposals

WAO Proposal	PSN Accreditation The Council should pursue PSN accreditation as a matter of urgency within the current financial year, bringing in external resources to achieve this if necessary.			Status	Open
Report	WAO Information Management Review – December 2017				
What progress have we made	A significant and comprehensive security review has been undertaken in order to gain Public Sector Network (PSN) accreditation however the most recent submission has not been successful and PSN accreditation has not been achieved. There are two elements that remain outstanding regarding PSN accreditation, and the Council is working with partners to resolve these and will then resubmit for accreditation as soon as they are resolved.				
Further action planned	Desired Result	Action	Responsible Officer	Timescale	
	PSN accreditation is achieved.	Resubmit for accreditation once remaining actions have been completed	Head of People Services	Targeted for January 2019	

Finance proposals

WAO Proposal	<p>The Council should ensure that all budget mandates are costed and are sufficiently detailed. <i>All budget mandates should be fully costed and supported by information showing how each saving area will be achieved with an evaluation of its impact. This information should be produced on a timely basis to inform the agreement of the mandates by Members.</i></p> <p>Ensure central specialist functions, such as finance and procurement, work more closely with individual service areas in identifying potential savings, the scope of savings achievable and the potential to use pooled budgets with partners.</p>			Status	Open
Report	Corporate Assessment – November 2015 and Financial Resilience Assessment – February 2016				
What progress have we made	<p>Budget proposals for 18-19 were produced in a standard format which covers costs of implementation and are supported by information showing how each will be achieved. Proposals were scrutinised by Select Committees between November 2017 and February 2018. 93% of savings agreed for 2017/18 are forecast to be achieved.</p> <p>A process for setting the budget for 2019/20 has been established. A revised proposal template has been developed to strengthen the capture of budget proposals. An essential part of the process is closer alignment between services business planning arrangements and financial planning arrangements to improve the quality of service planning. There is still a need to think differently about the even greater challenges of the medium term and this work and engagement will continue in the coming months as part of our Future Monmouthshire programme to develop the Medium Term Financial Plan.</p>				
Further action planned	Desired Result	Action	Responsible Officer	Timescale	
	Fully costed and robust budget proposals for member scrutiny.	Establish a clear Medium Term Financial Plan and proposals	Head of Finance	March 2019	

WAO Proposal	<p>Strengthen financial planning arrangements by developing a robust Medium Term Financial Plan that incorporates its Reserves Policy, Income Generation Strategy and Future Monmouthshire project</p>			Status	Open
Report	Savings Planning – February 2017				
What progress have we made	<p>The Corporate Plan sets out a clear direction for the Council up to 2022. It contains five specific goals and includes a number of programmes of work, twenty-two in total, which the Council is committed to between now and 2022.</p> <p>Following the approval of the Corporate plan a financial strategy is being developed, this will apply a strategic lens to the Council's finances and across the medium term – both revenue and capital, develop further the approach around the MTFP (Medium Term Financial Plan) and budget setting process and align to the delivery of the corporate plan to ensure its aspirations are sustainable.</p> <p>As part of the delivery of the Corporate Plan a Commercial Strategy has been developed and is an important means through which the Council can self-direct its own economic future and ensure services, functions and wider activity has an outlook broader than 'survive' - and a real aspiration to 'thrive'. Specifically, it seeks to enhance income generations, develop an approach to commercialising assets and create a commercial culture and ethos.</p> <p>A process for setting the budget for 2019/20 has been established. A revised proposal template has been developed to strengthen the capture of budget proposals. An essential part of the process is closer alignment between services business planning arrangements and financial planning arrangements to improve the quality of service planning. There is still a need to think differently about the even greater challenges of the medium term and this work and engagement will continue in the</p>				

coming months as part of our Future Monmouthshire programme to develop the Medium Term Financial Plan.

	Desired Result	Action	Responsible Officer	Timescale
Further action planned	A robust and realistic Medium Term Financial Plan to support and facilitate strategic planning	Complete the development of a Financial Strategy	SLT	March 2019
	Fully costed and robust budget proposals for member scrutiny.	Establish a clear Medium Term Financial Plan and proposals	Head of Finance	March 2019

Asset Management proposals

WAO Proposal	<p>The Council's asset management arrangements could be strengthened by: 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"> ○ 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. 			Status	Open
Report	WAO review of Asset Management – November 2017				
What progress have we made	<p>Following approval of the corporate plan the Asset Management Strategy 2018-2022, including Asset Management Plan 2018-19 has been revised to align to its delivery. The plan includes arrangements for how performance will be evaluated including relevant performance indicators. Specific actions and performance targets are embedded within the Landlord Services Business Plan 2018/2021 which has been set in line with the principles of service business planning developed and aligned to deliver the corporate plan and digital strategy. The plan will be updated and progress monitored in line with quarterly reporting arrangements in place for service business plans.</p> <p>Governance arrangements have been set out within the Asset Management Strategy. These are in the process of being implemented.</p> <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. The scope for this is being agreed and will take longer than originally planned.</p>				
Further action planned	Desired Result	Action	Responsible Officer	Timescale	
	Clarity over the Council's approach to the use of its assets to support robust decision making.	Implement revised governance arrangements agreed as part of the Asset Management Strategy	Head of Commercial and Integrated Landlord Services	December 2018	
	Clarity over the Council's approach to the use of its assets to support robust decision making.	Replace the IT system with a system that incorporates the Financial Asset Register as well as providing a comprehensive solution for the effective management of property data	Head of Commercial and Integrated Landlord Services	June 2019	

Children's safeguarding proposals

WAO Proposal	<p>Integrate safeguarding across the Council's policy framework. In particular:</p> <ul style="list-style-type: none"> a. Produce a 'project plan' identifying the underpinning work required and associated timescales to fully incorporate the Council's approach to integrating child and adult safeguarding. b. Re-frame the strategic risk register, to enable a SMART-er approach to measuring impact of actions taken in mitigation of identified risk. c. Strengthen safeguarding policy and guidance in the areas identified in this report. Including: <ul style="list-style-type: none"> – data protection arrangements and guidance linked to safeguarding; – embed whistleblowing policy arrangements through training and awareness raising; and – revise taxi licensing arrangements strengthening health and safety requirements. 			Status	Open
Report	WAO Whole Authority review of children's safeguarding– August 2018				
What progress have we made	<ul style="list-style-type: none"> a. Integration of the service management responsibility for Adult and Children's safeguarding has been completed. At present there are no plans to further integrate the teams operating functions. b. The format of the strategic risk register has been updated to include timescales and responsibility holders for each mitigating action and includes an update on the progress and impact of implementing each action identified. Any other amendments to the strategic risk register will be considered based on any further feedback received. c. The Corporate Safeguarding Policy established in 2017 is to be reviewed and updated annually; this work is underway and will conclude in November. This will include new responsibilities and guidance for GDPR and its links to safeguarding. Any actions will form part of the Whole Authority action plan. <p>The Whistleblowing Policy 2017 is available on the People Services hub where all HR policies are accessed. HR business partner meetings with all managers now include awareness raising around all new policies, including Whistleblowing policy.</p> <p>The Taxi Driver Policy was last amended, and approved by Licensing Committee, on 12th June 2018. This provided more stringent requirements on the suitability of taxi drivers and operators, in line with Institute of Licensing national guidance.</p>				
Further action planned	Desired Result	Action	Responsible Officer	Timescale	
	Consistent policies that reflect the Council's corporate commitment to Safeguarding	Review and update the Corporate Safeguarding Policy	Chief Officer Social Care Safeguarding and Health	November 2018	

WAO Proposal	<p>Embed all aspects of safe recruitment, induction and training consistently.</p> <p>In particular:</p> <p>a. improve training records on safeguarding to show why the person received that particular level of training, when the training was received, and when it needs to be reviewed;</p> <p>b. ensure all people who have a specific role in safeguarding undertake appropriate training; and</p> <p>c. clarify when enhanced DBS checks are required and ensure these are obtained in line with guidance.</p>			Status	Open
Report	WAO Whole Authority review of children's safeguarding– August 2018				
What progress have we made	<p>a/b. As a minimum each employee is required to undertake basic safeguarding training. This is now recorded as part of the My View System. We are currently updating this system via each departments designated safeguarding lead and HR. This will include assignment of the appropriate level of training required to each role across the authority including the ability to report. The capability to enable review prompts is also being explored.</p> <p>We are currently working towards recruiting all of our volunteers through the Volunteer Kinetic digital management system. This means we have a live central record of volunteer safe recruitment information and activity. The system is structured so dependent on the role the proportionate amount of safe recruitment checks are carried out and logged on the volunteer's profile, also training is logged on the system for example Safeguarding Level 1.</p> <p>c. Training on safe recruitment runs quarterly, DBS policy incorporates up to date legislation and is available on People Services hub.</p>				
Further action planned	Desired Result	Action	Responsible Officer	Timescale	
	An appropriately vetted workforce that understands its safeguarding responsibilities.	Update Safeguarding training records system via each departments designated safeguarding lead and HR.	Safeguarding leads, all directorates	December 2018	

WAO Proposal	<p>Ensure control arrangements are consistently applied and improve performance monitoring arrangements around safeguarding to include all areas of service operation to address all gaps in accountability. This should include issuing clear guidance to managers on information on safeguarding that should be included in reports to Members.</p>			Status	Open
Report	WAO Whole Authority review of children's safeguarding– August 2018				
What progress have we made	<p>Service safeguarding arrangements remain part of the principles of Service Business Planning 2018/2021 which all services must apply in their plans.</p> <p>The Performance team are completing an appraisal of the quality of service business plans developed for 2018/21 to inform and help shape the plans, this includes a specific section assessing the appropriate inclusion of activity related to safeguarding.</p> <p>Further improvements to the report writing process and guidance for reports to members are being made, this will include reviewing the section on safeguarding information. This will be supported with training for managers on report writing as part of the training pathway delivered through Talent Lab.</p>				

	Desired Result	Action	Responsible Officer	Timescale
Further action planned	Corporate assurance that safeguarding arrangements are implemented across the Council.	Complete an appraisal of the quality of service business plans developed for 2018/21	Performance Manager	November 2018
	Corporate assurance that safeguarding arrangements are implemented across the Council.	Implement further improvements to the report writing process and guidance for reports to members	Head of Policy and Governance	December 2018

WAO Proposal	Improve the Council's commissioning and contracting arrangements in relation to safeguarding children by finalising guidance on commissioning, contracting and volunteering from a safeguarding perspective.			Status	Open
Report	WAO Whole Authority review of children's safeguarding– August 2018				
What progress have we made	The Self – assessment template has been developed and will be piloted by SCH. Following this the minimum standard and assessment template will be agreed by Senior Leadership Team (November 2018). Each Directorate will then assess performance against the standards and further action identified (December 2018). Each Directorate to undertake actions identified via assessment tool and performance reported to Whole Authority Safeguarding Group (WASG)				
Further action planned	Desired Result	Action	Responsible Officer	Timescale	
	Assurance that children are safeguarded irrespective of the service provider being in house or external to the Council	Each Directorate to undertake actions identified via assessment tool and performance reported to Whole Authority Safeguarding Group (WASG)	Chief Officers/Heads of Service	March 2019	

Appendix 2 - Closed Wales Audit Office Proposal for Improvement

Human Resources proposals

WAO Proposal	Improve the evaluation of HR improvement actions to better measure the impact and outcomes.	Status	Close
Report	Human Resources – Corporate Assessment Follow-on Review – December 2016		
What progress have we made	<p>Following and informed by the development of the Council's Corporate Plan, a revised People Strategy has been agreed. The latest iteration of the People Strategy aims to build on the outcomes already achieved, complete activities that are a work in progress and reflects what colleagues, data and intelligence is telling us needs to improve to enable and support our colleagues to be the best they can be.</p> <p>The People strategy identifies an action plan including performance indicators/milestones, responsibility holders and timescale that can be used to better evaluate progress and impact of action. The strategy has informed the development of the People Services business plan 2018/21 which is updated quarterly including actions, performance indicators and risk. Strengthening the evaluation of action is an ongoing area for development, there is a continuing need to strengthen the analysis of data and information available to evaluate actions and, as importantly, inform future plans.</p> <p>The People Services annual report is no longer produced following the development of the People Strategy.</p>		

Performance Management Proposals

WAO Proposal	Improve strategic planning by: • ensuring clear links between strategies and agreed priorities; and • developing cohesive strategies to underpin and support robust decision making.	Status	Close
Report	<p>Demonstrate clearly the links between the Council's strategies and service plans to show how actions will deliver its strategic targets and outcomes.</p> <p>Corporate Assessment – November 2015 and Performance Management – Corporate Assessment Follow-on Review – July 2016</p>		
What progress have we made	<p>A corporate plan has been developed that sets out a clear direction for the Council up to 2022. Following approval of the corporate plan the Council's enabling strategies have been revised to align to the delivery of the corporate plan, these include the Digital Strategy, People Strategy and Asset Management Strategy. Clear principles were established which the plans followed to ensure a more robust approach to development and alignment between the strategies and the Corporate Plan.</p> <p>The role and purpose of service planning has been reviewed and a revised process established aligned to the corporate plan. Each service has set a Service Business Plan for a three year period (currently 2018-2021). One of the principles of planning is aligned to deliver the council's strategies.</p> <p>Business Plans have been corporately appraised by the Policy and Performance team against the principles and feedback. The appraisal of 2018/21 plans demonstrated that plans mostly continue to provide clarity and focus of the service's activity, there remains variability in the overall quality and completeness of some plans and the timeliness of updating plans is not always adequate. Assistance will be provided to services, where required or requested, to continue to improve the quality of planning.</p>		

Governance proposals

WAO Proposal	Formally reviewing its decision making process in relation to service changes as part of post project learning to evaluate and learn from its effectiveness and ensure continuous improvement.	Status	Close
Report	Good Governance when Determining Significant Service Changes – March 2017		
What progress have we made	<p>The Council already has existing arrangements that review decision making and governance arrangements these include: the Annual Governance Statement, Democratic Services Committee and through specific service plans, for example, scrutiny.</p> <p>These existing processes and evaluation arrangements will continue to be used to implement any improvement actions of decision making processes. Further reviews of decision making will be considered, if required, in line with the outcomes of these processes.</p>		

WAO Proposal	Ensuring that the Public Service Board Select Committee complies with the Access to Information Procedure Rules within the Council's constitution.	Status	Close
Report	'Scrutiny: Fit for the Future?' Review – August 2018		
What progress have we made	<p>We always seek to work within the council's constitution and it is good practise to put written reports before members so that they have as much information as possible to properly scrutinise.</p> <p>The authority's Monitoring Officer has confirmed that if no report is available it does not constitute a breach of our access to information procedure rules.</p> <p>There will always be occasions when a report is not required and the officer attending will give a verbal update. Members can still ask questions of the officer and the details will be available via the live stream and pertinent points captured subsequently in the printed minutes.</p>		

Information Technology proposals

WAO Proposal	Review and revise the iCounty Business Plan for 2016-2019 by setting out clear and measurable actions to enable senior managers and members to effectively monitor and manage progress of its implementation.	Status	Close
Report	Information Technology – Corporate Assessment Follow-on Review – October 2016		
What progress have we made	<p>Following approval of the corporate plan the digital strategy has been revised to align to the delivery of the corporate plan. The strategy includes arrangements for how performance will be evaluated including relevant performance indicators.</p> <p>Delivery of this strategy is through the Digital Programme Office Business plan 2018/2021 which has been set in line with the principles of service business planning developed and aligned to deliver the corporate plan and digital strategy. The plan includes clear and measurable actions for delivery. The plan will be updated and progress monitored in line with quarterly reporting arrangements in place for service business plans.</p>		

WAO Proposal	Negotiate and agree commercial grade Service Level Agreements with SRS in advance of new organisations joining the partnership to support sound governance, and to enable the Council to measure service delivery, and assure itself that its IT needs continue to be met.	Status	Close
Report	Information Technology – Corporate Assessment Follow-on Review – October 2016		

What progress have we made	The commercial grade SLA with the SRS has been developed and was agreed by the SRS Board in July 2018. A delivery group meets once a month to monitor SRS Performance.
----------------------------	--

Information Management proposals	
---	--

WAO Proposal	<p>The Council should finalise and agree its updated Management Information Strategy. The Strategy should include:</p> <ul style="list-style-type: none"> • an outline of the broad approach the Council plans to take, emphasising how Information will be used to support its strategic aims; and • a schedule of annual review and update so that developments can be responded to in a relatively short time. 	Status	Close
--------------	--	--------	-------

Report	WAO Information Management Review – December 2017
--------	---

What progress have we made	<p>The information strategy has been revised, scrutinised by Audit Committee in September 2017 and agreed by individual Cabinet member decision in October 2017. The Information Strategy covers a three year period with annual review dates to ensure its currency.</p> <p>With changes in digital capabilities and the ever increasing need for data and evidence to support critical business decisions, the strategy has been revised to accommodate the 3 inter-related strands of:</p> <ul style="list-style-type: none"> • Digital Information, • Information Governance and Legislation & • Data use, Open Data and Business Intelligence. <p>This split better reflects the importance of information and data in a digital era, and the potential for it to be used as a business tool with data insights enabling effective decision making and service re-design options.</p> <p>The Council has recently recruited to a new role of Data Protection and Information Governance, to further strengthen information governance arrangements.</p>
----------------------------	---

WAO Proposal	<p>The Council should review, clarify and rationalise its information management policy documents ensuring that:</p> <ul style="list-style-type: none"> • its policy decisions and guidance follow on clearly from the overall strategy; and • its documents conform to a standard format, and are subject to regular planned reviews. 	Status	Close
--------------	---	--------	-------

Report	WAO Information Management Review – December 2017
--------	---

What progress have we made	<p>The information strategy has been revised. The Information Strategy covers a three year period with annual review dates to ensure its currency.</p> <p>The information policy and guidance documents are separate documents, although whilst separate, were fit for their various purposes. The original intention was to align these into one integrated and comprehensive policy.</p> <p>The council has an intranet site containing all of the relevant guidance, and this site will continue to be reviewed and refreshed to make it easier for staff to find guidance through a simple search. On reflection we do not feel that it is helpful to have one single large document. We feel it is far more</p>
----------------------------	--

helpful to provide bite sized chunks of policy and guidance in plain English along with any relevant videos and graphics to help people find what they need accompanied by e-learning.

WAO Proposal	The Council should assure itself that the role of SIRO has sufficient profile, authority and accountability, with the seniority to challenge decisions made at Senior Leadership Team.	Status	Close
Report	WAO Information Management Review – December 2017		
What progress have we made	<p>The Council has assured itself that the SIRO is independent of the delivery of IT services and, whilst not a member of SLT, following its restructure, is sufficiently senior and independent to:</p> <ul style="list-style-type: none"> • provide challenge and advice to SLT • has close links with the Chief Executive and cabinet portfolio holder • meeting regularly to update on issues related to information management /governance and security concerns. <p>The SIRO also reports to the Chief Officer for Resources who is a member of SLT.</p>		

WAO Proposal	Information Governance Group The Council should revise the Terms of Reference for the Information Governance Group to explicitly include the task of overall scrutiny of all the factors affecting the environment within which data and information reside.	Status	Close
Report	WAO Information Management Review – December 2017		
What progress have we made	At its meeting In January 2018 the Information Governance Group revised its Terms of Reference to reflect its role for overall scrutiny of all the factors affecting the environment within which data and information reside.		

Wales Audit Office National Studies Published since last update

National Study	Housing Adaptations http://www.audit.wales/publication/housing-adaptations
Summary	<p>This report looks at whether public bodies, with responsibilities for delivering housing adaptations, have an effective strategic approach that delivers value for money.</p> <p>WAO have concluded that user satisfaction with housing adaptations masks a hugely complicated, reactive and inequitable system that is not delivering for all those who may need it.</p>
Recommendations in the report	The report makes 8 recommendations for improvement for consideration of relevant organisations including, local authorities, delivery organisations and Welsh Government.
Monmouthshire County Council lead	The report has been received by the Council's Housing and Community team. The team are considering the findings of the report which are relevant to the Council's arrangements as part of their service planning.

National Study	Speak my language: Overcoming language and communication barriers in public services http://www.audit.wales/publication/speak-my-language-overcoming-language-and-communication-barriers-public-services
Summary	<p>This report looks at how public bodies, particularly local government and NHS bodies providing front-line services, provide interpretation and translation services for BSL and other languages to enable people facing these communication barriers to access services.</p> <p>WAO have concluded that organisations varied in the degree to which they understood the needs of their communities and ensured their services were accessible to people needing interpretation and translation services.</p>
Recommendations in the report	The report makes 8 recommendations for improvement for consideration of public bodies and Welsh Government.
Monmouthshire County Council lead	The Council's Policy Officer for Equality and Welsh language has received the report. The Council is considering the report to inform work with services on interpretation and translation services for BSL and other languages.

National Study	Reflecting on Year One: How have public bodies responded to the Well-being of Future Generations (Wales) Act 2015? http://www.audit.wales/publication/reflecting-year-one
Summary	<p>The report provides an assessment of how public bodies in Wales have responded to the Well-being of Future Generations Act. It is designed to support organisations during this transition phase. The report recognises that all public bodies are on a learning path to deliver legislation that is bold, ambitious and aims to drive a long term cultural change in public services, resulting in better outcomes for the people of Wales.</p> <p>The report found that public bodies are able to give examples of how they have used the Act to make the changes needed for them to effectively apply the sustainable development principle. Public bodies now need to set out how they will continue developing their approach to the Act so that they can deliver on the ambition and maximise the opportunities it affords.</p>

Monmouthshire County Council lead	The report is being used to strengthen the council's application of the sustainable development principle as part of its arrangement alongside feedback from the Future Generations Commissioner.
---	---

National Study	<p style="text-align: center;">Strategic Commissioning of Accommodation Services for Adults with Learning Disabilities</p> <p style="text-align: center;">http://www.audit.wales/strategic-commissioning-learning-disabilities</p>
Summary	This review has focused on assessing if local authorities have effective approaches to commissioning accommodation for adults with learning disabilities (those aged over 16). Local authorities are generally meeting the accommodation needs of adults with learning disabilities, but existing commissioning arrangements are unlikely to be fit for purpose in the future.
Recommendations in the report	The report makes 6 recommendations for consideration by local authorities
Monmouthshire County Council lead	The report has been received by the Council's Commissioning and disability team. The team are considering the findings of the report which are relevant to the Council's arrangements as part of their planning.

Public Document Pack Agenda Item 9

MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Audit Committee held
at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 13th September, 2018 at 2.00
pm

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

County Councillors: A. Easson, B. Strong, M. Feakins, M. Lane and
S. Woodhouse

OFFICERS IN ATTENDANCE:

Mark Howcroft	Assistant Head of Finance
Andrew Wathan	Chief Internal Auditor
Non Jenkins	Wales Audit Office
Peter Davies	Chief Officer, Resources
Wendy Barnard	Democratic Services Officer
Ann-Marie Harkin	Wales Audit Officer
Terry Lewis	Wales Audit Office
David Wilson	Wales Audit Office
Matthew Gatehouse	Head of Policy and Governance
Jonathan Davies	Central Accountancy Finance Manager
Matthew Lewis (Countryside)	Interim Performance, Evaluation and Programme Development Lead for MonLife
Richard Simpkins	Business Manager - Tourism Leisure and Culture
Cath Fallon	Head of Economy and Enterprise
Marie Bartlett	Finance Lead for MonLife

APOLOGIES:

County Councillors Councillors P. Murphy, J. Watkins and V. Smith

1. Declarations of Interest

No declarations of interest were made.

2. Public Open Forum

No members of the public were present.

3. To confirm minutes of the previous meeting held on 5th July 2018

The minutes of the meeting held on the 5th July 2018 were confirmed and signed as a true record.

4. To note the action list from 5th July 2018

The action list from the last meeting was noted.

MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Audit Committee held at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 13th September, 2018 at 2.00 pm

- **Assistance to Members of the Audit Committee:** This was made available as necessary
- **Compliance with the Bribery Act:** This will be an item on the agenda for the next meeting.
- **Report of Peer Review:** This is on the agenda for the meeting today.
- **Governance of ADM:** It was noted that all documents will be proofed and presented to Council. It was explained that the Economy and Development Select Committee have taken a very active role in considering this matter and Audit Committee will have a further opportunity to scrutinise documents prior to the full Council decision being made.

5. Performance and Evaluation Framework for MonLife

The Interim Performance, Evaluation and Programme Development Lead for MonLife and the Business Manager for Tourism, Leisure, Culture and Youth provided a presentation on the Draft Performance and Evaluation Framework for MonLife. This covers all MonLife plans to measure performance, provide evidence of impact and to drive continuous improvement. It was explained that there would be one shared framework across MonLife, MonLife Plus and associated trading subsidiaries. Comments were invited and it was noted that the final framework will be finalised by the Shadow Board and Directors.

Committee Members asked questions as follows:

- **Accreditation:** It was queried how soon accreditation will be sought. It was responded that there is some existing accreditation such as the Green Flag award, Museum accreditation, Visitor Attraction quality assurance scheme and also accreditation in relation to fitness and leisure aligned to business best practice. Some other accreditation is mandatorily required such as License for Outdoor and Dangerous Activities. Investors in People may be considered in the future.
- **Volunteers:** It was also asked how training will be managed to take account of changes within volunteer groups and confirmed that there are role profiles in place with respective training needs attached such as mandatory Level 1 Safeguarding.
- **Assets:** In response to questions, it was explained that:
 - i. The number of times the train ran is one of the current business indicators to capture activity at the site and may be reviewed/enhanced in future;
 - ii. Regarding staff surveys, it is intended to develop a performance and development framework for staff to include a level of staff engagement;
 - iii. Sickness data will continue to be collected; and
 - iv. The survey of dilapidations is to provide information about condition of assets for the Board. The boundary between responsibility and action for maintenance was explained. This point is under negotiation, however it is suggested that Monmouthshire will retain capital maintenance and the majority of revenue maintenance and the budgets to do so. It was emphasised that negotiations continue. The lease agreement will be presented to Audit Committee and Economic and Development Select Committee in due course. It is key that the authority is reassured that there are suitable controls in place. Similarly, MonLife and its Board will also want that assurance.
- **Risk:** A Member cautioned regarding what risk elements are being handed over to the MonLife Board, and noted that at the present time it is not known how risks are being assessed. It was responded that there is a risk register and a scoring process. Currently, work is being undertaken to separate risks between the authority and MonLife. This matter will be discussed with the Shadow Board and will be reported

MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Audit Committee held at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 13th September, 2018 at 2.00 pm

back to Audit Committee. The Chief Officer, Resources confirmed that the Audit Committee, Economy and Development Select Committee and Council will have a significant report containing all the legal documentation which will require interpretation when considered. In terms of risks, key operational and strategic risks will be identified with information on how they have been and will be managed as a result of the negotiations.

- **ADM Board:** It was queried if the ADM Board will be audited by the authority and if periodic reports will be provided. It was explained that there has to be good governance and a balance struck accordingly to allow the authority to hold both companies to account.

In terms of Audit, the Chief Internal Auditor informed the Committee that Service Level Agreements have been arranged with services across the authority including Internal Audit of MonLife and MonLife Plus. It is likely that feedback for the audit outcomes for MonLife Plus will be included in the Chief Internal Auditor's report but the position regarding reporting back on MonLife due to its status as a charity is uncertain at this time and subject to negotiation. The view was expressed that it would be reasonable to hold both boards to account and clarification will be sought.

The Chair queried how to scrutinise the boards and how to ensure Members are kept abreast of responsibilities and developments, and was encouraged by the questions raised about risk. The Chief Officer, Resources will confirm which Select Committee will have ongoing responsibility in due course noting the important principles of openness and transparency. The Chair was pleased to note the involvement of Internal Audit.

The Recommendation to review and comment upon the report was noted.

6. Audited Statement of Accounts

The purpose of the report is to consider the annual accounts for the Authority for 2017-18, subsequent to the audit process undertaken by Wales Audit Office. Audit Committee acts as the scrutiny function for the formal accounts process prior to endorsement or otherwise of the Statements to the September full Council meeting.

The Assistant Head of Finance commented on the Chair's query about £40m borrowing and referred to the outturn statement indicating that borrowing was nearer to £20m. He reminded Members that borrowing must be viewed in the context of investment. Members were also reminded of the discussion on MIFID2 and treasury strategy and the decision to opt for professional customer status to enable access to appropriate treasury strategy advice; a condition of which is to hold a balance of £10m. The Authority utilises internal borrowing to reduce interest costs.

Members were reminded of the need to reduce timescales for the preparation of accounts to the 31st May in 2021. This is to be four weeks shorter than currently required and creates significant pressures for accountants and auditors.

This and the following item were considered together.

7. ISA 260 response to accounts

The Wales Audit Officer introduced the ISA 260 report which provides the results of the 2017/18 financial statements. The report is required by auditing standards. The audit is complete and

MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Audit Committee held at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 13th September, 2018 at 2.00 pm

the Council was praised for meeting the earlier deadline. The Auditor General is intending to issue an unqualified audit report.

It was brought to the Committee's attention that some uncorrected misstatements were found in the financial statement which must be corrected or reasons provided why they are not corrected. A decision to not amend will not affect the outcome as the amounts concerned are not material to the overall outcome.

There were no concerns about the financial reporting and the information provided was of good quality. It was reported that there were a significant amount of rounding errors found in the accounts. Otherwise, there were no significant difficulties encountered during the audit process.

There are some areas for improvement in accounts preparation and auditing processes and WAO will continue to work with officers to improve processes in the future. One significant matter discussed with management was identified as not derecognising existing infrastructure assets as they are replaced or improved. However, it was noted that the net book value is not materially misstated in the accounts as a result.

A Member referred to faster closing suggesting that this would be problematic to Finance teams. The Member also queried how important it is to derecognise assets and it was responded that it is good practice but a matter for the Finance Officers to consider. The Assistant Head of Finance explained that infrastructure assets are highways and roads mainly. CIPFA is proposing changes in valuing such assets and we await further information. It was explained that the Finance Team brought forward the accounts process by three weeks this year and it is intended to work closely with WAO to make good use of best practice. For example there may be opportunity for the WAO to take snapshot samples at the yearend outside of the normal cycle. There may also be an opportunity to revise notes and make the accounts more transparent. Additionally, it was explained that there is reliance on other sources for information and the use of estimates is possible to prevent delays in accounts preparation.

It was explained that the reason for this move is to harmonise closing periods from all of the public sector and the use of estimates will be limited and not of significance.

It was added that the move is causing problems for WAO as well and different ways of working are being explored.

A Member asked if there was opportunity for automation and it was confirmed that this is an area of development.

County Councillor A. Easson declared a personal, non-prejudicial interest as a governor of Ysgol Gymraeg Y Ffin and Dewstow Primary School. He questioned the increase in deficit balances in schools and noted significant change in the total surplus budgets. The WAO Officers noted the trend and the matter has been raised with performance audit colleagues. This is now for the Auditor General to decide whether to investigate this matter further. It was confirmed that interaction would be with the council not individual schools.

The Committee was informed of a change to the financial control arrangements in schools with deficit balances that will bring forward governors consideration of a recovery plan. WAO Officers agreed to look at the rest of Wales to see if there is a similar trend. The Statement of Accounts and the ISA 260 response report was endorsed by the Audit Committee for presentation to full council.

8. Internal Audit Progress Report 2018/19 (quarter 1)

The Chief Internal Auditor presented the Internal Audit Progress Report (2018/19 Quarter 1).

MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Audit Committee held at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 13th September, 2018 at 2.00 pm

The Committee noted that 16 reviews were undertaken before the end of June, 5 of which were opinion related. The opinions issued were "Reasonable" indicating some room for improvement but also provided a level of reassurance.

A "Qualified" opinion was issued for a grant claim and reported back to the manager.

The team has completed 17% of the audit plan which is ahead of the target. This provides a level of assurance regarding the performance of the team. Draft reports are being turned around within three days of the audit work against a target of 12 days. Final reports have been issued 12 days after receipt of comments from operational manager but this has been identified as an area for improvement. Recommendations are being accepted by operational managers.

The Committee noted the report and agreed the opinions issued.

9. Internal Audit Sector Public Sector Internal Audit Standards (PSIAS) External Review 2018

The Chief Internal Auditor introduced the report of the Peer Review which is a result of a requirement that the team is assessed every 5 years to be compliant with the Public Sector Internal Audit Standards (PSIAS).

The 20 authorities involved in Wales decided to take up the option of undertaking a self-assessment which was externally validated by peer review. The Chief Auditor undertook a peer review in another authority and our peer review was carried out by the Chief Internal Auditor of Neath Port Talbot County Borough Council.

The report has been returned and it was concluded that the Authority is generally compliant with no significant non-compliance. Opportunities for improvement have been compiled into an action plan and a progress report will be presented in a year to demonstrate the improvements made.

It was noted that there was possible opportunity for more formality between the Audit Committee and Chair with the Internal Audit Team.

The report was noted.

10. Review of Reserves Period 1

The Assistant Head of Finance presented the report and questions were asked as follows:

A Member observed that reserves of 4-6% are recommended and it was to the credit of the Finance Team that this position is retained.

It was queried if a short workshop could be arranged for the Audit Committee on reserves to provide a better understanding of the appendices and strategic priorities

In response to query it was explained that the Authority doesn't hold cashback reserves to avoid borrowing. Reserve level are therefore not supported by cash in the bank. For example, revenue receipts are used for internal borrowing.

A Member noted that the majority of cashflow comes in at specific points in the year and asked if we are able to call it in. It was responded that larger amounts of funding such as settlement

MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Audit Committee held at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 13th September, 2018 at 2.00 pm

funding and the council tax are banked at the start of the year so it is likely that there will be investment at this time and borrowing later in the year.

The Committee highlighted the need for training, and agreed that more detail would be provided with the Quarter 2 report.

The report was noted.

11. Aligning the Levers of Change

The Head of Policy and Governance introduced a video prepared by Wales Audit Office (WAO) focussing on the challenges facing local government and possible solutions such as shared services, use of technology and automation. It was explained that the video was conceived after the Council digital day and WAO were encouraged to provide feedback in digital format.

The video found that Monmouthshire County Council is keen to innovate and reap the benefits of doing so. WAO found shared service agreements such as with SRS and for housing benefits. There is an agile working policy. Staff have self-service access to payslips and other HR processes. The MyMon App has good sign up and use by residents. Opportunities for the future were explored such as Skype for meetings, fingerprint technology, further apps and Alexa. The vision is to transform and deliver. To do this resources must be clarified, staff empowered, appropriate staff recruited and there must be a willingness to learn from others.

WAO officers confirmed that no management response is required and that the Council must continue to think about its future direction.

A Member asked if this method of reporting will be more regular. It was responded that the WAO is exploring this approach as a way to feedback. It was agreed that there may also be future opportunities to interact with Audit Committee remotely.

A Committee Member was interested in the progress of neighbouring authorities. It was explained that whilst video feedback has been provided to other councils, this has been on a variety of topics. It was accepted that all councils are exploring different ways of working but there are no direct comparisons available at this time.

The Chief Officer, Resources provided positive feedback on the video and emphasised that there will be incremental progress. Within limited budgets, digitisation will play a larger role and sound foundations are necessary to assure the authority is successful and sustainable in the future.

A Member commented that the council doesn't stand still and has worked hard to share resources and its objectives with other councils.

The recommendation to receive the report and use it to assess the effectiveness of the authority's governance arrangements was agreed.

The Wales Audit Officers were thanked for the presentation.

12. Overview and Scrutiny: Fit for the Future

Wales Audit Officers introduced a thematic review entitled Overview and Scrutiny: Fit for the Future. Such a report has been provided to all councils in Wales. It was noted that it is a positive report that found that:

MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Audit Committee held at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 13th September, 2018 at 2.00 pm

- The Council is continually developing its scrutiny function and is aware of future challenges, but support arrangements for the Public Service Board (PSB) scrutiny committee need to be strengthened;
- The Council continues to develop its scrutiny environment and is responsive to member development needs;
- Scrutiny activity is generally well planned, and the Council has had some success in engaging the public in scrutiny, but the PSB select committee does not currently comply with the Council's corporate procedures when making meeting papers public; and
- The Council regularly reviews the scrutiny function and has clear actions to continue its improvement. Officers and members are aware of current and future challenges.

Five improvement points were identified as follows:

The Council's scrutiny function could be strengthened by:

- Ensuring that the PSB select committee complies with the Access to Information Procedure Rules within the Council's constitution;
- Providing further training on the Well-being of Future Generations Act for scrutiny members to improve their understanding and consideration of the Act when undertaking scrutiny;
- Reviewing the level, type and resilience of the scrutiny support function to meet future challenges;
- Clarifying the role of Cabinet Members when attending select committees to observe; and
- Assessing the impact of the workshop approach.

It was explained that Members must have the time to read the papers before the meeting and should understand what's presented to them with access to the right people to be able to answer questions.

A Management response has been provided and it was confirmed that the authority welcomed the report and the opportunity to improve.

It was confirmed that the PSB is a new arrangement that has been evaluating and developing a wellbeing assessment and plan. It was agreed that it has mainly concentrated on process rather than asking partners about delivery. It is planned in future to have more partners present to answer questions about project delivery. It was explained that the organisation has insufficient capacity to carry out the scrutiny role well and temporary arrangements are in place to address this point with a view to making longer term provision in the future.

A Member asked for clarification about the role of Cabinet Members and was informed that at a meeting the Cabinet Member had attended to observe the meeting. It was unclear in what capacity the Cabinet Member was there, and if they should be asked questions. A scrutiny committee can invite the Cabinet Member to attend its meeting to scrutinise and answer questions but in this instance, there was lack of clarity.

A Member asked if the workload of the PSB work could be shared with other Select Committees. The Head of Policy and Governance responded that this is likely to happen as there is often an overlap with other Select Committees as the PSB considers a wide range of topics. The appropriate committee would be decided by considering the extent to which the issue is integral to the PSB's partner work or if it is more relevant to a select committee's specific portfolio. The PSB Select Committee has the power to request partners to attend but it

MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Audit Committee held at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 13th September, 2018 at 2.00 pm

may be more appropriate that another select committee invites partners to attend to pursue a particular line of questioning. It was explained that Democratic Services Committee performs a co-ordinating role and this may be developed to establish some protocols and criteria for future use.

The WAO agreed that in considering if scrutiny is fit for the future, it is necessary to identify the best place for a specific piece of work and to find the best way to scrutinise the issue under consideration. A Member emphasised the importance of having an accountable person present when considering an issue.

A Member commented that ongoing training for all members of scrutiny committees is essential to take account of changes. It was responded that further training is due to be provided shortly.

The Wales Audit Officers were thanked for their contribution.

13. Annual Improvement Report

The Wales Audit Officer introduced the Annual Improvement Report which is a summary of all the year's work, the majority of which has been presented to Audit Committee throughout the year.

WAO has been carried out work with all councils on improvement assessment, the Wellbeing of Future Generations Act, the service user and scrutiny as well as some local work. Wales Audit Officers have reported to Audit Committee on work completed from previous years.

It has been concluded that the council meets its statutory requirements for continuous improvement and there are no formal recommendations. A summary of proposals for improvement includes:

- The review of asset management revealed a good understanding of asset management but a need for investment in IT systems;
- Information management arrangements require strengthening so that the benefits can be fully realised;
- A whole authority children's safeguarding review in liaison with Estyn and CSSIW has been carried out. This will be reported to Children and Young People's Select in October 2018.

The Auditor General concluded that the Council had complied with its responsibilities relating to financial reporting and use of resources, is satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources and issued a certificate confirming that the audit of the accounts was completed on 29 September 2017.

The report included a summary of national reports completed by WAO that contain proposals for improvement for all Councils.

The Head of Policy and Governance advised that no management response been completed because these have been done individually when the reports have been presented to Audit Committee. Members were informed that an overview report will provide a summary of progress against improvement points on a twice yearly basis.

A Member asked how the authority manages homelessness demand and questioned if the authority is meeting its obligations to keep homelessness to a minimum. It was responded that

MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Audit Committee held at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 13th September, 2018 at 2.00 pm

no follow up of this review has been undertaken yet. The follow up will look at the recommendations made previously and improvements that have been made.

A Member queried if the Council has substantial language barriers. The Head of Policy and Governance responded that this has not been a problem to date and there is access to translation services as and when required. Additionally, the availability of digital services presents some technological solutions.

The report was noted.

14. Forward Work Programme

The Forward Work Programme was noted.

15. To confirm the date and time of the next meeting as 8th November 2018 at 2.00pm

The meeting ended at 4.08 pm

This page is intentionally left blank

Audit Committee Actions 5th July 2018

Agenda Item:	Subject	Officer	Outcome
5	Action List	Peter Davies/Andrew Wathan	Officers to attend re Compliance with Bribery Act – agenda for next meeting November 2018

Audit Committee Actions 13th September 2018

Agenda Item:	Subject	Officer	Outcome
7	ISA 260	Wales Audit Officers	Seek comparison with other councils in Wales regarding the increase in school budget deficits and reduction in total school budget surpluses.
10	Review of Reserves	Assistant Head of Finance	Provide more detail in Quarter 2 report in response to identified training need
12	Overview and scrutiny	Scrutiny Manager	Provide scrutiny refresher training for Select Committee Members

This page is intentionally left blank

AUDIT COMMITTEE WORKPLAN 2018/19	
24TH MAY 2018	
<i>Deadline for finalised reports to Cheryl – mid day - Monday 14th May 2018</i>	
<i>Finalised reports to Committee Section – end of day - Monday 14th May 2018</i>	
Unsatisfactory Audit Opinions	Andrew Wathan
Implementation of Internal Audit Recommendations	Andrew Wathan
WAO Certificate of Compliance - for info	Richard Jones
5TH JULY 2018	
<i>Deadline for finalised reports to Cheryl - 25th June - PM</i>	
<i>Finalised reports to Committee Section - 26th June - early AM</i>	
Treasury Outturn report 2017/18	Lesley Russell/Jon Davies
Draft Statement of Accounts 2017/18 - report including Annual Governance Statement. Appendices include	
Summary of accounts information 2017/18	1.
Statement of Accounts (prior to Audit 2017/18)	2.
MCC Welsh Church Funding Accounts 2017/18	3.
Annual Governance Statement	Mark Howcroft/Jon Davies
Review of Reserves Outturn	Andrew Wathan
Internal Audit Outturn Report 2017/18	Mark Howcroft
Internal Audit Plan 2018/19	Andrew Wathan
Shadow Board Recruitment for the ADM	Cath Fallon
13TH SEPTEMBER 2018	
<i>Deadline for finalised reports to Cheryl – 3rd Sept</i>	
<i>Finalised reports to Committee Section - 4th Sept</i>	
Audited Statement of Accounts	Mark Howcroft
ISA 260 response to accounts	WAO/Mark Howcroft
Internal Audit Progress report 2018/19 quarter 1	Andrew Wathan
Review of Reserves Period 1	Mark Howcroft
Public Sector Internal Audit Standards (PSIAS) External Review 2018	Andrew Wathan
Annual Improvement report 2017-18	WAO
Aligning the Levers of Change	WAO
Overview & Scrutiny: Fit for the Future	WAO
8TH NOVEMBER 2018	
<i>Deadline for finalised reports to Cheryl - mid day 29th October 2018</i>	
<i>Finalised reports to Committee Section- end of day 29th October 2018</i>	
CPR Exemptions 6 monthly update	Andrew Wathan
Half Yearly Treasury Compliance Monitoring	Jon Davies/Lesley Russell
Internal Audit Progress report 2018-19 - quarter 2	Andrew Wathan
Overview of Performance Management arrangements	Richard Jones

WAO Proposals for Improvement Progress report	Richard Jones
20TH DECEMBER 2018	
<i>Deadline for finalised reports to Cheryl -</i>	
<i>Finalised reports to Committee Section</i>	

31ST JANUARY 2018	
<i>Deadline for finalised reports to Cheryl –</i>	
<i>Finalised reports to Committee Section</i>	
Annual Whole Authority complaints	Annette Evans
Audited Trust funds accounts (Welsh Church Funds & Mon Farms)	Dave Jarrett/Nikki Wellington
ISA 260 or equivalent for Trust Funds	WAO
Treasury Strategy 2019-20	Jon Davies/Lesley Russell
Unsatisfactory Internal Audit Opinions	Andrew Wathan
Strategic Risk Assessment	Richard Jones
Review of Reserves - period 2	Mark Howcroft

14TH MARCH 2019	
<i>Deadline for finalised reports to Cheryl –</i>	
<i>Finalised reports to Committee Section –</i>	
Joint Progress report - Statement of Accounts Refinements	Mark Howcroft & WAO
Internal Audit Progress report 2018/19 quarter 3	Andrew Wathan
Internal Audit Draft Plan 2019/20	Andrew Wathan

2ND MAY 2019	
<i>Deadline for finalised reports to Cheryl –</i>	
<i>Finalised reports to Committee Section -</i>	
Draft Annual Governance Statement 2018/19	Andrew Wathan
Implementation of Audit Recommendations	Andrew Wathan
CPR Exemptions 6 monthly	Andrew Wathan

Jun-19	
<i>Deadline for finalised reports to Cheryl –</i>	
<i>Finalised reports to Committee Section</i>	
Review of Reserves outturn	Mark Howcroft

This page is intentionally left blank